ELEMENTS OF MARKETING

UNIT-I

1.0 INTRODUCTION

Marketing has been gaining a predominant role with the advent of mass production and globalisation of economic activity. The manager today needs a thorough knowledge of marketing to perform their functions in an effective manner. Marketing establishes a vital link between an organisation and its consumers.

1.1 NATURE AND SCOPE OF MARKETING

Marketing is a human activity directed at satisfying needs and wants through exchange processes. Marketing includes such activities as product development, marketing research, communication, pricing, promotion and service apart from selling.

Marketing originates with the recognition of a need on the part of a consumer and terminates with the satisfaction of that need by the delivery of a usable product at the right time, at the right place and at an acceptable price.

Marketing is so basic that it cannot be considered a separate function. It is really the whole business seen from the point of view of the final result, i.e., from the point of view of the customer.

Marketing is a view point which looks at the entire business process as a highly integrated effort to discover, create, arouse and satisfy consumer needs.

Marketing is a delivery of a standard of living to society.

1.2 IMPORTANCE OF MARKETING

The new managerial awareness and desire reflected in the consumer orientation for an all-out commitment to the market consideration.

The importance of marketing is being realised by Indian business houses.

The most interesting fact about this concept is that the organisation concerned is not the only beneficiary when a firm practices the marketing concept. The concept simultaneously benefits the organisation that practices it, the consumer at whom it is aimed and the society at large.

THE CONCEPT BENEFITS THE ORGANISATION

The practice of the concept brings substantial benefits to the organisation that practices it. For example, the concept enables the organisation to keep abreast of changes. An organisation practicing the concept keeps feeling the pulse of the market though continuous marketing audit, market research and consumer testing. It is quick to respond to changes in buyer behaviour it rectifies any draw back in its products; it gives great importance to planning, research and innovation and its decisions are no longer based on hunch, but on reliable data relating to the consumers. It does not necessarily stick to one product line; it may diversify and come out with new and improved products or enter totally new areas of business. All these responses, in the long run, prove extremely beneficial to the firm. The base of consumer satisfaction guarantees long term financial success.

THE CONCEPT BENEFITS THE CONSUMER

The consumer is infact the major beneficiary of the marketing concept. The attempts of various competing firms to satisfy the consumer put him in an enviable position. The concept prompts the producers to constantly improve their products and to launch totally new products as often as possible; it also prompts them to go in for changes in their business practices. All this results in solid benefits to the consumer low price, better quality, improved new products and ready stocks at convenient locations. The consumer can choose, he can bargain, he can complain and his complaint will always be attended to. He can buy on credit, cash or on installments. He can even return the goods if not satisfied with it. When corporations take to the marketing concept, their business practices change in favour of the consumer.

THE CONCEPT BENEFITS THE SOCIETY

When more and more corporations resort to the marketing concept, the society in to benefits. The concept guarantees that only products that are required by the consumers are produced and thereby it ensures that the society's economic resources are channelised in the right direction. It also makes economic planning more meaningful and more relevant to the life of the people.

1.3 MEANING OF MARKETING

Marketing has come to mean many things. We observe that house-wives, who return home after buying vegetables and provisions, state that they have just finished marketing activity.

Salesman, who sell the products of their employers by booking orders from the different merchants also refer to their work as marketing. Thus, buying and booking of orders are both referred to as marketing. To understand the meaning of the term Marketing, let us consider a few definitions.

- According to the American Marketing Association,

Marketing as the "performance of business activities that directs the flow of goods and services from producer to consumer or user".

The business activities that enable the producer to get in touch with the users, cover a host of things. The products have to be developed transported, stored and distributed to the traders or retailers before the user/consumer is contacted. Human needs and wants give rise to the concept of goods and services as products. Hence, marketing activities will have to include the collection of information about the consumers wants, desires, incomes and sources of influences over him.

- According to William J. Stanton,

Marketing as "a total system of business activities designed to plan, price, promote and distribute want satisfying goods and services to the present and potential customers".

- According to Marting L. Bell's,

Marketing as "the management task of strategically planning, directing and controlling the application of enterprise effot to profit making programmes which provide customer satisfaction - a task which involves the integration of all business activities into a unified system of action".

- According to Philip Kotler,

Marketing as "a human activity directed to satisfying process".

The above definitions provide us an idea on the nature of marketing. The features in the above definitions are that marketing,

a) is an exchange process.
b) covers a variety of functions to be carried out in an integrated manner, and
c) is directed to satisfy the needs/desires/wants of the consumer.

1.4 EVOLUTION OF MARKETING

There are different stages in the development of marketing.

STATE OF SELF-SUFFICIENCY

In this stage small families as production units aimed at self-sufficiency and they met all their own need for food, clothing and shelter.

STAGE OF PRIMITIVE COMMUNISM

In this stage the custom was that one who had more than others was to share his surplus with all others till every one had equal quantity. In a few societies, the person had no personal right to his acquisition. It had to be divided among the people in his village. In these two stages there was no exchange and hence no marketing.

BARTERING STAGE

In this stage a family or village could not meet all its needs and therefore had to take the surplus of what it produced in excess of its needs and entered into a bartering relationship with others. Thus, trade commenced due to the production of surplus. This necessiated a search of such people who had surpluses and who desired to exchange them for what the "searchers" had and than negotiations between the two parties started.

MONEY ECONOMY STAGE

The emergence of money, a common medium of exchange, quickened the pace of trade. It gave a durable base for operation of local markets. In this stage, every product is being valued in the terms of money.

STAGE OF CAPITALISM

In the stage of early capitalism where production began not only for meeting the own and family needs but also for making profit. This gave the way for production centers and employment of people to facilitate the distribution of goods produced. The knowledge of marketing helps in understanding consumer needs, optimum utilisation of all resources, providing the most suitable product to consumer leading to better standard of living and economic growth.

MASS PRODUCTION STAGE

It was a result of development in population and improvement in transportation and communication. Large cities get formed. Increased use of capital equipment in jobs, availability and flow of funds through banks and a professional management spurred the growth of large scale enterprises.

AFFLUENT SOCIETY STAGE

In this stage some sections of the people have surpluses of money over their basic needs. Goods and services, which meet their psychological, cultural, social desires and wants are needed. A study has to be made about these wants of the different segments of the people. This makes necessary to collect market information and conduct market research, so that the goods produced will meet the requirements of the consumers.

Marketing included earlier searching and negotiation in the stages of barter and local markets. Later at the stage of early capitalism, it included distribution to centres of consumption in other towns or areas. Mass production stage, saw the growing importance of branding, packaging and advertising. In affluent society steps are taken to interpret consumer's desires and producing goods that will satisfy these desires.

The marketing functions increase according to the stages of development through which a country passes. The orientation of trade, which is traditional in the beginning, becomes international when the economy becomes fully commercial.

Thus, marketing has been growing to include a number of marketers, processes or practices.

1.5 MARKETING PROCESS

The maintenance of the stability in demand for products – a marketing process began attracting the attention.

Branding, packaging and advertising are some of the marketing processes that were used by the producers or distributors for identifying their product. We will know about it in detail in the coming units.

1. 6. DIFFERENCE BETWEEN MARKETING AND SELLING

Selling is process where goods and services finally flow to the customers who need them in exchange of money. The firm also performs its functions of creating a customer and meet his needs and requirements.

Selling focuses on the needs of seller, marketing on the needs of consumer. Selling means moving products, while marketing means obtaining customers. Very often these two terms selling and marketing are synonymously used but they actually differ in their meaning.

The difference between selling and marketing may be as follows.

	SELLING		MARKETING
1.	It focuses on the needs of the seller	1.	It focuses on the needs of the purchaser.
2.	It refers to moving the products from outlets.	2.	It refers to obtaining the customers to move the goods.
3.	It gives supreme importance to the product.	3.	It gives unique importance to the customer.
4.	It emphasizes on corporate objectives.	4.	It emphasizes on customer satisfaction.
5.	It aims at short-term objectives, as it is only a tactical and routine activity.	5.	It aims at long-term objective as it has philosophical and strategic implications.
6.	It aims at customer-oriented selling efforts.	6.	It aims at market oriented selling efforts.
7.	It aims at selling the goods which are already produced through intensive promotion at a profit.	7.	It forecasts the customer demand to undertake the production activity.
8.	It gives top priority to sales volume and maximisation of profits.	8.	It gives top priority to profitable volume of sales and market share at fair and reasonable prices.
9.	Selling activities are organised and directed by marketing department.	9.	Marketing policies and strategies are directed by the top management.

Thus, selling is an important function of marketing and includes all the activities such as sales planning, sales forecast, sales research, advertising, personal selling, sales promotion etc. But, marketing is wide in its meaning and includes selling also.

1.7. CONTRIBUTION OF MARKETING TO THE SOCIETY

Marketing in under developed and developing countries has been rightly explained by Peter F. Druker. He says “Marketing occupies a critical role in respect of the development of developing nations”. It contributes for the speedy development of such nations in the following ways.

i) Development of marketing leads to integration of various sectors of the nation such as agriculture and industry.
ii) It makes the fullest utilisation of resources and production capacities.
iii) It mobilises unknown and untapped economic energy
iv) It contributes to the development of entrepreneur and managerial class of people.

The contribution of marketing in socio-economic system can be summarised as follows:

1. National Income:

The nation’s money is composed not of money, but of the goods and services which money can buy. Any increase in efficiency of the marketing process results in lower costs of distribution and lower prices to consumers. This brings an increase in the national income.

2. Distribution Cost:

Marketing aims at reducing the cost of distribution to the extent possible, to make it available to the consumers at reasonable price. It increases the consumption and profits of the firm. Hence, the shareholders may also get better share in profits. A part of the profit may also be utilised for further research work, for labour saving devices or for innovating new manufacturing techniques. Thus, the society is benefited in the long run.

3. Production and Consumption:

Marketing Process links the production and consumption. It brings new varieties, quality and beneficial goods to consumers from the manufacturing centres. A wealth of merchandise can be purchased at retail stores which were not available previously. It, thus, provides the connecting link between production and consumption and avoids the scarcity of goods.

4. Business Slumps:

Scientific marketing has a stabilizing effect on the price level. Producers produce what consumers want and consumers have a wide choice of products, there are no frequent ups and downs in prices. A sound marketing system gives protection against business slump by discovering new markets, reducing cost of distribution, making it consumer oriented, diversifying and improving the product, extending after sales service etc.

5. Transmutation:

The existence of a market and the specialists engaged in performing marketing functions are helpful in creating form utility to the latent resources to suit the requirements of consumers. Thus, the consumer needs can be satisfied by the marketer.

6. Productive Efficiency:

The information about the use of machinery and freely after sales services makes the farmers aware of the latest development and helps them in improving their productive efficiency.

7. Imbalance in supplies:

Scientific marketing remedies the imbalance in the supply by making available the surplus stocks at deficit areas. Through better provision of transport facilities and storage, market develops the trade in perishable goods, most of which at present go to waste.

8. Value of goods:

Place utility is created when a product is made readily accessible to the potential consumer. Time utility is created when a product is available to customers when they want it. Possession utility is created when a customer buys the product i.e., the ownership title is transferred to the buyer.

9. Value of Service:

Marketing adds value to the services e.g., business, medical, entertainment and educational services by performing the services involved.

10. Patterns of Consumption:

Patterns of consumption are determined by the structure of marketing system which is set up to carry the flow of goods and services from producer to consumers. The value added to the goods and services through performance of marketing activities also explains the pattern of consumption.

11. Employment Opportunities:

Marketing is essential for full employment. In order to have continues. Production, there must be continuous marketing and high level of business activity to be continued. The continuous marketing activity is required for performing various marketing functions such as buying, selling, transportation, warehousing, financing, risk bearing, etc. Each function has countless job openings. It is a continuouss source of employment and provides livelihood to a number of unemployed persons.

12. Living Standards :

Marketing helps in increasing the standard of living of the people. It is logical that a reduction in the per unit cost of distribution of goods and services to the society would result in a higher standard of living.

13. Expansion of Home Market :

Marketing can serve to expand the home market and thus provide a more secure base for export. When a country is self sufficient and is in a position to go for exports, it results in favourable balance of trade. It is an indicator of economic development of a country.

SUMMARY

Marketing is a human activity directed at satisfying needs and wants through exchange processes. Marketing includes such activities as product development, marketing research, communication, pricing, promotion and service apart from selling.

The importance of marketing is being realised by Indian business houses. The concept simultaneously benefits the organisation that practices it, the consumer at whom it is aimed and the society at large.

There are several definitions of the term marketing. The American Marketing Association has defined the marketing as "the performance of business activities that directs the flow of goods and services from producer to consumer or user". The features of the marketing through analysing the definitions state that,

i) it is an exchange process
ii) it covers a variety of functions to be carried out in an integrated manner and,
iii) it is directed to satisfy the needs of the consumer.

There are different stages in the development of marketing.

In the self sufficiency stage, the families aimed at self-sufficiency and they met all their own need for food, clothing and shelter. In the primitive communism stage, the custom was that one who had more than others was to share his surplus with all others till every one had equal quantity. In the Bartering stage, the trade commenced due to the production of surplus i.e., in excess of its needs and entered into a bartering relationship with others by the exchange of desired goods under the money economy stage, the product is being valued in the terms of money with a common medium of exchange, quickened the pace of trade.

In the stage of capitalism, the production began not only for meeting the own and family needs but also for making profit. Mass production stage was a result of development in population and improvement in transportation and communication with the increase use of capital equipment etc. In the affluent society stage, some sections of the people have surplus of money over their basic needs. Goods and services, which meet their psychological, cultural, social desires and wants are needed. This makes necessary to collect market information and conduct market research.

The maintenance of the stability in demand for products – a marketing process began attracting the attention. Branding, packaging and advertising are some of the marketing processes that were used by the producers of distributors for identifying their product.

Selling is a process where goods and services finally flow to the customers who need them in exchange of money. Selling focuses on the needs of seller, marketing on the needs of consumer. Thus, there is a difference between the selling and the marketing.

Selling is an important function of marketing and includes all the activities such as sales planning, sales forecast, sales research, advertising, personal selling, sales promotion etc. But marketing is wide in its meaning and includes selling also.

Peter F. Drucker say that "marketing occupies a critical role in respect of the development of developing nations". It contributes for the speedy development of such nations in socio-economic system, such as

1) It brings an increase in the National Income.
2) It reduces the cost of distribution to the extent possible.
3) Marketing process links the production and consumption.
4) It protects against Business slumps by discovering new markets etc.
5) It creates form utility to the latent resources to suit the requirements of consumers.
6) Marketing helps in improving the productive efficiency.
7) Scientific marketing remedies the imbalance in the supply by making available the surplus stocks at deficit areas.
8) Place utility is created when a product is made readily accessible to the potential consumer. Time utility is created when a product is available to customers when they want it.
9) Marketing adds value to the services.
10) Patterns of consumption are determined by the structure of marketing system which is set up to carry the flow of goods and services from producer to consumer.
11) Marketing is essential for full employment.
12) Marketing helps in increasing the standards of living of the people.
13) Marketing can serve to expand the house market and thus provide a more secure base for export.

QUESTIONS

1. Define marketing. State its features.

2. State the importance of marketing.

3. What are the different stages in the development of marketing ?

4. Differentiate between the selling and marketing.

5. How, “marketing occupies a critical role in respect of the development of developing nations” ?

6. Explain the nature and scope of marketing.

7. Briefly explain the Evolution of marketing.

8. Briefly explain the various concepts of marketing.

9. Explain the contribution of marketing to the society.

UNIT – II

2.0 Marketing Functions

All business organisations perform two basic operating functions i.e., they produce a product or a service and they market it. Production and marketing are important factors in the economic life of all marketing economies. All efforts put in the varied and complex processes of production are undertaken to satisfy human wants. Unless, this ultimate objective of all economic activities is achieved, production will remain meaningless to the community. This objective is achieved through the process of bringing goods from the manufacturer to the consumers. Several steps are involved in this journey of goods which enable the goods to reach the hands of consumers. All the steps and functions which make the flow of goods from manufacturer to ultimate consumers are very important for the success of all economic activities.

Specialised activities or operations which are performed in the marketing of goods and services are called marketing functions. Marketing function is a homogeneous group of activities which help in the flow of goods from the manufacturer to the consumer.

Marketing functions have been classified by different marketing experts in different ways. But, the most acceptable and meaningful classification is given by clark and clark which is shown in the following chart.

2.1 MARKETING FUNCTIONS

Function of exchange	Functions of physical supply	Facilitating functions
1. Buying	1. Transportation	1. Financing
2. Selling	2. Storage	2. Risk-taking
3. Pricing		3.Marketing information
4. Advertising		4. Marketing Research
5. Sales promotion		5. Standardisation and grading
		6. Packaging
		7. Branding

From a theoretical point of view, this classification enjoys maximum acceptance. It is because of all the essential functions of marketing are included in this classification and this given us an overall picture of the whole area of the marketing.

The various functions of marketing according to the syllabus are briefly discussed below.

2.2 Concentration

Marketing has to concentrate on the “consumers need”, before its production.

2.3 Dispersion

Marketing which helps to reach the products from the manufacturing stage to the stage of the end use of the consumers.

2.4 Equalisation

Marketing which functions as to equalise the production with that of the demand by the consumers.

2.5 Buying and Selling

It is one of the function of the equation ‘Exchange’. It requires planning of purchases, search for the sellers, selection of goods to be bought, assembling of goods in right quantity, quality at the right place and time at the right price. In a formal exchange, the buyer has to negotiate terms of purchase and enter into a contract of purchase.

Selling is an important function from the point of view of the seller as well as the consumer. It is the first function of the equation “Exchange”. Selling creates demand for a product. Selling function involves product planning and development, finding out or locating the buyers, negotiation of terms of sale such as price, quantity, quality, date of delivery etc. and sale contract leading to transfer of title and possession of goods.

2.6 Transportation & Storage

Transportation is the physical means whereby goods are moved from point of production to the place where they are required for consumption. A good system of transportation increases the value of goods by creation of place utility. Different modes of transportation like bullock cart, trucks, bus, train, aeroplane, ships etc. can be used for the movement of goods. However, the pros and cons of using each mode should be carefully analysed before selecting the appropriate mode.

Storage function provides time utility by holding and preserving products and delivering them according to the requirements of market. If the product is seasonal and demand is stable, storage becomes essential. Storage is provided by manufacturer, middlemen or public agencies. The period of storage and mode of storage varies according to the nature of product.

2.7 Standardisation and Grading

Standardisation refers to determine the basic limits to different classes of products i.e., to establish standards for different grades of a product. Standard is a list of specifications based on size, colour, appearance, strength, shape, amount of moisture, taste, etc.

Standardisation plays an important role in the marketing of agricultural goods. It helps purchasers to buy products easily on the basis of recognised standards with confidence.

Grading refers to sorting of products into different lots each of which has substantially same characteristics with respect to quality. Grading helps in selling through description rather than personal verification. It also helps the buyers to select the most suitable product for their use.

2.8 Financing

Financing is the life blood of commerce. Value of goods is expressed in money and it is denoted by price to be paid by a buyer to a seller. Without finance, the whole marketing activity may come to a stand still. Therefore, for exchange of goods and services and for any other marketing activities finance is a vital aspect. The finance for marketing can be obtained from various sources such as banks, financial institutions, individuals, etc. The extent of availability of finance depends on banking policy, credit policy, availability of money from private sources etc.

2.9 Risk Management and Insurance

One of the important functions of marketing management is risk bearing. In any marketing activity uncertainity is bound to exist. This uncertainity may result in the form of either loss or profit. The unpredictable nature of the consumers, changing fashions, increasing competition and increasing costs of production have led to the concept, “Risk-bearing”.

All these uncertainities have to be faced in the marketing activity by any producer or entrepreneur. Some of the risks may be avoided by taking insurance coverage.

2.10 Marketing Information and Promotion

Marketing information is a vital resource in business for taking marketing decisions. Information has to be collected, processed and interpreted. Decisions are based on facts and figures. Marketing executives are expected to know the trends in market demand, supply, prices and related market information. If the company is equipped with latest market information, risk of loss can be reduced in marketing, in pricing, in forecasting demand and in facing competition in the market. Securing and using market information is a mark of good marketing management. Modern means of communications such as computer based marketing information system can be adopted for adequate, up-to-date, reliable and timely information.

Sales promotion refers to all those marketing activities, other than advertising, personal selling and publicity that stimulate consumer purchasing and dealer effectiveness. Sales promotion techniques are indirect and non-personal consumer promotional activities may be in home promotional schemes such as samples, demonstration, coupons, contests, etc., or in store promotional schemes such as temporary price reduction, premium offers, demonstration etc. Dealers promotional activities include discount on purchases, display and advertisement allowance, prizes, gifts, etc.

SUMMARY

Production and marketing are important factors in the economic life of all marketing economies. All the steps and functions which make the flow of goods from manufacturer to ultimate consumers are very important for the success of all economic activities.

Specialised activities or operations which are performed in the marketing of goods and services are called marketing functions.

Marketing function is a homogeneous group of activities which help in the flow of goods from the manufacturer to the consumer.

Marketing functions have been classified by different marketing experts in different ways.

The various marketing functions are :

1. Buying and Selling
2. Transportation & Storage
3. Standardisation and Grading
4. Financing
5. Risk management and Insurance
6. Marketing information and promotion.

QUESTIONS

1. "Production and marketing are important factors in the economic life of all marketing economies" – explain.

2. Explain the different functions of marketing.

3. Briefly explain.

   i) Standardisation and Grading
   ii) Financing
   iii) Risk management and Insurance
   iv) Marketing information and Promotion
   v) Buying and Selling
   vi) Transportation and Storage

UNIT-III

3.0 SELLING

Many companies follow another marketing management philosophy known as “Selling Concept” or “Sales Concept”.

The selling concept holds that the consumers will not buy enough of the products unless the manufacturing organisation undertakes a substantial selling and promotion effort.

3.1 MEANING AND IMPORTANCE

The selling concept is common among those companies and orgnisations which sell “unsought goods” that require aggressive selling efforts such as encyclopedias, health insurance policies and other products which the buyers normally do not think of buying themselves. Non-profit organisations, religions, social, educational and cultural institutions and associations also practice the selling concept for raising funds and collecting donations.

The selling concept is useful for the manufacturers with unutilised production capacity and for those marketers who are operating in a buyers market where the supply of a product exceeds its demand. Such manufacturers and marketers aim at selling what they can make, rather than making new things that can sell. In the industrially advanced and rich countries huge productive capacity has been created and the markets are flooded with varieties of products and the sellers have to strive hard for selling their goods. They adopt hard selling and aggressive salesmanship accompanied by intensive advertising through the media of television, radio and press. As such, marketing is identified with hard selling, intensive and aggressive sales promotion and advertising and most of the people think that selling is the most important part of marketing.

But, in reality selling is only a small part of market and is not so essential. In the words of Peter Drucker “there will always be one can assume the need for selling. But, the aim of marketing is to make selling superfluous. The aim of marketing is to know and underestand the customer as well that the product or service that fits him, sells itself”.

In order to be a successful marketer, one has to identify consumer needs through marketing research, develop appropriate products, price them reasonably, make proper distribution arrangements and promote them effectively. Then his products will sell easily in the market.

The sellers who try to sell their product by hook or crook through aggressive selling assume very high risks. The customers who are persuaded by such sellers to buy produce which do not serve their purpose will badly tell about the product to their friends or neighbours and some of them may even complain to consumer organisations. The sellers will be in trouble and their future sales will be adversely affected.

According to Prof.T.Levilt in his article entitled "Marketing Myopia", in which he has stated – "selling focusses on the needs of the seller, marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash, marketing with the idea of satisfying the needs of the customers by means of the product and the whole cluster of things associated with creating, delivering and finally consuming it. Selling aims at profit through sales volume; marketing aims at profit through servicing customer demand".

3.2 CHARACTERISTICS OF INDIAN MARKETING

Indian Market represents a dichotomy in its character. There are two end markets.

1) Urban Market
2) Rural Market.

This classification serves the purpose of understanding the market and helps in developing a differential approach to the market. The urban markets are evolving with more and more consumers preferring for greater variety of products, better shopping environment, pleasant surroundings and easy access to the market. Rural markets present a different picture. They are wide spread, scattered, in-accessible and may be the markets are seasonal because of the occupational pattern. Company's experience a great deal of difficulty in reaching the rural market. Transportation is the major problem.

Rural markets can be further divided into,

1) Market for Agricultural Products and
2) Market for Consumer Products.

In the recent times, technology and economic policy of the country are influencing the nature of Indian markets. Liberalised economic policy of the Government has resulted in the entry of more and more Multinational Companies with the higher level of technology and more financial resources creating a competitive spurt in the market. A shift is clearly visible in Indian Market from product focus to consumer focus.

