

BUSINESS STUDIES



Marketing

Topics Covered

- ✚ Concept of market
- ✚ Concept of marketing
- ✚ Marketing and selling
- ✚ Marketing management philosophies
- ✚ Functions of marketing
- ✚ Elements of marketing mix

Concept of Market

- Market refers to a place where transactions take place between buyers and sellers with respect to exchange of goods and services.
- Markets are bifurcated on the basis of the type of product. For instance, cotton market, grains market and flower market. Sometimes, they are also bifurcated on the basis of quantity. For example, wholesale market and retail market.
- However, in modern times, the term market has a wider meaning. It now includes all potential buyers of goods or/and services.

Concept of Marketing

- Marketing refers to the ***process of interaction between buyers and sellers*** with the objective of ***exchange of goods and services***.
- Marketing is a much wider concept which comprises various activities involved in the process of exchange of goods and services between buyers and sellers.
- The activities which are part of marketing are basically the various ***functions which are performed under marketing*** such as planning, designing the product, packaging and labelling of the product, standardising, branding, warehousing, transport, advertising, pricing and distribution. In addition, it includes ***after sales activities*** such as customer care and feedback.

Features of Marketing	
1) Needs and wants	<ul style="list-style-type: none"> Marketing focuses on satisfying the <i>needs and wants of individuals and organisations.</i> <div style="display: flex; justify-content: space-around; align-items: center; margin: 10px 0;"> <div style="border: 1px solid red; padding: 5px; background-color: #ffe6e6; text-align: center;"> <p>Need</p> <p>State of feeling deprived of something and it does not pertain to a particular product</p> </div> <div style="border: 1px solid red; padding: 5px; background-color: #ffe6e6; text-align: center;"> <p>Want</p> <p>Human needs shaped by some factors such as culture, personality and religions</p> </div> </div> <ul style="list-style-type: none"> In short, a marketer's job is to focus on identifying the needs of customers and developing products and services which satisfy their needs.
2) Market offering	<ul style="list-style-type: none"> Market offering refers to a <i>complete offer for a product or service</i> by specifying its features: <ul style="list-style-type: none"> Shape Size Quality Taste Colour It also specifies the given outlet or location at which such product or service is available. A market offering <i>developed after analysing</i> the needs and preferences of customers is said to be ideal.
3) Customer value	<ul style="list-style-type: none"> Marketing leads to <i>exchange of products and services</i> between buyers and sellers. For customers to buy a product: <i>Value of the product > Cost/price of the product</i> Marketer should <i>add to the value of the product</i> so that customers prefer it over competitors.
4) Exchange mechanism	<ul style="list-style-type: none"> The process of marketing works on the exchange mechanism, i.e. in marketing, the <i>products and services are exchanged</i> for money or some valuable item. Following conditions should be satisfied for exchange to take place: <ul style="list-style-type: none"> <i>Presence of two or more parties</i>, i.e. the buyer and the seller Each party should <i>offer something of value to the other</i> <i>Effective communication</i> should be there between the parties Each party should deliver its own will in accepting or rejecting the offer, i.e. <i>exchange should be at will</i> Freedom to each party regarding whether to <i>accept or reject the offer made by the other</i>

What can be marketed?

- Products** (e.g. bottle, soap, TV, refrigerator)
- Services** (e.g. banking, transport, insurance)
- Experiences** (e.g. stage shows, plays, movies)

- **Places for tourists** (e.g. Agra, Singapore)
- **Ideas** (e.g. no smoking, blood donation)
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- **Information** such as technology information or market information
- **Tangible and intangible properties** such as real estate (tangible) and shares (intangible)

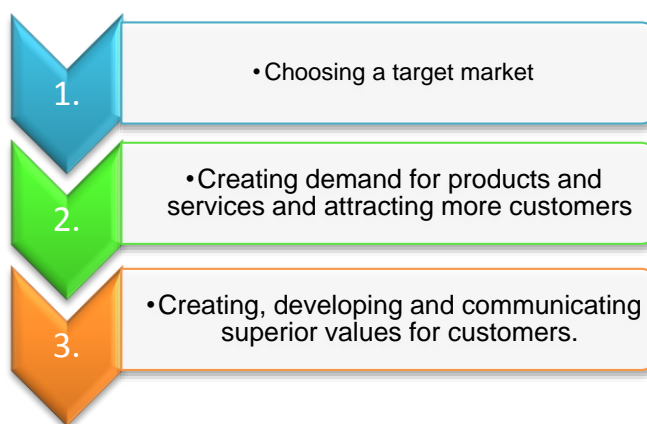
Who is a marketer?

A person who plays a **comparatively more active role** in the process of exchange. He/she can be a buyer or seller depending on the active role played in the exchange process.

Marketing Management

According to **American Management Association**, marketing management is defined as “the process of **planning and executing** the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that **satisfy individual and organisational goals**”. Activities involved in marketing management comprise planning, organising, directing and controlling.

Steps Involved in Marketing Management



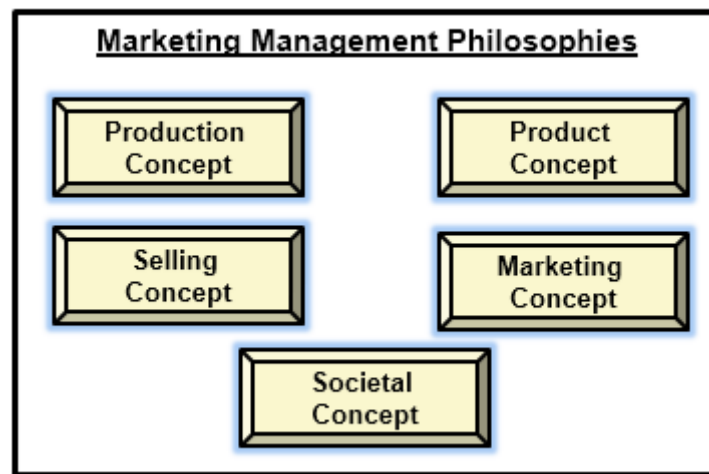
Marketing and Selling

Basis of Difference	Marketing	Selling
Scope of the term	Marketing is a wider term and comprises a large number of activities such as planning, designing and after sales services.	Selling is a narrower term and is limited to just promotion activities and the transfer of ownership of the product from the seller to the consumer.
Means of profit maximisation	The primary focus is on customer satisfaction .	The primary focus is the transfer of title and possession of goods .
Scope of activities	Starts before the product is produced and continues even after the product is sold .	Starts after the product is developed .
Emphasis	Develops product and strategies according to customer needs .	Bending customer as per the product .

