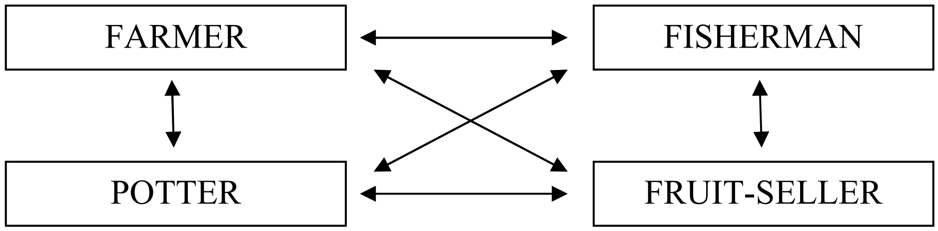
UNIT1- INTRODUCTION

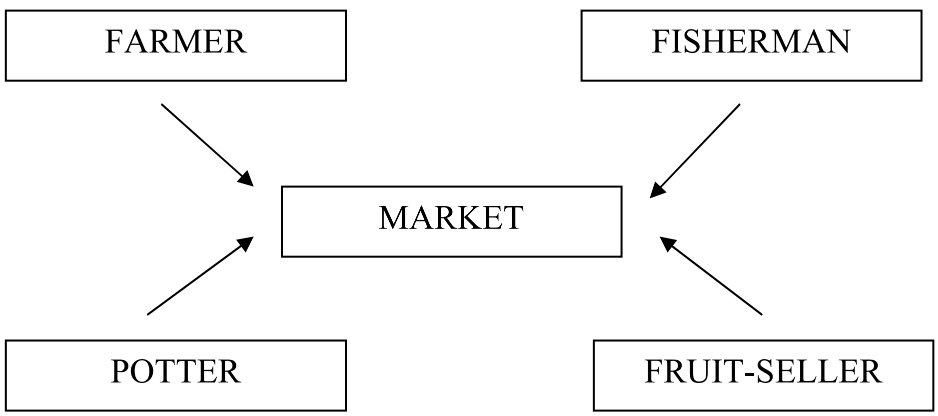
➲ EVOLUTION OF MARKET

The concept of marketing is as old as other professions of the world. Marketing is indeed an ancient art. It has been practiced in one form or the other. The traditional objective of marketing had been to make the goods available at places where they are needed. This idea was later on changed by shifting the emphasis from ***"exchange"*** to ***"satisfaction of human wants"*** which is known as modern marketing. However in order enrich the views of marketing it is better to trace out the evolution. The following are the stages of evolution:-

1) **The Barter System:-** At this stage, human beings were in nomadic hunter stage. In this primitive period, the human beings were nothing more than hunters or food gathers. The human beings with his surplus products approached and tried to exchange his products by accepting the products he needed- exchange of products for products.
2) **The New Stone Age:-** This stage is known as Agrarian period. In this stage human beings developed a sense of belongingness and developed family units. As time passed, the division of labour began to play its role and man started producing more than he needed and specialized in activities like carpenters, weavers, agriculturalist etc. To disposed of the excess producing, people assembled in places called local markets and later, it developed into shops, bazaars etc.
3) **The pre-industrial period:-** The difficulties of barter system were removed by adopting common mediums of exchange like copper, iron etc and later this medium of exchange was changed to silver, gold etc. At this stage, producers began to produce the products in larger quantities, employed the services of labourers in their factories; and middlemen, through whom sales were conducted, appeared.
4) **The Industrial Period:-** In this stage, home production was replaced by factory system and hand operations were replaced by machines. Because of the introduction of new inventions along with the new machines, the production was on large scale. Mass productions were followed by large-scale consumption. In order that the products may reach the hands of the ultimate user, new methods of marketing appeared.



Decentralized Exchange



Centralized Exchange

➲ MEANING AND DEFINITION OF MARKET

- ✓ The term 'market' is derived from Latin word called 'marcatus' which means trade, merchandise, traffic or place of business.
- ✓ In ordinary language, the term market refers to a certain place where buyers and sellers personally meet each other and make their purchases and sales.
- ✓ ***According to Cornot***, "Market is meant not any particular place in which things are bought and sold, but the whole of any region in which the buyers and sellers are in such free intercourse with one another, that the price of the same goods tends to equality easily and quickly".
- ✓ ***According to Chapman***, the term market refers "not to a place but to a commodity or commodities and buyers and sellers who are in direct competition with one another".

- ✓ ***According to W.J Stanton and Others***, “Any person or group with whom an individual or organization has an existing or potential relationship can be considered as market”.
- ✓ By analyzing the above definition we can define the term market refers to an exchange activity which takes place between buyers and sellers directly or through middlemen, in a place or otherwise, for a price, resulting in physical delivery of ownership of goods.

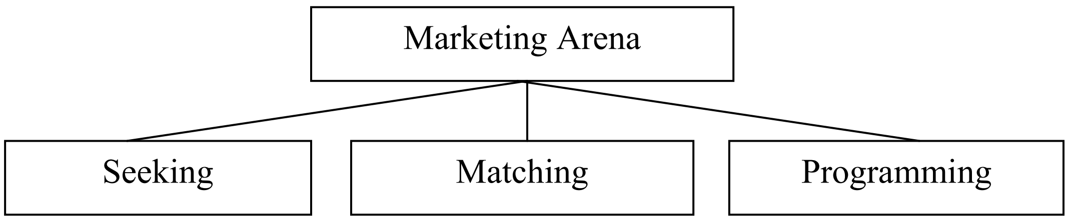
➲ MEANING AND DEFINITION OF MARKETING

Marketing is a comprehensive term and it includes all resources and a set of activities necessary to direct and facilitate the flow of goods and services from producer to consumer in the process of distribution.

- ✓ Marketing is referred to a process of creating or directing an organization to be successful in selling a product or service that people not only desire, but are willing to buy.
- ✓ The **traditional meaning of marketing** is clearly borne out by the definition given by ***Ralf S. Alexander and Others***, “Marketing is the performance of business activities that direct the flow of goods and services from the producer to consumer or user”.
- ✓ The **modern concept of marketing** was defined by ***E.F.L. Breach*** as, “Marketing is the process of determining consumer demand for a product or service, motivating its sales and distributing it into ultimate consumption at a profit”.
- ✓ By analyzing the above definition we can define the term marketing as a business process which creates and keep the customer.

➲ MARKETING ARENA

The word "ARENA" is derived from Latin word "HARENA" which means smooth or fine. Marketing arena is a process of composing of a large open space surrounded on most or all sides by varieties of products and brands.



a. ***Seeking:-*** The purpose of seeking is to discover the customer and customer needs. The marketing opportunity is revealed through an analysis of the environment.
b. **Matching:-** Marketing is a matching process. Customer demand has to be matched with organizational resources and environmental limitations, such as competition, government regulations, general economic conditions and so on.
c. **Programming:-** The marketing programme, called the marketing mix, covering product, price, promotion and distribution strategies will be formulated and implemented to accomplish the twin objectives of customer satisfaction and profitability.

➲ OBJECTIVES OF MARKETING

The following are the most significant objectives of marketing and are:-

1) **Creation of Demand**
The objective of marketing is to create demand through various means. A conscious attempt is made to find out the preferences and tastes of the consumers. Goods and services are produced to satisfy the needs of the customers. Demand is also created by informing the customers the utility of various goods and services.
2) **Customer Satisfaction**
The marketing manager must study the demands of customers before offering them any goods or services. Selling the goods or services is not that important as the satisfaction of the customers' needs. Modern marketing is customer-oriented. It begins and ends with the customer.

3) **Market Share**
Every business aims at increasing its market share, i.e. the ratio of its sales to the total sales in the economy. For instance, both Pepsi and Coke compete with each other to increase their market share. For this, they have adopted innovative advertising, innovative packaging, sales promotion activities etc.