3.3 PRODUCT PLANNING AND DEVELOPMENT

Developing ideas for new product and introducing them in the market from time to time is an essential and challenging job of the marketing management of a company. The existing products become old and out-dated due to the changes in the technology and the customers needs, tastes and preferences. Therefore, a company has to replace them with new products.

New product may mean many thing, e.g. original products, product improvements, product modifications and new brands developed by a company through its own Research and Development (R&D) activities.

Prof. William J.Stanton states that new products can be classified into three categories.

1. products that are really innovative and truly unique, for which there is real need for which no existing substitutes are considered satisfactory, e.g., a hair restorer or a cancer cure;
2. replacements for existing products that are significantly different from the existing products, e.g., instant coffee replacing ground coffee and clothing of new fashion introduced every year, and
3. initiative roducts that are new to a particular firm but not new to the market e.g., different brands of T.V. sets coming into the market now.

The American marketing consultants Booz Allen and Hamilton have identified six categories of new products in terms of their newness to the company and to the market place.

1. new to the world product that create an entirely new market.
2. new product lines that allow a company to enter an established market for the first time.
3. additions to the existing product lines that supplement a components established product lines.
4. improvements in or revisions to existing products that provide improves performance or greater perceived value and replace existing products.
5. repositioning that are targeted to new markets or market segments, and
6. cost reductions that provide similar performance at lower cost

Usually, the companies pursue a mixture of the various categories of new products. Each separate category of new products may require a quite different marketing programme to ensure a reasonable probability of market success, for which an effective product planning is also to be required to this effect.

Need for new product development

Planning for new products and development of new products is very important for a company. The companies tht do not develop new products in the present day markets, which are becoming more and more competative, assume great risk and uncertainity. Such companies will find their products falling victim to changing consumer needs and taste, new technologies, shortened product life cycles, and increased domestic and foreign competition.

The important reasons for a company to have an effective programme in new product planning and development are as follows :

Products have life cycles

A product has a life cycle like a man and goes through its different stages viz., introduction, growth, maturity and decline. The sale volumes of a product increase initially, reach a plateau and ultimately decline. Product innovation and new product development is very important for a company, why because,

i) a company's existing products become obsolete and must be changed or replaced as their sales volume as well as market shares are reduced by competitive products,

ii) the profits from a product generally decline as it ages.

Product is a basic profit determinant

The profitability of any product is bound to fall in the last stage of its life cycle. Hence, the introduction of a new product at the proper time helps to maintain the company's desired level of profits.

New products are essential to growth

In modern competitive markets characterized by fast technological changes and developments, the watchword for the management of a company should be "innovate or die". Development of new products is a must for a company that wants to grow.

Choosy customers

Today's consumer has become not only choosy but also more critical in his appraisal of the products that he buys and looks for new and better products.

Resources and environmental considerations

The shortages of various raw materials in the world have caused a lot of problems for the companies that have now realized that the supply of many natural resources is listed and irreplaceable. Careful product planning and development has become essential of new products that make less use of scarce resources.

Two aspects are essential for successful new product development and its profitable marketing.

i) proper organisational arrangements for it, and
ii) skillful handling of each step involved in the process of new product development.

Organisational arrangements for new product development

A company can establish the organisational structure for new product development in various ways. New product development work may be entrusted to the product manager or new product managers. Alternatively, the company may set up a high level management committee for reviewing new product proposals and approving new product plans. Large companies may have a new product development department headed by a manager having adequate authority and direct access to the top management. A company can also form a new product venture team by bringing together a group of managers from different operating departments. The members of the group may be charged with the duty of bringing a specific product or business into being. Each of these organisational arrangements can be more effective under some circumstances and less effective under others.

In order to be successful a company must make a consistent commitment of its resources to new product development, design a new product strategy linked to its strategic planning process and establish a formal mechanism for managing the new product development process.

Stages in new product development process

1) Idea generation :

The actual process for developing a new product starts with the search for ideas for that product which can be derived from a number of sources such as customers, scientists and technologists, competitors, company's sales force and dealers, top management of the company, inventors, patentees, universities, commercial and research laboratories (like the Regional Research Laboratories), industrial consultants, advertising agencies, marketing research firms and industrial journals and publications. A company should tap these sources to the maximum possible extent for obtaining useful ideas for new products.

2) Idea Screening:

The ideas generated or screened and their number is reduced by dropping the poor ideas early to avoid high product development costs on them at the later stages. The concerned managers of a company should be careful at this stage, and should not commit the “go-error” by permitting a poor idea to move into development and commercializations, and “drop-error” by dismissing or dropping out an otherwise good idea.

3) Concept development and testing :

In this stage, the ideas that pass through the screening stage are developed into product concepts.

For example, a food processing company gets the idea of producing a power to add to milk to increase its nutritional value and taste. In such case, the company has to put questions on the powder may be meant for infants, children, teenagers, young or middle aged adults or old people, may have the taste nutrition, refreshment and energy benefits and may be taken at the time of breakfast, lunch or dinner. The company can by asking these questions, form many product concepts, such as an instant breakfast drink for adults looking for a quick nutritional breakfast, a tasty snack drink as a mid-day refreshment, or health supplement for old people in the night before going to bed.

A product concept has got to be properly positioned against other product concepts competiting with it as well as against existing brands of product in its own category. The company, therefore has to take decision in this regard. Further, the concept has go to be tested with an appropriate group of target consumers whose reactions to it have to be found out by asking them appropriate questions. The answers to such questions will help the company determine which concept is the most appealing one.

4) Marketing strategy development :

In this stage, a preliminary marketing strategy for the new product, stating the size, structure and behaviour of the target markets, the planned product positioning and sales, market share and initial profit goals, the products planned price, distribution strategy, marketing budget, planned long run sales and profit goals and marketing mix strategy over time has got to be developed.

5) Business Analysis :

Under this stage, the management of the company has to review their sales, costs, and profits estimates, in order to evaluate the business attractiveness of the proposed products and determine whether they satisfy the company's objectives. If the business analysis reveals that a product concept is attractive enough, it can move to the product development stage.

6) Product development:

Under this stage, that involves increased investment and determines whether the product idea can be translated into a technically feasible and commercially viable product. The R & D department of the company develops one or more physical versions of the product concept with a view to find a prototype that is perceived by the consumers as embodying the key attributes mentioned in the product concept statement.

7) Market Testing :

Market testing enables the management of a company to know as to how consumers and dealers react to handling, using and purchasing the actual product and what is the size of the marketing for the new product that the company is developing under this stage, it is fit for being dressed up with name, packaging, and a preliminary marketing programme to test it in more authentic consumer sittings and real market situation.

8) Commercialization :

If the information gathered by the management of company after market testing is encouraging and indicative of better prospects and satisfactory sales and profit potentials of the new products, the company may proceed to the new product development process i.e. commercialization.

Under this stage, four important decisions are required to be taken.

i) decision regarding the timing of the launching of the product.
ii) decision regarding the geographical area where the product is to be launched - single locality, a region, several regions, the national market or the international market.
iii) decision regarding the prime prospectus to whom to target the distribution and promotion, and
iv) decision regarding the introductory market strategy involving the development of an action plan for introducing the new product into the target markets and allocation of the marketing budget among the different components of the marketing mix and sequencing of the various activities.

3.4 CONSUMERISM

Consumerism is an organised movement of the citizens and powers of buyers in relation to sellers. It is the demand that marketers must pay greater attention to consumer desires while making their decisions. It is a protest against malpractices or abuses in the marketing system. It is also viewed as a part of a broader movement sucking increased social responsibility in the various sector of society.

William D. Stanton defines "consumerism" as both (i) a consumer protest against the perceived injustices in exchange relationships and (ii) efforts to remedy those injustices.

R.H.Bushikirk and J.T.Rothe define consumerism as "the organised efforts of consumers seeking redress, restitution and remedy for dissatisfaction they have accumulated in the acquisition of their standard of living".

Philip Kotler, defines consumerism as "a social movement seeking to augment the rights and powers of buyers in relation to sellers".

It can be said from the above definitions that consumerism is a growing social force which makes consumers to be aware of their rights. These rights are protected by

i) educating the consumers and mobilising them to fight for their rights

ii) exerting pressure on the government to protect the consumer interests by guaranteeing their legitimate rights and

iii) making the business more honest and responsible.

Consumerism is concerned with reality in advertising, safety and quality ingredients and full and reliable labelling. This movement makes the marketers to think how good the product is made and how much faithfully it can be represented to the consumers. It involves a set of policies aiming at regulating the products or services, methods and standards of manufacturers, sellers and advertisers in the interests of buyers. The primary aim of consumerism is to monitor the exchange system so as to improve the quality of life of an individual in particular and the public large in general.

Consumer movement in India :

Consumer exploitation is the main force which drove for the consumer movement in India. This movement may be described as the collective power of consumers to take a country forward with respect to awaareness, education and development. Consumer rights can be protected by voluntary associations as well as by legislative action by Government.

The world consumer movement gained momentum only about three and half decades ago. The credit for laying the foundation for the world consumer movement goes to Ralph Nader of the U.S. It was his relentless efforts that gave birth to many consumer societies in the United States.

The co-operative consumer movement was started in 1904 in India. The focus of this movement was only on distribution of goods rather than on the welfare of consumer.

Inspired by the Consumer Rights Bill passed on 15th March, 1962 by the American President John F Kennedey, it was in April, 1966, nine house wives and social workers got together and formed the Consumer guidance Society of India (CGSI) in Mumbai, so as to protect the interests of consumers. It conducted tests on various food stuffs for adulteration and consumer products for substandard performance. This society has been successful in getting thousands of compalints redressed on their own.

The important function of Consumer Guidance Society of India is to impart consumer education. For this purpose, surveys, talks, seminars, exhibitions and demonstrations are organised throughout the year on foods, drugs, weights and measures, quality marks etc., and publish them for public use.

During 1966, under the able leadership of late J.R.D. Tata and Late Rama Krishna Bajaj some progressive manufacturers and traderes came together and formed the Fair Trade Practices Association in Bombay. The main objects of this association are to codify existing trade practices and to set up an effective machinery for their implementation in an organised way so as to create public confidence in business community. However, all its activities are confined to metropolitan cities and its achievements are not satisfactory.

In 1974, Sri Bindu Madhav Joshi started Akhil Bharatiya Grahak Panchayat in Pune. This organisation organised consumer agitations successfully in Maharashtra.

Many consumer organisations have come up in almost all parts of the country from middle seventies. In 1978, the Consumer Education and Research Centre was set up in Ahmedabad. It is a public trust. In appropriate cases, this organisation files petitions, writs and complaints in the Supreme Court, the High Court, the Monopolies and Restrictive Trade Practices commission and the Consumer Dispute Redressal Agencies.

The other associations which are protecting the interest of consumers in India area,

i) Consumer unity and Trust Society – Colicata (Calcutta)
ii) Consumer Education Centre – Hyderabad and
iii) Karnataka Consumer Service Society - Bangalore

The second National convention that was held in New Delhi, 1991, gave rise to the formation of confederation of Indian consumers organisations (CICO). Thus, it was for the first time many of the consumer organisations came together to form a National Consumer Organisation. Today, it has got members from various states and has mustered enough consumer power to influence the Government to act in favour of consumers.

The consumer movement in India is backward due to,

1) Poverty
2) Mal nutrition
3) Lack of education
4) Poor organisation of consumers
5) Poor implementation of Laws

Consumer Protection Act, 1986

To protect the interests of consumers, the Government of India has brought many statutory regulations, ever since the independence.

1) The prevention of Food Adulteration Act of 1954
2) The Drugs and Cosmetics Act of 1940 – were made to provide safety to consumers
3) The essential commodities Act of 1955 – was brought for the control of production, supply and supply and prices of essential commodities.
4) Weights and Measures Act of 1958.
5) Monopolies and Restrictive Trade practices Act, 1969
6) The Water (prevention and control of pollution) Act of 1974.
7) The Environment Protection Act, 1986 etc. – were also made to protect the interests of consumers as well as the general public.

In the history of consumer movement in India, the enactment of consumer protection Act of 1986 (COPRA) is really a milestone. The Indian Parliament enacted this legislation in December, 1986. This act has facilitated for setting up of consumer protection councils at the centre and state level.

This Act extends to whole of India, except the state of Jammu & Kashmir. The Act covers all complaints with respect to goods, services and unfair trade practices.

The central consumer protection council or simply called central council and state consumer protection council or simply called state council shall play the role of promoting and protecting the following rights of the consumers.

i) the right to be protected against marketing of goods which are hazardous to life and property.
ii) the right to be informed about the quality, quantity, potency, purity, standard and price of goods to protect the consumer against unfair trade practices.
iii) the right to be assured, wherever possible, access to variety of goods at competitive prices
iv) the right to be heard and to be assured that consumers interest will receive due consideration at appropriate forums.
v) the right to seek redressal against unfair trade practices or unscrupulous exploitation of consumers.
vi) the right to consumer education.

The important features of this Act are :

i) The Act is applicable to enterprise falling in the categories of public sector, financial institutions and co-operative societies.
ii) The provisions mentioned in this act are in addition to the provisions that are there in other laws.
iii) The Act is a comprehensive legislation. Its main emphasis is on giving speedy redressal and compensation to consumers.

Machinery for settlement of Consumer Disputes at different levels are :-

1) A District forum in each district of every state.
2) A State Commission in each state.
3) A National Commission.

DISTRICT FORUM

The district forum consists of a person who is qualified to the judge of District court nominated by the State Government. He shall be its president. It also comprises two other members who shall have the knowledge of economics, law, commerce and industry and one of them shall be a woman.

The District forum is vested with necessary powers to redress consumer grievances with respect to unfair trade practices, defective goods and services up to a claim of Rs. 5 Lakhs. It acts as a consumer redressal machinery at the district level.

Powers of District Forum:

For the purpose of settlement of the consumer disputes under the act, the district forum has been vested with the same powers as are vested in a civil court under the code of Civil procedure, 1908 (5 of 1908) while trying a suit in respect of the following matters.

i) the summoning and enforcing attendance of any defendant or witness and examining the witness on oath.
ii) the discovery and production of any document or other material object producible as evidence.
iii) the reception of evidence on affidavits.
iv) the requisitioning of the report of the concerned analysis or test from the appropriate laboratory or from any other relevant source.
v) issuing of any commission for the examination of any witness and
vi) any other matter which may be prescribed.

The Forum has the power to require any person to furnish such books, accounts, documents or commodities as may be required for the purpose of examining them.

The Firm can also exercise the power of entry size and search of any premises. It shall issue an order to the opposite party (or seller) directing him to do one ore more of the following things where the District Forum is satisfied that the goods complained agaionst suffer from any of the defects specified in the complaint or the allegations contained in the complaint against the services are proved.

i) to remove the defects pointed out from the goods.
ii) to replace the goods with similar new goods.
iii) to return the price and charges paid by the complainant.
iv) to repay compensation to the consumer for any loss or injury suffered.
v) to remove deficiencies in the services.
vi) to discontinue the unfair trade practice or the restrictive trade practice or not to repeat it
vii) not to offer hazardous goods for sale
viii) to withdraw the hazardous from being offered for sale.
ix) to provide for adequate costs to parties.

State consumer protection council (state council)

The state commission is headed by a person who is a judge of High Court and two other members, who have adequate knowledge or have shown capacities in dealing with problems relating to economics, law, commerce, industry, public affairs etc., and one of the two shall be a woman.

The state commission can entertain consumers claims if the cost of goods and services for which the compensation claimed is more than Rs. 5 lakhs and upto Rs.20 lakhs.

Powers of State Commission

It is vested with the same power as those of District Forum with some modifications as may be applicable to the disposal of disputes by the state commission. It is the highest authority to settle the consumer disputes at the state level.

The state commission is empowered to call for the records and pass appropriate orders in any consumer dispute which is pending before or has been decided by any District Forum within the state, where it appear to the state commission that such District Forum has exercised a jurisdiction not vested in it by law or has failed to exercise a jurisdiction so vested or has acted in exercise of its jurisdiction illegally or with material irregularity.

Central consumer protection council (Central Council)

The National commission is the highest authority to settle the consumer disputes at the national level. It consists of President and four other members and all are appointed by the Central Government. The President is or has been a judge of Supreme Court. The persons who shall be appointed to be its members shall have adequate knowledge or shown capacity in dealing with problems relating to economics, law, commerce, industry, public affairs etc., and one of them shall be a woman.

The National Commission is vested with powers to award compensation for claims exceeding Rs. 20 lakhs.

Powers of National Commission

The National Commission has the powers similar to those of a civil court. It has the power to issue an order to the opposite party directing him to do any one or more of the directions mentioned under District Forum.

It is the highest authority to settle the consumer disputes in the country. Any person aggrieved by an order made by the State Commission in exercise of its powers, may appeal to the National Commission. Any person aggrieved by an order made by the National Commission may prefer an appeal against such order to the Supreme Court.

The sellers who failed to comply with the provisions of the Act, shall be imprisoned from one month to three years or with a fine of rupees two thousand to ten thousand or both.

3.5 CHARACTERISTICS OF CONSUMERS

Consumer characteristics with regard to consumerism are, may a time, hindering the progress of Consumerism in our country.

1) Illiteracy : Since majority of the consumers are illiterate it is difficult to raise their voice against the malpractice of traders.

2) Consumers are un-organised.

3) Consumers are indifferent. Consumers bother only themselves and do not take pains to approach the legal protection whenever there is a problem.

4) Consumers in urban places hardly have any time to participate in consumer protection activities.

3.6 INDUSTRIAL AND SERVICE MARKETS IN INDIA

India has achieved substantial industrial advancement. A solid industrial base has been created and considerable degree of diversification and sophistication has also been accomplished in this sector.

The growth has been particularly striking in segments like petroleum products, chemicals, metal products, electronics, electrical machinery, transport equipment and power generation.

In recent years Indian industry has also undergone a qulitative change in addition to the quantitative expansion. It has embraced the concepts of optimum sales of production, state of the art technology internationally comparable cost effectiveness and level of productivity.

Let us see the following major Indian industries

1. Steel Industry
2. Engineering Industry
3. Automobile Industry
4. Cement Industry
5. Textile Industry
6. Chemical Industry
7. Electronics Industry
8. Computers
9. Small scale Industry and Khadi and Village Industry

Steel Industry :

The Iron and Steel Industry of India registered commendable growth over the years. India is the fifth largest producer of iron ore in the world and the tenth largest producer of finished steel. Presently there are six large sized steel plants in India with a total capacity of more than 12 million tonnes and nearly 200 mini steel plants with a capacity of about 5.5 million tonnes. Saleable steel production is projected to touch 21 million tonnes by the year 2000. The Indian steel industry has also achieved a good degree of technological self reliance.

The Government deleted the steel industry from the list of industries reserved for the public sector and opened it upto private entrepreneurs with the new economic policy and liberalisation. The controls on prices and distribution of iron and steel, which were in operation since the second world war, were also removed. Steel import was also liberalised and customs duty on the import of steel was brought down drastically from 85% to 50%.

Encouragement to set up new steel plants has also been provided, besides decontrol, delicensing and easing of import control. The steel producers in the country had to necessarily revamp their strategies in order to meet the competitive existence.

Engineering Industry :

There are four major and distinct segments in the engineering industry.

i) machine building segment/heavy engineering segment
ii) transport equipment and tractors
iii) heavy electricals, and
iv) machine tools.

Each of these segments has registered good growth. In machine tools, India has become one of the top 20 producers in the world. There are 150 units engaged in the manufacture of machine tools at present. And similar development has taken place in the other segments of the engineering industry. It not only fulfils most of the domestic needs but also makes a very sizeable contribution in the field of exports.

Automobile Industry :

India holds ninth position in the world in automobile production. The production capacity of all types of automobiles put together is of the order of 2.5 million units per annum. Between 1975-76 and 1993-94, there has been substantial growth in every segment of the automobile industry. Output of passenger cars grew from 22,000 units to nearly 2 lakh units. Output of three wheelers increased from 13,000 units to 1 lakh units. Output increase in two wheelers was the most remarkable, from 2 lakh units over 18 lakh units. The output of heavy commercial vehicles is now in the order of 90,000 units and that of light commercial vehicles 60,000.

Cement Industry :

India is the fifth largest producer of cement in the world. By the year 2000 the cement production capacity in the country is expected to be well over 100 million tonnes. Now, cement companies have taken to the marketing route. Their advertising draws the attention of the consumers to the special features of their respective brands of cement.

Textile Industry :

India has a very large textile industry. The total sales income of 61 major companies in this industry aggregates to Rs.10,000 crore. The industry presents an interesting picture of the co-existence of four sectors, Khadi, handlooms, powerlooms and organised mills. Cotton textiles is the most significant segment in all these sectors.

Textiles and garments are the single largest category of products exported from India, accounting for about 25% of the country's total exports. The new policy has allowed large firms to set up garment manufacturing units, provided they export 50% of their production. Using this facility many large business houses are now entering this arena. A number of them are securing collaborations with well known foreign garment firms and are setting up large scale manufacturing units.

Chemical Industry :

The chemical industry is one of the three largest groups of industries in India, alongwith iron and steel and textiles. The chemical industry also exports goods to the tune of Rs.5000 crore per annum.

The current annual turnover of the industry is over Rs.40,000 crore, excluding petroleum products. In inorganic chemicals, India has a very strong manufacturing base, annual production of caustic soda and soda ash are in the range of 1.2 and 1.5 million tonnes respectively. Production of sulphuric acid is upwards of 3 million tonnes.

India holding the third rank among the world's producers of fertilizers.

India manufacturers most of its requirements of bulk drugs and formulations, in fact, more than 30,000 different pharmaceutical formulations worth over Rs.5000 crore are manufactured and sold in India.

Electronics Industry :

As per the findings of the centre for monitoring Indian Economy (CMIE), the Electronics industry registered a very high growth during the eighties. Most of the electronic industries showed growth rates of more than 30% during these years and the production in the manufacturing sector is worked out to 9.5% per annum. The electronics industry is also strong on exports.

Computers :

This hi-tech product is making a fast entry and gaining fast acceptance among Indian consumers industries, business, government, professionals, schools, libraries, air lines, railways and to an extent, even individuals. It is the fact that there has been a major enhancement in India's capabilities in computer software. India can become a global factory for computer software.

Small scale Industry and Khadi and Village Industry :

These sectors constitute nearly 50% of India's industrial production. They also contribute substantially to the export earnings of the country. The total production by these sectors exceeds Rs.1,20,000 crore per annum. The modern small scale industry accounts for Rs.1,00,000 crore and the balance by Khadi and Village industry. They employ nearly 4 crore people. Their contribution to exports is in the order of Rs.1,500 crore, handicrafts form a major cmponent of exports, accounting for over Rs.6500 crore. The number of small scale units in India is around 12.75 lakhs.

Such appreciable changes taking place in the Indian marketing. Every sector of the industry has a role and share in shaping the marketing scenario of the country

Modern services include facilities, such as

i) Credit cards
ii) Courier service
iii) Car rental service and new business communication services like

iv) Value added Telecom services
v) Fax services
vi) E-mail
vii) Video conferencing

Credit cards :

It was only in the eighties that credit cards, the symbol of “Consumption Communities” entered the Indian market. Diners club of India was the first to introduce credit cards in India. The Central Bank of India brought in the central card, soon the card had a membership of over 20,000 and member establishments of over 6,500. The card was tailored to suit the middle class of India. The Central card is also tied to the master card – an international credit card. Then came the Andhra Bank card, which had an added attraction, it came free of membership fee and admission fee.

The credit card ceased to be a mere status symbol. Buying without instant cash and ever drawing instant cash without a bank balance, using the credit card, started appealing to them. It has started serving as a new instrument of marketing.

Courier Service :

Private courier service, also known as the express industry, which is of relatively recent origin in India has grown rapidly in the past few years and has become a Rs. 400 crore per annum industry. It is currently growing at 30 to 35% per annum. The structure of the business too has undergone a rapid change. There has been a quick proliferation of the number of operators.

There are about 4,500 medium and small scale players and a dozen major players. DHL, Skypak, Blue Dart, Elbee services and Overnite Express are some of the major players. A good number of the major players have international connections and tie-ups for world wide operations.

Even the department of posts and Telegraphs has entered the field with their EMS-Speed post. This has been a particularly interesting development, a government department waking up to loss of business and reacting like a private entrepreneur adding to the competitive character of the business.

The business of courier service has become so competitive that each agency is now trying to gain some distinction to survive in the business.

Car rental service :

The Indian law now allows companies to offer self-driven cars to their clients, thereby opening up rent-a-car business in the country. Companies like Hertz, Europ car and Budget who have already established themselves in this business the world over, are now in India, introducing a variety of service packages for the benefit of the corporate and leisure travelers in the country.

Value Added Telecom Services :

Eight Indian private sector companies have been selected to provide cellular telephone services in the four metropolitan cities. Each of these companies would have tie-ups with foreign companies for the transfer of latest technology. The new telecom policy and the opening up of the telecom services to the private sector, India as well as foreign has changed the telecom scene radically.