Strategies

Involves strategies and efforts towards **production, planning, designing and feedback services.** Involves strategies and efforts towards the **promotion and sale of the product.**

Marketing Management Philosophies



1) Production concept

- During the earlier years of the **Industrial Revolution**, the demand for industrial goods was greater than the supply because the producers for these goods were less.
- **Selling was not a problem**; anybody who can produce can sell.
- Hence, the main focus of business activities turned towards the **production of goods**.
- Profits can be maximised through **large-scale production**, thereby reducing the average cost of production.
- **Consumers** generally favour products which are widely available at **affordable prices**.
- Improving **production which leads to increase in availability of goods and** selling it at an affordable price are the two important aspects which lead to success of the business.
- Hence, the main focus was to improve the efficiency of production and distribution activities.

2) Product concept

- **Emphasis on production capacity** led to **increase in supply** over a period of time.
- More supply and lower price **could not ensure increased sales and further survival and growth for the firm**.
- This increase in supply of products led to a change in consumer outlook and consumers started looking for **superior quality products with more features and better performance**.
- Emphasis shifted from **quantity production to quality production**.
- Profits could be maximised through **product improvement**.
- Hence, the primary focus is **good quality and offering additional and new features in products**.

3) Selling concept

- Changes in the marketing environment over a period of time lead to **increased competition** among sellers.
- Emphasising on product quality and availability **did not ensure the survival and growth** of the firm as the number of sellers selling quality products increased.
- Now, the need was felt to **attract customers** and convince them to buy the product.
- To sell products, firms must use **aggressive selling and promotional techniques** as it was observed that a customer would not indulge in buying the products unless they were persuaded and motivated to do so.
- Promotional activities like advertising, personal selling, sales promotion etc. prove to be helpful in selling products.
- Thus, the primary focus is **to sell produced goods by using intensive promotional techniques.**

4) Marketing concept

- This concept lays down that **customer satisfaction** is the most important factor which determines the success of an organisation.
- In the long-run, a firm needs to identify the **present needs of prospective buyers and satisfying them** in an effective manner in order to succeed.
- The primary focus of business is on **customer satisfaction.**
The following points explain in brief the marketing concept:
 - The organisation must clearly **identify the target customer** base and the market. All its marketing efforts must be directed towards that particular market segment.
 - It should work towards developing products and services which are according to the **needs of customers and should satisfy them.**
 - It must ensure that the product can **satisfy the needs of customers better than that done by competitors.**
 - The basic objective of all activities should be **profit earning.**

According to the marketing concept, if organisations **focus on customer satisfaction**, then marketing would take place in an **effective and smooth manner.** If products are according to the **needs of customers**, then **selling would be an easy task.**

5) Societal concept

- This concept gives **adequate consideration to social problems** like environment pollution, deforestation, shortage of resources, overpopulation etc.
- All business activities which satisfy human wants and needs but are **detrimental to the interests of society cannot be said to be justified in any way.**
- Business **should not ignore the interest of society** at large but consider the **issues of long-term social welfare** while serving customers.
- Businessmen must identify and meet the needs and wants of the target market and deliver in an **effective and efficient manner** taking care of the long-term well-being of customers as well as society.
- Primary focus is on **customer needs along with society's well-being.**

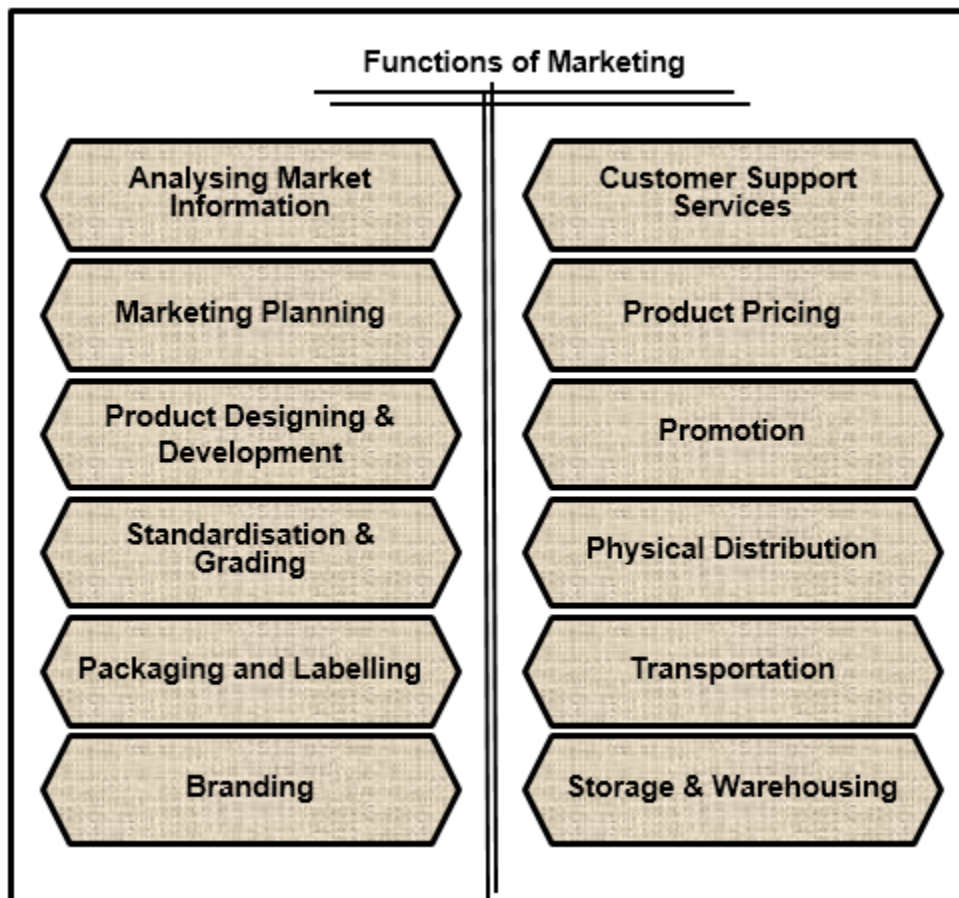
Functions of Marketing

1) Analysing and assembling market information

- Analyse the market and **identify the best opportunities.**
- Collecting information of the target market segment including the size of the market as well as behaviour, culture, needs and wants of customers.