4) **Generation of Profits**
The marketing department is the only department which generates revenue for the business. Sufficient profits must be earned as a result of sale of want satisfying products. If the firm is not earning profits, it will not be able to survive in the market. Moreover, profits are also needed for the growth and diversification of the firm.

5) **Creation of Goodwill and Public Image**
To build up the public image of a firm over a period is another objective of marketing. The marketing department provides quality products to customers at reasonable prices and thus creates its impact on the customers.

6) **Apply effective and intelligent modern marketing policies**
Changing growth rate, rapid technological change and new aggressive rivals all made every marketing firm to adopt and respond to change for survival and prosperity. So it is necessary for the firms to scrutinize its expenditure and make maximum profits by adopting themselves to viable and matching methodologies, techniques and practices. For example, Time Management, Just-in-time etc.

➲ APPROACHES/CONCEPTS OF MARKETING

According to Prof. Robert F Hartley, Marketing concept/philosophy/orientation is "an integration of marketing activities directed towards customer satisfaction". The following are the most significant approaches of marketing and are:-

1) **Commodity Approach**
In this approach the focus of study is on specific commodity. Under this approach the study focuses on the flow of a certain commodity and its journey from the original producer right upto the final customer and it includes conditions of supply, nature and extent of demand, the distribution channels used etc. Agricultural products like wheat, jute, cotton represent the commodity approach.

2) **Institutional Approach**
Under this approach, the interest of marketer centers around the marketing agencies i.e. transport and service agencies viz., wholesalers, retailers, banks,

transport undertakings, insurance companies etc., who participate in discharging their marketing responsibilities during the movement of distribution of goods.

3) **Functional Approach**
Under this approach, marketer concentrates his attention on the specialized functions or activities like buying, selling, storage, risk bearing, transport, finance etc. These functions are also studies in relation to given commodities and marketing institutions in terms of their operational methods and systems.

4) **Managerial Approach**
This approach is also known as Decision- making approach. The focus of this approach is on the decision-making process. The study encompasses discussion on planning, organizing, controlling, directing etc. This approach is considered the most useful way of studying marketing activities.

5) **Societal Approach**
This approach focuses on the social contributions and costs created by various marketing activities and institutions. In this approach the focus of study will be on the interactions between the various environmental factors and their impact on the well-being of society.

6) **System Approach**
The approach recognizes the inter-relations and inter-connections among the components of a marketing system in which products, services, money, equipments and information flow from marketers to consumers. The focus of this approach will be on the analysis of marketing flows and communication.

➲ FUNCTIONS OF MARKETING

FUNCTIONS

Functions of Exchange	Functions of Physical Supply	Facilitating Functions
1. BUYING a. Planning b. Contractual c. Assembling d. Negotiation **2. SELLING** a. Product Planning b. Contractual c. Demand Creation d. Negotiation	1. Transportation 2. Storage	1. Financing 2. Risk Bearing 3. Market Information 4. Standardization 5. Pricing 6. Branding 7. Packaging 8. Salesmanship 9. Advertising

A. FUNCTIONS OF EXCHANGE

1. BUYING

Buying is one of the functions of exchange that refers to all such activities in the assembling of goods, under a single ownership and control. This function involves the following:-

a) Planning: The buyers must plan in order to determine their needs. Business buyers must study their own markets to know the quantity and quality of goods that are required by final users.

b) Contractual: This involves finding out the sources of supply, keeping in touch with them, to get the goods quickly, reasonably, sufficiently and regularly.

c) Assembling: This is one of the important functions where goods produced at different places must be assembled in order to serve promptly the needs of manufacturers, wholesalers, retailers and consumers.

d) Negotiation: The terms and conditions of purchase are negotiated with the seller. After this final agreement are made & the transfer of titles take place.

2. **SELLING**

   Selling is the sum total of all those activities that push the commodities to the buyers at a profitable price. This includes the following:-

   a) ***Product Planning:*** Product-planning refers to planning or forecasting of consumer wants and desires in terms of price, quality, quantity, time etc to meet the requirements of consumers as demanded by them.
   b) ***Contractual:*** In this function, the seller finding out and locating the consumers and establishing and maintaining relation with them.
   c) ***Demand Creation:*** This includes all efforts of sellers to induce buyers to purchase their products. In order to increase sales, demand creational efforts like personal selling, advertising etc are undertaken by seller.
   d) ***Negotiation:*** Negotiations as to terms of quality, quantity, price of the product, time and mode of transport, payments etc are to be made with the prospective buyers.

B. FUNCTIONS OF PHYSICAL SUPPLY

1) **Transportation:** Transportation refers to the physical movement of goods from places of production to places of consumption. The transport function of marketing involves the selection of particular mode of transport, depending upon the speed and cost.
2) Storage: Storage refers to the holding and preserving of goods between the time of their production and the time of their sale. It facilitates the steady and continuous flow of commodities to the market throughout the year and it also helps to adjust the supply of goods to the demand.

C. FACILITATING FUNCTIONS

1) **Financing:** The service of providing the credit and money needed to meet the financial requirements of the various agencies engaged in the various marketing activities. Even though finance smoothens the process of exchange and acts as a lubricating oil to the wheel of marketing.
2) **Risk Bearing:** Marketing involves a number of risks. The risk may be loss of goods due to fire, flood, cyclone, earthquake, theft etc. Some of this risk can be avoided through proper planning like insurance and hedging.
3) **Market Information:** The function of marketing information refers to the collection, analysis and interpretation and communication of marketing information to the concerned people for efficient marketing.

4) **Standardization:** Standardization is a measure of designation for quantity. It consists of list of specifications based on size, colour, appearance, shape, amount of moisture etc. In other words, it is refers to the act of grading.
5) **Pricing:** Pricing is the process of determining the value of a product or service in terms of money before it is offered to the market for sale.
6) **Branding:** Branding is the process of identifying the name of a producer with his product by affixing to the product the trade name represented by words or designs. For example, HUL branded Vanaspathi as DALDA.
7) **Packaging:** Packaging is the use of containers and wrapping materials plus decoration and labeling to protect the product, to help and promote its sales, and to make it convenient for the customers to use the product. In short, it is the art of designing and producing the package for a product.
8) **Salesmanship:** Salesmanship is the process of understanding, appreciating and influencing customers to buy a commodity or service for mutual benefit.
9) **Advertising:** Advertising means informing the public about the existence of a particular product or service, stimulating their desire for the product or service and inducing them to buy the same.

➲ MARKETING ENVIRONMENT

- ✓ Marketing does not exist in vaccum. It exists in a world of concrete places and things, natural resources, important abstractions, and living persons. It has to interact and transact with its environment.
- ✓ The term Marketing Environment refers to the forces and factors that affect the organization ability to built and maintain good relationship with its customers.
- ✓ In other words, marketing environment refers to “all those internal and external factors which impact the performance of a product or firm for its decision-making.”

Marketing Environment

Internal environment		External environment
Ethical Force		
Human Resource	**MICRO**	**MACRO**
Financial Resource	Competitor	Demographic
Production Resource	Customer	Economic
Research & Development	Supplier	Cultural
	Intermediaries	Political & Legal
	Public	Technological
	Workers & Union	Natural

A. Internal Environment

The internal environment is composed of the elements within the organization, including current employees, management, and especially corporate culture, which defines employee behaviour. Although some elements affect the organization as a whole, others affect only the manager.

In other words, the internal environments are controllable factors because the company has control over these factors.

1) **Ethical Force:** Almost every business conduct their marketing operations based upon business ethics and morals which are all absolutely essential to establish a positive reaction in the marketing world. The business community must have their ethical responsibility while delivering the goods to the society otherwise it leads to negative impression.
2) **Human Resource:** The characteristics of human resource will also contribute to the success or failure of business enterprise. Characteristics like employee skill, efficiency, attitude, perception, morale, risk-taking capacity etc may vary from employee to employee and from organization to organization. Training and monitoring changing behaviour of employees is required to hold work efficiency.