FAX service :

Ever since the Government threw open the import doors, as a part of the liberalisation measures, India has been flooded with dozens of Fax models. There are as many as 500 Fax companies in the country now. Modi Xerox, Videocon, Net work and Global Tele systems are among the leaders.

E-Mail :

As a communication tool, E-mail bypasses the postal, telex and fascimile systems, saves a great deal of time and money and provides for faster, almost instant information flow. E-mail lets people work together despite physical boundaries and changes the very style in which an organisation works. Many Indian companies now use E-mail to keep in constant touch with their offices and markets round the world.

The National Informatics Centre (NIC) made the beginning in E-Mail in India in the mid eighties by developing the NIC-NET for in-house use. And later it became the Government's unofficial E-mail network. The country's other public network, run by agencies like CMC limited and the Videsh Sanchar Nigam Limited (VSNL) etc. are open to subscribers.

Video Conferencing :

Video conferencing is the other new tool of business communication now spreading in India. It enables people in different locations to come face to face and confer live with the help of video images and audio impulses transmitted to different centres. With this facility, executives of Indian companies can now have instant national and global conferences without having to travel. More effective communication, faster decision making, greater productivity and cost reduction are the commercial benefits.

SUMMARY

The selling concept is useful for the manufacturers with unutilised production capacity and for those marketers who are operating in a buyers market where the supply of a product exceeds its demand. Such manufacturers and marketers aim at selling what they can make, rather than making new things that can sell.

In order to be a successful marketer, one has to identify consumer needs through marketing research, develop appropriate products, price them reasonably, make proper distribution arrangements and promote them effectively. Then only the products will sell easily in the market.

The sellers who try to sell their product by hook or crook through aggressive selling assume very high risks. The sellers will be in trouble and their future sales will be adversely affected.

Selling aims at profit through sales volume and the marketing aims at profit through servicing customer demand.

Indian Market represents a dichotomy in its character. There are two end markets. 1) Urban Market, 2) Rural Market.

This classification serves the purpose of understanding the market and helps in developing a differential approach to the market. The urban markets are evolving with more and more consumers preferring for greater variety of products, better shopping environment, pleasant surroundings and easy access to the market. Rural markets present a different picture. They are wide spread, scattered, in-accessible and may be the markets are seasonal because of the occupational pattern.

Rural markets can be further divided into Market for Agricultural Products and Market for Consumer Products.

Liberalised economic policy of the Government has resulted in the entry of more and more Multinational Companies with the higher level of technology and more financial resources creating a competitive spurt in the market.

Developing ideas for new product and introducing them in the market from time to time is an essential and challenging job of the marketing management of a company.

New product may mean many thing. Ex. Original products, product improvements, product modifications and new brands developed by a company through its own Research and Development (R&D) activities.

Planning for new products and development of new products is very important for a company. The companies that do not develop new products in the present day markets, which are becoming more and more competative, assume great risk and uncertainty.

A product has a life cycle like a man and goes through its different stages. Ex. Introduction, growth, maturity and decline.

In modern competative markets characterized by fast technological changes and developments the watchword for the management of a company should be "innovate or die". Development of new products is a must for a company that wants to grow.

Two aspects are essential for successful new product development and its profitable marketing.

i) Proper organisational arrangements for it, and,
ii) Skillful handling of each step involved in the process of new product development.

The stages in new product development process are :

1) Idea generation
2) Idea screening
3) Concept development and testing
4) Marketing strategy development
5) Business Analysis
6) Product development
7) Market testing
8) Commercialization

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The Consumer movement in India is backward due to poverty, malnutrition, lack of education, poor organisation of consumers and poor implementation of laws.

To protect the interests of consumers, the Government of India has brought many statutory regulations like -

1) The prevention of Food Adulteration Act of 1954,
2) The Drugs and Cosmetics Act of 1940,

3) The Essential Commodities Act of 1955,
4) Weights and Measures Act of 1958, etc.,

The Indian Parliament enacted the Consumer Protect Act of 1986 (COPRA) in December, 1986. This Act has facilitated for setting up of Consumer Protection councils at the centre, state and at the District level in order to play the role of promoting and protecting the rights of the consumers.

The District Forum is vested with respect to unfair trade practices, defective goods and services upto a claim of Rs.5 lakhs to act as a consumer redressal machinery at the district level headed by the Judge of District Court, nominated by the State Government.

The state commission is headed by a Judge of High Court and two other members and one of the two shall be a women. It can entertain consumers claims if the cost of goods and services for which the compensation claimed is more than Rs. 5 lakhs and upto 20 lakhs.

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India has achieved substantial industrial advancement.

In recent years Indian industry has also undergone a qualitative change in addition to the quantitative expansion.

India is the fifth largest producer of iron ore in the world and the tenth largest producer of finished steel. The Government deleted the steel industry from the list of industries reserved for the public sector and opened it upto private entrepreneurs with the new economic policy and liberalisation.

In the Engineering Industry sector, in machine tools, India has become one of the top 20 producers in the world apart from the other segments of the engineering industry.

India holds the ninth position in the world in automobile production. The output of heavy commercial vehicles is now in the order of 90,000 units and that of light commercial vehicles 60,000.

India is the fifth largest producer of cement in the world.

Textile industry presents an interesting picture of the co-existence of four sectors khadi, handlooms, power looms and organised mills.

The chemical industry is one of the three largest groups of industries in India, alongwith iron and steel and textiles.

India holding the third rank among the world's producers of fertilizers.

The electronic industry is also strong on exports.

There has been a major enhancement in India's capabilities in computer software.

The small scale industry, Khadi and Village Industry constitute nearly 50% of India's industrial production. They also contribute substantially to the export earnings of the country.

Modern services include facilities, such as, credit cards, courier service, car rental service and new business communication services, value added Telecom services, Fax services, E-Mail and Video conferencing.

QUESTIONS

1. What is meant by selling ?
2. Explain the importance of selling.
3. State the characteristics of Indian marketing.
4. "Developing ideas for new product and introducing them in the market from time to time is an essential and challenging job of marketing management of a company" – Explain.
5. State the need for new product development.
6. Define the term consumerism.
7. Explain various voluntary associations that have come up in India to protect the consumers.
8. What are the reasons for the backwardness of consumer movement in India ?
9. What are the various statutory regulations that have been brought out to protect the interests of consumers in India ?
10. What are the features of Consumer Protection Act of 1986 ?
11. What are the consumer redressal agencies that are there at various levels in the country ?
12. How the consumer is cheated by the business man ?
13. What is District Forum ? What is its jurisdiction ?
14. What is State Commission ? What is its jurisdiction ?
15. What is National Commission ? What is its jurisdiction ?
16. What are the powers of District Forum ?
17. State the characteristics of Consumers.
18. Explain the Industrial and Service markets in India.
19. Briefly explain,
    - i) Product planning and development
    - ii) Credit Cards
    - iii) Courier Service
    - iv) Fax Services
    - v) Value added Telecom Services
    - vi) E-Mail
    - vii) Video Conferencing

UNIT – IV

4.0 MARKETING MIX

The basic task of marketing is the delivery of a total offer to the consumer in such a manner that,

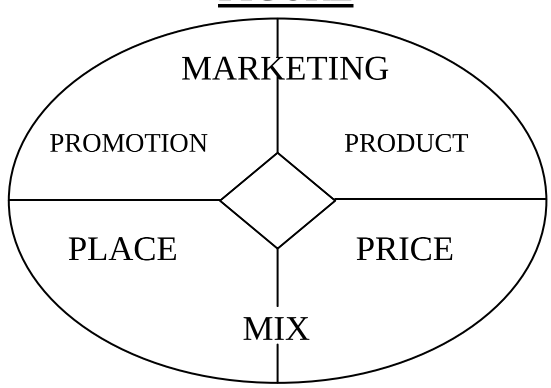
i. the offer fulfils the needs of the consumer
ii. the terms and attributes of the offer are acceptable and beneficial to the consumer and,
iii. all the organisational goals, including profits are achieved in the process.

Any firm which such a total offer to the consumer as,

1. It chooses the product that would meet the identified needs of the chosen consumer/consumer groups
2. It performs various distribution functions like transportation, warehousing, channel management etc., so that the product can conveniently reach the consumer.
3. The firm carries out a number of promotion measures like personal selling, advertising and sales promotional programmes with a view to communicating with the consumer and promoting the product.
4. The firm uses pricing mechanism to achieve the consummation of the marketing process, striking the level of price that is acceptable to the firm as well as the consumer.

It can be easily seen that all activities and programmes which a business firm designs and carries out in its effort towards winning customers, relate to one or the other of the four elements – product, distribution, pricing and promotion.

FIGURE



These four elements constitute the marketing mix of the firm.

4.1 CONCEPT AND ELEMENTS OF MARKETING MIX

Jerome Mc Carthy, the well known American Professor of marketing who described the marketing mix in terms of the four P's classifying the variables under four heads, each beginning with the alphabet 'P'.

1. Product
2. Place (Distribution)
3. Price
4. Promotion

The terms Marketing Mix and the four P's of marketing have come to be used synonymously.

In each of the marketing mix elements or the four P's – Product, Place, Promotion and Price – there are several sub-elements.

For example, packing is one of the sub-element of product and transportation is one of the sub-elements of place or distribution. The complete set of marketing mix elements and sub-elements is presented in the chart below.

Marketing Mix Variable/Four P's of Marketing.

I. PRODUCT VARIABLES

1. Product mix and product line.
2. Design, quality, features, models, style, appearance, size and warranty of products.
3. Packaging, type, materials, size, appearance and label
4. Branding and trade mark.
5. Merchandising.
6. Service, pre-sale and after-sale.
7. New products.

II PLACE VARIABLE

1. Channels of distribution, types of intermediaries, channel design, location of outlets, channel remuneration and dealer – principal relations.
2. Physical distribution, transportation, warehousing, inventory levels, order processing etc.

III PRICE VARIABLES

1. Pricing policies, levels of prices, levels of margins, discounts and rebates.
2. Terms of delivery, payment terms, credit terms and installment facilities.
3. Resale price maintenance.

IV PROMOTION VARIABLES

1. Personal selling : objectives, level of effort, quality of sales force, cost level, level of motivation.
2. Advertising : media mix, budgets, allocations and programmes.
3. Sales promotional efforts, display, contests, trade promotions.
4. Publicity and public relations.

Assembling and managing the marketing mix is the main part of the marketing task. However, no marketing man is free to assemble and operate his marketing mix in a setting of his creation; he has to necessarily operate it in the marketing environment in which he markets his products; he has to reckon the set of variables that make up the environment.

4.2 PRODUCT CLASSIFICATION

Product is the first of the four Ps of marketing. Product has a very special position as it constitutes the most substantive element in any marketing offer.

Almost everything that we come across in our daily life is a product – this book on marketing is a product; a packet of surf, a B.P.L. T.V. set, Reynold's Jotter – they are all products.

The job of marketing is to make the product and the customer meet.

A product is not a mere non-living object; it is not a mere assemblage of matter physical and chemical. Utility alone is not the function of a product. A product means something more than a physical commodity.

The utility aspect of the product is but one component of the product personality. The brand name, the package, the labelling, the manufacturers name and prestige all go into the personality build up of the product. And this total personality of the product or the "total product offering" is the real tool with which a marketer satisfies a customer.

The various component elements that make up the total product personality. The major components are :

1. The core or the basic constituent.
2. The Associated features.
3. The Brand name.
4. The Package.
5. The Label.

The Core or the Basic product Constituent

The core or the basic constituent of the product as the first component in the total personality of any product.

For example, Mysore Sandal soap has a total product personality. It is presented as a combination of luxury and tradition. The unique fragrance of sandal oil, the oval shape, the sandal odour, the sandal colour, the brand name, the premium price, the positioning as a luxury soap – everything has gone into the product personality build up.

The Associated features

A product contains several associated features besides the core constituent.

In the example of Mysore sandal soap considered above, the fragrance of sandal oil in the soap, the oval shape of the soap, the sandal colour of the soap etc. are the associated features of the product.

Brand Name

A Brand is defined as "name, term, symbol, or design or a combination of them which is intended to identify the goods and services of one seller or groups of sellers and to differentiate them from those of competitors.

A trade mark is a brand that has been given legal protection thus ensuring its use exclusively by one seller.

Trade mark is a legal term, while brand is a marketing term.

In an age of brands, the brand name is naturally a major selling tool and one of the most important components of the "total product personality".

The Package

The package is another important component of the total product personality. The Package performs two essential roles.

i) giving protection to the product.
ii) adding to the aesthetics and sales appeal of the product.

The material of the package, the colour and size of the package and its finish, the labelling on the package, the possibilities of reusing the package, all influence the total sales appeal of the product.

Labelling

A label provides written information about the product. Labelling helps the buyer understand the nature of the product, its distinctive features, its composition, its performance, etc. Among branded products, mostly descriptive labelling is used, furnishing detailed information about product attributes and qualities.

The product mix is the complete set of all products offered for sale by a company. The product mix may be composed of several product lines. A group of related products constitutes a product line.

For example, Hindustan Lever, bathing soaps constitute one product line of the company. Detergents constitute another, cooking medium a third one and tooth paste yet another line. In the product line of bathing soaps, Hindustan Lever has many more product lines like this.

It is evident that "product" has been undergoing a constant change and the marketing man has been constantly engaged in enriching his product offer. In his attempt to score over competition, he has been bringing out refinement upon refinement on his basic product offer, but managing the product was becoming more and more difficult. He had to take the "product" to higher and higher levels of evolution as under.

1. The Generic product
2. The Branded product
3. The Differentiated product
4. The Customised product
5. The Augmented product
6. The Potential product

The Generic Product : It is the unbranded and undifferentiated commodity like rice, bread or cloth.

The Branded Product : It gets an identity through a "name". Ex. Modern bread, Spencer bread etc.

The Differentiated Product : It enjoys a distinction from other similar products/brands in the market. Many firms differentiate their products based on functional benefits.
<u>Examples</u>: Cinthol (deodorant and freshness), Dettol (total protection from germs), Pears (glycerin and hence, skin care).

The Customised product : In this, customer's specific requirements are taken into account while developing the product. This is a common practice in industrial products marketing, where the manufacturer and the user are in direct contact and the product gets customised to the requirements of the customer.

The Augmented product : The Augmented product is the result of voluntary improvements brought about by the manufacturer in order to enhance the value of the product. These improvements are neither suggested by the customers nor even expected by them. The marketer on his own, augments the product by adding on extra facility or an extra feature to the product.

For example, Tata Tea introduced the "Tetley-2 cup tea bags" and promoted it focusing on the ease of making tea with the 2 cup tea bags ("even a husband can do it", say the ad.).

The Potential Product :

The potential product is tomorrow's product carrying with it all the improvements and finesse possible under the given technological, economic and competitive conditions. In actual practice, development of potential products is the forte of big companies who can command big resources required for the development of such products.

Deciding the product policy :

The product policy involves -

1. Appraisal of the Product Line and the individual products.
2. Decisions on product differentiation.
3. Product positioning
4. Brand Decisions

5. Decisions on packaging
6. New product Development
7. Managing the product life cycle of products.

Appraisal of the product line and the Individual products :

No product runs for all time to come, and no product line is perfect eternally. Changes in the business environment, changes in customer tastes and preferences, extent of competition building around – all these factors exercise some pressure on the product policy of a firm.

Decisions on product differentiation :

The technique employed by firms to render their product/brand distinct and different from the competing brands, is termed product differentiation.

Example: Tooth paste with Gel - product differentiation.

Product positioning :

Positioning is the act of fixing the exact locus of the product offer in the chosen market, it decides how and around what distinctive feature, the product offer has to be couched and communicated to the consumers.

While positioning its product, a firm analyses the competitors positions, searches its own competitive advantages and then identifies the best possible position for the product.

For example: Positioning of Amul Milk Powder : Amul Milk Powder was also positioned vis-à-vis milk, was positioned as a convenient and ready substitute to milk and not as one superior to milk. Amul Milk Powder, the 'milkman' for thousands of households, was not positioned as a health builder either, whereas complan was positioned as a health builder.

Product Re-positioning :

Products undergo 'repositioning' as they go along their life cycle. This is done to increase the sale of the products by appealing to a wider market. The product may be provided with some new features or it may be associated with some new uses and may be offered to existing and new markets.

Brand Decisions :

Brand decision is an integral part of the product policy. When a marketer opts for branding his product, he is intending to create an asset out of his brand. His promotional programmes get centered around the distinctive features of his brand. If his basic brand decisions are wrong his entire marketing programme will suffer serious set-back.

Decisions on Packaging :

In modern days, packaging has become a very important part of product management with competition increasing, marketers are turning to innovative packaging to establish a distinctive edge. Marketers are providing value addition to products and greater benefits to consumers through packaging, there by attempting to increase brand value.

New Product Development :

New product development is one of the most important components of product policy and product management. It is not enough if the existing product lines and products are appraised properly, products are positioned effectively and brand decisions are taken wisely. For higher levels of growth a firm has to look beyond its existing products. A progressive firm has to consider new product development as a cardinal element of its product policy.

Managing the product life cycle of products :

A product passes through certain distinct stages during its life. This cycle of stages is called the product life cycle (PLC). The utility of the PLC concept lies in the fact that each stage in the product life cycle is characterised by a typical market behaviour and consequently each stage lends itself to the application of a certain specific marketing strategy.

4.3 BRANDING

Branding is another important and intrinsic part of the individual product management strategy of a manufacturer or marketer.

Brand is a name, term, sign, symbol or design, or a combination of them, which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.

BRAND NAME:

Brand name is that part of a brand which can be vocalized ex : Lux, Limca, Vicco Termeric etc.,

BRAND MARK:

Brand Mark is that part of a brand which can be recognized but it not utterable such as symbol, design or distinctive colouring or lettering.

Ex. State Bank of India' Blue circle with a central dot
Air India's Maharaja

TRADE MARK:

Trade mark is a brand or part of a brand that is given legal protection because it is capable of exclusive appropriation. A trade mark protects the sellers exclusive right to use the brand name and or brand mark.

COPY RIGHT

Copy right is the exclusive legal right to reproduce, publish and sell the matter and form of a literary musical or artistic work.

A brand is essentially a sellers promise to consistently deliver a specific set of features benefits, and services to the buyers. The best brands convey a warranty of quality. But a brand is even a more complex symbol.

A brand can convey up to six levels of meaning as shown below.

ATTRIBUTES **:** A brand first brings to mind certain attributes.
Ex. Well built, high resale value fast and so on.

BENEFITS **:** A brand is more than a set of attributes. Customers are not buying attributes; they are buying benefits. Attributes need to be translated into functional and emotional benefits. The attribute durable could translate into the functional benefits.

VALUES **:** The brand also says something about the producers values.
Ex. Stands for high Performance, safety, prestige and so on.

CULTURE : The brand may additionally represent a certain culture. Ex. The Mercedes represents German Culture, Organized, efficient, high quality.

PERSONALITY : The brand can also project a certain personality. Some time it might taken on the personality of an actual well-known person or spokesman.

USER : The brand suggests the kind of consumer who buys or uses the product. The users will be those who respect the values, culture and personality of the product.

In the development of a brand, the first task is to give the product and identity through a name. The second task is to enhance it recognition by the provision of a symbol of identity and the third task is to develop a unique image for the brand and to build its personality over the long term.

Building a brand's personality is a very difficult task. The very job of selecting a brand name is a difficult task for the marketer.

A good brand name will be distinctive it will be easy of pronounce, recognize and remember it will denote something about the nature i.e., function of the product; it will be appealing.

Ex. : Colgate, Ponds, Nirma, Bata etc., are some of the brand names that have become popular in the Indian market.

Alongwith the brand name companies also use logos for visual identification.

LOGO :

Logo is a pictorial symbol intended to communicate with the consumers. Flags, Symbols, graphic designs are all used as logo to convey the ownership of products.

Ex.: Nerolac paints has Tiger logo.

BRAND DECISIONS:

The important decisions which a marketer has to make regarding the branding of his products are.

1. Branding decision:

In the olden days most products were un-branded. But, in the modern days, branding has become so popular that almost everything is branded, even a product like salt. Branding provides the seller an opportunity to attract loyal and profitable groups of customers and helps him in market segmentation and building up of the image of his company. Brand names help consumers in identifying quality difference and shopping more efficiently and beneficially.

2. Brand Sponsor decision:

To brand its product, a company has to take decision about the brand sponsorship i.e., whether it will be the manufacturer owned brand or a private brand, i.e, middle men or distributor or dealer brand.

Ex : S. Kumars in India do not manufacture cloths, they sell the products of many mills under their own brand name.

3. Brand Name decision

A Company can choose individual brand names for each one of its products.

Ex. : Hindustan Lever Limited has given different name to its toilet soaps, Lux, Breeze, Rexona, Liril, etc.,

It can give a blanket family name to all its products or the products of a product line.

Ex. : Hindustan lever limited, puts the “Erasmic” brand name on its shaving blades, shaving cream and after shave lotion.

4. Brand extension decision

Brand extension saves the high cost of promoting a new brand name and creates immediate brand recognition of the new products.

The only disadvantage is that, if the new product does not perform well, it might hurt the consumers attitudes towards the other products sold under the same brand name.

5. Multi – Brand decision

Offering more than one brand in a product category is called multi-brand strategy. It helps to capture the “Brand Switchers” by offering them new brands of the same product. Each brand attracts different group of consumers. Combined sales of more than one brand result in greater total turnover and profit.

Ex : Parle’s, Gold Spot, Limca, Thumsup, Maaza, etc.,.

6. Brand Repositioning Decision.

It is essential for the company to review the positioning of its brands after their introduction, particularly, when their sales stagnate or decline, and reposition them.

Ex. : The Nestle Company had introduced ‘ Milk Maid’ brand of its milk powder as a convenient form of milk for use in tea or coffee, and repositioned it as a product which can be used in making dessert as well.

While repositioning a brand, the company should weigh its cost including the expenditure on changing the quality, packaging and advertising of the brand against the estimated additional revenue.

Brand building : Naturing a brand into a strong, profitable brand is a challenging task

Ex : Lifeboy Soap, the100 year old Brand.

4.4 PACKING

Packing means the activities of designing and producing the container or wrapper for a product. The container or wrapper is called package.

Packing can be defined as “The good art, science and technology of preparing goods for transport and sale”.

The importance of packaging depends upon its several functions i.e.,

1. Protecting the product on its route from the manufacturer to the final consumer.
2. Enhancing product use convenience
3. Helping easy brand identification
4. Rendering product handling by the retailer easy and safe.
5. Making product differentiation by the manufacturer / marketer easy and effective
6. Facilitating brand re positioning
7. Encouraging repeat and replacement purchases
8. Promoting the product at the point of purchase.
9. Contributing highly to profit by appealing to the consumers who are prepared to pay higher price, and by reducing handling and transportation costs and damages.

Packaging has emerged as a very important marketing tool that is capable of creating convenience value for the consumer and promotional value of the marketer.

A manufacturer has to take proper decisions with regard to the size, shape, materials, colour, text and brand mark, while developing an effective package for a product.

Labeling is part of packaging and consists of printed information that describes the product, appearing on or with the package. A package is incomplete unless it has an appropriate label, whether it is a simple tag attached to the product or an elaborately designed graphic forming a part of the packages.

For example, in India, the standards of weights and measures (Packaged commodities) Rules, 1977 provide for compulsory printing of the local taxes chargeable, on the labels of the package of the commodities.

Labels perform many functions including identifying the brand or product like packages. They are,

1. Grading the product
2. Giving various details about the product, such as the name of the manufacturer producer, place of manufacturing date and batch of manufacturing, ingredients of the product and method of using it safely
3. Promoting the product through attractive pictures and graphics

The marketer has to decide as to which functions the label on the package of his product will perform, and design the label accordingly

4.5 CONCEPT OF PRODUCTS LIFE CYCLE

The management of the company wants the product to earn handsome profit to cover all the cost, effort and risk that went into it and hopes that the sales of the product will be high and long lasting. But like human beings, every product has a life span at the end of which it does and its capacity to generate sales and earn profits diminishes and ultimately vanishes. Just like a man, a product too has its childhood, addescence youth and old age, i.e., life cycle.

Product life cycle has been defined by Philp kotler "as an attempt to recognize distinct stages in the sales history of the product".

D.T. Kollat, R.D. Balck Well and J.F Robeson have defined it "as a generalized model of sale and profit trends for a product class or category over a period of time.

There are distinct opportunities, threats and problems related to each stage of the life cycle of product, influencing the profits of the product and requiring different marketing strategy.

The concept of product life cycle has the following implications.

i) The life of a product is limited.
ii) Product sales pass through distinct stages each posing different challenges to the marketer.
iii) Product profits rise and fall at the different stages of the product life cycle.
iv) Product requires different marketing strategies in the different stages of its life cycle.