2) Marketing planning

- Creating a market plan to **achieve the marketing goals and objectives** of the organisation.
- 3) **Product designing and development**
- ***Design of a product like shape and style attracts*** customers towards the product.
 - Good design ***improves the performance*** of the product and ***helps the product to gain a competitive advantage in the market.***
- 4) **Standardisation and grading**
- ***Standardisation:*** Production of goods with *certain specific qualities* (such as durability, safety and utility) and achieve uniformity of goods to ensure that the goods meet the expectations of the predefined standards.
 - ***Grading:*** Classification of the product according to certain important characteristics such as size, quality etc.
- 5) **Packaging and labelling**
- ***Packaging:*** Developing a cover or a package for the product to *protect it from damage.*
 - ***Labelling:*** Developing a label or slip to be put on the package and providing the *necessary information* about the product.
 - Both these functions are important for the success of a product.
- 6) **Branding**
- Producers need to decide whether to sell the products using its *generic name* (i.e. general name used for an entire category of the product) or a *brand name* (i.e. name specific to that particular product such as *Lexi pens* or *Lays wafers*).
- 7) **Customer support services**
- Involves *handling complaints and feedback* of customers
 - Customer support services are developed such as credit, maintenance, technical services, consumer information etc.
- 8) **Product pricing**
- Price refers to the *amount of money to be paid* by consumers for purchasing the product.
 - Price of the product is inversely related to the demand of the product which means lower the price of the product, higher is its demand.
- 9) **Promotion**
- Promotion includes informing customers about products and ***encouraging them to purchase products.***
 - Various *promotional techniques are used* such as sales promotion, personal selling, advertising, maintaining public relations etc.
- 10) **Physical distribution**
- ***Channels of distribution*** are to be decided through which products would be ***moved from the place of production to the place of consumption.***
 - It includes activities like managing the inventory, storage and warehousing.
- 11) **Transportation**
- *Actual movement of goods* from the place of production to the place where it will be consumed or used.
 - Goods transportation helps in ***increasing the reach of the product to a large area.***
- 12) **Storage and warehousing**
- *Goods are stored in the warehouses properly* ***till the time they are sold in the market.***
 - *This ensures* ***smooth flow of the supply of goods.***



Role of Marketing in a Firm

- Marketing plays an important role in **achieving the objectives of a firm**.
- It lays utmost importance on **customer satisfaction** which is considered a **key element** for **survival and growth of the firm**.
- It helps any kind of organisation to **achieve its goals effectively**.
- It assists the firm/organisation in **identifying and analysing customer needs** which will help in **designing and producing products or services** as per customer needs.
- Further, it will help the firm/organisation to make products **available in the market at an affordable price**.

Role of Marketing in an Economy

- Marketing plays an important role in **the development of the economy**.
- It acts as a **catalyst** in **economic development**.
- It inspires people to **undertake new activities** and to **set up enterprises** for producing goods which are needed by customers.
- It helps in **overcoming the hurdles** posed by high prices due to imbalances in the levels of production and consumption.
- It helps in **maintaining smooth flow of goods** through efficient arrangements made for the physical distribution of goods.
- It **acts as a link** between the business and consumption centres, accelerates economic activity leading to higher incomes and more consumption, as well as increased savings and investment.

Marketing Mix

- Marketing mix means the **set of various marketing tools** used by an organisation **to achieve the desired objectives of marketing**.
- In an organisation, various decisions with respect to **marketing are affected by a large number of factors**, some of which are controllable, while the others are non-controllable.
 - **Controllable factors** refer to factors which can be controlled/influenced by the firm; for instance, price, branding and advertising.
 - **Non-controllable factors** refer to factors which cannot be controlled at the level of a firm; for example, government policies, inflation or the policies of commercial banks.
- To **achieve the various objectives** of marketing, a firm **continuously alters** the various controllable factors. These factors, also known as **marketing tools**, form the basic pillars of marketing.
- From the various available marketing tools, a firm **chooses the most suitable and best combination**. This combination of marketing tools used by the firm is called a marketing mix.

Elements of a Marketing Mix



Elements of Marketing Mix

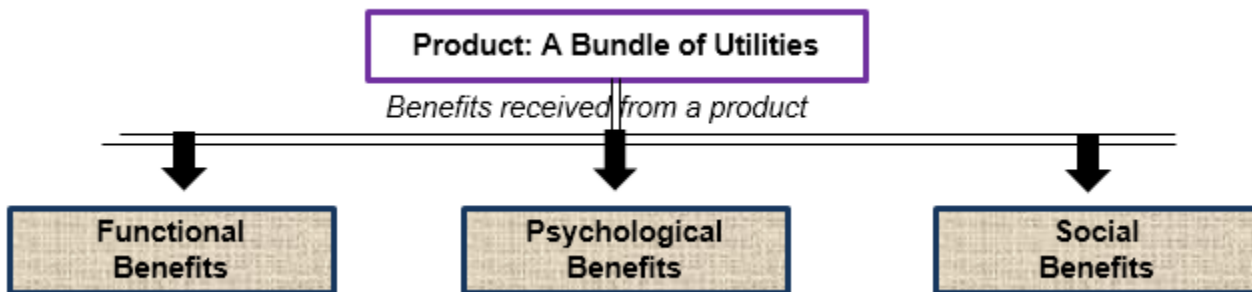
1. Product

In terms of marketing,

- A product refers to the **mix of various tangible and intangible attributes of a product** which have a value and can be exchanged. They are **capable** of satisfying the needs of consumers. Besides physical goods, a product includes services.
- A product is defined not only in terms of physical product (functional utility) but also in terms of **satisfaction or utility** provided to the consumer. **After sales services** such as customer care, addressing consumer complaints and taking feedback are also part of the product.

Bundle of Utilities

A consumer derives **satisfaction from the consumption of a product**. So, when a customer decides to purchase a product, his/her main focus is on the **utility which he would receive on consuming it**. A product is a bundle of utilities. A customer derives various kinds of satisfaction/benefits from the consumption of a product:



- **Functional benefits** refer to the utility derived from the **basic functions performed by the product**. For instance, a cooking gas range provides functional utility as a **medium of cooking**.
- **Psychological benefits** refer to benefits in the form of **pride and self-esteem derived from owning the product**. For instance, a consumer can derive psychological benefit from owning a cooking gas range which he uses as a **modern means of cooking**.
- **Social benefits** refer to benefits in the form of **acceptance among the peer group** such as consumption or use of a particular product.