3) **Financial Resource:** Financial factors like financial policies, apparatus, financial position and capital structure are also important internal elements affecting marketing activities, performance strategies and decisions.
4) **Production Resource:** Raw materials of the company and their utility also affect the decision of the company. Productive capacity, technology and efficiency of productive apparatus, distribution logistics etc are all the factors influence the competitiveness of a business firm.
5) **Research and Development:** Effective decision-making may be possible when there is a mind of innovation in the organization. In this fast moving corporate world, it is needed for a company to make decisions to suit changing environment and also for sustain ability of the organization for a prolong period.

B. External Environment

The external environment is composed of all the outside factors or influences that impact the operation of business. The business must act or react to keep up the flow of operations.

In other words, they are generally uncontrollable factors because the factors are beyond the control of the company.

The external environment can be divided into two types:-

- Micro environment
- Macro environment

i. MICRO ENVIRONMENT

Micro environment is also called as a *task* and *operating environment* where it studies the small part or individual unit of the business. It includes:-

1) Competitors

No company can enjoys monopoly in this business world. Today's competitive environment consists of certain basic things which every firm has to take note of. A firm's competitors' includes not only the other firms in which they also market the similar products but also those who compete for the discretionary income of the consumers. Competition has two different sense in today's market and are:-

Brand Competition, for example, Philips TV faces competition from other companies like Videocon, Onida, BPL etc this is called brand competition.

Product form competition, for example, if consumer wants to purchase two-wheeler, the next question in his mind is with gear or without gear; self-starter or quick-starter etc this is called product form competition.

2) **Customers**
According to Peter.F.Drucker, "there is only valid definition of business purpose, that is to create a customer" and thus the major task of a business is to create and sustain customers because business exists only because of its customers. Customers may be of difference categories like individuals, households, industries and other commercial establishments and government. Monitoring the customer sensitivity leads to business success.

3) **Suppliers**
Suppliers are those who supplies the inputs to the company. Supplier behaviour and attitude may also affect the company. Hence, multiple sources of supply often help to reduce such risks of the business concern. For example, Toyota always have some precautionary measure on suppliers so they prints "Suppliers Guide."

4) **Marketing intermediaries**
It includes middlemen such as agents and merchants who help the company to find customers and sell the product to them. They are vital links between the company and the final consumers. A wrong choice or dislocation of the link may cost the company heavily. Both the company and the intermediary are responsible for the following aspects:-
- The company should review the performance of middlemen periodically.
- Middlemen always help the company to overcome the discrepancies in quantities, place, time and possession.

5) **Public**
Literally word 'public' refers to people in general. According to Philip kotler, "A public is any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives." Companies must put their primary energy into effectively managing their relationships with their various public like supplier, customer, media, competitor, distributors, investors, bankers etc.

6) **Workers & their Union**
Workers are the pillars of the company. So the workers now prefer to join trade unions where it protects their interests, improve their working conditions etc. from the company's point of view, industrial relation is more important to improve the company, otherwise conflict between labour and management leads to sick unit.

ii. MACRO ENVIRONMENT

It is also known as *general* or *remote environment*. It studies the larger part of the business in general.

a) Demographic

Demographic environment is the study of human population in terms of its size, density and distribution. This includes age, sex, martial status, ethnic status etc.

b) Economic

Marketing depends on the economic environment to sell the finished goods. Inflation, vary interest rates, supply of money, demonetization etc will influence the demand and willingness for a product.

c) Cultural

Culture is understood as that complex whole which includes knowledge, belief, art, morals, law, customs and other capabilities and habits acquired by individual as a member of a society.

<u>For example</u>: American brand of car named "NOVA" in Spanish it means "STAR" but in spoken it means "DOESNOT GO OR COME ALIVE". Due to the public demand the named get changed.

d) Political and legal

This factor influences the operations of marketing, which includes government regulations, policies, declaration, nature of constitution etc. For example: USA attracts international traders through its political stability and dynamic government.

a) Technological

According to *J K Galbraith*, a technology is a "systematic application of scientific or organized knowledge to practical tasks.

The company engaged with the innovations, inventions and findings let them to implement their business ideas and which results to profit and growth.

b) Natural

Manufacturing is one of the essential part of the marketing activities in which it totally depends on the natural environment for its inputs like raw materials, water, fuel etc.

➲ MARKET SEGMENTATION

- ✓ Market Segmentation is the strategy of ***'divide'*** and '***conquer.'*** i.e. dividing the market in order to conquer them. So, it is refers to the division of total market into a sub-market is called as market segmentation.
- ✓ ***According to Philip Kotler***, Market Segmentation refers to "the process of classifying customers into groups with different needs, characteristics, age, sex or behaviour etc."
- ✓ ***According to W J Stanton***, Market Segmentation consists of "taking the total heterogeneous market for a product and dividing it into several sub-markets or segments each of which tends to be homogeneous in all significant aspects."
- ✓ By analyzing the above definitions we can define the term market segmentation as the process of dividing the larger market into several sub-markets.

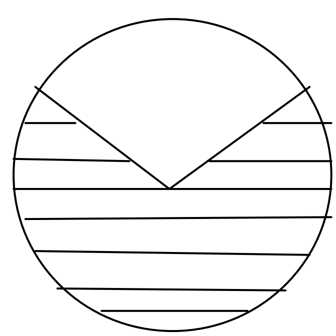
➲ STRATEGIES OR STRATEGIES OPTIONS OF MARKET SEGMENTATION

1) Concentrated Marketing

A firm may decide to concentrate all available resources on one chosen segment within the total market. It selects a market area where there is no strong competition and it can do best in that area.

For example: a publishing house may be concentrate only on text books; Rolex watch company concentrated only on costly, quality and high-priced watches.

However, it is an ***"all-the-eggs-in-one-basket" strategy***. It demands innovation in order to ensure customer patronage continuously.

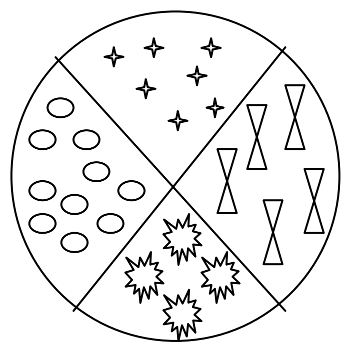


2) **Differentiated Marketing**

An organization under differentiated marketing strategy, enters many marketing segments but has a unique marketing mix appropriate for each segment. It wants to do business successfully in several segments.

For example: Hindustan Unilever Limited has one brand of bath soap for each market segment.

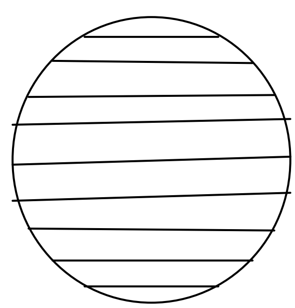
However, differentiated marketing has one disadvantage viz., higher production and higher marketing costs.



3) **Undifferentiated Marketing**

Marketing firm does not prefer to segment the market but just makes an attempt to design a product and a marketing programme that appeals to the broadest number of buyers. In this strategy market is concerned with mass marketing.

For example: Coco-Cola Company followed such a strategy of – one brand, one product, one bottle, for one big market.



It uses the *"Scatter Shot Philosophy"* i.e. production of product in large in disorganized way rather than focusing on particular segment.