Stages of Product life Cycle

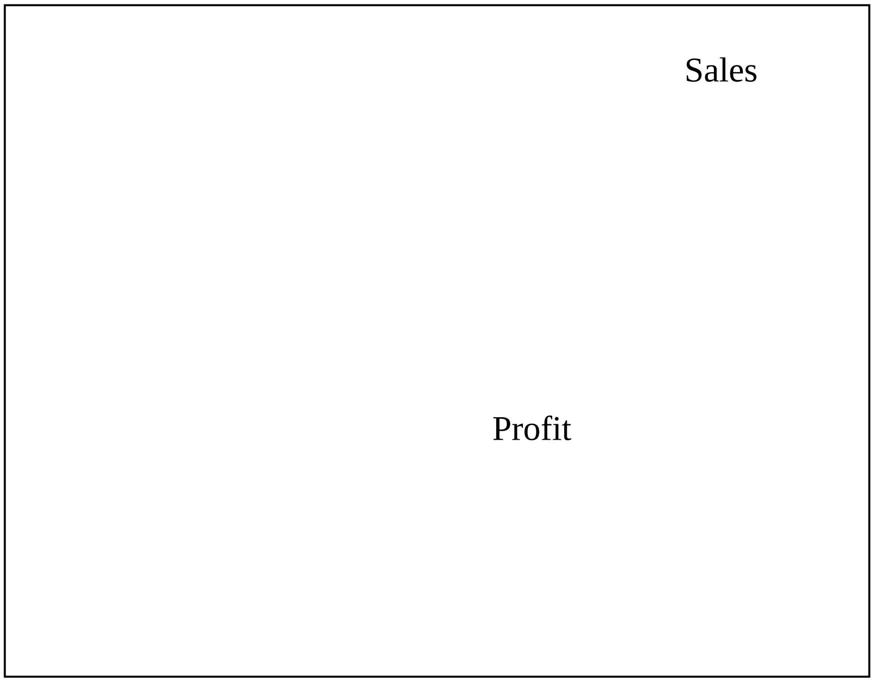
A product passes through the four stages of its life cycle.

1) Introduction
2) Growth
3) Maturity
4) Decline.

Some authors have mentioned five stages i.e. Introduction, Growth, Maturity, Saturation and Decline.

Product Life-Cycle

SALES AND PROFITS (Rs.)



Introduction Marketing Growth Decline

1. Introduction Stage :

This stage is characterized by slow growth, negative or very low profits due to heavy distribution and promotion expenses, few competitors, small number of buyers usually belonging to high income group, high prices due to relatively low production and high production cost and frequent product modification.

Hence, a company must choose the strategies carefully and not arbitrarily.

2. Growth Stage:

Rapidly rising sales and increasing profits are the distinctive features of this stage. In this stage of number of competitors increases and the manufacturers make first major product improvements.

The companies use various strategies in the growth stage of their products with a view to sustaining market growth for the longest possible period of time.

3. Maturity Stage:

In this stage, the product covers mass markets. Manufacturers come forward with new product models oriented towards style. There is further decline in prices and dealer margins and profits decrease. Towards the end of this stage level of sales starts to decline and customers start moving towards other products and substitutes.

One of the important marketing strategies pursued by the companies in this stage of their products is market modification. This includes conversion of non users into users, entering new market segments and winning competitors, customers, with a view to expanding the number of brand users, and getting current brand users to increase their usage of the brand by using it more frequently, using more of it per usage occasion and making new and varied uses.

Another strategy is product modification under which the marketers take resort to product quality improvement, feature improvement, and style improvement. This amounts to product re-launch.

Marketing Mix Modification Strategy :

Price reduction or enhancement, increasing of advertising expenditure or changing of advertising message or copy; stepping up of sales promotion though trade deals, discounts, gifts and dealer contests, etc., increasing the number and quality of sales people and rendering additional services like extending more technical assistance and credit, are some examples of the modifications of marketing mix.

This stage characterize,

i) Relatively low prices
ii) Increased marketing cost
iii) Keener competition.
iv) Lessor Profits.

4. Market Decline Stage:

The final stage of the life cycle of a product is the decline, the death.

The sales and profits of all the products ultimately decline, through the decline may be slow in the case of some of them and rapid in the case of others.

The important reasons for the decline of the sales of the products are shifts in consumer tastes, technological advances rendering the existing products obsolete, and increased domestic and foreign competition. Many companies withdraw from the market due to the sales and profit decline and the remaining one reduce the number of product offering and reduce further the prices of their products.

A company must continuously watch and review its product and identify the aging ones in the decline stage of their life cycle. Thereafter, it should adopt appropriate marketing strategies to deal with them, depending upon the industry's relative attractiveness and its own competitive strength in the industry to which its product in the decline stage belongs.

Criticism of the Concept of product life cycle

The theory of the product life cycle and the product life cycle concept have been bitterly criticized by many authors and marketing management experts.

Some critics say that life cycle patterns are too variable and the stages in the product life cycle do not have predictable the span.

Some citric change that the marketer cannot often tell what stage the product in.

At each stage of the product life cycle, every company needs to develop its own strategy rather than using the one every one also is using.

However, the product life cycle concept is an important tool which marketers can use for forecasting planning and controlling.

4.6 PHYSICAL DISTRIBUTION

In the process of movement of goods, there are two important tasks which make the flow of goods from manufacturer to the ultimate consumer. They are physical distribution and channel management.

The meaning of physical distribution can be understood with the help of the following definitions.

According to Candiff and Still -

"Physical Distribution involves the actual movement and storage of goods after they are produced and before they are consumed".

According to Philip Kotler -

"Physical Distribution involves Planning, implementation and controlling the physical flow of materials and finished goods from paints of origin to pints of use to meet customer needs at a profit".

According to William J. Stanton -

"Physical Distribution involves the Management of Physical flow of Products and establishment and operation of flow systems".

The above definitions clearly indicate that physical distribution is a marketing activity which is concerned with the handling and movement of goods. It includes all those activities connected with the efficient movement of goods from the place of production to the place of consumption.

Objectives of Physical Distribution

Physical distribution has two broad objectives i.e., consumer satisfaction and profit maximisation. These objectives may be further analysed as follows.

a) To make available the product at the right place and at the right time.
b) To attract additional customers by lower price through improvement in physical distribution.
c) To improve the profit margin for the producers by making the physical distribution more effective and efficient.
d) To improve the consumer services such as timely delivery, quality, dependability, communication, availability and convenience.
e) To increase the market share of the marketing unit by adopting efficient physical distribution system.
f) To prevent price fluctuations and distortions by using available transport and warehouse facilities.

Thus, the physical distribution is an important area of marketing, which has received considerable attention in the recent years.

Elements of Physical Distribution

The physical distribution encompasses a wide range of Inter-related activities such as order processing, transportation, warehousing, materials handling, packaging, inventory control, plant and warehouse location, information maintenance etc. Broadly, these activities are grouped into four major functions which are as follows:

1. Order processing
2. Inventory management
3. Transportation
4. Warehousing

1. Order processing

Physical distribution starts with customers order. Order processing is considered as the key to customer service and satisfaction. It includes receiving, recording, filing and assembling of products for despatch. The amount of time required from the date of receipt of an order upto the date of despatch of goods must be reasonable and as short as possible. For which, most of the companies have adopted Electronic data processing system to provide superior order processing service to the customers.

2. Inventory management

Inventory management refers to the management of products on the move. It is the basic task of the management to plan and control the finished goods after they have been brought out from production centers and before they are delivered to the ultimate consumers. Inventory control is necessary to bring the balance between the inventory costs and desired customer service. Inventory control aims at avoiding, out of stock position, excessive stock position and buying in small quantities.

3. Transportation:

The secret of industrial expansion in any country is the development of new markets for products and services. Today in India, almost all the villages are linked up with the urban places due to the tremendous - increase in transportation facilities. Assembling and dispersion of goods is done with the help of one or the other mode of transport.

Hence, transportation can be defined as “physical movement of men and material from and place to another wherever they are required”.

Transportation does at the very root of the whole marketing, as it helps in moving the goods from point of production to the place where they are required for consumption.

Modes of Transport

The modes of transport are

i. Road Transport
ii. Rail Transport
iii. Water Transport
iv. Air Transport

There are certain advantages and disadvantages in each mode of transport.

4. Ware housing:

The commercial system of any country depends on three major systems viz, trade, transport and warehousing.

The process of manufacture of goods is continuous but they are not consumed immediately, in almost all the companies. There is always a time gap between production and consumption. For example, the supply of food grains is remarkably high during harvesting of crops, but the total output cannot be consumed immediately. Substantial part of output is kept aside for future demand. Therefore, there is every need to preserve the goods till the period of consumption.

Storage adds time utility to the goods by making them available at a time they are required. Storage of goods is usually done at a place called "Warehouse".

The team warehousing is a combination of two terms 'Ware' and 'housing'. The world 'ware' refers to goods. Therefore, warehouse can be defined as the 'place suitable for preserving the goods and warehousing is the activity involving storage of goods'.

Thus, the warehousing is an important segment of trade and commerce and it removes the hindrance of time.

4.7 PRICING

Every marketer and organization, whether a profit seeking organisation or non-profit organisation, has to set a price for its products or services.

Price is the value of a product or service expressed in monetary terms. It is the consideration which the buyer has to give to the seller for purchasing a product or utilizing a service.

We are concerned with price in different ways, in our life. We pay the bill of the provision store for the purchases made from it, rent to the landlord in whose building we live, fee to the doctor when we consult him and bus fair to the conductor when we travel by a bus. All these are the prices of different products and services we consume or utilize.

The salary of a business executive or a Lecturer for a lecture in a college is the price of his services and the wage paid to a labourer is the price of the work done by him.

'Pricing' is the function of determining the value of a product or service in monetary terms by its marketer before it is offered to the target consumers or customers for sale. While making the pricing decision, the management of a company has to establish the pricing objectives, identify the factors governing the price and ascertain their relative importance, determine the product/service value in monetary terms and formulate pricing policies and strategies with a view to effectively employ price as a strategic instrument in marketing the products/services of the company.

Importance of Pricing

Price is an important element of the marketing mix of a company. It is the only element in the marketing-mix that produces revenue, the other elements represent costs or expenses. It can be used as a strategic marketing variable to meet competition. It is an important weapon in the marketing armoury of a company to fight with the competitors. Price is highly perceptible to consumers or customers and, therefore, significantly affects their decision to buy a product or service. It is a factor that directly determines the volume of sales.

Pricing is an important factor to be taken into consideration and forms the basis for the allocation and reallocation of the scarce resources of the country to profitable and highly productive projects for achieving higher and faster economic development.

Pricing is a tool for demand regulation by the management of a company which may reduce the price of its product to promote its demand when there is surplus production or idle production capacity or may increase the price when there is need for discouraging the demand for its product on account of interruption of production, leading to scarcity of the product.

Pricing is an important determinant of the profitability of a company as it shapes the sales revenue of the developing countries like ours, where, on account of the higher marginal value of money, consumer response to price changes is more tangible and quicker. Due to mass poverty, even a small reduction in price leads to a substantial increase in the sales in these countries with high price-sensitive consumers and buyers.

Pricing objectives

The various objectives sought to be realized through pricing are :

- Profit maximization in the short term.
- Profit optimization in the long term.
- A minimum return for target return on investment.
- A minimum return on sales turnover.
- Target sales volume.
- Target market share.
- Deeper penetration of the market and finding new markets.
- Target profit on the entire product – line irrespective of profit level on individual products.
- Keeping the competition out, or keeping it under check.
- Keeping parity with competition.
- Fast turn around and early cash recovery.
- Stabilizing prices and margins in the market.
- Out of the above mentioned basket of objectives, different permutations apply to different firms or companies.

Factors influencing pricing

Two categories of factors influence the pricing decisions of any company.

Internal factors

- Corporate and marketing objectives of the firm.
- The image sought by the firm through pricing.
- The basic characteristics of the product.
- The stage of the product in its life cycle.
- Price elasticity of demand of the product.
- Use pattern and turn round rate of the product.
- Costs of manufacturing and marketing.
- Extent of distinctiveness of the product and extent of product differentiation practiced by the firm.
- Other aspects of the marketing mix of the firm and their interaction with pricing.
- Composition of the product line of the firm.

External factors

- Market characteristics.
- Buyer behaviour in respect of the particular product.
- Extent of bargaining power of major customers.
- Computorious pricing policy.
- Government controls regulation/pressures on pricing.
- Other relevant legal aspects.
- Societal for social considerations.
- Understanding if any, reached with price cartels.

Price setting procedure

A large number of factors have to be taken into consideration in price setting and the company has to adopt a proper procedure for it.

Selecting the pricing objective

The first step in price setting is to carefully select the objectives that are to be pursued by a company through its pricing. A company may aim at many objectives, but the most important and common objectives are survival, current profit maximization, market share leadership and product quality leadership.

Determining Demand

The next step is to determine the demand for the product of the company. Different prices will lead to different levels of demand for a product and, therefore, will have different effect on the marketing objectives of a company. As we are familiar, demand and price are, usually, inversely related, i.e., when price increases demand decreases and vice-versa.

Estimating costs

The third important step in price setting is to make an accurate estimate of different type of costs involved in manufacturing and selling a product of the company. Company wants to charge a price that covers all of its costs of producing, distributing and selling the product and yields a fair return for its efforts and risks. The costs set a floor to the price of a product whereas demand sets a ceiling.

Analysing competitors price and offers

A marketer cannot afford to ignore the competitors' prices. In fact, competitors prices and possible price reactions help a marketer establish where his prices might be set. A company should learn the price and quality of each competitor's offer by sending out comparison shopper to buy and find out the competitor's price and offers lists or by obtaining competitors price buying competitor's equipment and taking it apart.

Selecting a pricing method

After determining the demand, estimating costs and analyzing competitors prices and offers, the company has to select price for its product. The price of any product will be somewhere between one that is too low to earn a profit and one that is too high to create setting.

(i) the costs of the product which set a floor to the price and the price cannot usually be set below the cost.
(ii) Competitors prices and the price of the substitutes which provides an orienting point to be considered by a company.
(iii) The unique product features in the company's offer which establish the ceiling on the price of its product.

Companies may selecting any pricing method that includes the aforesaid considerations. Let us describe in brief some important and popular pricing methods.

1. ***Cost-Plus pricing***

This is the easiest and the most common method of price setting. Under it a standard mark up is added to the cost of a product to arrive at its price.

For example, a manufacturer of water filters, whose per unit cost of manufacturing is Rs.160/- adds 25% mark up and sets the price to the retailer at Rs.200/-. The retailer, in turn, may mark it up to sell at Rs.300/-, which is 50% mark up on cost or 33 1/3% mark up on the retail price. The retailers gross marking is Rs.100/-. Supposing that his store operating costs are Rs.50/- per water filter sold, his profit marking will be Rs.50/-.

But, this method is not logical as it ignores current demand and competition and is not likely to lead to the optimum price. Still, mark up price is quite popular for these reasons.

(i) sellers have more certainty about costs than about demand and by tying the price to cost, they simplify their pricing task and need not frequently adjust price with changes in demand.
(ii) where all firms in the industry use this pricing method, their prices will be similar and price competition will be minimized, to the benefit of all of them
(iii) it is usually felt by many people that cost plus pricing is fairer to buyers as well as sellers.

2. ***Perceived-Value Pricing***

Many companies base their price on the products perceived value. They take buyers perception of value of a product, and not the sellers' cost, as the key to pricing.

For example, heavy advertising and promotion to enhance the value of a product in the minds of the buyers. Then they set a high price to capture the perceived value, as is done by the manufacturer of the Onida brand of TV set in India. The success of this pricing method depends on an accurate determination of the markets perception of the products' value.

3. ***Sealed-bid pricing***

This is a competitive oriented pricing, very common in contract business where firms bid for jobs. Under it a contractor bases his price on expectations of how competitors will price rather than on a strict relation to his costs or demand. As the contractor wants to win the contract, he has to price the contract lower than the other contractors. But, a bidding firm cannot set its price below cost. If it sets the price much higher than the cost, its chance of getting the contract will be least.

4. ***Analysing competitors prices and offers***

Under this method, the company bases its price largely on competitors price paying less attention to its own costs or demand. The company might charge the same prices as charged by its main competitors or a slightly higher or lower price than that.

5. ***Selecting the pricing methods***

An important cost oriented pricing method is target profit pricing. Under which the company tries to determine the price that would produce the profit it wants to earn. This pricing method uses the popular break even analysis. According to it, price is determined with the held of a 'break-even chart'.

6. ***Selecting the final price***

For the selection of final price a marketer has to take into consideration some other important factors which are, psychology of prices, company pricing policies and impact of price on others.

Setting the base (list) price, the next task in pricing is to establish specific pricing policies and strategies in several aspects of the pricing structure such as Geographical price policies, zone price policy, uniform deliver price policy etc. One of these aspects relates to discounts and allowances deductions from the list price. Management has the option of offering quantity discounts, trade discounts, cash discounts, and other types of deductions. The factor of freight costs must also be considered in pricing strategy.

Management should decide whether to offer the same price to all similar buyers (one-price strategy) or to adopt a variable pricing strategy. Single pricing a relatively new development – can effect a company's marketing programme. A company is to modify its basic price in order to accommodate differences in customers, products, locations etc. This is a major difference relating to price discrimination and other aspects of a company's marketing programme.

Pricing a new product is a difficult and challenging management task. A company introducing a new innovative product can adopt any one of the following two price policies.

(i) Market skimming pricing and
(ii) Market penetration pricing.

The company may choose to set a high price initially to 'skim', the market. The market penetration pricing is in which a relatively low price is set on the new product when it is introduced in the market. Unit pricing, a relatively new development, can effect a company's marketing programme. Some firms, especially retailers, have adopted price lining as a marketing strategy. Many retailers use leader pricing to stimulate sales. Most firms prefer to use promotion, product differentiation and other non-price marketing activities rather than to rely only on price as sales stimulant.

SUMMARY

All activities and programmes which a business firm designs and carries out in its effort towards winning customers, relate to one or the other of the four elements – product, distribution (place), pricing and promotion. These four elements constitute the marketing mix of the firm.

Product is the first of the four Ps of marketing. Product has a very special position as it constitutes the most substantive element in any marketing offer. A product means something more than a physical commodity.

The utility aspect of the product is but one component of the product personality. The brand name, the package, the labelling, the manufacturers name and prestige all go into the personality build up of the product. And this total personality of the product or the "total product offering" is the real tool with which a marketer satisfies a customer.

The various component elements that make up the total product personality. The major components are :

1. The core or the basic constituent
2. The associated features
3. The brand name
4. The package
5. The label

It is evident that "product" has been undergoing a constant change and the marketing man has been constantly engaged in enriching his product offer. In his attempt to score over competition, he has been bringing out refinement upon refinement on his basic product offer, but managing the product was becoming more and more difficult. He had to take the 'product' to higher and higher levels of evolution as,

1. The Generic Product (unbranded)
2. The Branded product (identity through a "name")
3. The Differential Product (Distinction from other similar products)
4. The Customised Product (Customer's requirements are taken into account while developing the product)
5. The Augmented Product (It is the result of voluntary improvements brought about by the manufacturer in order to enhance the value of the product).
6. The potential product (It is tomorrow's product carrying with all the improvements under the technological, economic and competative conditions)

The product policy involves;

1. Appraisal of the product line and the individual products.
2. Decisions on product differentiation.
3. Product positioning
4. Brand Decisions
5. Decisions on packaging
6. New product development
7. Managing the product life cycle of products.

Brand is a name, term, sign, symbol or design, or a combination of them, which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.

Brand name is that part of a brand which can be vocalized. Ex. Lux, Vicco Termeric, etc.

Trade mark is a brand or part of a brand that is given legal protection because it is capable of exclusive appropriation.

Copy right is the exclusive legal right to reproduce, publish and sell the matter and form of a literary musical or artistic work.

Logo is a pictorial symbol intended to communicate with the consumers.

The important decisions which a marketer has to make regarding the branding of his products are;

1. Branding decision
2. Brand-sponsor decision
3. Brand name decision

4. Brand Extension decision
5. Multi-brand decision
6. Brand Re-positioning decision

Packaging means the activities of designing and producing the container or wrapper for a product. The container or wrapper is called package.

Packing can be defined as "the good art, science and technology of preparing goods for transport and sale".

The importance of packaging depends upon its several functions.

Labelling is part of packaging and consists of printed information that describes the product, appearing on or with the package.

Labels perform many functions including identifying the brand or product like packages, and design the label accordingly.

Like human beings, every product has a life span at the end of which it dies and its capacity to generate sales and earn profits diminishes and ultimately vanishes. Just like a man, a product too has its childhood, adolescence, youth and old age, i.e., life cycle.

There are distinct opportunities, threats and problems related to each stage of the life cycle of product, influencing the profits of the product and requiring different marketing strategy.

A product passes through the four stages i.e., 1) introduction, 2) growth, 3) maturity and 4) Decline.

The theory of the product life cycle and the product life cycle concept have been bitterly criticized by many authors and marketing management experts.

However, the product life cycle concept is an important tool which marketers can use for forecasting planning and controlling.

Physical distribution is a marketing activity which is concerned with the handling and movement of goods. It includes all those activities connected with the efficient movement of goods from the place of production to the place of consumption.

Physical distribution has two broad objectives i.e., consumer satisfaction and profit maximisation.

The physical distribution excampasses a wide range of inter-related activities such as order processing, inventory management, transportation, ware housing, materials handling, packaging, inventory control, plant and warehouse location, information maintenance etc. Broadly, these activities are grouped into four major functions. Which are i) order processing, ii) Inventory management, iii) Transportation, iv) warehousing.

Price is the value of a product or service expressed in monetary terms. It is the consideration which the buyer has to give to the seller for purchasing a product or utilizing a service.

While making the pricing decision, the management of a company has to establish the pricing objectives, identify the factors governing the price and ascertain their relative importance, determine the product / service value in monetary terms and formulate pricing policies and strategies with a view to effectively employ price as a strategic instrument in marketing the products/services of the company.

Price is an important element of the marketing mix of a company. It is the only element in the marketing mix that produces revenue, the other elements represent costs or expenses.

There are various objectives sought to be realized through pricing, such as, profit maximization in the short term, profit optimization in the long term etc.

Two categories of factors influence the pricing decisions of any company. They are,

i) Internal factors ii) External factors

A large number of factors have to be taken into consideration in price setting and the company has to adopt a proper procedure for it.

The first step in price setting is to carefully select the objectives that are to be pursued by a company through its pricing.

The next step is to determine the demand for the product of the company. Different prices will lead to different levels of demand for a product.

The third step in price setting is to make an accurate estimate of different type of costs involved in manufacturing and selling a product of the company.

A marketer cannot afford to ignore the competitor's prices. The price of any product will be some where between one that is too low to earn a profit and one that is too high to create setting.

Some important and popular pricing methods are;

1) Cost plus pricing
2) Perceived value pricing
3) Sealed-bid pricing
4) Analysing competitors prices and offers
5) Selecting the pricing methods
6) Selecting the final price

For the selection of final price a marketer has to take into consideration some other important factors which are, psychology of prices, company pricing policies and impact of price on others.

Management should decide whether to offer the same price to all similar buyers i.e., one-price strategy or to adopt a variable pricing strategy.

Pricing a new product is a difficult and challenging management task.

The company may choose to set a high price initially to "skim", the market. The market penetration pricing is in which a relatively low price is set on the new product when it is introduced in the market.

QUESTIONS

1. "All activities and programmes which a business firm designs and carries out in its effort towards winning customers, relate to one or the other of the four elements" – explain.
2. State the various components elements which make up the total product personality.
3. Briefly explain :
   i) Product Policy
   ii) Brand
   iii) Trade Mark
   iv) Copy right
   v) Logo
   vi) Packaging
   vii) Labelling
4. Explain the concept of "Product Life Cycle" and discuss its limitations.
5. What is "Physical distribution" ? and state its inter-related activities.
6. What is "Pricing" ? Explain the importance of pricing.
7. Explain the price setting procedure adopted by a marketer.
8. Discuss the important pricing methods.
9. Describe briefly various pricing policies that are set up by the marketers from time to time.
10. Write short notes on the following.
    a. Price
    b. Pricing objectives
    c. Factors influencing pricing
    d. Price setting procedure
    e. Cost-plus pricing
    f. Perceived value pricing
    g. Sealed-bid pricing
    h. Market skimming pricing
    i. Market penetration pricing

UNIT-V

5.0 CHANNELS OF DISTRIBUTION

Producers normally use a number of marketing intermediaries for taking their products to users. Marketing intermediaries bear a variety of names such as, sole selling agents, marketers, wholesalers, distributors, semi-wholesalers, franchised dealers, retailers, authorised representatives, brokers, commission agents and jobbers. All such intermediaries constitute the distribution channel. The depots, show rooms and other direct outlets of producers also form part of the distribution channel.