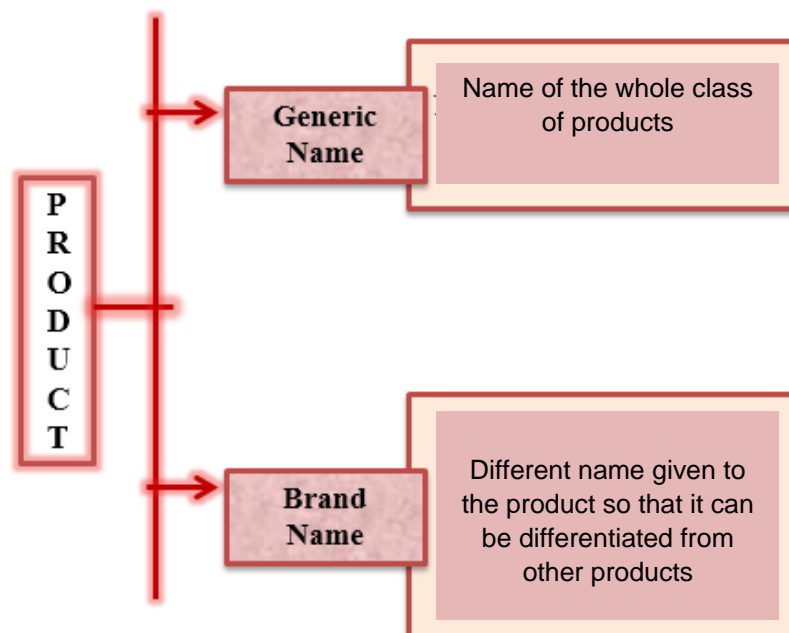
Product mix

Refers to essential decisions related to **product quality, design, packaging and assortment**, i.e. number of products or items a particular producer offers to the market.

Components of Product Mix

1) Branding

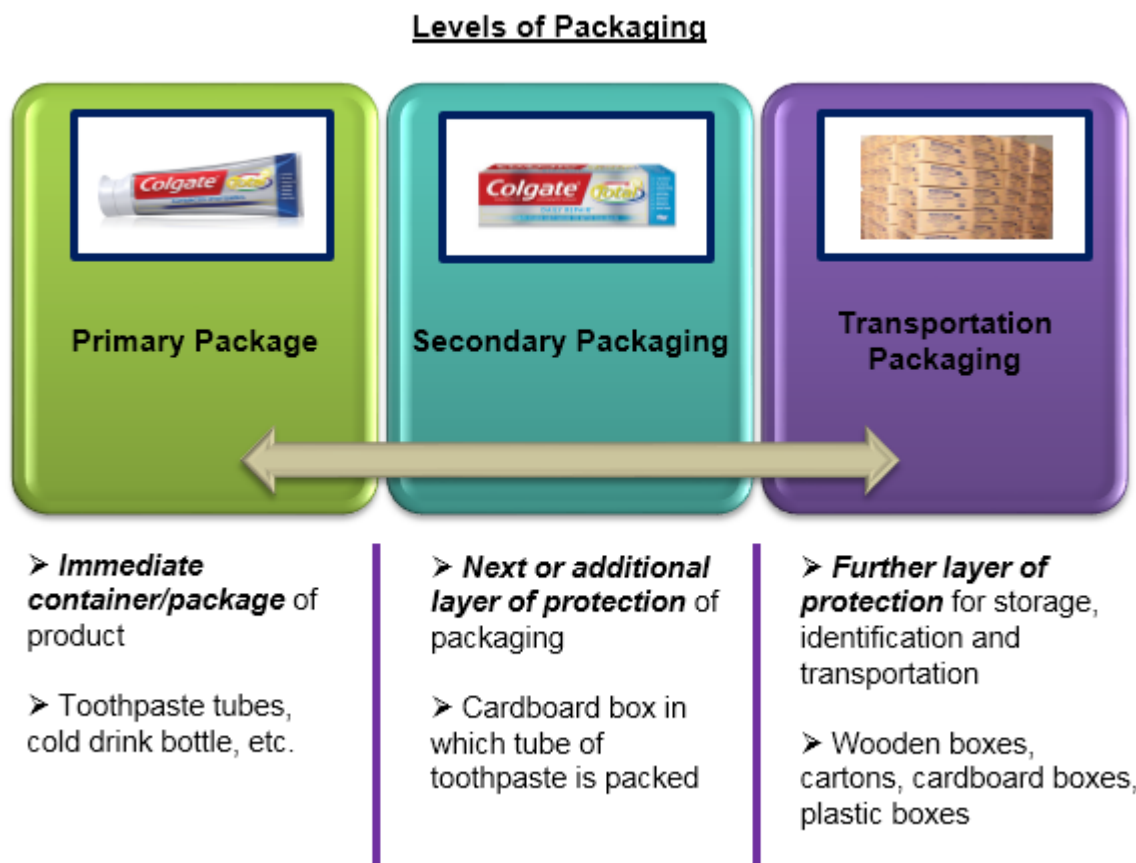
Refers to the **process of giving a unique name, sign, symbol or term** for the identification of a product. The name can be either a generic name or brand name. The brand name acts as a basis of differentiation of the firm's product with that of its competitors.



Terms related to Brand	
• Brand	Name, term, sign, symbol, design or combination of them used to differentiate the product from competitors' products. For example, <i>Parker, Raymond</i> etc.
• Brand name	<i>Part of brand which can be spoken</i> , i.e. verbal part of brand. For example, <i>Asian Paints, Uncle Chips</i> etc.
• Brand mark	Part which can be identified but cannot be spoken. For example, Gattu of <i>Asian Paints</i> or the Devil of <i>Onida</i> .
• Trade mark	<i>Part which has legal protection</i> so that no other firm can use such name or mark.
Characteristics of a Good Brand Name	
• Simple and short	The name should be simple and short such that it is easy to spell and pronounce and people are able to remember it. For example, <i>Pepsi, Coke</i>
• Self-explanatory	The name should be self-explanatory in the sense that it must provide an idea of the use, benefits and qualities of the product. For example, <i>Ujala, Dunkin Donuts</i> etc.
• Unique	The name should be unique in all aspects. Also, it must be suitable to the requirements of packaging, labelling and advertising.
• Adaptable	A brand name should be adaptable in the sense such that if required a new product can also be introduced under it.
• Legal Protection	A brand name must be as such that it can be registered and hence can obtain legal protection.
Advantages of Branding to Marketers of Goods and Services	
• Helps in product differentiation	Branding enables a business organisation to differentiate its product from that of its competitors . In this way, it enables a certain degree of control over the market .
• Helps in advertising	It enables advertising of the product . Without branding, advertising cannot be done.
• Differential pricing	Branding enables a firm to follow differential pricing . That is, it allows the firm to charge a different price than that charged by its competitors.
• Easy introduction of new product	Branding of an existing product forms the base for the introduction of new products by the firm. This is because a new product would get a boost and benefit from the reputation of the existing brand.
Advantages of branding to customers of goods and services	
• Product identification	Enables consumers to clearly distinguish and identify the product among various other products provided by competitors.
• Ensures quality	Brand is seen by consumers as a mark of authenticity and quality assurance .
• Status symbol	Brands act as status symbols for consumers, thereby providing them satisfaction and a proud feeling.