➲ BASES FOR EFFECTIVE MARKET SEGMENTATION

Market Segmentation being the key input in firm's marketing planning process. Managers are expected to examine a variety of segmentation criterion so as to identify those that will be most effective in defining their markets. There are two basic approaches to identify the market segments and are explained in the following chart:-

Market Segmentation

Based on consumer personal characteristics

1) Geographic
2) Demographic
3) Socio-economic
4) Psychographic

Based on consumer responses (behavioural)

1) Benefits
2) User Status
3) Loyal Status
4) Attitude

A. ON THE BASIS OF CONSUMER PERSONAL CHARACTERISTICS

Consumer characteristics approach is called as *people-oriented* market segmentation. It includes:-

1) **Geographic:** In this segmentation, the whole market is divided into different geographical units. Generally, the market is divided into regions- northern, southern, western, eastern and so on. Each region may consist of several states and districts. Each state or district consist region or zone for business operations.
   For example: Hindustan lever and Proctor & Gamble are all national makers in India.
2) **Demographic:** Market is sub-divided into different parts based on demographic variables such as family size, sex, age, marital status, education, rural-urban, religion etc. Demographic variables are the most popular bases for segmenting the market place.
3) **Socio-economic:** Income, occupation, education and social classes are the important socio-economic data required for market segmentation. These are required to target population in the market. This type of segmentation base

generally used for durable products such as automobiles, household appliances, electronic items etc.

4) **Psychographic:** Consumers are sub-divided into different groups based of personality, life style and values. The personality variables are dominance, aggressiveness, objectivity, achievement etc all these influence the buyer behaviour.

B. ON THE BASIS OF CONSUMER RESPONSES

This approach is also known as *product-oriented approach*. It includes the following:-

1) **Benefits:** Under this, the consumers are sub-divided into specific groups in relation to the various benefits that the buyer is seeking from a product in particular. These benefits sought differ from product to product. These benefits are the aspects of quality, services, economy and specialty etc.

   For example: CAR. The basic function of car is transportation but people prefer different cars because they seek different benefits.

   a. ***Quality:*** There are people for whom the quality is important: they buy Mercedes Benz, Skoda Octavia.

   b. **Services:** People buy things to avail some specific service: they buy Ambassador Bullet- proof car.

   c. **Economy:** The price may be important deciding factor in case of any purchase: they buy Maruthi 800.

   d. **Specialty:** People can be adventurous and sporty in purchase decisions: they buy Ferari.

2) **User Status:** Markets can be segmented into various classes depending on the usage rate and consumption pattern of buyers. The difference categories are:-

   a. ***Light User:*** These are the categories of the users who are very infrequent users. In case of cosmetics an average housewife who is not very fashion conscious is a light user of cosmetics.

   b. ***Medium User:*** The fashion-conscious teenagers are the medium users of cosmetics, that is, they use it frequently.

   c. ***Heavy User:*** There are people for whom the cosmetics are the most important purchase and they are heavy users of it. Celebrities in entertainment world, the models etc. need cosmetics on a regular basis, as it is the most important of their profession.

3) **Loyal Status:** Consumers have varying degrees of loyalty to specific brands, stores and other entities. Buyers can be divided into four groups according to brand loyalty status.
   a. ***Hard-Core Loyal:*** Consumers who buy one brand all the time. We find people who have been using colgate for years without caring which other brands are coming in and going out of the market.
   b. ***Spilt or Safe Core Loyal:*** Consumers who are loyal to two or three brands. Pepsodent after its launch found some customers of Colgate switching between the two brands.
   c. ***Shifting Loyal:*** Consumers who shift from one brand to another. Customers can be found to keep on switching off from Colgate to Close-up and then to Pepsodent without consistency.
   d. ***Switchers:*** Consumers who show no loyalty to any brand. These are the people who will buy any brand that is available in the market.
4) **Attitude:** A market may be segmented by classifying people in it according to their enthusiasm for a product. Five attitude groups found in a market and are:-
   a. ***Enthusiastic:*** These are the people having tendency of impulsive purchase. They may not carry cash all the time but suddenly decide to buy something.
   b. ***Positive:*** They are serious but mobile people who need to buy suddenly at any time.
   c. ***Negative:*** People can be spend thrifts who fear of loosing money or misusing it.
   d. ***Indifferent:*** These are some people who are technology averse with systematic purchasing pattern. They would prefer to purchase with cash after thinking over the need for purchase.
   e. ***Hostile:*** People at times become very much irritated either by sales-people calling or meeting any time, giving false promise or by the service provided.

UNIT2: PRODUCTS AND BRAND

➲ INTRODUCTION TO PRODUCT

The product is described as a "Heart of Marketing." It is the most important element of the marketing mix. In fact, the product is the starting point of all marketing activities.

- ✓ In common pariance, "a product is a set of tangible, physical and chemical attributes assembled in an easily identifiable and readily recognizable form."
- ✓ A product is any object which has an identifiable physical existence. For example: Books, Shoes, Furniture, Fruits etc constitute products.

➲ DEFINITION OF PRODUCT

- ✓ ***According to W. Anderson,*** "a product is a bundle of utilities consisting of various product features and accompanying services."
- ✓ ***According to C P Stephenson,*** "a product is everything the purchaser gets in exchange for money."
- ✓ By analyzing the above definitions we can define the product as a "anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need."

➲ ESSENTIAL FEATURES/CHARACTERISTICS OF PRODUCT

The features of product are given below in detail:-

1) **Tangible Attributes**
   A product should have the characteristics of tangibility i.e. it may be touched, seen and its physical presence may felt.
2) **Intangible Attributes**
   A product may be intangible in the form of a service like repairing, banking or insurance services.
3) **Associated Attributes**
   Product may have certain peripheral attributes to facilitate its identification and acceptance by buyers such as brand, package, warranty, credit facility and after sale services etc.
4) **Product Symbolism**
   A product is accepted from varied angles from different customers. For example, a customers' choice of a Indian made product over a foreign make symbolizes patriotism. Similarly, buying balcony ticket in a theater is a status of symbol.

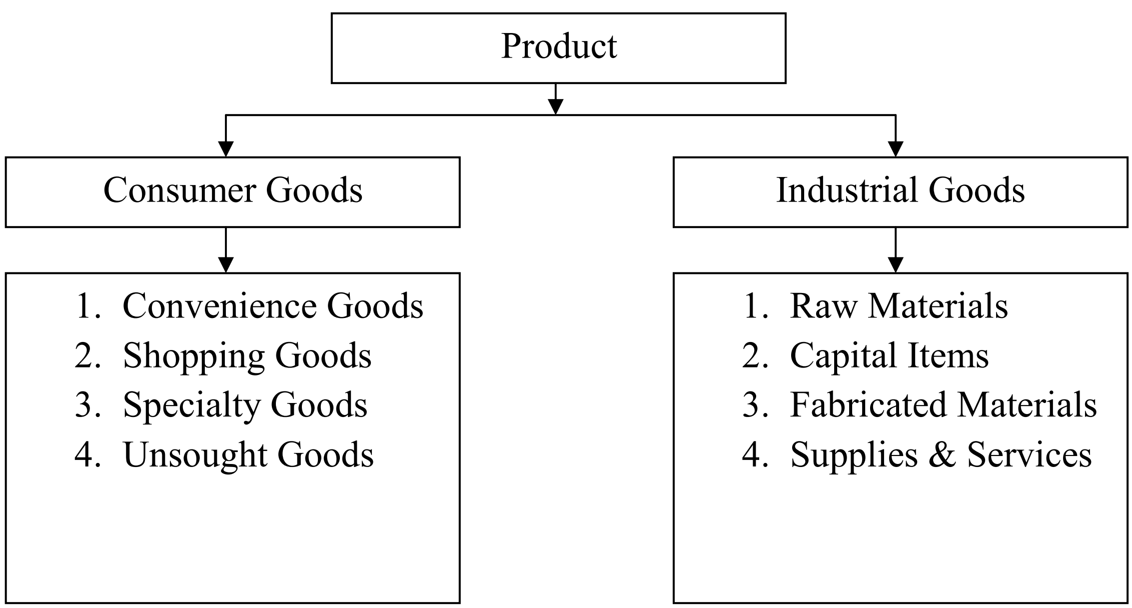
5) **Product Life Cycle**
Every product would have its own life cycle. The product life cycle has five stages viz., Introduction, Growth, Maturity and Decline.