The process of marketing involves the distribution system which is concerned with the movement of goods from the point of production to the point of consumption.

In this chapter, we deal with the intermediaries who are involved in direct negotiation between buyers and sellers whether they take title to goods or not. These intermediaries locate the manufacturers, identify the needs of the consumers and distribute the goods.

5.1 MEANING AND FUNCTIONS OF CHANNELS OF DISTRIBUTION

The word channel has its origin in the French word used for canal. Channels are routes avenues, pathways suggesting movement or flow. Distribution means to distribute, diseminate or spread about. When these words are related to marketing, channels of distribution have been defined in different ways.

According to Richard Bushkirk –

"distribution channels are the system of economic institutions through which a producer of goods delivers them into the hands of their users".

The American Marketing Association has defined distribution channel "as the structure of intra company organisation units and extra company agents and dealers, wholesalers and retailers through which a product or service is marketed".

According to William J.Stanton –

"a channel of distribution for a product is the route taken by the title of the goods as they move from the producer to the ultimate consumer or industrial users.

According to Philip Kotler –

"a channel of distribution is a set of independent organisations involved in the process of marketing a product or service available for use or consumption."

Thus, it is clear from the above definitions, that channels of distribution which also known as trade channels or marketing channels are the means employed by manufacturers and sellers to get their products to the markets in order to reach into the hands of users.

Channel Management :

In order to make the distribution system meaningful, the channel choosen must be used and managed effectively to achieve the desired marketing and organisation goals. The process of applying the management functions, i.e., planning, organising, staffing, directing and controlling in the trade channel is called as "Channel Management". The channel is managed by the companies and its intermediaries.

Functions of Channels of distribution :

The importance of distribution channels emanates from the functions performed by them. It is but natural that most business firms consider the channel as a very important component of the marketing mix.

The functions performed by distribution channel is as follows :

1. Distribution channels facilitate the sales process by being physically close to customers.
2. They bridge the makers and users efficiently and economically.
3. Break the bulk and cater to the small size requirements of buyers.
4. Assemble and offer suitable assortments of products as required by buyers.
5. Help sub-distribution.
   a) selling to sub-distributors
   b) re-transport
   c) handling
   d) accounting
6. Help stock holding
   a) financing the stocks
   b) risk bearing
   c) storage of products
   d) making available ware house space

e) aiding the sales by transforming the static stocks into operational stocks.

7. Provide salesmanship.
8. Provide pre-sale and after-sale service.
9. Assist in sales promotion.
10. Assist in merchandising.
11. Aid the introduction of new products in the market.
12. Aid the price mechanism between the firm and the ultimate customers.
13. Assist in developing sales forecasts for the territory concerned.
14. Provide feed back and market intelligence.
15. Maintain records/registers.
16. Maintain liaison
17. Extend credit to retailers as well as actual users.
18. Transfer technology to the users and act as "change agents".

5.2 TYPES OF MIDDLEMEN

There are two channels of distribution.

1. Direct Channel
2. Indirect Channel

Direct Channel :

The manufacturer sells the goods directly to the consumers without any marketing intermediary.

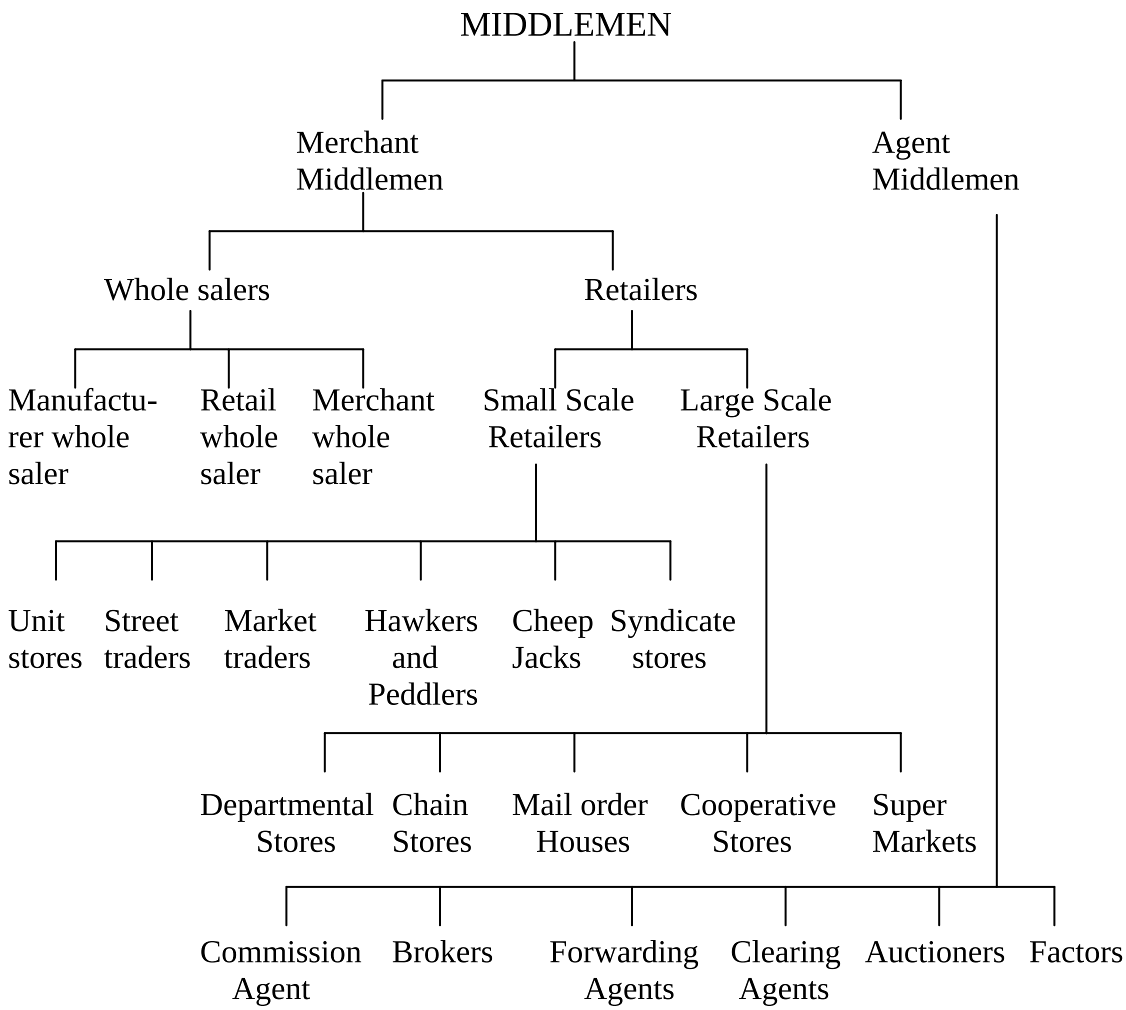
Indirect Channel :

The manufacturer sells the goods to the consumers through middlemen.

Since it is not possible for producers to contact consumers directly, direct channels of distribution are not popular. Producers have started depending on the indirect channels to sell their goods. This has resulted in utilising the services of middlemen.

American Marketing Association, defined the term middlemen as one who specialises in performing operations of rendering services that are directly involved in the purchase and sale of goods in the process of their flow from the producers to users. The middlemen perform the functions of procurement, storage, packing, financing, transportation etc.

The different types of middlemen are shown in the below stated chart.



Let us discuss the types of middlemen one after the other.

Merchant Middlemen :

Merchant middlemen are those who take title to the goods and carry business at their own risk. Merchant middlemen perform exchange functions i.e. buying and selling and they do perform auxiliary functions such as warehousing, transportation, insurance, advertising, etc.

Merchant middlemen are classified as wholesalers and retailers.

Wholesaler :

Wholesaler may be defined as "one who sells to other middlemen, institutions and industrial buyers, usually in fairly large quantities.

According to Evelyn Thomas, "a true wholesaler is himself neither a manufacturer nor a retailer but acts as a link between the two".

Wholesaler sells the goods to other middlemen but doesn't sell to the ultimate consumers.

Types of Wholesalers :

1. **Manufacturer Wholesaler** : Manufacturer Wholesaler combines manufacturing with the wholesale business. He carries the wholesale business through sales offices or sales branches.

2. **Retail Wholesaler** : Retail Wholesaler is both a wholesaler and a retailer. He buys goods in large quantities from the manufacturer and sells them in small quantities to the ultimate consumers.

   Retail wholesaler is both a wholesaler and a retailer. He buys goods in large quantities from the manufacturer and sells them in small quantities to the ultimate consumers.

3. **Merchant Wholesaler** : Merchant wholesaler is one who buys goods in large quantities from the producer and sells them in small quantities to the retailers but not to the ultimate consumers.

Functions of Wholesaler : The various functions performed by them are :

(i) **Assembling and Buying** : It means bringing together stocks of different manufacturers producing the same line of goods, such as, selection of manufacturers, placing order and procuring stock.

(ii) **Storage** : Wholesalers keep the goods assembled in their ware houses till they are sold to the retailers, as there is a gap between the production and consumption.

(iii) **Transportation** : Wholesaler carries goods from the plce of production to his warehouse and he also carries goods to the retailers destination through his own fleet or through hired carrier on most economic lines.

(iv) **Financing** : Wholesalers grant credit on liberal terms to the retailers and reduce the financial burden of the manufacturer by extending financial support to them.

(v) **Risk-bearing** : Wholesalers bear the risk of loss of change in prices, damage, deterioration in quality, pilferage, theft, fire etc.

(vi) **Grading and Packing** : Grading is the process of sorting out the stock in terms of different sizes, quality, shapes etc. They divide the large lots into smaller lots and repack to suit the requirements of retailers.

(vii) **Market Information** : Wholesalers provide relevant and up-to-date information to the retailers and manufacturers by collecting information from retailers about changes in consumer tastes, fashions, habits, etc. and pass it on to the manufacturer. He also gives information to the retailers about the new type of goods arrived into the market.

(viii) **Pricing** : Wholesaler undertakes the responsibility of fixing the price of a product of market conditions demand for it.

(ix) **Promotion** : Wholesaler performs advertising and sales promotion activities on behalf of the company to promote the sale of the products.

(x) **Dispersion and Selling** : Wholesaler undertakes the responsibility of dispersion of goods when retailers buy from him. He has his own sales force to obtain the orders from retailers and deliver the goods to them.

Retailer :

The term retailer has been derived from the French word “Retailer” which means to “cut again”. A retailer cuts bulk purchases into small lots to sell the goods to the ultimate consumers. He is the last link between the final user and the wholesaler or the producer.

According to Prof. William J.Stanton, retailing includes all activities directly related to the sale of goods and services to the ultimate consumers for personal or non-business use.

Functions of Retailers :

Retailers perform a number of functions such as :

(i) **Buying and Assembling** : The retailer has to buy and assemble large varieties of stock of products from the manufacturer or wholesaler to meet the varied and small requirements of the large number of customers.

(ii) **Warehousing** : The retailer acts as a purchasing agent of consumers and saves them from the trouble of purchasing goods in bulk and storing them. Retailers own warehouse makes possible to have adequate and un-interrupted supply of goods to the consumers.

(iii) **Selling** : The retailer is considered as a selling agent of manufacturer/ wholesaler and buying agent of consumers. He offers goods at convenient location, displays them and offers choice to the consumers.

(iv) **Risk** : The risk of loss may arise due to fire, flood, cyclone, earth quake, spoilage, theft and deterioration due to changes in weather conditions, fashions etc. Apart from this, he also undertakes the risk arising out of change in prices.

(v) **Product Information** : The retailer advices and educates customers about different types of products, their values and uses and also gives information on new products and latest fashions.

(vi) **Grading and Packing** : The retailers undertake grading and packing of the goods in desired quantities to suit the requirements of the consumers.

(vii) **Credit Facility** : The retailers extend credit facility to the consumers because they maintain good relations with the consumers and know their credit worthiness.

(viii) **Convenience** : The retailers provide ready supply of goods at the places desired by the consumers. Consumer need not place order with several suppliers/producers and wait for delivery.

(ix) **Wide Choice** : Retailers stock variety of products and thereby provides a wide choice to consumers.

(x) **Market Information** : The retailer study the consumer behaviour, changes in tastes and fashions etc., and he will pass on this information to the manufacturers/wholesalers who make necessary changes in their products to suit the requirements of the consumers.

Types of Retailers :

The retailers can be classified as

1. Small Scale Retailers
2. Large-Scale Retailers

1. **Small Scale Retailers** :

The small scale retailers doesn't possess their own fixed shops. They move from place to place to sell their goods. They carry small quantities of stock of products and the investment is also quite meagre. These retailers are best suited to carry on the business in the products like fruits, vegitables and other perishable goods.

The important Small Scale retailers are :

(i) **Hawkers** : Hawkers don't have any fixed place of business. They move from one place to another carrying their goods on hand cart or cycle and sell them door to door.

(ii) **Cheap-Jacks** : Cheap-Jack is a retailer who has fixed place of business in a locality and goes on changing his place of business to exploit the market opportunities. Therefore, the place of business is not rigid and they deal in cheap varieties of ready made garments, plastics, shoes etc. The speed of change of place is not as fast as it is in Hawkers and Peddlars.

(iii) **Market Traders** : Market Traders open their shops on fixed days or dates in the specific areas. The time interval may be a week or fortnight or a month. They join fairs and festivals which are normally organised in the villages or towns on a specific dates.

(iv) **Street Traders** : Street Traders are also called as foot path traders. These traders display their stock on foot paths of busy cities and towns. The prominent places of business are bus stands, railway stations, parks and other busy centres.

(v) **Unit Stores** : Unit stores which deal with only one variety of product such as drugs, cloths, shoes, books, utensils, etc. Single line stores are also called as speciality shops since they are specialised in only one item.

(vi) **Syndicate stores** : A syndicate store is an extension of the mail order business on a small scale. The important characteristic of syndicate stores is that it offers a wide variety of merchandise to customers but seldom sell known brands. These retailers buy most of the unbranded varieties and sell them under their own brand names.

2. **Large Scale Retailers** :

In recent years the large scale retail trade has expanded considerably since it brings several advantages such as greater buying capacity, financial economics, expert management, economics in bulk buying, benefits of mechanisation and automation, maximum risk bearing capacity, intensive promotion etc. The different types of large scale retailers are as follows :

A) **Departmental Stores** :

It is a large retail establishment having in the same building a number of departments each of which confines its activities to sell one particular product.

According to James Stephenson, "Departmental stores is a store engaged in the retail trade of the wide variety of articles under the same roof".

A departmental store is essentially an urban-oriented outlet and generally located in the heart of the city.

Origin : The departmental store is an European innovation. The first departmental store "Bon Marche" was set up in 1852 in Paris. The second departmental store, the "Louvre" was established in 1855 and the third, the "Printemps" in 1865. Thus, the France is said to be the house of departmental stores. The success of departmental stores in France led to the setting up of departmental stores in other countries like the U.S.A., Japan, UK, etc. But, in India, we find very few departmental stores and they are restricted to big cities like Mumbai and Calcutta. Only few stores such as Army and Navy stores, Spencer Company, Roopalaya etc. have been set up in big cities.

Organisation and Management :

The Departmental store is organised as a Joint stock company and managed by a Board of Directors. The Board of Directors elect one among them as Managing Director. Who looks after the day to day administration. Each department in the departmental stores is under the control of a departmental manager. All the departmental managers are under the control of Managing Director. The Managers of the departments are assisted by sales men who help them to attain the stores objectives.

Features of Departmental Stores :

The common features of the departmental stores are :

(i) **Centrally located** : Departmental stores are located in the centre of retail tading of large cities and within the reach of most of the consumers.

(ii) **Wide Varieties** : Departmental stores sell many kinds and wide varieties, so that, the customers can make all their purchases in the same shop and at the same time have the widest possible variety of goods to choose from.

(iii) **Service to Consumers** : Departmental store offers services and amenities to their customers including provision of recreation facilities, cafeteria, reading rooms etc. It also extends free home delivery and guarantees satisfaction to the consumers.

(iv) **Extensive use of Advertising** : Departmental stores attract customers by their window display and variety of stocks. The stores also undertake national and local publicity.

(v) **Cost of Operation** : The cost of operation of a departmental store is high due to relatively high expenses for rent, advertising, recreation facilities, home delivery etc.

(vi) **Centralized Management and Control** : Departmental store is a cluster of several shops under one roof operating through common owners under one management and control.

(vii) **Fixed Prices** : Departmental stores offer the goods for sale at fixed prices only and there is no scope for bargaining since the price is printed on the package or on the product.

Advantages of Departmental Stores :

1. **Wide Choice of Products** : It offers large stock of goods of different qualities and make so that the consumes can select goods of their liking which are provided by the departments of the stores.
2. **Convenience in shopping** : It offers wide choice of goods under one roof which enable the customers to purchase all the goods at one place instead of going to different shops. This saves time and effort of the customers.
3. **Service to Consumers** : It offers recreation and other facilities in the stores such as rest room, restaurants, telephone facility etc.
4. **Extensive use of Advertisement** : Each department of the stores act as an advertisement for other departments. It is because the customers pass through more than one department and the window display motivate them to purchase the goods.
5. **Specialisation** : It employs specialists with expert knowledge of buying, selling, advertising, pricing etc. as the departmental store is organised as a joint stock company with huge amount of capital.
6. **Economical Buying** : It purchases goods in bulk quantities and on cash payment basis.
7. **Large Turnover** : It attracts a large number of customers since it is located at a centralised place with wide variety of goods attractive layout and availability of quality goods.
8. **Finance strength** : It enjoys credit standing and can borrow at economical rates.

Disadvantages of Departmental Stores :

1. **Huge Capital** : It has to mobilise huge capital to maintain a large staff and to maintain huge stocks of all varieties of products.
2. **High Cost of Operation** : Since the departmental store is located in busy centres, it has to pay heavy rent for buildings, extensive advertising is undertaken, high salaries are to be paid to expert staff and also to be incurred expenditure on recreation facilities to the customers etc., which all increase the overhead costs of departmental stores.
3. **High Prices** : It incurs high operational costs and to recover the expenditure, the goods are to be sold at higher prices.
4. **Lack of personal contacts** : The personal contacts between the customer and the owners of the store is completely absent.
5. **Distance from place of Residence** : It is located at a central place of the town and people residing far away from stores prefer to purchase their required goods from nearby shops only.
6. **High Risk** : Since departmental store carries huge stocks in one building, the extent of risk is considered to be very high. It is because of the loss due to fire, price fluctuations and change in fashions which result in heavy losses to the stores.
7. **No Credit Sales** : Normally, in departmental stores only cash sales are entertained which will result in low sales.
8. **Lack of Interest** : Paid servants do not get any share in profit which result they do not show much interest in developing the business of departmental stores.
9. **Difficulty of Supervision** : Due to many number of departments, which creates problem of effective supervision and control over the work of the staff of different departments.

B) **Multiple Shops** :

Multiple shop refers to an organisation under which a large number of similar shops are opened at different places in one particular area or throughout the country under a centralised management and dealing in similar lines of goods. Multiple shops are popularly found in European countries and the U.S.A. In U.S.A. the multiple shops are called as “Chain Stores”.

Origin and Growth

The multiple shop system (Chain stores) was developed in the U.S.A. where the first chain, Great Atlantic and Pacific Tea com., was set up in 1859. Subsequently in the U.K. a number of chain stores have been developed.

R.W.Woolworths, Smith and Com. Boots etc. are considered to be famous chain stores in the U.K. In India chain stores have become popular to some extent only. The Bata Shoe Company, DCM., Binny and Usha Sales are some of the examples of chain stores in our country. The reasons for the rapid growth of the multiple shop system are population growth, economics of bulk buying, advantages of specialisation, emphasis on quality, rising cost of living etc.

Organisation and Management

Multiple shop system is organised generally as a joint stock company. The management of the company lies with Board of Directors and the General Manager. Under General Manager the State Managers are working and under State Managers the District Managers will have to work for the operation of the stores. Each stores is headed by a store manager who works with the assistance of salesmen.

Features of Multiple Shops

The distinctive features of the multiple shop system are explained below.

a) ***Cash Sales***
Sales are made only on cash payment.

b) ***Central Buying***
The entire buying is undertaken by expert buyers at headquarters.

c) ***Limited Lines of Articles***
The stores deals in a single line of standardised goods. In order to attract the customers, they adopt standardised design, quality, appearance, packing of the products etc.

d) ***Appearance***
For easy recognition of the shop, they adopt a standardised design of their premises and window display.

e) ***Prices***
Prices are fixed by the management at Head Office only. The branch managers will have to sell the goods at a price fixed by the Head Office.

f) ***Huge Capital***
Multiple shops being large scale retail organisations require large amount of capital. Hence they are run as joint stock companies.

g) ***Centralised Control***

All the branches are under a unified system of control from head quarters operated by the Board of Directors of the company. The Managing Director / General Manager in turn may exercise control over regional/state and district managers. Local branch managers merely carryout the instructions sent by the Head Office.

h) ***Maintenance of Ware Houses***

The branches requiring the stock have to take delivery of goods from the nearby warehouses.

i) ***Payment of Expenses***

Head Office sends money every month to the branch to meet its expenses.

j) ***Remittance of Sale Proceeds***

Branch Manager should submit daily or weekly report on sales made by him at the branch to the central office. The cash realised on the sale of goods must be deposited in the bank daily by the Branch Manager concerned.

k) ***Periodic Inspection***

The Branch Manager has to submit periodic accounts to the Head Office. The Head Office also undertakes periodic inspection of different stores to verify the stock, remittances, maintenance of accounts etc.

Advantages of Multiple Shops

The advantages of multiple shops or chain stores are as follows :

a) ***Economical Buying***

Since the Head Office only purchases the goods directly from manufacturers, it enjoys the economies of large scale buying

b) ***Mutual Advertising***

The shops maintain uniformity in design, layout, window display etc. Hence they are easily recognised by its style, window frame work, colour of their decoration and the branded articles on sale. Such uniformity has an advertising value for the shop.

c) ***Rapid Turnover***
The objective of multiple shops is small profits and quick returns. Hence, the price is lower than at independent shops which helps to increase the sales.

d) ***Quality Products***
The shops can give customers good quality branded products and value for money paid by them.

e) ***Elimination of bad debts***
The shops are run on cash basis. Hence, the possibility for bad debts does not arise.

f) ***Economical Operations***
The operational costs and overheads are less than compared with departmental stores. Hence, multiple shops are economical in their operation.

g) ***Flexibility***
Multiple shops are flexible in nature, shops may be opened in promising areas and unprofitable branches may be closed down by transfering stock to the nearby branches.

h) ***Transfer of Stocks***
If any branch at any time runs short of stock and if there is no possibility to get the stock from Head Office at a short notice, it can get the required stock from the nearby branch by transfer.

i) ***No Middlemen***
Since the Head office purchases goods directly from the manufactures, middlemen are eliminated and consumers are in a position to get the products at a reasonable price.

j) ***No Heavy Rent***
Since these shops need not be located at central places, the rent is also reasonably cheap. Hence, the shops need not spend huge sums of money on rent.

k) ***Personal Touch***
Since the Manager of the branch is always available to the customers, he can look into customers complaints and develop personal contacts with them which is highly required for successful conduct of the business.

Disadvantages of Multiple Shops

Multiple Shops suffer from the following disadvantages.

a) ***Lack of Interest***
Since the multiple shops make use of services of paid employees and do not get any share in profits, they show less interest in the sales of goods. They may not exhibit the desired salesman shop to effect sales.

b) ***Limited Sales***
Since no credit sale is allowed in multiple shop system, the sales are limited. It is evident that for the success of business credit is inevitable which is lacking in this system.

c) ***Limited Varieties***
Multiple shops offer limited line of products only. Hence, they cannot satisfy all the needs of consumers when they come out for shopping.

d) ***Suitability***
Head office policies and control do not always suit the local conditions. Hence, the sales may be affected.

e) ***Cost of Maintenance***
Multiple shop system has to incur a lot of expenditure on the maintenance of various shops at different places.

f) ***Inefficiency***
Due to large scale operations, multiple stores suffer from red tapism, delayed decisions, lack of prompt action etc. which may result in inefficiency of the people and organisation.

g) ***Competition***
Multiple shops face tough competition from independent and local retail stores. Local people consider them as monopoly business and local Government may discriminate against them. They pose a danger to small and independent retailers.