2) Packaging

Packaging is the process of developing, designing and producing a container or wrapper of a product. It is one of the most important functions of marketing.



Functions	
• Protection	Proper packaging protects the product from any kind of damage. For example, <i>chips</i> are packed in air tight containers/packets.
• Identification	Packaging helps to identify the product easily. For example, in a <i>Dove product</i> , the pure white and blue packaging and the letter D can be recognised from a distance.
• Convenience	Packaging enables the consumer to handle the product conveniently. For example, <i>milk</i> packed in packets and <i>cold drinks</i> in bottles are convenient to shift from one place to another.
• Promotion	Packaging helps to promote the sale of the product. For example, the <i>Kinder Joy chocolate's</i> attractive packaging induces customers to buy the product.
Importance	
• Rising standard of health and sanitation	Packaged goods are preferred over the loose as the chances of contamination or adulteration of products are less.
• Self-service outlets	Products with attractive packaging are picked by consumers in such stores.
• Product differentiation	Packing enables consumers to differentiate between products on the basis of its size, colour or material of packaging.
• Innovative opportunities	Innovative methods of packaging enable to improve the scope of marketing the products. For example, products now can remain fresh for a longer period of time without refrigeration. Hence, such a feature can be used for

	marketing the product.
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3) Labelling

Labelling refers to providing information about the product in the form of a **tag or a label** on the package of the product. Information provided on these tags or labels contains **descriptions about a product's name, date of manufacturing, quality, price, contents, method of use etc.**

Functions	
• Description of use and contents	A label describes the product and specifies its components or other useful information such as contents of the product, the caution to be taken while using it, the procedure of use etc. <i>For example</i> , soup ingredients along with the procedure of preparation are mentioned on a packet of soup.
• Identification	Helps consumers in identifying the product or brand. For instance, name of the product is printed on the package which makes identification of one's favourite brand much easier. Similarly, the label provides other useful information as well such as the contents of the product, weight of the product and maximum retail price.
• Grading	Enables grading of the product into various categories . For example, the brand <i>Lindt</i> sells various flavours of chocolates under different label categories.
• Promotion of the product	A label helps in attracting customers, thereby enabling promotion of the product . Moreover, any information regarding the sales promotion schemes is provided by the label.
• Information required according to law	Information as required by the law is also provided by the label of the product. For instance, it is mandatory for tobacco-producing companies to print a warning message on the packet of the product.

Elements of Marketing Mix	
2. Price	<ul style="list-style-type: none"> • Price refers to the amount of money which is paid by a consumer to obtain a product. • Basically, this money represents the total sum of value exchanged for obtaining the benefit of having or using the product. • Pricing occupies an important role in marketing as the products cannot be sold in the market without a price tag or guidelines to determine the price. It is also an important factor determining the demand of a product. • Generally, the demand for a product shares a negative relation with its price, which means that as the price increases, the demand for the product decreases and <i>vice versa</i>. • Marketers must suitably decide a price by properly analysing the various related factors such as the target customers, pricing range of competitors and goals of the firm. • The price which is set must be at par with the value offered by the product, as it also becomes a basis on which the firms/companies compete with each other. • Hence, this can be a factor which shall positively or negatively affect the revenue

and profits of a business.

Factors Affecting the Price of a Product or Service

1. **Cost of product:** Cost of the product is the most important factor determining the price. The cost of product includes producing, selling and distributing costs. It can be classified into the following three types:

- **Fixed cost:** These are costs which *remain fixed irrespective of the level of output*. For example, cost of machinery, land etc.
- **Variable cost:** These are costs which *vary according to the level of output*. As the level of output increases, the variable costs also increase and *vice versa*. For example, cost of labour and raw material.
- **Semi-variable cost:** Similar to variable costs, these are costs which *vary with the level of output but not in direct proportion with it*. For example, commission paid to intermediaries.
- **Total costs:** These costs are the sum total of fixed, variable and semi-variable costs for a specific level of activity like quantity produced, volume of sales etc.

Generally, a **firm decides such a price for its product** so that it can cover the various costs and earn a profit.

2. **Utility and demand for the product:** Utility of a product has a direct connection with the price of the product. It helps the seller to charge a higher price keeping in mind the utility of the product. A person may be ready to pay a price for the product up to the period wherein the utility of product is equal to the sacrifice made by him/her in case of the price paid for the product. Similarly, the seller tries to recover his costs from the price of the product. This is how the interests of both parties, i.e. buyer and seller, are reflected in the price of the product.

Another important factor determining the price of a product is the elasticity of demand for the product. Price elasticity of demand implies how responsive the demand is to the changes in price.

- **Elastic demand:** The demand is said to be price elastic if a given *proportionate change in price* leads to a more than *proportionate change in demand*. In such a case, charging a higher price by the firm would lead to a large fall in demand.
- **Inelastic demand:** The demand is said to be price inelastic if a given *proportionate change in price does not* bring about any significant change in demand. In such a case, it is possible for a firm to **charge a higher price**. This is because even at a higher price, the demand will not fall much.

So, goods generally having an elastic demand have a comparatively lower price than those which have an inelastic demand.

3. **Degree of competition in the market:** In case there is **high competition** in the market, it is **not possible for a firm to charge a higher price**. This is because if the firm charges a higher price, consumers would shift the demand to its competitors. But if there is less competition in the market, sellers may charge a high price for products.

4. **Government regulations:** At times, the government **regulates the prices of certain commodities**. For example, in the market for agricultural products such as wheat and rice, the government intervenes in price determination.