6) **Exchange Value**
All products should have an exchange value and should be capable of being exchanged between buyer and seller for a mutually agreed or acceptable consideration.

7) **Consumer Satisfaction**
Product should have the ability to satisfy consumers. It may be real or psychological. That is when a women buys a lakeme lipstick she not only buys a chemical compound having some tangible features but also buys beauty.

8) **Business Need Satisfaction**
The basic business need obviously is to earn profit on the product sold, it may be to meet a societal need also. For example, fuel efficient small car is a success in middle class society.

➲ CLASSIFICATION OF PRODUCTS



I. **Consumer Goods**

Consumer goods refer to "goods designed for use by the ultimate consumers or household and in such form that they can be used without commercial processing." In short, goods that are produced for final consumption are called consumer goods. Consumer goods can be further divided into:-

a) ***Convenience Goods:*** Goods that are frequently purchased by consumers with minimum of efforts are called consumer goods. For example, biscuit, newspaper, food items, drugs etc.
b) ***Shopping Goods:*** Shopping goods are those that are bought by the customer only after careful comparison is made regarding quality, price, stability etc. For examples, furniture, fans, dress materials etc.
c) ***Specialty Goods:*** Specialty goods are having unique characteristics and for brand identification for which a significant group of buyers are habitually willing to make special purchasing effort. For example, cars.
d) ***Unsought Goods:*** Unsought goods are those the consumer does not know about the product or does not normally think of buying. For example, life insurance, encyclopedia etc.

II. **Industrial Goods**

Industrial goods are those that are used by buyers as inputs in producing other products. For example, machine tools, trucks etc. Industrial goods are further divided into:-

a) ***Raw Material:*** Raw materials directly enter the finished product. They are required to be processed or assembled to create a product. Only after processing they become consumer goods. For example, agricultural products, assembly parts etc.
b) ***Capital Goods:*** Capital goods are used for creating finished goods. They create form utility to a product. They are long-lasting in nature. For example, building, equipment, plant & machinery.
c) ***Fabricated Material:*** These are industrial goods that become a part of finished goods. They will reach ultimate consumer only when they are assembled with other parts. For example, automobile parts, batteries etc.
d) ***Suppliers & Services:*** These items do not form part of finished product. They are short-lasting in nature. For example, coal, writing paper etc are operating supplies. Services include maintenance and repair services.

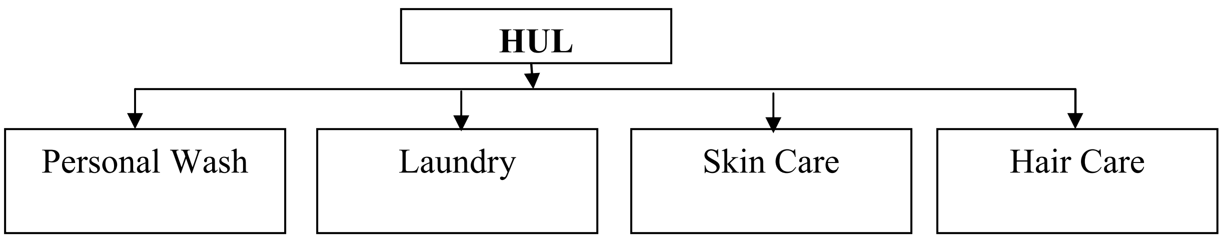
➲ PRODUCT MIX

Product mix is also known as ***"Product Assortment"***. Product mix is defined as "the set of all product lines and items that a particular seller offers for sale to buyers."

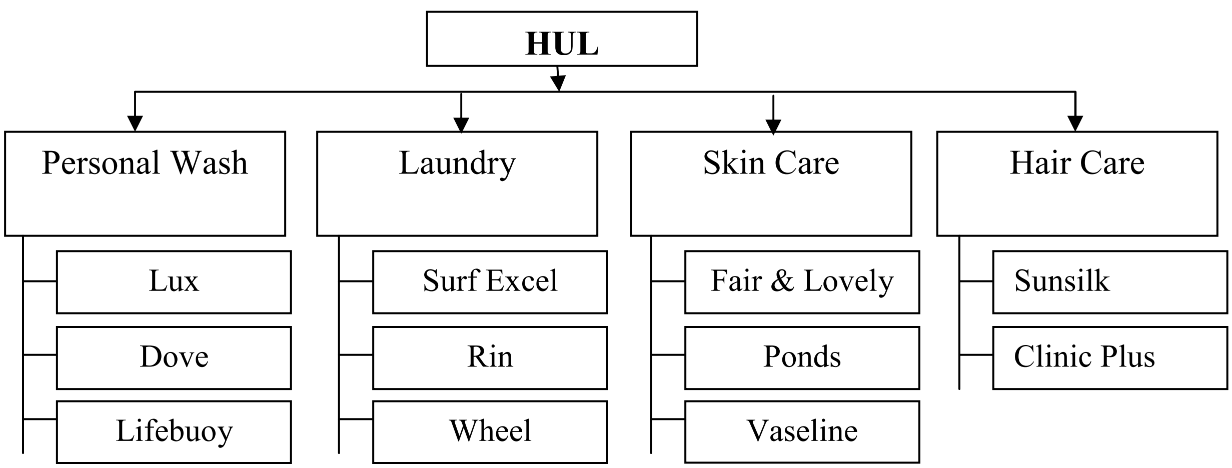
In other words, the total number of product lines that a company offers to its customers is called ***product mix***. The number of products within the product line is called as the ***product items***.