Distinction between Departmental stores and Multiple Shops

Departmental stores and Multiple shops are large scale retailing institutions but they differ in several aspects which are as follows :

	Departmental Stores		Multiple Stores
1.	It is centrally located and tries to attract customers from wide areas.	1.	It goes as near to the customers as possible.
2.	It deals with wide variety of goods.	2.	It deals with limited number of products only.
3.	It offers many free services and emphasises convenience and quality.	3.	It offers no services and emphasises on economy of costs.
4.	It has higher operating costs and sells at a higher price.	4.	It has lower operating costs and sells at a lower price.
5.	It adopts decentralised purchasing and centralised selling.	5.	It adopts centralised purchasing and decentralised selling.
6.	It is not flexible, therefore, closure of the stores is not an easy process.	6.	It is flexible and can be closed at any time by transferring stock to another branch.
7.	It advertises intensively in a limited area.	7.	It advertises extensively to cover wide area.
8.	The size of the organisation is large	8.	The size of the shop is limited.
9.	It does not produce the goods. It only assembles and provides them to the consumers.	9.	It assembles the goods and some times may produce the goods.
10	It maintains heavy stocks of all varieties, which invites high risk.	10	It maintains low stocks of limited varieties, hence risk is low.
11	It caters largely to well to do customers who value variety and service.	11	It caters to the needs of common man who is price conscious.
12	It sells both on cash and credit basis.	12	It sells always on cash basis.
13	It cannot control all the activities much easily.	13	It controls all the activities of branches spread over wide areas.
14	The decoration of different departments is not uniformly maintained.	14	There is uniformity in shop decoration, its layout, window display etc.

Mail order Business

Mail order refers to 'shopping by post'. It is a distinct form of retail business wherein the orders are accepted and goods delivered by post. It is a method of non-store, impersonal and direct selling that eliminates the middlemen. Thus mail order business can be defined as an establishment that receives orders by mail and make its sales by mail, parcel etc.

Origin and growth

Mail order business was started in the USA in the last decades of 19^{th} century. The popular departmental stores of USA like the Scars Roebuck, Montgomery Ward & Co., Butler Brothers etc. have opened mail order houses in the last quarter of the 18^{th} century. The reasons for the growth of the mail order business are development of efficient postal system and communication, widespread literacy, improvement in techniques of advertising etc.

In India, Mail order business has not become popular due to illiteracy of the people, ineffective advertisements, defective standardisation, domination of agricultural products in trade, lack of efficient postal services in rural areas, lack of faith in traders due to their image and unfair trade practices etc.

Selling Procedure

The following selling procedure is followed in mail order business :

a) It prepares mailing list of potential customers from the source of government records like municipal records, road transport office records, telephone directories, list of members of associations and clubs.
b) It must send catalogues, price list and other relevant literature to all the identified customers by post.
c) If no reply order is received, enquiries should be followed through reply cards or follow up letters.
d) The preparation of mailing list is to be followed by an advertisement in news papers, magazines etc.,
e) On receipt of orders, goods must be properly packed and parcels are sent through VPP (Value Payable Post) or registered mail.

Features of Mail Order Business

a) ***Business Through Post***
In mail order business, orders are received by post and goods are also delivered through post only.

b) ***Personal Contact***
In this business, there is no personal contact and direct dealing is done with the customers. Personal relations cannot be established between the buyer and seller.

c) ***No Middlemen***

In this business middlemen are totally avoided between the buyer and seller.

d) ***Advertisement***

In this business, customers are attracted and motivated through advertisement in news papers, magazines and with the supply of catalogues.

e) ***Suitability***

All the goods are not suitable for Mail order business. Books, toys, watches, clothes, foot wear, drugs, cosmetics etc. are suitable for the business.

f) ***Literacy***

This business is highly suitable where literacy rate of the people is high.

Advantages of Mail Order Business

The advantages of mail order business are as follows

a) ***Convenience***

The customer is able to get the desired goods at his place without spending his time and money in travelling to the trading centre.

b) ***Quality***

Quality is also ensured in this business. If customer is not satisfied with the product, since goods are guaranteed, the seller takes them back.

c) ***Low Price***

Since there are no middle men between buyer and seller, there is a possibility for getting the goods at a low price. Low operating costs also makes possible to supply at a low price.

d) ***Low operating costs***

Mail order business does not require costly location, well decorated and furnished premises large stocks, free services and expert services. Hence, economics in operational costs are possible.

e) ***Wide Variety***

It deals with a wide variety of merchandise and provides articles not available in local markets also.

f) ***Distant Markets***

Its sales can be extended to local markets, but it can cover all the market segments wherever the postal services are available. Thus, distant markets can be covered which enhances the sales of the firm.

g) ***Less Capital***

It can be carried out with small capital since huge stocks need not be maintained. The possibility for business risk is also minimum.

h) ***Flexibility***

The method of sale, type of goods etc. can be easily changed to suit the present day requirements. The mailing list can also be altered with the shifts in population.

Disadvantages of Mail Order Business

The disadvantages of mail order business are as follows :

a) ***Lack of Personal contacts***

Customers cannot personally inspect the goods and there is no possibility for satisfying himself with regard to quality, price, durability before he purchases the product.

b) ***Delay in Getting Goods***

Customers will have to wait for several days to get the delivery of goods after the order is placed. They may not get goods as and when they require them.

c) ***Damage of Goods***

There is a risk of loss due to damage of goods in transit and complaints cannot be solved quickly since the seller is far away from buyer.

d) ***Limited Scope***

This business is applicable for limited varieties of products which are not bulky and perishable.

e) ***Illiteracy***

If illiteracy rate is high, this method is not that suitable. Uneducated people and those living in rural areas with insufficient postal services cannot be approached.

f) ***Lack of Services***

Customers do not get any service from the sellers such as credit, after sale service, repairs, etc.

g) ***High Promotional Expenditure***

It has to spend heavily on giving an advertisements in news papers and magazines in undertaking sales promotional programmes in preparing the mailing lists and catalogues.

h) ***High Packaging Expenses***

Since the goods are to be sent to distant places by post, a special packaging must be done to avoid the damage that might occur to them. Hence, packaging expenses would be high in this business.

i) ***Scope for Fraud***

This kind of retailing offers sufficient opportunity for cheating the customers.

Consumers' Co-operative Stores

Consumers' Co-operative Stores is an association organised by consumers to obtain their requirements by purchasing in bulk and selling through the stores owned, managed and controlled by themselves. The basic aim of this stores is to eliminate the middlemen and their profits.

Origin

Consumers' Co-operative stores originated in England where 28 weavers of Rochdale established the Rochdale Equitable Pioneers Society in 1844 with the purpose of sale of provisions, clothes etc. to its members. In India, consumers, co-operative stores have achieved a limited success.

Organisational and Management

Consumers' Co-operative stores in India are organised under the provisions of the Co-operative Societies Act of 1926. For registering a co-operative stores atleast ten members are required. Every consumers' co-operative society is controlled by the General Body of shareholders. The business of the stores is managed by a committee elected in the annual general meeting of the members. The capital of the stores is subscribed by the members by purchasing the shares. The principles of Co-operatives have been applied for the distribution of profits, goods to ultimate consumers, etc.

Features of Consumers' Co-operative Stores

Features of consumers' co-operative stores are as follows :

a) ***Membership***
Membership is open to all those adult members who want to join in it. There is no maximum limit for the number of members. But the minimum number required is 10.

b) ***One Man-One Vote***
'One man-One vote' is the fundamental feature of this form of organization. It does not take into account the number of shares held by the members.

c) ***Capital***
Every member contributes towards the capital of the stores. The capital is raised through the issue of shares to the members. These shares are issued at par value and with smaller denominations for the convenience of all the people.

d) ***Objective***
The primary objective of the consumers' co-operative stores is to render service to its members and to make reasonable profits.

e) ***Cash Sales***
Normally in the consumers' co-operative stores, goods are sold on cash basis only. The credit facility is not offered.

f) ***Management***
It is owned and managed by members themselves through a committee elected in the annual general meeting.

g) ***Profit Distribution***
The net profit of the stores is distributed among the members in proportion to the purchases made by them.

h) ***Liability***
The liability of the members of the Consumers' Co-operative is limited to the extent of their share value.

i) ***Registration***

The registration of the Consumers' Co-operative stores is a must as per provisions of the Act. Hence, without its registration one cannot carry on the business.

j) ***Audit***

The accounts are audited by the registrar co-operative societies or by the person authorised by him.

Advantages of Consumers' Co-operative Stores

The advantages of consumers' co-operative stores are as follows :-

a) ***Economical Buying***

The stores directly purchases the goods from the manufacturers in bulk quantities. Hence, it can enjoy the benefits of large scale buying such as trade discount, cash discount, etc.

b) ***Consumers' Protection***

The stores protects its members from the exploitation and malpractices of traders. The quality goods and steady supply of the goods is also ensured.

c) ***Fair Prices***

It supplies goods to its members at low prices due to economical buying, elimination of middlemen, lack of advertising low operating expenses etc.

d) ***Low Operating Costs***

Cash sales eliminates bad debts. Honorary management by members, lack of advertising, simple organizations, etc., help in reducing the operating costs.

e) ***State Patronage***

It is exempted from the payment of taxes and enjoy the assistance provided by the government.

f) ***Encourages Savings***

It encourages thrift and savings among its members and increases their economic security.

g) ***Eliminates Middlemen***
It eliminates the middlemen in the channel and the members can get the goods at a fairly reasonable price.

h) ***Control of Organisations***
The principle of 'one member one vote' prevents the small group from security control of the organisations and changing it into profit making institution.

i) ***Training Centre***
It is a training centre in self government and democratic functioning. It contributes to the social and cultural advancement of its members.

j) ***Controlling Prices***
It helps in controlling the prices since the middlemen are avoided. Purchases are made in bulk and advertisement expenses are almost nil.

Disadvantages of Consumers' Co-operative Stores

The disadvantages of consumers' Co-operative stores are as follows :

a) ***Uneconomic Size***
The existing consumers' co-operative stores are too small to operate economically. The membership is also limited.

b) ***Shortage of Funds***
The stores are suffering from the shortage of funds. The poor economic position of the members restricting the expansion and growth of stores owing to its insufficiency of capital.

c) ***Inefficient Management***
The members incharge of the stores lack business ability, training and experience. This is resulting in inefficient management of stores and ultimately running in losses.

d) ***Lack of Wide Choice***
The members do not get a wide choice in making purchases as in the case of departmental stores. Only few and important essential commodities are made available at stores.

e) ***Disloyalty of Members***

It depends on the loyalty of its members. Stores are often the victims of manipulations and frauds by the office bearers, with the result they are running in losses.

f) ***Lack of Incentive***

It is difficult to get efficient staff because of low salary. The paid staff of the stores lack initiative and incentive with the result the performance is quite discouraging. There is no direct incentive to bring down expenses and increase sales.

g) ***Capital is Withdrawable***

Since it allows the withdrawal of the capital, it leads to serious difficulty because, number of members may withdraw their shares in times of depression or other crisis.

h) ***Provide no Services***

It doesn't provide any services to the consumers like after sales service, recreation, delivery of goods, return of goods etc., as avilabile in departmental stores.

i) ***Limited Customers***

The number of customers are limited as this store depends mostly on its members. Non-member customers are very few, with the result expansion of the business is unimaginable.

Super Markets

Super Markets are also to be called as Super Bazars and self-service stores. The first Super Market was started in the USA during the period of economic depression of 1930's. Philips and Duncan defines a super market as "a departmentalised retail store usually handling a variety of merchants and in which the sale of food, much of which is on a self service, plays a major role". The Dictionary of Business and Finance describes super market as 'large retail stores selling a wide variety consumer goods, particularly food and small articles of house hold requirements'.

The super market retail organizations have started growing up in India also. In Andhra Pradesh, Supermarkets are also called as Janata Bazars, Kalpalatha Stores etc.

Features of Super Markets

The important features of Super market are as follows

a) ***Wide Variety of Goods***
It deals with a wide variety of goods under one roof. Numerous varieties of good product like vegetables fruits, meat, bakery products, dairy products, and other essential goods are made available at one place.

b) ***Organisation***
It is organised on departmental basis. Goods are arranged in different sections for their easy identification.

c) ***Self Service***
Here the customer collects various items selected from the shelves of different sections and makes his own arrangement to carry goods to his home.

d) ***No Credit Sales***
In super markets goods are sold on cash basis only. It doesn't entertain any credit sales.

e) ***Low Prices***
It provides goods at cheaper rates, since operational expenses are relatively low when compare with departmental stores.

f) ***Packaging***
Since sales-man are not used for effecting sales, packaging is done effectively to safeguard the contents, to indicate the price, weight etc.

Advantages of Super Markets

The advantages of Super Markets are as follows :

a) ***Larger Sales***
It stocks a variety of items under one roof which facilitates increase in sales.

b) ***Impulse Buying***
The Product display acts as motivation to buy the product.

c) ***Saving in Costs***

Labour costs are saved since the sales-man are not used in stores to effect the sales.

d) ***Margin on Non-food items***

High margin of profit on non-food items is leading to increase the average margin of profit of the super markets.

e) ***Increased Efficiency***

Increased sales and elimination of sales services is resulting in increased efficiency of super markets.

f) ***Location of Stores***

Super Markets are located at a place where parking space is adequately available and area covered is sufficiently large to provide and for the display of wide varieties of goods.

g) ***Reduces Time in Shopping***

It reduces shopping time and eliminates the queues since salesmen services are not required and all the goods are within the reach of the customers.

h) ***Lower Prices***

It charges low prices compared to other retail business units, because of low operational costs.

i) ***Freedom to Buyer***

It provides perfect freedom to buyer to make his selection of goods since no pressure can be affected by the salesmen.

Disadvantages of Super Markets

The disadvantages of super markets are as follows :

a) ***Long Distance***

Large premises at a cheaper rates can be had only in the outskirts of the city and normally the super markets are located at long distances from the main localities.

b) ***Lacks Product Information***

Goods which require product information, its usage or maintenance cannot be available from salesmen. Customer himself should evaluate the uses of the product before a purchase decision is taken.

c) ***Huge Investment***
Since more number and variety of products are to be made available, it requires huge investment.

d) ***No Credit Facility***
It fails to attract those customers who desire to purchase goods on credit. It is because Super markets sell the goods only on cash basis. Hence, sales may be relatively low.

e) ***Personal Contacts***
In this type of retail business, there is complete lack of personal contacts with the customer.

f) ***Misuse of System***
Since the goods are kept open in the shelves and no salesmen are there at the different sections, there is a possibility of spoilage, breakage, theft etc.

g) ***Non-availability of Services***
It does not provide personal and free services as offered by other retail stores. This may result in dissatisfaction to the customers.

h) ***Suitability***
It is suitable only for big cities where literacy is more and product awareness is high. Hence, they cannot be established in small towns or rural area.

Agent Middlemen

Agent middlemen are also to be called as functional middlemen. Agent middlemen are those who do not take the title of the goods but do actively assist in the transfer of titles. They work on commission basis nd stand as a mediator between buyers and sellers. Generally, the manufacturers of single product or limited lines of products find it most economical. Agent middlemen are highly useful particularly for the widely scattered markets which are located at long distances from factories. The different types of Agent middlemen and their services offered to manufacturers and buyers are discussed below :

a) ***Commission Agents***

Commission agents are those agents who buy and sell goods for others on commission basis. Commission agent does business on his own but does not undertake any risk. When he is authorised to buy the goods, he is deemed as purchasing agent and authorised to sell the goods he is deemed as selling agent. Apart from purchasing and selling of goods, he also undertakes certain marketing functions such as transportation, storage, sales promotion packaging etc. Selling agents if they bear the loss of bad debts are called as Delcrede Agents, and they are paid extra commission for this services called "Delcrede Commission".

b) ***Brokers***

A broker is an agent employed to make bargains and contracts in matters of trade, commerce between two parties for a compensation commonly called brokerage. The broker brings buyers and sellers together and facilitates negotiations in the name of others. A broker does not take title to goods but he only negotiates for the sale. He does not take possession of the goods. They operate from their fully equipped offices. Brokers operate in the market for manufactured goods, mines and farm products. Their services are also widely used for the sale and purchase of real estates, securities, insurance etc.

c) ***Forwarding Agents***

Forwarding agents are those agents who are employed to collect, forward and deliver goods to proper destinations. They are often employed in export trade. These agents collect and bring goods to docks, attend to customs formalities, arrange for insurance, shipment of goods, etc. on behalf of the exporter. They are paid commission by the exporter for the services rendered to him.

d) ***Clearing Agents***

Clearing agents are those agents who receive the goods from abroad on behalf of the importers at the port of destination, examine their quality and quantity and make arrangement for their warehousing, or transportation to the places of importers. For the services rendered by these agents, the importer pays commission to them. The commission the agents charge for their services is very less than those charged by other agencies.

e) ***Auctioners***

An auctioner is an intermediary authorised to sell goods at a public auction. He is legally the agent of the seller until the goods are taken away by the highest bidder in the auction. Once the bidding is over, he becomes an agent of both the buyer and seller for completing the sale.

For the purpose of auctioning, the auctioner assembles goods from intending seller, displays them for prospective customers, invites offers for sale and sells the goods to the highest bidder. An auctioner is expected to sell for cash, otherwise, he personally becomes liable for losses suffered due to the delivery of goods at credit.

f) ***Factors***

A factor is an agent employed to sell goods or merchandise consigned or delivered to him by or for his principal for a compensation. Thus a factor is a mercantile agent whose ordinary business is to sell goods given under his possession or control by his principle. He deals the transactions on his own name rather than in the name of his principal. Many factors finance their principals by making immediate payment on receiving the goods from them. Factors sell the goods at such a time and price as he thinks best for his principal.

Modern Marketing Channels

In the discussion which we had on the merchant middlemen and agent middlemen we have learnt that their role is very crucial for successful conduct of the business. But with the growing technology, competition sophistication, some more modern techniques have been developed which are also highly useful in the marketing channels. The important technological maketing intermediaries useful for the successful conduct of the business are Tele-Marketing and E-Commerce which are discussed hereunder.

Tele Marketing

Tele marketing is also called telephone selling. It is a new marketing discipline that utilises tele communication technology to feature the use of personal selling using non face-to-face contacts. Hence, tele-marketing refers to a sales person imitating contact with a shopper and closing a sale over the telephone. Tele marketing entails canvassing from the phone directory or it may depend on the prospects who have requested information from the company. It is highly suitable to such products that can be bought without being seen are sold over telephone. For example pest control services, magazine subscriptions, credit card membership and athletic club membership are best suited for telemarketing.

Telemarketing can be used solely or in combination with media advertising, direct mail, catalogue selling, face to face selling, and other communication modes. Finally, the computer systems today can automatically dial a telephone number or play a tape message and then record information that the consumer gives to complete the sale. This system reduces the high labour costs associated with tele marketing.

Uses of Tele Marketing

Tele marketing is potentially useful for the markets in the following ways.

a) It is a less costly substitute for personal selling.

b) It is a supplement to personal selling.

c) It is a very useful substitute for direct mail and media advertising.

d) It renders instant and cost of effective personal service to customers when they need it.

Misuses of Tele Marketing

The misuses of telemarketing are as follows :

a) Telemarketing companies call at almost any hour of the day or night. To avoid the inconvenience to consumers in the U.S.A., the Federal Communications Commission has instructed to call the customers between 8 a.m. and 9 p.m.

b) Telemarketing companies call all the members on phone whose numbers are found in the telephone directory. Hence, companies are advised to prepare a list of consumers who do not want to be called to avoid inconvenience to non-desirous persons.

c) Another disputed telemarketing method is that the computers are used to dial the phone numbers which automatically deliver the pre-recorded messages and even accept the orders. Thus violates the consumers right of privacy.

E-Commerce

Trade and Commerce between individuals is as old as the existence of mankind. The latest to join the list is Electronic Commerce, which is popularly known as e-commerce. Electronic commerce is defined as the actual buying and selling of goods or services electronically on line. Products are displayed in an on-line store and potential customers can read information about the products see them on the website and have the option to purchase them online. Any product can be sold online and all the principles of business apply to this also.

Types of E-Commerce

E-Commerce is divided into three major segments which are as follows

a) ***Inter-organisational (Business to business)***
Inter organisational e-commerce is between different business entities. It reduces the number of suppliers and facilitate business partnership by reducing purchase orders processing costs and inventory cycle timings.

b) ***Intra-organisational (within business)***
It occurs within the business only. The objective is to link the constituents together and increase the flow of information within the organistion.

c) ***Retail E-Commerce***
It is directed at the consumer. It can be used for any business for consumer interactions.

Pre-requisites of E-Commerce

The important requirements to conduct the e-commerce business are as follows :

a) website, either owned or supplied by cart provider.
b) A shopping cart programme to list out product or services and means to collect purchaser information.
c) A method to get the funds into the bank account.

Advantages of E-Commerce

1. It is very easy to reach the customers through out the world at any time via internet or via an EDI System.
2. Throughout the year, on all the days this sytem can be operated.
3. The cost of setting up of an e-commerce website is very low when compared with retail outlet.
4. There is more flexibility in a web site to add and remove a product than in catalogues or brochures.
5. It potentially gives exposure to previously untapped market segments.
6. It offers wide choice and wastage of time can be avoided.

Disadvantages of E-Commerce

1. There is no possibility to touch and feel merchandise.
2. With growing importance of e-commerce and computer communication technologies the social contacts of the consumers are going to be reduced.
3. Since online stores do not exist for long periods, many companies do not know exactly the setup of store.
4. There is a possibility for intercepting transactions and cause problems to consumers and companies who operate on the internet.

5.3 CHANNELS USED FOR CONSUMER AND INDUSTRIAL GOODS

Broadly speaking, there are two channels of distribution i.e.,

1) Direct Channel, and
2) Indirect Channel

In the case of direct channel, the manufacturer seals the goods directly to the consumers without any marketing intermediary.

In the case of an Indirect Channel, the manufacturer sells the goods directly to the consumers through middlemen.

1. Direct Channel :

The Direct selling can be done in one of the following three routes.

a) The manufacturer can have his own sales depots that directly sell the goods to the consumers.

Manufacturers Show Rooms	→	Consumers

<u>For example</u> : Retail show rooms of the Bata Shoe Company

b) The manufacturer can adopt mail order system of selling in which the producer advertises his products in news papers and invite direct orders from consumers. Goods can be supplied directly to the consumers by mail, on receipt of orders from the consumers.

Manufacturers Mail Order System	→	Consumers

c) The manufacturer employees his own sales representatives to visit consumer houses and sell goods directly at their door steps. This is called as Door to door selling.

Manufacturers Sales Representatives	→	Consumers

<u>For example</u> : The sale of Eureka Forbes Ltd's, Euroclean vacuum cleaner.

In the direct channel the manufacturer reaches the consumers directly without the assistance of any marketing intermediaries.

Direct Channel is highly useful in the following circumstances.

i) **Perishable goods** : If the manufacturer's goods are perishable in nature, there is every need to dispose off the stock at the earliest.
For example : Sale of vegitables, milk, butter, eggs, fish, etc.

ii) **Less output** : If the manufacturer's output is less and market is limited direct channel is desirable.
For example : Bakery owners manufacture bread, biscuits, cakes etc., and sell them through their own shops.

iii) **Special class of people** : If the goods cater to the needs of a special class of people and are purchased only by them, direct channel is desirable.
For example : The X-Ray equipment is purchased only by hospitals and nursing homes and producers intend to sell such equipment directly to them.

iv) **Technical Nature** : If the goods produced are technical in nature and requires demonstration to the consumers, direct channel is desirable.
For example : Sale of heavy machinery goods, computers, xerox machines etc., i.e. industrial goods.

v) **New product** : If a new product is introduced into the market, the manufacturer tries to contact the consumers directly to explain the qualities of the product through his salesmen.
For example : When Henko detergent powder was released in the market, door to door sales was undertaken by the Henker Spic India Ltd., to explain the quality and superiority of the product over competitor's products.

vi. **Mail order** : If the goods can be sent easily by post such as text books or general books exercise equipment etc., the producer can adopt direct selling.
For example : Telugu Academy sends the books ordered by post to the desired consumers.

vii. **Large Network** : If the manufacturer has a large net work of retail shops, direct selling is desirable.
For example: The Bata shoe co., DCM etc., sell their goods directly to the consumers.

There has been an increasing use of direct selling in recent years due to the following reasons.

a) Need to reduce the marketing costs by large-scale distribution.
b) Growing cum petition resulted in close control over the market
c) Need for providing after sales service.
d) Need to under take special promotional efforts.
e) Exploitation and non co-operation form the middlemen.

Direct channel is the simplest and shortest channel through which goods reach the ultimate consumer without the services of middlemen, and it is highly applicable in the case of industrial goods.

II. **Indirect channel:**

In indirect channel the manufacturer doesn't sell the goods to the consumer directly. He sells goods to the middlemen. The middlemen in turn sell the goods to the consumers.

The different types of indirect channels are:

A) **Producer-Retailer-Consumer**: Due to modern means of transport and communication, growth of retailers, advanced system of automatic data processing, computerization or order processing, increased availability of warehousing etc., it has become possible to bypass the wholesalers and the producer is able to deal directly with the retailers.