5. **Objectives of pricing:** There are various objectives which a firm considers while **deciding the price of its product**. The following are some important objectives of pricing:

- **Profit maximisation:** Profit maximisation is one of the basic objectives of every firm. If the firm aims at **profit maximisation** only in the **short run**, then it may decide a **higher price** for the

product. On the contrary, if the firm wishes to **maximise profits in the long run**, then it would charge a **lower price at present** so that it can **acquire greater share of the market** and build up consumer loyalty.

- **Acquiring market share:** If a firm aims at acquiring a greater market share, then it would charge a **lower price** so that it can attract a greater number of customers towards its product.
- **Surviving competition:** If the firm has to survive in high competition, it must keep the price of the **product lower**, else it will lose customers to its competitors.
- **Focus on quality:** If the firm aims at improving the quality of the product, it may even charge a **higher price** so as to cover the additional costs.

Method of marketing: The price is also affected by various aspects of marketing like **distribution system, product differentiation, quality and amount of advertising** etc. For example, the methods of marketing like intense advertising when used by the firm may incur more cost which is charged to the price of the product in order to recover these costs.

Elements of Marketing Mix

3. Place/Physical distribution

- Place/Physical distribution means the **transfer of products from the place of production to the place** where they are finally consumed.
- It is concerned with providing goods and services at the **right place, in the right quantity and at the right time**.
- The firm needs to take decisions regarding:
 1. Physical movement of goods
 2. Channels or intermediaries which enable the distribution of the product

Channels of Distribution

Channels of distribution are the **means through which goods are distributed to final consumers**. These can be in the form of individuals, institutions or agents. A firm requires channels of distribution because **potential consumers are spread over different places**. So, it becomes difficult for producers to directly contact customers and sell them the product.

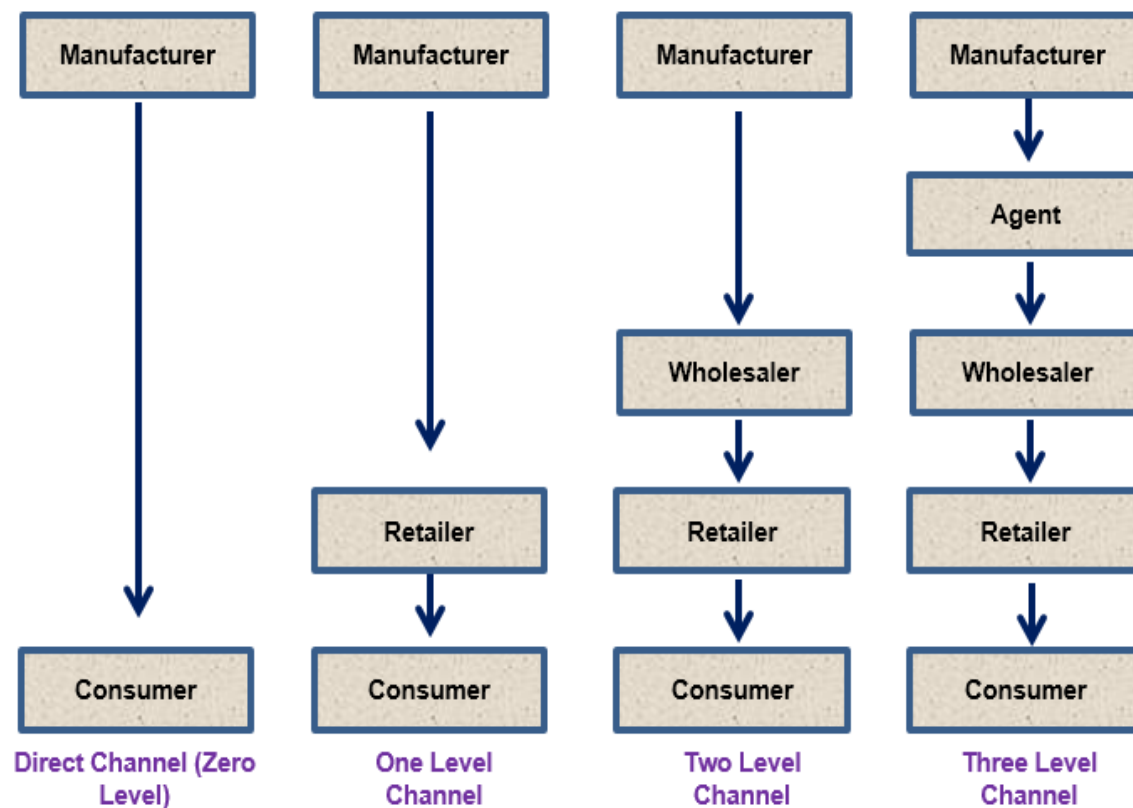


Functions of Distribution Channels

- **Arrangement:** An intermediary receives goods from numerous sources. He sorts/arranges them into various **homogeneous groups** based on their characteristics such as **size, quality, nature** etc.

- **Accumulation:** The intermediary ensures that there is enough **stock available** with him to ensure **continuous flow of supply**.
- **Allocation and packaging:** These involve breaking down of **larger units of supply/stock** received by the supplier into **smaller units and pack them separately**.
- **Building variety:** An intermediary needs to acquire different goods from different manufacturers and sell them in different combinations as desired by consumers.
- **Promotion of product:** Intermediaries assist promotion activities of manufacturers. For instance, intermediaries can put **banners and display products sold by them**.
- **Negotiation:** Intermediaries act as **middle men** who negotiate the deal between manufacturers and consumers. They ensure **that the deal is as such** that it satisfies the need of both parties.
- **Bearing risk:** Intermediaries maintain a **large stock of goods** as received from different sources. The goods remain with the intermediaries till they are sold to final consumers. In the process, they have to **bear various risks** such as fluctuations in demand, price and spoilage.