Product mix contains the following dimensions and is as follows:-

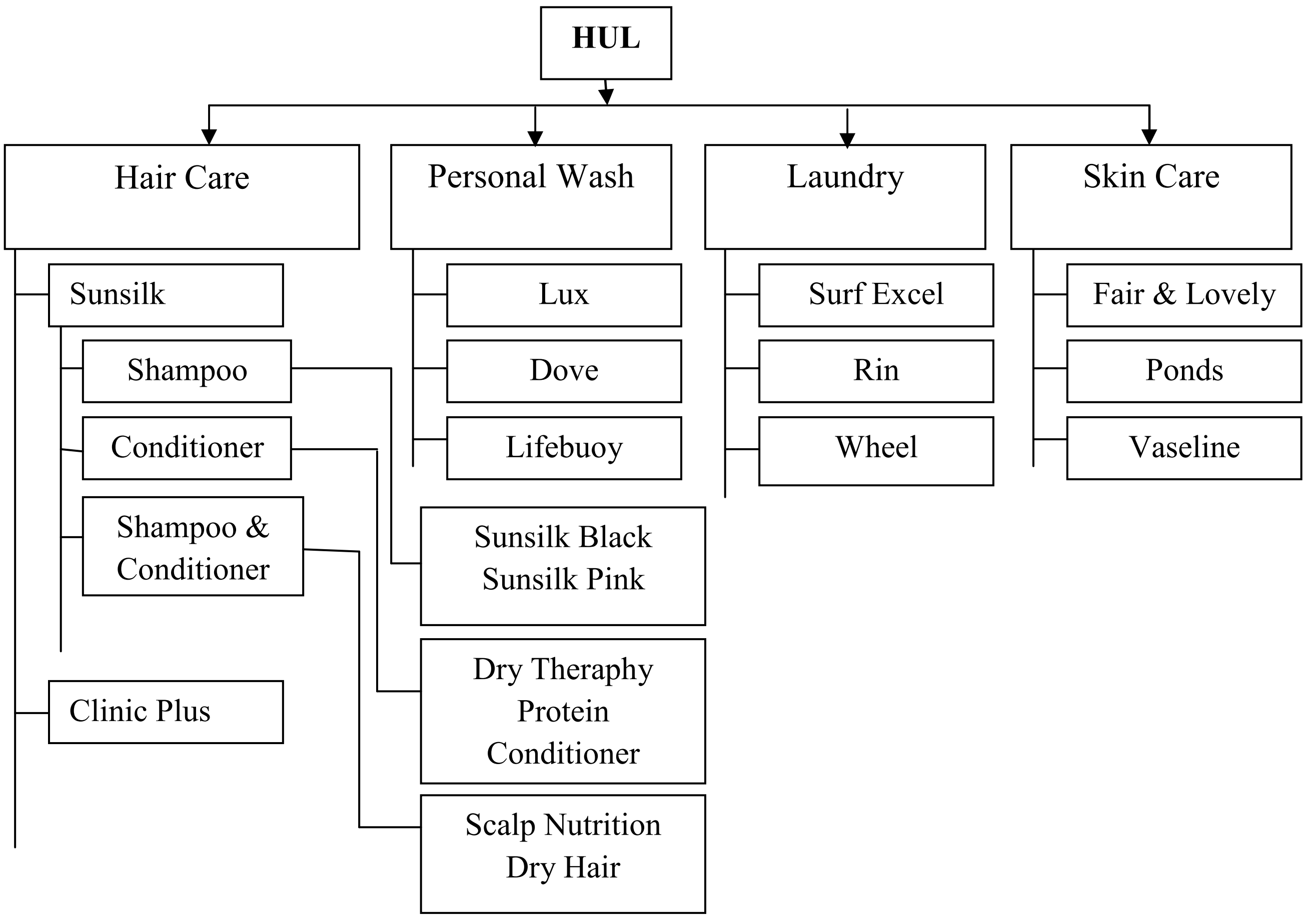
1) **Product mix width/breadth:** Product mix width refers to the number of different product lines the company carries more the number of product lines, wider the product mix. In short, the different kinds of product lines that firm carriers.



2) **Product mix length:** It refers to the number of items in the product mix. On adding all the items, we get the length of a product.



3) **Product mix Depth:** Product depth refers to the variants of each product in the product line. For example, in the below example shampoo, conditioner, shampoo & conditioner of LUX shows the depth of the Hair Care product line.



4) **Consistency of a product mix:** Consistency of a product mix shows the extent to which the product lines are closely related to each other in terms of their end-use, distribution requirements, price ranges, advertising media etc. In the above example, it is clear that ITC's product lines are less consistent as these perform different functions for the buyers.

➲ PRODUCT LINE

A product line is a group of related products under a single brand sold by the same company. ***According to William J Stanton***, product line is defined as "a broad group of products intended for essentially similar uses and possessing reasonably similar physical characteristic, constitute a product line."

For example, the HUL beauty line breaks down into make-up, skin care, bath, beauty, fragrance, outdoor protection products.

<u>PRODUCT LINE DECISION</u>

Product line decision may be includes the following:-

1) Product line expansion or stretching line

A firm may expand its present product by increasing the number of items or varieties within the line. For example, Colgate has introduced "Colgate Salt" to its list of toothpastes. Product line expansion includes the following:-

a. Stretching upwards or Trading up: Where the new variety introduced in the product line is high priced, designed to meet the needs of higher market group, it is stretching upward or trading up.

For example, Cadbury Fruits and Nuts is brought to market to satisfy consumers of upper market.

b. Stretching downward or Trading down: The new variety added to the existing product line is low priced and is meant for lower market segment, it is stretching downward or trading down.

For example, Hindustan Unilever Ltd. has its detergents line. Wheel, to cater to the needs of lower income group.

c. Two-way Stretching: Where products are designed by a company to meet requirements of both higher as also lower segments, it is two way stretching.

For example, Maruthi Udyog Ltd. has its basic model Maruthi 800 (OMNI Vag) and the most prices high end model, Maruthi Sx4.

2) **Product line contraction pricing**
It refers to the withdrawal of a product form a company's line of products, larger because it is no longer profitable. In other words, it is a process of avoiding or stopping the production of a particular product.
For example, Hindustan Unilever toilet soap 'Le Sancy' has been dropped long ago due to its unacceptability by the buyers.
3) **Modernization of product line**
The tastes and preferences of consumers keep on changing. Keeping the length of the product line constant, if the product is altered slightly to suit the requirements of consumers', it is termed as "Modernization of product line". For example, makers of cell phones keep on adding features to update the product.

➲ NEW PRODUCT DEVELOPMENT (NPD)

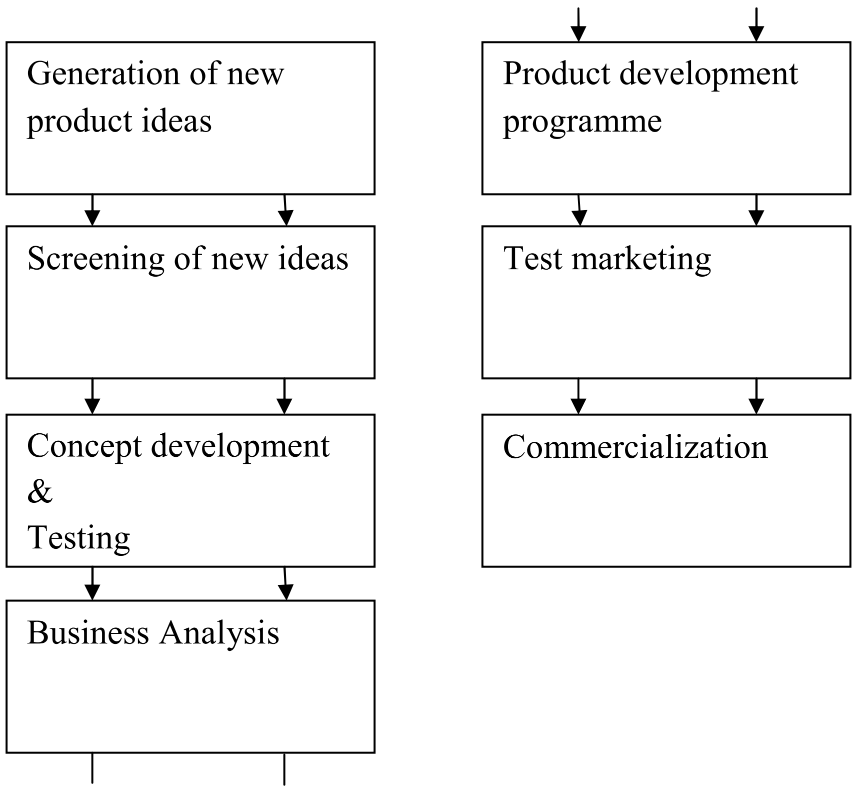
- **Product Planning**

'Product Planning' is the process of determining in advance that line of products which can secure maximum net returns from the markets targeted.
Thus, product planning is a "process of constantly reviewing and revising product portfolio of a firm with an objective of security a balanced sales growth, cash flow and risk."
In other words, product planning is a process of deciding in advance by the firm about what type of products it should develop and sell in the market so that the product serve as an instrument to achieve the marketing objective. It also monitors the product behaviours and deciding whether it should continue in the product line or any modification is required as to suit the changing consumer needs.

- **New Product Development**

Every entrepreneur knows that productivity is one of the key ingredients for successful product development. Hence, a new product development is a very vital component of product policy and product management.
According to PDMA i.e. Product Development and Management Association, new product development means, "improve the effectiveness of people engaged in developing and managing new products both manufactured goods and new services. This mission includes facilitating the generation of new information, helping to convert this information into knowledge which is in a usable format, and making this new knowledge broadly available to those who might benefit from it".