Producer ⟶ retailer ⟶ consumer

For example: Refrigerators, Televisions Typewriters, electric fans and Type-recorders etc., for consumer durables.

B) **Producer-Wholesaler–Retailer–Consumer**: Under this method, the producer sell the goods to the wholesaler, who in turn, sell to the retailers. The retailers in turn sell the goods to the ultimate consumers.

Producer → wholesaler → Retailer → consumer

This channel is used for consumer durable products, which are not subject to changes in fashion. This is a traditional channel of distribution of goods.

C) **Producers-Wholesaler–Consumer** : Under this method, the producer sell the goods to the wholesaler who in turn sell to the consumers by bypassing the retailer.

Producer → Wholesaler → Consumer.

This channel is widely used where there are large and institutional buyers in the market such as Hospitals, Government and Educational Institutions.

D) **Producer-Agent-Retailer-Consumer** : In this method the producer sell goods to an agent, in turn sell goods to the retailer who in turn sell them to the consumers.

Producer → Agent → Retailer → Consumer

Agents are common in the distribution of textiles and agricultural products etc.

E) **Producer-Agent-Wholesaler-Retailer-Consumer**: In this method, the producer hands over his entire output to the sole selling agent, who sells his goods to the wholesalers who in turn sells them to the retailers and who in turn sells them to the consumers.

Producer → Agent → Wholesaler → Retailer → Consumer

This type of channel is very popular in agricultural marketing and it is the longest route of distribution.

5.4 IMPORTANCE OF WAREHOUSING - TYPES

The commercial system of any country depends on three major systems, viz. trade, transport and warehousing. Storage of goods is usually done at a place is called "Warehousing". It adds time utility to the goods by making them available at a time they are required. There is always a time gap between production and consumption.

For example : The supply of food grains is high during harvesting season, and the total output cannot be consumed immediately.

So, substantial part of output is kept aside for future demand. It is similar in the case of companies products too. The process of manufacture of goods is continuous but they are not consumed immediately. Therefore, there is every need to preserve the goods till the period of consumption.

The term warehousing is a combination of two terms, i.e., "ware" and "housing". The word "ware" refers to goods. Therefore warehouse can be defined as the "Place suitable for preserving the goods and warehousing is the activity involving storage of goods".

Importance of warehousing :

1) **To assure steady supply** : Warehousing enables stock of agricultural produce and industrial goods to be kept at safer places so that a steady supply of goods is assured to consumers. Natural scarcity and shortages can be avoided if storage facilities are available to the farmers and industrialists.
2) **To protect against delays** : Goods must be stored nearer to the consumer markets as a protection against delays in supply and uncertainities in transportation.
3) **To store the excess stock** : Certain products are produced throughout the year. But, its demand is seasonal. Producers must keep on producing goods and the excess stock must be stored and preserved till they are required.
4) **To met the requirements of wholesaler and retailer** : Storage of goods is necessary for wholesaler and retailer. So, the wholesalers and retailers have to maintain the sufficient stocks to meet the requirements of the consumers.
5) **To avoid fluctuations in price** : It is necessary to store goods to avoid violent fluctuations in the price of goods.

For example : The excess production in the harvesting season can be stored and released slowly into the market during the time of necessity. Thus, prices remain stable and seasonable throughout the year.

6) **To fetch higher prices** : Some goods fetch higher prices if they are stored for a longer period.
For example : Rice, Tobacco, Liquor etc.

7) **To add value to the perishable goods** : Cold storage adds value to the perishable goods.
For example : Vegetables, eggs, fruits, butter, meat, etc., are stored in cold storage to supply them throughout the year.

8) **To ensure continuous production** : An industrial production is carried out on the basis of expected demand in future. Hence, it is necessary to hold raw materials in store to ensure continuous large-scale production to satisfy the needs of the consumers.
For example : Sugar industry requires sugar cane, flour mills require wheat etc.

Types of Ware houses :

The different kinds of warehouses are

1. Private warehouses
2. Public warehouses
3. Bonded warehouses
4. Duty paid warehouses and
5. Refrigerated warehouses

1) **Private warehouses** : Private warehouses are those warehouses which are owned by wholesalers, and large retailers for the storage of their own stocks. These warehouses are constructed at personal cost, management and control is totally enjoyed by them only. Many wholesalers, large departmental stores, super markets, large scale retailers and manufacturers have their own ware houses for storing the goods. Private warehouses are less in number when compared to public warehouses owing to their heavy cost of construction.

2) **Public warehouses** : A public warehouse is one which operates to store goods of any member of the public in return for storage fee or charge. Public warehouses are considered to be public utilities and they are licensed by the Government. The method of operation and rates to be charged are fixed by the State Government. Public warehouses are classified as follows :

i) General warehouses
ii) Specialised warehouses

General warehouses store a variety of goods while specialised warehouses store only one or two specific items.

3) **Bonded warehouses** : Bonded warehouses are highly useful to importers who can store their goods in them without paying any customs duty. The duty is to be paid when the goods are taken out of the warehouse. Till the period that goods are lying in the bonded warehouses, the goods are known as "goods in bond". Once the duty is paid, the goods can be removed on the authority of warrant issued by the customs officials. The importers are also extended the facility of blending, packing etc., while the goods are lying in the warehouses. However, these special functions can be performed only after getting permission from the customs authorities. These warehouses are owned by dock authorities and are under the supervision of the customs authorities.

4) **Duty paid warehouses** : After paying the duty on the goods kept in the bonded warehouses, the importer take the possession of the goods and store them in warehouses which are called as duty paid warehouses. These warehouses are meant to preserve only such goods on which the duty is paid by the importer. The importers are at liberty to lift the stock from these warehouses whenever they desire. Duty paid warehouses are also located near the ports only which are normally owned by the dock authorities, port trusts etc.

5) **Refrigerated warehouses** : The goods which are perishable in nature such as vegitables, eggs, fruits, meat etc., cannot be stored in ordinary warehouses. The goods will become rotten and become unfit for human consumption. If cold storage facilities are not available, there is every possibility for push down of the prices due to which farmers are put to heavy losses.

Keeping this in view a cold storage order was adopted in 1980 by the Directorate of Marketing and Inspection to develop the cold storage industry. This order has enabled to develop a number of cold storage centres in a planned manner to ensure by hygienic and proper refrigeration conditions for the perishable goods. These warehouses are also called as cold storage which are increasingly becoming popular in the present days.

5.5 TRANSPORTATION - MODES

The commercial system of any country depends on three major systems viz., trade transport and warehousing. So, let us discuss about the modes of transport and its advantages and disadvantages in this unit.

Modes of Transport

1. Road Transport
2. Rail Transport
3. Water Transport
4. Air Transport

I. ***Road Transport*** : Road transport is the oldest mode of transport system. The Idian road transport network is one of the largest in the world. It plays an important role in trade and commerce. Transport can be classified as traditional form of road transport which consists of bullock carts, camel carts, rickshaws, tangas hand carts (thelas) etc., and modern forms of transport like motor cars, scooters and trucks.

Advantages of Road Transport :

1. **Door to Door delivery** : It provides door to door delivery facilities for ultimate and industrial customers and it help the loading and unloading of even bulky goods at desired places.
2. **Least possible delay** : Businessman and rural farmers can maintain their own vehicles for despatching their freshly gathered produce with least possible delay.
3. **Exchange of Commodities** : It is highly convenient to promote the exchange of commodities between the urban and rural areas. Rural people can carry their produce such as vegitables, fruits, eggs, milk, ghee etc., to the urban centres and from urban centres they can carry the industrial products such as soaps, fertilizers, etc.
4. **Sudden demand** : It is the best possible means of transport to meet the sudden demand and to satisfy the consumers. It is more suitable particularly for perishable goods where delivery is to be given immediately.
5. **Eliminate losses** : The owner of the goods himself can travel alongwith the goods, so, it eliminates breakages, loses and thefts.
6. **More flexibility** : The timings and routes can be changed without difficulty.
7. **Cost of construction** : The cost of construction and maintaining a road is cheaper when compared to railway line.
8. **Cost of operating** : The cost of operating the vehicles is also less when compared to railways.
9. **Rural connectivity** : The roadways can easily connect the rural areas but it is not possible with railways.
10. **Employment opportunities** : It provides ample employment opportunities to the people by stimulating the automobile industry.

11. **Flood gates to prosperity** : It is very important for the under developed and developing nations as it integrates rural and urban economies, broaden the market economy and helps in stopping the migration of rural people to urban areas.

Disadvantages of Road Transport :

1. **Inaccessible** : In a developing country like India, where roads are not properly maintained in almost all the states, monsoon rains and floods make highway roads inaccessible.
2. **Cost of Transport** : The bad road condition leads to high operational costs, increased risk of accidents, wear and tear of tyres etc. The coverage of long distances results in more petrol, diesel consumption and other running expenses.
3. **Risk of Accidents** : The risk of accidents is more on account of increasing traffic congestion and improper maintenance of roads.
4. **Environmental Pollution** : Traffic congestion and traffic jams cause sound and air pollution. Increased environmental pollution may affect the health of human beings and the welfare of the society.
5. **Loss and Damages in Transit** : Goods in transit cannot be protected against wind and rain. Loss on account of damage or theft or pilferage cannot be ruled out in road transport.

II. ***Rail Transport*** : The development and expansion of railways has revolutionised the transport system in almost all the countries. Today, it is the principal mode of transport in our country and the biggest nationalised undertaking. In India the railways made their appearance in 1850 and the first railway track was constructed between Bombay and Thane. The British Government encouraged the railways with financial aid, land, grants and guaranteed dividend to the shareholders. The development of railways by British Government was undertaken mainly due to two factors i.e., need to move troops from one part of the country to another to fight rebellion and periodical outbreak of famines and the need to rush food and other supplies to famine areas. Today the country has a network of railways which connect almost all parts of the country and has spread to neighbouring countries also.

Advantages of Rail Transport

The following are the advantages of Rail Transport

1) ***Industrial Development***

Railways have linked up large cities to industrial centres and thus helped in the industrial development. They carry materials, machinery and men from interior areas of the country to the industrial centres. Thus, the scarcity of men, material and machinery is avoided and has thus paved way for development of industries.

2) ***Agricultural Development***

Railways have been contributing much for the development of agriculture also. Railways have transported the produce of farmers to far off places to get a remunerative price. Railways also worked as vital means of carrying agricultural raw materials to industries thus help both agriculturists and industrialists.

3) ***Faster Mode of Transport***

It is a faster mode of transport than of motor or any other mode of transport, except airways. Greater speed of railways makes up the time lost due to terminal loading and unloading. It is a fast mode of transport for bulk industrial goods over long distances.

4) ***Cheaper Mode of transport***

It is economical and cheap. It can handle very large volume of traffic with a relative small volume of manpower.

5) ***Dependability***

The greatest advantage of the railways is the dependability of its service. Unlike other modes of transport, is is not affected by weather conditions, i.e., rain, fog, etc., follows a regular schedule and is available throughout the year.

6) ***Protection for Goods***

It protects goods from exposure to sun, rain, snow, etc., and helps in maintaining quality, durability and safety of the goods transported.

7) ***Employment Opportunities***

Railways generate employment opportunities both in transport and in other ancillary industries like carriage manufacture, wagon building, repairs, maintenance etc.

8) ***National Integration***

Railways have increased the mobility of people, which has reduced the isolation between urban and rural masses. Increased mobility has led to understanding national problems and helped in national integration.

9) ***Strategic Benefits***

In addition to social and economic benefits railways also conferred a number of political and administrative benefits. They play a decisive role in determination of the location of an industry. Industries can be shifted to backward regions. Police and army can be moved to place of requirement in case of external aggression or internal disturbances, etc.

Disadvantages of Rail Transport

The disadvantages of rail transport are as follows :

1) ***Heavy Capital Outlay***

Railways require large amount of capital, for the purchase of land, laying of track purchase of locomotives, wagons, etc.

2) ***Inflexible***

Railways are dependent on a particular track and its services are available only between certain definite points. Hence, goods and passengers have to move to a railway station by other modes of transport.

3) ***Suitability***

For a short distance and perishable goods, railways are not suitable mode of transport. It is undoubtedly a costlier mode of transport for short distance.

4) ***Inconvenience***

Because of the heavy cost involved in its construction and maintenance, railways cannot operate economically in the rural areas with inadequate traffic. Therefore, rural people find it inconvenient to avail the services of the railways because the stations are far away from their villages. Further, railways do not penetrate into mountain regions and hence rail transport cannot be used.

5) ***Risk of damage***

Movement of goods by railways involves loading and unloading at various points. This not only increases the transportation costs but also increases the chances of pilferage and damage to the goods. There is no close personal supervision of goods in transit, as in the case of roadways.

6) ***Delays***

Delays are common feature of railways. Delays in loading and unloading, waiting at the terminals or stations for crossing are the common problems which result in delay and improper maintenance of time.

Rail-Road Co-ordination

Rail and Road transports are complimentary to each other. Road transport links up the cultivators with local markets and railway station. The railways on the other hand, provide connection between the areas of production and the areas of consumption. Without a network of roadways, no railway can get sufficient traffic for its economical working. Similarly road transport without the help of railways cannot connect the farmers with the market of agricultural goods. Thus, Rail and Road transports are complementary to each other and a perfect coordination between these two modes of transport is highly desirable.

Advantages of Rail-Road Co-ordination

Co-ordination of rail and road transport system is preferable on account of the following advantages :

a) Maximum utilisation of scarce resources
b) Efficient and effective utilisation of transport at lower costs
c) Making the transport system,adaptable to the pattern of consumer's demand
d) Minimising or avoiding the evils of wasteful competition

Ways to achieve Co-ordination

Railways and roadways are complementary and the competition between the two must be avoided and steps must be taken to promote their coordination. The following steps may be taken to achieve the coordination between the rail and roadways :

a) By integrating the two systems of transport.
b) By developing efficient and low cost transport services in which rail and road transport operate in a complimentary manner.
c) By mutual understanding between the two modes of transport.
d) By taking legislative measures providing for regulation of activities of competing firms.

The above steps help in bringing about perfect coordination between the two competing transport systems.

3. Water Transport

Water transport is an ancient mode of transport and cheaper than other modes of transport. History tells us that ancient India, Greece and Rome used ships for carrying out transport with other countries. Even today, the water transport is the cheapest form of transport for heavy goods and bulky cargoes not requiring quick delivery. Water transport can be classified as Inland Water Transport and Shipping. Inland water transport includes natural modes such as navigable rivers and artificial modes such as canals. Shipping is used as the means for transporting heavy goods from one place to another through sea coasts. Sea transport can be divided into two categories viz., Coastal Shipping and Overseas Shipping. Coastal shipping refers to transportation between ports of the same country, whereas Overseas Shipping refers to transport between ports of different nations.

Advantages of Water Transport

Following are the advantages of Water Transport

1) Economical

For bulky and heavy goods, water transport is very cheap. In water ways huge capital not required as rivers, Oceans which are provided by nature are being used.

2) Carrying Capacity

The carrying capacity of vessels is large in, water transport. But in Road transport or Rail transport, the carrying capacities of the vehicles is very less with the result that large quantities cannot be transported.

3) Operating Costs

The operational and maintenance costs are very less in water transport as compared road and rail transport. Hence, it is cheaper to send bulky goods not requiring quick delivery by water transport.

4) International Trade

The expansion of international trade has taken place mainly due to water transport. It because the roadways, railways or airways are not convenient for international trade which cannot carry bulky goods to distant places.

5) No Congestion

Water transport capacity for traffic is greater than that of the railways and the possibility of delay due to congestion is relatively less.

6) Safety of Goods

Water transport ensures safety of goods shipped. There is not much of shaking or jolting. Therefore, fragile goods like glass-wares do not have any danger of spoilage or damage.

Disadvantages of Water – Transport.

1. Slow Speed

The speed of the boats, steamers and ships is very slow when compared to the speed road and rail transport. Hence, it is not suitable for goods requiring quick delivery.

2. Risk

It is unreliable mode of transport. During winter the rivers and canals may get frozen during summer depth of water may fall down which affects transportation. The loss of ships due to the perils of the sea involves considerable loss of life and goods.

3. Deterioration of Goods

Sea water is corrosive and affects the quality and flavour of the goods. The element of pilferage is also high. To protect the goods from all these hazards there is every need to go for special packaging of goods transported through waterways.

4. Port facilities

Efficient shipping requires adequate port facilities. Ports are costly to organise and operate. In most of the countries, ports are not well equipped to receive the ships of large size and loading and unloading facilities are not good for heavy cargo.

5. Regulations and Formalities

Shipping is subjected to many international regulations. It has to follow all the national customs and formalities without which the goods cannot be loaded or unloaded into the ship.

Inspite of the above, disadvantages the water transport has made international trade possible. The cheapness of this transport is of immense help in the transportation of low grade, bulky goods to far off places.

Air Transport

Air transport is the most modern, the quickest and latest addition to the modes of transport. Owing to the speed with which aeroplanes fly, travel by Air has become increasingly popular.

Advantages of Air Transport

1. Faster Delivery of Goods

Air Transport ensures faster delivery of goods in comparison to other modes of transport. Mail, newspaper, medical supplies, perishable goods etc., can be speedily delivered by air transport. Since air transport adopts the direct and shortest route for carrying goods by flying over seas, deserts, forests, mountains etc., faster delivery is possible.

2. Economise Expenses

Air transport economises the warehousing expenses as the goods are obtained just before their requirements. Instead of purchasing goods in large quantities and storing them, small consignments may be obtained whenever they are required. Thus, there is a possibility for avoiding the warehousing expenses and incidental expenses such as packaging, insurance, etc., which are also less when compared to other modes of transport.

3. Investment in Construction

Railway track, road or canal construction involves huge investment. No such expenditure is required in laying a route for the flights in air transport.

4. Customs formalities

Customs formalities can be very quickly complied with as compared to sea transport.

5. Goods of High Value

It is suitable for carrying goods which are light in weight and high in value. For Example, diamonds, gold, silver etc. It is also useful for goods whose delivery is urgently required.

6. Special and Emergency Services

A number of special services have been entrusted to air transport in recent years. In the event of natural calamities like drought, flood, famines, etc., food medicines and other essential items are dropped by air in the affected areas. Even when war breaks out between two countries, air services drop food, military equipment etc., to the armed forces. Thus, air transport is highly useful in case of extraordinary situations to provide articles of necessities.

Disadvantages of Air Transport

1. High Operating Costs

The cost of operation of air transport is high when compared to other modes of transport. Hence, the fare for the passenger traffic and cargo charges are much higher than the rates of other transport services.

2. Lower Capacity

The carrying capacity of the aeroplanes is much less when compared to railway wagons and ships. Hence, heavy and bulky goods like iron ore, iron and steel, coal, wheat, etc., cannot be transported by air.

3. Weather Conditions

Bad weather conditions adversely affect the working of air transport which may lead to higher operating costs. Hence, this factor may make air transport an unreliable mode of transport.

4. International Laws and Relations

Air transport is governed by international laws. If the relations between the two countries are not cordial, they may not allow aeroplanes of other country to fly over their country. Hence, a new route is to be identified which may involve additional operating costs.

5. High Risk

Due to the greatest degree of possibility of accidents, air transport is regarded as dangerous. Thus, element of risk is high in air transport because the aeroplanes are prone to accidents on account of using signalling, bird's dash, improper training etc.

In recent years, the Government has privatised air transport which paved way for operating private flights in India e.g., Sahara and Jet Airways. Thus, the monopoly of the Government in air transport is removed.

SUMMARY

The word channel has its origin in the French word used for canal. Channels are routes, avenues, pathways suggesting movement or flow. Distribution means to distribute, diseminate or spread about. When these words are related to marketing, channels of distribution have been defined in different ways.

In order to make the distribution system meaningful, the channel choosen must be used and managed effectively to achieve the desired marketing and organisational goals.

The importance of distribution channels emanates from the functions performed by them.

Channels of distribution is of two types. I) Direct Channel and II) Indirect Channel.

In the direct channel, the manufacturer sells the goods directly to the consumers without any marketing intermediary.

In the indirect channel, the manufacturer sells the goods to the consumers through middlemen. The different types of middlemen are :

I. **Merchant Middlemen**

1. Whole salers
   - a. Manufacturer wholesaler
   - b. Retail wholesaler
   - c. Merchant wholesaler

2. Retailers
   - a. **Small scale Retailers**
     - i) Unit stores
     - ii) Street Traders
     - iii) Market Traders
     - iv) Hawkers and peddlars
     - v) Cheep Jacks
     - vi) Syndicate stores
   - b. **Large scale retailers**
     - i) Departmental stores
     - ii) Chain stores or multiple shops
     - iii) Mail order houses
     - iv) Co-operative societies
     - v) Super markets

II. **Agent Middlemen**

- a) Commission agents
- b) Brokers
- c) Forwarding agents
- d) Clearing agents
- e) Auctioners
- f) Factors

Merchant middlemen are those who take title to the goods and carry business at their own risk.

Wholesaler sells the goods to other middlemen but doesn’t sell to the ultimate consumers.

Manufacturer wholesaler combines manufacturing with the wholesale business.

Retail wholesaler is both a wholesaler and a retailer.

Merchant wholesaler is one who buys goods in large quantities from the producer and sells them in small quantities to the retailers but not to the ultimate consumers. Merchant wholesaler perform a number of functions.

A retailer cuts bulk purchases into small lots to sell the goods to the ultimate consumers. He is the last link between the final user and the wholesaler or the producer. Retailers perform a number of functions.

The small scale retailers doesn't possess their own fixed shops. They move from place to place to sell their goods. They carry small quantities of stock of products and the investment is also quite meagre.

In recent years the large scale retail trade has expanded considerably since it brings several advantages such as greater buying capacity, financial economies, expert management, economies in bulk buying, benefits of mechanisation and automation, maximum risk bearing capacity, intensive promotion etc.

Departmental stores is a large retail establishment having in the same building a number of departments each of which confines its activities to sell one particular product.

Chain stores or multiple shops refer to an organisation under which a large number of similar shops are opened at different places in one particular area or throughout the country under a centralised management and dealing in similar lines of goods.

Mail order Business refers to "shopping by post". Under this type of business, the orders are accepted and goods are delivered by post.

Consumer's co-operative stores is an association organised by consumers to obtain their requirements by purchasing in bulk and selling through the stores owned, managed and controlled by themselves. The basic aim of this stores is to eliminate the middlemen and their profits.

Super Markets are also to be called as Super Bazars and self-service stores. According to Philips and Duncan - a super market is defined as "a departmentalised retail store usually handling a variety of merchanidse and in which the sale of food, much of which is on a self service, plays a major role".

Agent middlemen are also to be called as functional middlemen. Agent middlemen are those who do not take the title of the goods but do actively assist in the transfer of titles they work on commission basis and stand as a mediator between buyers and sellers.

Commission agents are those agents who buy and sell goods for others on commission basis.

Broker is an agent employed to make bargains and contracts matters of trade, commerce between two parties for a compensation commonly called as brokerage.

Forwarding agents are those agents who are employed to collect, forward and deliver goods to proper destinations. For which they are paid commission by the exporter for the services rendered to him.

Clearing agents are those agents who receive the goods from abroad on behalf of the importers. For which, they charge the commission for their services rendered.

An Auctioner is an intermediary authorised to sell goods at a public action.

A factor is an agent employed to sell goods or merchandise consigned or delivered to him by or for his principal for a compensation.

Modern marketing channels are :

i) Tele marketing and ii) E-Commerce

Telemarketing refers to a sales person imitating contact with a shopper and closing a sale over the telephone.

E-Commerce, i.e., Electronic Commerce is defined as the actual buying and selling of goods or services electronically on line. Products are displayed in an on-line store and potential customers can read information about the products see them on the website and have the option to purchase them online.

Storage of goods is usually done at a place is called “ware housing”.

The different types of warehouses are,

1 Private warehouses
2 Public warehouses
3 Bonded warehouses
4 Duty paid warehouses, and
5 Refrigerated warehouses.

The different modes of transport are.

1 Road Transport
2 Rail Transport
3 Water Transport
4 Air Transport

In each mode of transport, there are some advantages and disadvantages too.

QUESTIONS

1. "Distribution has been regarded as the other half of Marketing"-Discuss.
2. What are the important functions of a distribution – oriented institution?
3. Briefly explain,
   i) Merchant middlemen
   ii) Agent middlemen
   iii) Consumer's Co-operative stores
   iv) Super markets
   v) Commission agents
   vi) Broker
   vii) Forwarding agents
   viii) Clearing agents
   ix) Auctioner
   x) Factor
   xi) Tele-marketing
   xii) E-Commerce
4. Explain the different types of warehouses.
5. Explain the different modes of transport.
6. Distinguish between wholesaler and retailer.
7. Differentiate between departmental stores and chain stores.
8. Briefly explain
   i) Rail Transport and its importance.
   ii) Rail-Road co-ordination
   iii) Private warehouses
   iv) Public warehouses
   v) Advantages of cold storage centres
   vi) Water Transport
   vii) Air Transport

UNIT-VI

6.0 MARKETING INFORMATION

Each and every decision area of marketing needs the support of marketing information.