Types of Channels of Distribution

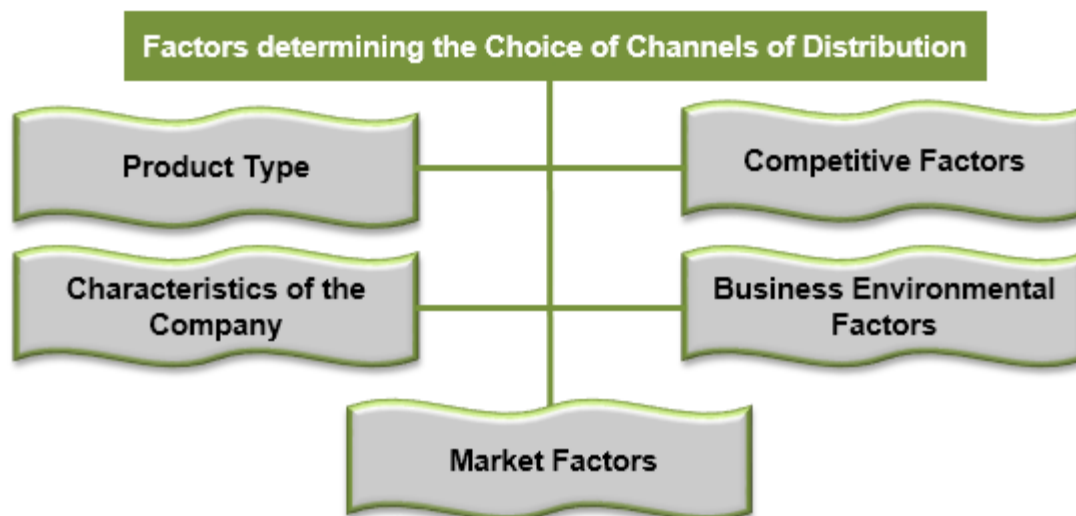


Factors Determining the Choice of Channels of Distribution

- **Product type:** The choice of channel of distribution depends on the type of product, i.e. **perishable or non-perishable, industrial or consumer product**. For example, in case of perishable goods, short channels of distribution would be more suitable. Similarly, for consumer products, long channels are used, while for industrial products, short channels are used.
- **Characteristics of the company:** There are two important characteristics of a company which determine the channel of distribution used by it, namely **financial strength and the degree of control which the company wishes to command over intermediaries**. Shorter channels of

distribution not only require **greater funds** but also offer greater control over intermediaries, whereas longer channels of distribution require less funds and offer less control over intermediaries. Accordingly, a **financially strong company** or a company which wishes to command greater control over intermediaries would opt for shorter channels of distribution.

- **Competitive factors:** The channel of distribution opted by a company also **depends on the channels opted by its competitors**. For instance, a company may not want to opt for a similar channel as used by its competitors.
- **Business environmental factors:** Business environmental factors such as **economic conditions and legal constraints** are also important factors in determining the choice of channel of distribution. For example, if there are **complex legal formalities** at various steps of distribution, then a company would prefer **shorter channels of distribution**.
- **Market factors:** There are various market factors such as **size of the market, geographical concentration** of potential buyers, **volume of demand** etc. which determine the choice of channels of distribution which the company opts. For example, if potential buyers are concentrated in only a small geographical area, then shorter channels of distribution would be more suitable.



Physical Distribution

The physical movement of goods from the place of production to the place of consumption is known as physical distribution. It includes all the activities required to physically move the goods. For example, transportation, warehousing, inventory control etc.

Decisions of Physical Distribution

- **Processing of order:** Processing of order implies the activities which take place between the **placement of order and the final delivery to the consumer**. It comprises steps such as placement of order, intimation of order to the manufacturer and delivery of goods. The system of distribution should be such that the processing of order is **speedy**. Speedy processing with sufficient accuracy leads to greater customer satisfaction.
- **Transportation of products:** Transportation of products implies **physical transfer of goods** from the place of manufacturing to the place of actual consumption.
- **Warehousing:** Warehousing implies **storing the goods** before they are finally sold to consumers. Storing of goods at the warehouse enables ready availability of goods at different locations as and when required. However, warehousing involves costs as well. Thus, the benefits of warehousing must be weighed against the costs involved so as to maintain a balance according to the requirement.

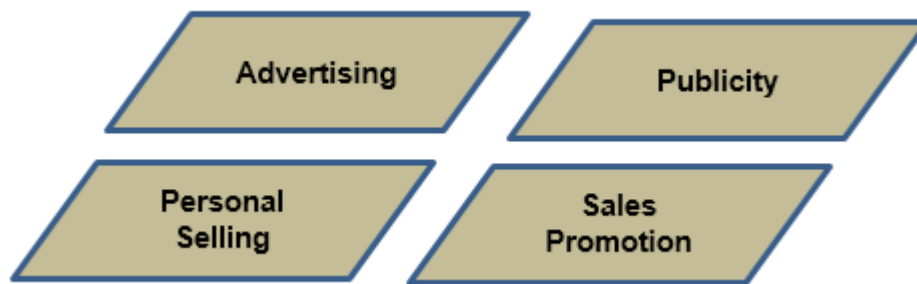
- **Maintenance of inventory:** Maintaining inventories enables *timely supply of products* as and when required. This ensures a high level of service and leads to customer satisfaction. However, maintenance of inventory also involves a cost. Hence, a balance needs to be maintained between costs and customer satisfaction.

Elements of Marketing Mix

4. Promotion

- Promotion refers to activities undertaken by the firm with the objective of **communicating to potential consumers** regarding the availability of a product, its features, special qualities and purpose.
- Promotion of the product is done with the **objective of influencing potential customers to purchase the product.**
- An organisation must decide which **medium of promotion** must be used and accordingly take the required actions.

Combination of **promotional tools** which are **used with the view of persuading customers** about the firm's products and increasing sales. Following are various tools of communication:



1) Advertising

It refers to an impersonal technique of promotion of a product which is paid for by the marketers. It helps in attracting customers towards the product. Common modes of advertising are newspapers, magazines, television etc.

Features of advertising

- **Cost involved:** Advertising is a paid form of communication. It involves a cost which is to be borne by sponsors.
- **Impersonal mode:** Advertising is impersonal in the sense that there is no direct interaction between the customer and the advertiser.
- **Identified sponsors:** Advertising is undertaken by identified sponsors who initiate the process and also provide finance required for it.

Limitations of advertising as a promotional tool

- **Less forceful:** An advertisement is an **impersonal form** of communication and thereby is **less effective.**
- **Analysis of impact:** The impact or effectiveness of an advertisement **cannot be analysed by the firm.**
- **Rigid:** It is a **standard form of communication** with the potential customer which cannot be altered according to the needs of individual consumers.
- **Low effectiveness:** There are **numerous advertisements** for similar products in the market, thereby its **effectiveness is low.**

Advertising: Objections		
<i>Basis</i>	<i>Against</i>	<i>For</i>
1. Cost	It is added cost and passed to consumers in the form of higher prices .	It helps in attracting a large number of customers which increases the demand and helps in reducing per unit cost .
2. Undermines social value	Promotes materialism in society by inducing customers to purchase products which sometimes they don't even need.	Merely informs buyers about the availability of products but decision to purchase the product is with consumers.
3. Confuses buyers	Large number of advertisements on similar products tends to confuse customers as to which product or brand should be purchased.	Provides a wider choice to consumers who are rational enough to make the right decision.
4. Encourages the sale of inferior products	Through extensive advertisements, demand for even inferior goods can be induced.	Quality is a relative concept; what is inferior to one consumer can be superior to another.
5. Some advertisements in bad taste	Sometimes the language, images and content of an advertisement may not appeal to society at large.	Good or bad taste is a subjective phenomenon and varies from person to person; what may be acceptable by one may be offensive to another.