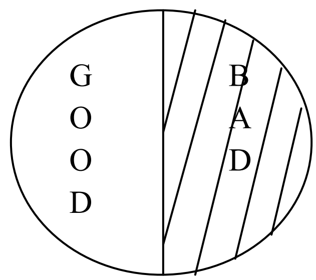
- **Stages/Process/Steps of New Product Development**



1) **Generation of New Product Ideas**
   A company has to generate many ideas in order to find one that is worth pursuing. The major sources of new product ideas include internal sources, customers, competitors, distributors and suppliers.
   - Almost 55% of all new product ideas come from internal sources i.e. from employees according to one study.
   - Almost 28% of new product ideas come from watching and listening to customers.
   - About 30% of new product ideas come from analysis of competitors' products. The company can watch competitors' ads, press releases and write-ups in the press about their activities.

2) **Idea Screening**

Marketer has to evaluate all ideas and inventions. Poor or bad ideas are dropped and through the process of elimination only, most promising and profitable ideas are picked up for further detailed investigation and research.

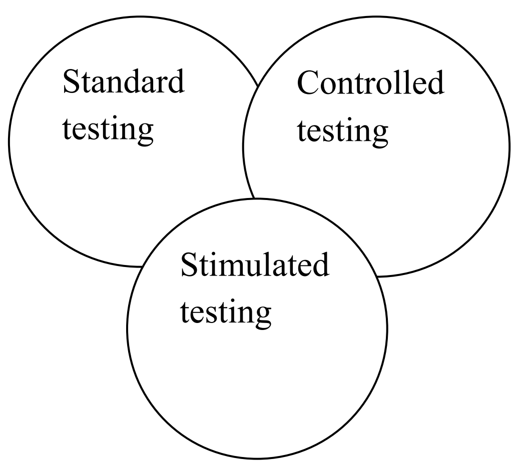


Screening should avoid two errors:-

a) Rejecting an idea that could become a very successful product.
b) Accepting an idea that later fails.

3) **Concept development and Testing**

At this stage, marketer incorporate consumer meaning into product ideas. Concept testing helps the company to choose the best among the alternative product concepts. Consumers are called upon to offer their comments on the precise written description of the product concept viz., the attributes and expected benefits.



- ***Standard Testing:*** here testing done on small number of representative cities.
- ***Controlled Testing:*** testing done on few stores that have agreed to carry new products for a fee.
- ***Stimulated Testing:*** testing done on shopping environment by providing a sample to consumers.

4) **Business Analysis**
   Once the management has decided on the marketing strategy it can evaluate the attractiveness of the business proposal.
   Business analysis involves the review of projected sales, costs and profits to find out whether they satisfy a company's objectives. If they do, the product can move to the product development stage.
5) **Product development programme**
   This stage includes 3types, when a paper idea is duly converted into a physical product. It includes:-
   - Prototype development giving visual image of the product
   - Consumer testing of the model or prototype
   - Branding, packaging and labeling.

   Consumer testing of the model products will provide the ground for final selection of the most promising model for mass production and mass distribution.

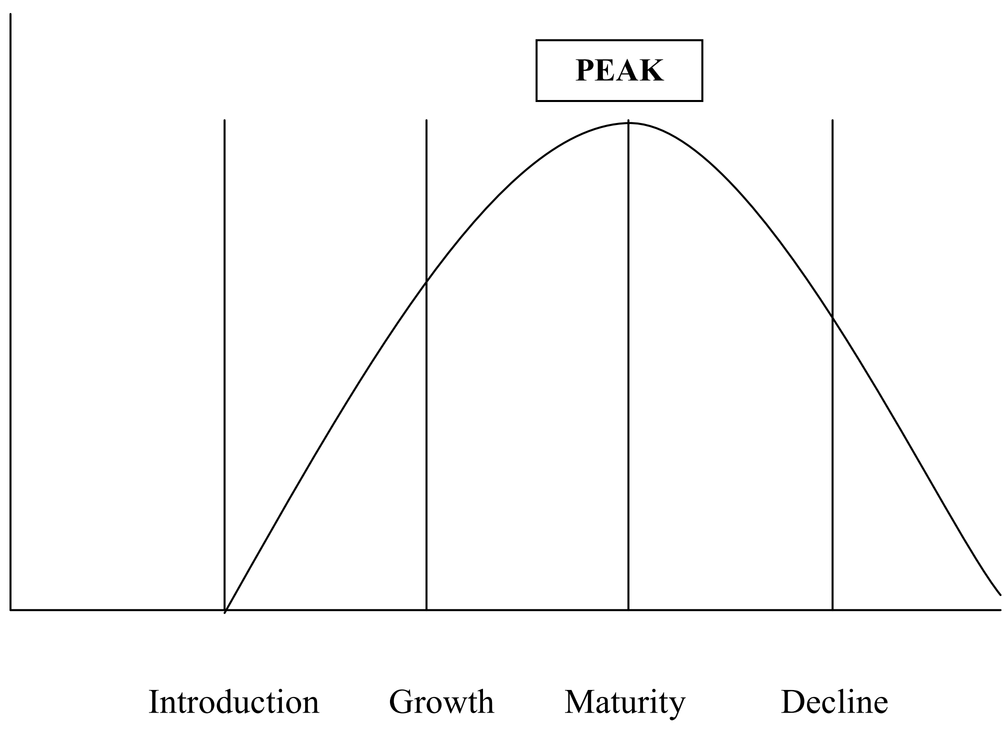
6) **Test Marketing**
   At this stage the product and the marketing program are introduced to more realistic market settings.
   Test marketing gives the marketer an opportunity to tweak the marketing mix before going into the expense of a product launch. Cost of test marketing can be enormous and it can also allow competitors to launch a "me-too" product or even sabotage the testing so that the marketer gets skewed results.
7) **Commercialization**
   At this stage new product development has gone main stream, consumers are purchasing the goods and technical support is consistently monitoring progress. Keeping distribution pipelines loaded with products is an integral part of this process too. Refreshing advertisements during this stage will keep products name firmly supplanted into the minds of customers who induces to make purchases.

➲ PRODUCT LIFE CYCLE (PLC)

- ✓ The PLC is a phase of five cycle which helps the marketer to make a pre-plan before making entry of a new product into the market.
- ✓ The PLC provides market characterisized by more sales and bad market characterisized by low sales. In short, it deals with increasing sales volume and sales revenue.
- ✓ Once the product gets commercialized it competes with rivals, for making sales and earning profits. Product have a length of life this is called PLC.
- ✓ In other words, PLC is a process where a product introduced to a market, grows in popularity and then removed from market.

- **Marketing Strategy**

Marketing strategy is refers to the process of unified, comprehensive and integrating the marketing plans in order to maintain marketing position, company image and try to hold profitability at desired levels.



1) **Introduction Stage**

   The need for the immediate profit is not a pressure. The product is promoted to create awareness and develop a market for the product. The marketing strategies is as follows:-

   - Product branding and quality level is established.
   - Intellectual property protection such as trademarks, copyrights and patents etc are obtained.
   - Pricing may be low penetration to market share rapidly.
   - Distribution is selective until consumers show acceptance of the product.
   - Promotion is aimed at innovators and early adopters.
   - Marketing communications seeks to build product awareness and educate potential consumers about the product.

2) **Growth Stage**

   In this stage, the firm seeks to build brand preference and increase market share. The marketing strategies includes:-

   - Product quality is maintained and additional features and support services may be added.
   - Pricing is maintained as the firm enjoys increasing demand and with little competition.
   - Distribution channels are added as demand increases and customers accept the product.
   - Promotion is aimed at a broader audience.