The degree of marketing excellence achieved by a firm has a direct relationship with the marketing information system operated by it. Marketing excellence is the net outcome of correct marketing decisions, and the decisions can be correct only when they are information based.

Marketing information system can make the crucial difference between winning and losing. No marketing organisation can function effectively without appropriate and timely information on each and every aspect of marketing – the consumer, the market, the competition and the environment.

The management information system which is adopted to the specific need of the marketing function may be termed as the marketing information system.

6.1 IMPORTANCE

Marketing information benefits a firm in a variety of ways.

1. Marketing information helps marketing planning by making available reliable information on the external environment and the internal realities of the company.
2. It helps early spotting of changing trends, it provides market intelligence to the firm.
3. It facilitates the development of action programmes for achieving goals.
4. It helps effective tapping of marketing opportunities and provides effective defence against emerging marketing threats.
5. It helps the firm adjust its products and service to the needs and tastes of customers.
6. It helps the firm control its marketing activities.
7. The quality of marketing decisions are decided to a great extent by the quality of marketing information available to the decision maker,
8. It helps the firm in geographic expansion of markets.
9. Emergence of selective buyers due to increase in income.

10. Changing of competitive conditions. The movement from price to non-price competition with increased use of product differentiation, advertising and promotions.
11. It helps for the fast growing consumerism.
12. It studies in science and technology.

6.2 METHODS OF COLLECTING MARKET INFORMATION:

The methods of collecting market information is of two ways :

1. Classification based on the end use of information.
2. Classification based on the subject of matter of the information.

1. CLASSIFICATION BASED ON END USE

In this method, marketing information can be classified into four groups.

i) Information for marketing planning
ii) Information for marketing operation.
iii) Information for key decisions in marketing.
iv) Information for marketing control

2. CLASSIFICATION BASED ON SUBJECT MATTER.

i) Product
ii) Consumer
iii) Pricing
iv) Distribution Channels.
v) Promotion
vi) Sales force
vii) Competition
viii) Sales methods
ix) Internal operation of the firm
x) External environment of the firm.

Every organisation requires a continuos flow of information for taking various marketing decisions, the information needs of large organisations are far greater large for two reasons.

1) The size and complexity of organisations necessitate voluminous information to be gathered and processed before vital marketing decisions can be taken.
2) In large organisations, the marketing decision makers are located away from the field of activity.

There is a need for system in handling marketing information.

A System is nothing but an integral procedure in which inputs are received processed and stored and the outputs are transmitted for absorption in the main stream. A System framework alone can provide a set of procedures and methods for regular, planned, purposeful and systematic gathering, analysis, storage and retrieval of data. Since a large assortment of data is required for managing the marketing job, a system frame work is essential for handling the complex, diverse and voluminous data. The system can take care of all the activities required for this purpose and unify them in to a single procedure.

A System device is essential for processing the raw data into meaningful marketing information.

It facilitates repetitive use of the same information by different departments at different times and for different purposes.

Much of marketing information relates to environment, customers and competition and therefore cannot be anticipated. The job becomes some what easier, if it is organised in to a system. A system smoothens the job. It indicates patterns from out of available information. It also makes it integrative and decision oriented.

DESIGNING AN M.I.S.

M.I.S. is commonly used to denote Management Information System as well as Marketing Information System. We are using the abbreviation to denote marketing information system. Marketing information system involves a three step process.

1) Defining the information needs
2) Organising the information
3) Utilising the results of the information.

The steps involved in designing and developing an M.I.S.

1) Identifying the broad information requirements of the organisation.
2) Classifying the information requirements and identifying whether it is for planning purpose or control purposes.
3) Evaluating the cost of collecting and processing the information
4) Comparing the cost Vs the benefits.
5) Deciding the frequency and timing of collection of the information
6) Identifying the sources of the information

7) Designing the mechanisms/Procedures for gathering, processing, storing and retrieval of information.
8) Analysing and interpreting the information and disseminating it to the right person at the right time and in the right manner.
9) Monitoring, maintaining, reviewing and improving the system.

REQUISITES OF GOOD M.I.S.

A good MIS should fulfil the following requirements

1) It must be a unified system
2) It should be conceived and used as a marketing decision support system
3) It must be compatible with the marketing organisation of the firm and with the overall level of sophistication of the firm.
4) It must be user oriented and it must secure the involvement of user
5) It must also involve and motivate the suppliers of the information.
6) It must be economical. The cost value ratio of the information processed by the MIS should be favourable to the firm.
7) It must adopt the principle of selectivity in information.
8) It must be capable of absorbing smoothly any changes that may become necessary in the system.
9) It must be fast.

There will be several information components and several activity components in any MIS – in collection, processing, storing and transmission. All these components must be integrated in to a unified system and managed by a single centralised agency. The entire set of information components and activity components must form a single information unit. The chief of the MIS must function as the consultant, co-ordinator and controller of all the components of the MIS.

The MIS should not only be economical user oriented and selective but also be a fast system. The sales reports and other information flow must be regular and timely. The stored information must also be easily and quickly retrievable. Within the organisation, the information must move fast to higher levels of management where it can be used for effective decision making. Information that comes late and incomplete, adversely affects the capacity of the firm to exploit a marketing opportunity or to defend itself against a marketing threat.

CHARACTERISTICS OF GOOD MARKETING INFOMRATION

a) Relevance (for decision making)
b) Clarity
c) Completeness
d) Confidentiality
e) Precision
f) Economy
g) Reliability (from genuine source)
h) Accuracy
i) Timeliness
j) Objectivity
k) Authenticity
l) Strategic value

The MIS should turn out all the information that is needed by marketing decision makers. It must come to them in the manner and from in which they need it and at the time they need it.. When the MIS is designed and operated in the right way, it is possible for the system to meet the entire data needs of the marketing people. Since in the present times the MIS in most companies is computerised, practically any kind of information output/report that is needed for marketing decisions can be made available by the MIS

The out put/reports emanating from the MIS are usually classified into the following four categories.

1) Periodic reports
2) Triggered reports
3) Demand Reports
4) Plan reports.

Periodic reports are presented in predetermined formats at specified intervals of time.

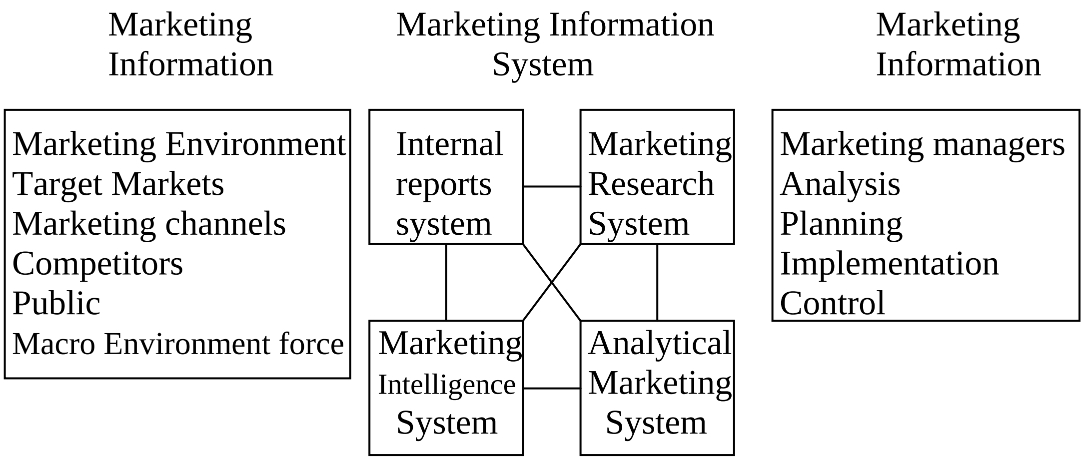
Triggered reports are reports on specific situations.

Demand reports are the answers provided by the system to specific queries raised by marketing decision makers.

Plan reports are reports tailor made for assisting the formulation of sales forecasts sales plans, distribution plans, facilities plans and sales budgets. Thus, there are different methods of collecting marketing information.

6.3 EXTERNAL SOURCES OF INFORMATION

Marketing information system has four major components. They are Internal Reports System, Marketing Intelligence System, Analytical Marketing System, Marketing Intelligence System



MARKETING INTELLIGENCE

Marketing intelligence of different from regular marketing information or marketing research data.

Marketing intelligence furnishes information on changes in market conditions, changes in customer requirements, emerging strategies of competitors and emerging opportunities in the business.

Marketing intelligence may be gathered by marketing executives directly or through salesman and field sales managers or the MIS may be used for getting the intelligence, Occasionally, it is also purchased from agencies which provide marketing intelligence services. If there is too much delay in the process, the marketing intelligence loses its significance. If it is gathered and used properly, marketing intelligence will serve as a path finder.

The role of computers and telecommunication devices in the processing, transmission, storage and retrieval of information will also takes place in it. The new information technology consisting of computers and communication devices has placed at the disposal of the modern MIS man, a whole range of new facilities which a re remarkable in variety as well as versatility.

The new technology has permeated every aspect of information management – information gathering, information analysis, coding and storing as well as transmission. And various devices developed out of the new information technology have vastly improved the capabilities of business firms for handling marketing information.

These devices include not only the computer but also many other devices such as micro filming, copy machines type-recorders, teletype reports, closed circuit TV, video display, desk consoles, E - Mail and Video conferencing.

Moreover, highly specialised information service agencies have come up who have at their command, the facility of hook up with several data bases, national and international.

6.4 ORGANISING AND ANALYSING INFORMATION FOR IMPROVING SALES.

THE INTERNAL ACCOUNTING SYSTEM.

The system basically reports order booking position, sales, stock levels, receivables and so on and is an effective tool to assist decision making with regard to management of sales.

The sales force and elements of the channel of distribution place orders with a firm. Copies of these orders are sent to various departments. Stock levels are accompanied by relevant documents which are again set to various departments. Invoices are then raised on the buyer and effective follow up action needs to be taken to ensure collection of payments.

In order to ensure the effective functioning of the cycle, all activities like placing of the order, review of stock position, despatch of goods, billing and collection should be carried out in a timely manner. That is why the need for accurate, concise and timely information becomes important. In order to have such information, organisations have developed various reporting formats for each activity. These formats include sales reports, stock reports, statements of outstanding etc. In designing sales information systems the company should be able to avoid certain pit falls, given below.

i) the information should be too voluminous; and,
ii) the information should be relevant to the decision to be taken.

The ideal sales information system should represent a compromise between what managers think they need, what managers really need and what is economically feasible.

For example, to know the need of advertising and to set the size of advertising budget by the Brand Managers, they should know the degree to marketing saturation, the rate of sales decline in the absence of advertising and the spending plan of competitors.

The information system is to be designed to provide these data needed of making the key marketing decision.

Analytical Marketing System :

An analytical marketing system consists of advanced techniques for analyzing marketing data and problems. Such a system normally includes a Statistical Bank and a Model Bank.

a) Statistical Bank

This is a collection of statistical procedure, for extracting meaningful information from data. It includes normal statistical tools like averages, regression analysis, cross tabulation, discriminant analysis, factor analysis and cluster analysis

b) Model Bank

This is a collection of models which aid decision making. A model may be defined as set of variables and their interrelationships designed to represent a real system. Such models help in the stimulation of real life situations there by enabling prediction and control. Some models which have came to be used extensively by companies include.

- Sales forecasting models.
- Transportation planning model.
- Media mix planning model.

Models can be of two types–namely: i) descriptive model & ii) decision model.

I) Descriptive Model :

These models are designed to communicate, explain or predict. The descriptive models can be built at three levels.

i) Macro Model :

This consists of a few variable and a set of relationships among them. Ex. Relationship between sales and national income, price and advertising etc.

ii) Micro Analytical Model :

It specifies more links between a dependent variable and its determinants, eg. impact of advertising and sales through linkages, reach frequency, consumer trial etc.

iii) Micro behavioural Model :

This model creates hypothetical entities who interact and produce a record of behaviour which is then analyzed.

Besides queuing models also describe waiting line situations and their impact.

II) Decision models :

Decision models assist managers to circulate alternatives and find optimum solutions. Ex. Differential calculus mathematical programmes statistical decision models and game theory.

Other Models

(i) Verbal Models

Models in which the variables and their relations are described in prose. Ex. Consumer behaviour models.

(ii) Graphic Models

These models represent a useful step in the process of symbolizing a verbal model.

6.5 OBTAINING INFORMATION THROUGH DIRECT MARKET RESEARCH

According to Kotler :

Marketing Research has been defined as the systematic design, collection, analysis and reporting of data and findings relevant to a particular marketing situation facing a company.

Marketing Research can either be undertaken by a company or can be assigned to outside agencies who specialize in this field.

Data for a marketing research can be obtained from two sources.

1. Primary : Where data is collected by conducting a survey.
2. Secondary : Which includes existing, published source of information.

Decisions on each element of the marketing mix, product, distribution, promotion and pricing need marketing research support.

Marketing research is systematic problem analysis, model building and fact finding for the purposes of important decision making and control in the marketing of goods and services.

Before we proceed with our discussions, it is essential to clarify the relationship and the difference between marketing research and marketing information system (MIS). Whereas the job of MIS is to supply marketing information, problem analysis is the job of marketing research. Marketing research too generates and utilises marketing information but its purpose is problem solving.

Main steps involved in Marketing Research :

In applying marketing research for solving any marketing problem, the researcher has to go through several steps or stages. Each stage has its own decisive role in the total research process. Right from defining the problem down to the preparation of the report, the researcher has to proceed step by step, like a scientist in a laboratory.

The major steps involved in the marketing research process are :

1. Defining the marketing problem to be tackled and identifying the marketing research problem involved in the task.
2. Specifying the information requirement.
3. Developing the research design and research procedure.
4. Gathering the information.
5. Analysing the information and interpreting it in terms of the problem being tackled.
6. Summarising the findings.
7. Preparing the research report.

Some major techniques of Marketing Research :

There are several important techniques of marketing research.

Market Survey : Market Survey is one of the most widely used market research techniques. It is just one method of collecting the marketing information required for carrying out a given marketing research task. It is used if the required data is not available from the company's internal records and from external published resources. It amounts to original field research work for the purpose of collecting primary data.

There are two types of market survey (i) the census survey, (ii) sample survey.

Steps in a market survey :

1. Planning the survey
   a) Problem definition
   b) Selection of the survey method
   c) Sampling
   d) Questionnaire development
   e) Pilot survey

2. Field work
   a) Selection and training of investigators.
   b) Interviewing/collection of data
   c) Supervision

3. Analysis and interpretation of data
   a) Editing
   b) Tabulating, processing (mechanical/manual) and interpreting data.
   c) Statistical analysis and interpretation.

4. Report making
   a) Summarising findings and recommendations
   b) Report writing.

Multidimensional scaling technique (MDS) :

This technique is used to graphically portray consumer evaluation of products/brands. It has been developed with inputs from mathematics and psychology. The map assists the researcher to understand how a given brand is perceived by the consumer in relation to other brands in the market. The information can be utilised for developing strategies to move the brand to the 'desired' position.

Conjoint Analysis :

It is used to measure consumer preferences for alternate product ideas and product attributes combinations. It measures the joint effect of two or more independent variables or strategy options like price, package, colour brand name, etc. on the ordering of a dependent variable, like the preference, or purchase intention.

The significant changes that are taking place in the marketing environment of the country will expand the role of MR and enhance its stature.

Earlier customers were just being asked whether they have any specific dissatisfactions or complaints. Now, their extent of satisfaction is being measured and with the aid of this information, companies are adjusting their strategies.

Thus, each and every decision area of marketing needs the support of marketing information.

SUMMARY

Each and every decision area of marketing needs the support of marketing information.

Marketing excellence is the net outcome of correct marketing decisions and the decisions can be correct only when they are information based. No marketing organistion can function effectively without appropriate and timely information on each and every aspect of marketing – the consumer, the market, the competition and the environment. In such a way the marketing information benefits a firm in a variety of ways. So, it is having its own importance.

The management information system which is adopted to the specific need of the marketing function may be termed as the marketing information system.

There are two methods of collecting market information.

1. Classification based on the end use of the information. It is again classified into four groups, they are, information for marketing planning, marketing operation, key decisions in marketing and marketing control.

2. Classification based on the subject matter i.e., product, consumer pricing, Distribution channels, promotion, sales force, competition, sales methods, internal operation of the firm and the external environment of the firm.

There is a need for system in handling marketing information.

A system is nothing but an integral procedure in which inputs are received processed and stored and the outputs are transmitted for absorption in the main stream. A system frame work alone can provide a set of procedures and methods for regular, planned, purposeful and systematic gathering, analysis, storage and retrieval of data. A system device is essential for processing the raw data into meaningful marketing information.

M.I.S. is commonly used to denote Management Information System as well as Marketing Information System. We are using the abbreviation to denote the Marketing Information system.

Marketing information system involves a three step process i.e., defining the information needs, organising the information, utilising the results of the information. There are several steps involved in designing and developing an M.I.S.

A good M.I.S. should fulfil certain requirements. The M.I.S. should not only be economical, user oriented and selective but also be a fast system.

There are certain characteristics of Good Marketing Information. They are, Relevance, Clarity, Completeness, Confidentiality, Precision, Economy, Reliability, accuracy, timeliness, objectivity, authenticity and strategic value.

The M.I.S. should turn out all the information that is needed by marketing decision makers. In the present times the M.I.S. in most companies is computerised, practically, any kind of information output/report that is needed for marketing decisions can be made available by the M.I.S.

Marketing information system has four major components, they are, Internal Reports System, Marketing Intelligence System, Analytical Marketing System and the Marketing Research system.

The output/reports emanating from the M.I.S. are usually classified into the four categories. They are, periodic reports (presented in predetermined formats at specified intervals of time), Triggered reports (reports on specific situations), Demand reports (the answers provided by the system to specific queries raised by marketing decision makers) plan reports (reports tailor – made for assisting the formulation of sales forcasts, sales plans, distribution plans, facilities plans and sales budgets.

Marketing intelligence furnishes information on changes in market conditions, changes in customer requirements, emerging strategies of competitors and emerging opportunities in the business. If there is too much delay in the process, the marketing intelligence loses its significance.

The new information technology consisting of computer and communication devices and also many other devices such as micro filming, copy machines, type recorders, teletype reports, closed circuit TV, video display, desk consoles, E-Mail and Video conferencing.

The ideal sales information system should represent a compromise between what managers think they need, what managers really need and what is economically feasible.

An Analytical Marketing System consists of advanced techniques for analysing marketing data and problems. Such a system normally includes a statistical Bank and a model bank.

Statistical Bank is a collection of statistical procedure, for extracting meaningful information from data. It includes normal statistical tools like averages, regression analysis, cross tabulation, discriminant analysis, factor analysis and cluster analysis.

A model may be defined as set of variables and their inter relationships designed to represent a real system. Some models which have came to be used extensively by companies include, sales forecasting models, Transportation planning model, Media mix planning model.

Models can be of two types – namely i) descriptive model ii) decision model.

Descriptive models are designed to communicate, explain or predict. These models can be built at three levels. They are i) Macro model ii) Micro Analytical model and iii) Micro-behavioural model.

Decision models assist managers to circulate alternatives and find optimum solutions.

Some other models are, i) verbal models and ii) Graphic models

Marketing Research has been defined as the systematic design, collection, analysis and reporting of data and findings relevant to a particular marketing situation facing a company.

Marketing research is systematic problem analysis, model building and fact finding for the purposes of important decision making and control in the marketing of goods and services.

Data for a marketing research can be obtained from two sources.

1. Primary: Where Data is collected by conducting a survey.
2. Secondary : Which includes existing, published source of information.

The job of marketing information system is to supply marketing information, problem analysis is the job of marketing research. Marketing research utilises marketing information but its purpose is problem solving.

Some major techniques of Marketing Research are, i) Market Survey, ii) Multidimensional scaling technique (MDS), iii) Conjoint Analysis.

Market survey is used if the required data is not available from the company's internal records and from external published resources. It amounts to original field research work for the purpose of collecting primary data.

Market survey is of two types – namely, i) census survey and, ii) sample survey. There are several steps involved in a market survey.

Multidimensional scaling technique is used to graphically portray consumer evaluation of product/brands. It has been developed with inputs from mathematics and psychology.

Conjoint Analysis is used to measure consumer preferences for alternate product ideas and product attributes combinations. It measures the joint effect of two or more independent variables or strategy options like price, package, colour brand name etc. on the ordering of a dependent variable, like the preference or purchase intention.

Thus, each and every decision area of marketing needs the support of marketing information.

QUESTIONS

1. "Each and every decision area of marketing needs the support of marketing information" - explain.

2. Write the characteristics of "Good Marketing Information".

3. What is marketing information system ? Write its major components.

4. Briefly explain -
   i) Marketing intelligence
   ii) Statistical Bank
   iii) Descriptive model and decision model
   iv) Marketing Research and its major techniques
   v) Market Survey
   vi) Multi dimensional scaling technique
   vii) Conjoint Analysis

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GLOSSARY

Brand	It is a name, term, sign, symbol or design or a combination of them, which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.
Consumerism	Consumerism is a movement of organised efforts of consumers seeking redress, restitution and remedy for dissatisfaction they have accumulated in the acquisition of their standard of living.
Distribution Channel	The pathway consisting of intermediaries, through which goods move from producers and reach consumers or end users.
Economic Environment	It consists of factors that affect the consumer purchasing power and spending patterns.
Marketing department	It consists of grouping of marketing activities under the leadership of a marketing manager.
Marketing organisation -	is a group of persons working together towards the attainment of marketing objectives.
Marketing concept	Marketing concept holds that the key to achieving organisational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than the competitions.
Marketing planning	A logical sequence of activities leading to the setting of Marketing objectives and formulation of plans for achieving them.
Marketing strategy	Actions characterizing by a specific target and marketing programme to reach it.

Marketing Control	It is the process of measuring and evaluating the results of marketing strategies and peares and toping corrective action to assure that marketing objectives are attained.
Marketing Research	It is the systematic design, collection, analysis and reporting of data and findings relevant to a specific marketing situations.
Marketing information system	It is an interacting, on going and future oriented structure of persons, machines and procedures designated to generate an orderly flow of evaluated data from internal and external sources for the use of managerial decision making in the dynamic area of marketing.
Product concept	It holds that consumers favour those products that offer best in quality, performance and features and therefore, the organisation should devote its energies to make the product improvements continuously.
Product positioning	The place an offering occupies in a consumer's mind with regard to important attributes relative to competitive offerings.
Product Repositioning	Changing the place on offering copies in a consumer's mind relating to competitors offerings.
Retailer	The intermediary who buys goods from wholesaler and sells to consumer or end-user.
Selling concept	Selling concept holds that consumers do not buy enough of products unless the manufacturing organisation undertakes a substantial selling and promotion effort.
Societal concept	Societal concept holds that the organisations task is to determine the needs, wants and interests of target groups of consumers and to deliver their desired satisfactions more effectively and efficiently than its competitors in a way that maintains or improves consumers and society to well-being.

Sales analysis	Measuring and evaluating actual sales in relation to sales goals.
Social marketing	Is the design, implementation and control of programme seeking to increase the acceptability of a social idea, cause or practice in target groups.
Trade mark	It is a brand or part of a brand that is given legal protection because it is capable of exclusive appropriation. A trade mark protects the seller's exclusive right to use the brand name and or brand mark.
Wholesaler	The intermediary who buys goods in large quantities from producer and sells to retailers in small quantities.

I N D E X

PREFACE

The Government of India has introduced the Vocational Education in our country in the year 1976 at +2 stage and the Government of Andhra Pradesh has introduced the Vocational Education at +2 stage from the Academic year 1979-1980.

The Board of Intermediate Education, A.P., Hyderabad has introduced many number of Vocational Courses in the various faculties. One among them is the "Marketing & Salesmanship".

The Restructured vocational curriculum has come into force from the Academic year 2000-2001 and the "Elements of Marketing" subject was introduced to Intermediate first year Marketing & Salesmanship vocational course.

We are happy to present this book "Elements of Marketing" before the hands of our readers both students and teachers. Marketing subject itself is a very vast subject and it has been gaining a predominant role with the advent of mass production and globalisation of economic activity.

We tried our best to bring the book in a simple and lucid style in a systematic order at the Intermediate standard.

We hope this book will meet the needs of the students of first year Marketing & Salesmanship vocational course and can be of a great asset to them.

Valuable suggestions and constructive comments from all quarters will be most appreciated.

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INTERMEDIATE VOCATIONAL EDUCATION
FIRST YEAR

ELEMENTS OF MARKETING

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