2) Sales promotion

Refers to the **various short-term incentives** which are offered to customers so as to influence them to purchase the product or service.

Sales Promotion Activities

These include activities such as **offering discounts, product combinations, offering free samples** etc. Such activities support other promotional activities used by the company. Various **sales promotion activities** help in attracting customers and induce them to purchase. They are particularly used by companies when they launch a new product. Sales promotion activities help **boost the sales** of the company. Following are few sales promotion activities:

- **Rebate:** Products are offered at a special low price for a specific period of time so that excess inventory can be cleared off.
- **Discount:** Products are offered at a price which is lower than the market price.
- **Refund:** It involves giving back some amount of the price paid to the customer on presentation of some proof of purchase.
- **Product combination:** Offering a product as a gift on the purchase of some other product.
- **Quantity gift:** Additional quantity of the product is offered at the same price.
- **Instant draws and assigned gift:** A scratch card or a gift coupon is offered to the customer on purchase of the product.

- **Lucky draw:** Offering products to a selected few as part of a lucky draw.
- **Usable benefits:** Offering gift vouchers for later use.
- **Full finance at 0%:** Offering goods in easy instalment schemes.
- **Sampling:** Free samples of the product in the form of small packets are provided to potential customers at the time of the launch of the product.
- **Contests:** Events and contests are organised comprising games and activities while promoting the product to attract maximum number of customers.

3) Personal selling

It refers to a **personal form of communication** with customers in order to make sales.

Features

- **Personal form:** Involves direct contact between buyers and sellers.
- **Development of relationship:** Provides the **chances of developing** a personal relationship between the buyer and the seller.

Merits of Personal Selling

- **Flexibility:** Sale presentation of the product **can be modified** according to the need and preferences of the customer
- **Direct Feedback:** Due to direct contact between the seller and buyer, proper and direct feedback can be taken from the buyers and used to adapt the sales presentation according to the needs of the prospective customers.
- **Minimum Wastage:** **Less wastage of efforts** as targeted customers are decided by the firm/company before making contact with them.

Role of Personal Selling	
Effective promotional tool	Helps in influencing the prospects of the merits of a product which helps to increase its sale
Flexible tool	More flexible than other tools of promotion which helps business persons in adopting their offer according to different purchase situations
Minimises wastage of efforts	Minimum wastage helping business persons in bringing economy in their efforts
Consumer attention	Provides an opportunity to identify the loss of consumer attention and interest in a personal selling situation and this helps a business person in successfully completing the sale
Lasting relationship	Helps develop a lasting relationship between sales persons and customers
Personal rapport	Aids in developing of personal rapport with customers, thereby increasing the competitive strength of a business organisation
Role in introduction stage	Plays a very important role in the introduction stage of a new product wherein customers are persuaded about the merits of the product
Link with customers	Sales people play three roles, namely persuasive role , service role and informative role, and thereby act as a link between the business firm and its customers
Importance of Personal Selling to Customers	

Helps in identifying needs	Helps customers to identify their needs and wants and also in finding out a way to satisfy these needs and wants
Latest market information	Customers are provided latest market information regarding price changes, product availability, new product introduction etc. which assists them in better <i>purchase decisions</i>
Expert advice	Expert advice/guidance is provided to customers in order to help them purchase various goods and services
Induces customers	Personal selling persuades customers <i>to purchase new products</i> for satisfying their needs in a better way and thereby improving their standard of living
Importance of Personal Selling to Society	
Converts latest demand	<i>Converts latest demand into effective demand</i> , and it is through this cycle that economic activity in society is increased
Employment opportunities	Offers income and employment opportunities to <i>unemployed youth</i>
Career opportunities	Provides an opportunity to develop an attractive career which will pave a way for <i>advancement and job satisfaction</i>
Mobility of sales people	Greater degree of mobility in sales people <i>promotes travel and tourism</i> in the country
Product standardisation	Increases product standardisation and <i>uniformity in consumption pattern</i> in a diverse society

4) Public relations

It refers to activities undertaken by an organisation to ***promote or protect*** the image of the company or its products in the eyes of the public.

Role of public relations in marketing management

The role of public relations in marketing management can be discussed with respect to the following functions of public relations department:

- **Press relations:** The public relations department of the company maintains good relations with the press so that true and ***positive news about the company circulates in the outside world*** and not any other distorted information taken from other sources.
- **Product publicity:** Promotion and publicity of the product can be easily facilitated by the public relations department. For this, the department can ***conduct various activities like seminars, cultural events, news conferences*** etc.
- **Maintaining corporate communication:** Organisations communicate with the public and employees so that they can ***maintain their goodwill***. This is done with the help of newsletters, articles, brochures and through other forms of communication.
- **Lobbying:** Organisations have to deal with government officials regarding business and economic policies. The public relations department needs to play an active and crucial role in ***promoting or decoding regulations*** which affect the organisation.
- **Counselling:** The public relations department provides ***counselling to the management on general issues*** such as contributing money for social causes and undertaking activities which contribute to organisational goodwill.

Difference between Advertising and Personal Selling

Basis of Difference	Advertising	Personal Selling
Personal v/s impersonal	Advertising is impersonal; i.e. there is no direct communication with potential consumers.	Personal selling involves direct communication with potential consumers.
Reach	It has a wide reach.	It has a limited reach.
Flexibility	It is inflexible in the sense that the message which is transmitted is standard.	It is flexible in the sense that the message can be modified according to individual consumer.
Target group	It is more suitable when the target group is large .	It is more suitable when the target group is small .
Cost involved	Advertisements reach a large number of people simultaneously; so, per person cost is low .	Per person cost in case of personal selling is relatively high .
Time involved	A large number of potential consumers can be reached simultaneously .	It involves huge time as only a few people can be reached at a time.
Customer feedback	As advertising is impersonal, feedback and reactions of consumers cannot be judged .	As personal selling is in a personal form, feedback and reactions of consumers can be judged .
Medium of communication	The medium of communication can be in the form of television, newspapers, radio etc.	The medium of communication can only be through sales persons .