3) **Maturity Stage**

   Those products that survive earlier stages tend to spend longest in this phase. The primary objective at this point is to defend market share which maximizing profit. The marketing strategies includes:-

   - Product features may be enhanced to differentiate the product from that of competitors.
   - Pricing may be lower because of new competition.
   - Distribution becomes more intensive.
   - Promotion emphasizes product differentiation.

4) **Decline**

At this point, there is a downturn in the market. The marketing strategies includes:-

- Maintain the product, possibly rejuvenating it by adding new features and finding new uses.
- Harvest the product- reduce costs and continue to offer it, possibly to a loyal niche segment.
- Discontinue the product, liquidating remaining inventory or selling it to another firm that is willing to continue the product.

➲ CAUSES FOR FAILURE OF NEW PRODUCT

Generally it is witnessed that many products entering into the market, may not reach the target of sales and profits. Introduction of new substitutes, technological innovations, consumers, who are selective in their choice of products etc reduce the span of life of products. The following are the general causes for the failure.

1) **Lack of product uniqueness**

Any product that does not satisfy a unique need of consumers, fails to dislodge more established brands available. Customers must comprehend the new product's advantages. Unless sound communication strategies support the introduction of a new product, failure usually follows.

2) **Poor planning**

Companies must have a game-plan that carries them through every stage and aspect of product's life. The plan is to care for consumers. Many forces are at work, that alter consumer's needs and wants for products; life-styles change populations, age and preferences change, similarly needs of industrial buyers are affected by changing business opportunities shortage of energy and material, technological advance and so on.

3) **Poor timing**

The market success depends, to a large extent, on the ability of the company to launch the product at a time when consumer demand is at its highest. Though it may not always be desirable to be the first to enter the market, undue delay or un-opportunate time may mean that the demand for the product demonstrated during consumer testing phase might vanish by the time the product is launched in commercialization time has its strategic importance in product success.

4) **Misguided enthusiasm**
On several occasions, it so happens that there will be either an under-estimation of the strength of competitors or an over-estimation of one's own capabilities which will be shattered very soon by the actual product performance. This can happen when executives want to market a particular product because; it is tied with their personal ambitions in the company. Therefore, planners should rely on only authentic and unbiased information for reading the future which is uncertain.
5) **Product deficiencies**
Many a times, technical product deficiencies are the common cause of new product failure. Engineers and product technocrats are capable of giving the best laboratory products by over-engineering. This is a good so far as technical superiority is concerned over competitors.
6) **High cost of production**
If new product is produced at high cost it will lead to high prices and eventual to low volume than anticipated.
7) **Production problem**
If marketer could not produce sufficient quality to meet the market demand, it might be easily exploited by the competitors.

➲ BRANDING

Branding is the process of identifying the name of a producer with his product by affixing to the product or its container the trade name or brand represented by words or designs. Brand includes:-

Brand Name: It is the part of a brand which can be vocalized. It consists of words, letters and or numbers. For example: 555 Maruthi etc.

Brand Mark: It is that part of a brand which can recognized but is not utterable, such as a symbol, design or distinctive colouring or lettering. For example: SBI's Key etc.

According to Prof. Myers & **Batra**, "Branding is the process of transforming the product, adding value for enhanced consumer satisfaction."

- **Features of Branding**

1) **Simple and easy to pronounce**
   Brand name should be understood and pronounced by all kinds of customers. Brand name is easily pronounceable by any person speaking any language.
2) **Easy to recognize and remember**
   Brand name or symbol should be easy to remember and recognize. Short and simple brand name can be easily recognized when seen and remember for long.
3) **New and attractive**
   The selected brand name should be new and unique and has not been used by any other companies. It should be attractive so that a large number of customers are attracted. Such brand names should be also memorable.
4) **Legally Safe**
   Before selecting and using any brand name, it should be confirmed whether or not any other companies have already used the selected brand name. If the selected brand name has been already registered and is being used by any other firm or company, such brand name cannot get registered in the company's register's office. As a result it cannot be legally safe.
5) **Should reflect the nature of product**
   A good brand name should be able to reflect the nature of product. Such brand name can make the consumers remember the use of the products. "Quick","Nescafe" etc.
6) **Suggestive**
   Brand name should be suggestive. It should be such that when heard the name of the product the consumers can understand its utility.

- **Classification of Brands**

1) **Manufacturer's Brand**
   A brand which is owned by a manufacturer and/or registered as a trademark under the manufacturer's name is referred to as manufacturer's brand.
   For example, Colgate is the brand name for tooth paste given by Palmolive India Ltd.
2) **Distributor's Brand**
   A brand owned by a distributor is referred to as distributor's or private brand. It is private because the manufacturer is not identified. The manufacturer simply manufacturers and brands it as per specifications of the distributor.
   For example, 'Johnson' is the brand name adopted for home appliances by its distributor Blumac electricals.

3) **Individual Brand**
Where each item or product in a product line carries an independent brand name, it is called individual brand. For example, HUL are given different names Rin, Surf etc.

4) **Family Brand**
If all the products manufactured by a company are sold under a single brand name, it is called family branding. For example, Tata Group, Bajaj etc. This brand is also known as “Blanked Brand”.

5) **National Brand**
In case the same brand name is used throughout the country to market the products, it is a national brand. For example, Parle Products Pvt. Ltd. ; Cadbury’s India Ltd etc.

6) **Regional Brand**
Where a brand name is used and the product is promoted in a particular geographical area, it is regional brand. For example, Nandini, the brand name for milk supplied by Karnataka Milk Federation is popular only in the state Karnataka.

➲ PACKAGING

A package is a wrapper or container in which a product is enclosed, encased or sealed. ***According to Philip Kotler***, packaging is the activity of designing and producing the container or wrapper for a product.
In short, packaging is the art of designing and producing the package for a product.

- **Kinds/Strategies of Packaging**

1) **Family Packaging**
It is a kind of packaging strategy in which packages of the entire product-line of a company closely resemble one another or alternatively, major features of the packages in respect of the entire product-line closely resemble are another.

2) **Re-Use Packaging**
In this strategy a company’s offer products in such a package which may be re-used for other purposes. For example: Nescafe coffee packaged in jar.

3) **Multiple Packaging**
In this packaging a number of products to be used by one consumer are placed in a single package. For example: Zodiac people offer a shirt, necktie, and kerchief in one package box.

4) **Ecological Packaging**
   In order to preserve the physical environment, a company may formulate a compatible packaging strategy. For example: Cloth bags instead of plastic bags.

➲ PRODUCT POSITIONING

- ✓ Product Positioning is a strategy to define what makes the product unique and why it is better than others.
- ✓ In other words, product positioning is a process of creating an image of a product in the minds of customers.
- ✓ In short, it is a way of messaging customers about product potentiality.

➲ STEPS/PROCESS IN PRODUCT POSITIONING

1) **Know the target audience well**
   It is essential for the marketers to first identify the target audience and then understand their needs and preferences. Every individual has varied interests, needs and preferences hence organizations need to know customers and produce the products which must fulfill the demands of the customers.
2) **Identify product features**
   The marketers themselves must be well aware of the features and benefits of the products. Organizations can't sell something unless and until they themselves convinced of it.
3) **Unique selling propositions**
   Every product should have uniqueness at least some features which are unique. The organizations must create uniqueness of their brands and effectively communicate the same to the target audience. For example, Anti Dandruff Shampoos are meant to get rid of dandruff.
4) **Know Competitors**
   Never underestimate competitors. A marketer must be aware of the competitor's offerings. The marketers must always strive hard to have an edge over their competitors.
5) **Ways to promote Brands**
   Choose the right theme for the advertisement by using the catchy taglines. The advertisement must not confuse people hence the marketer must maintain simple and clear advertisement and also highlight the benefits of the products through advertisement.

6) **Maintain the position of the brand**
For an effective positioning it is essential for the marketers to continue to live up to the expectations of the customers and never compromise on quality.

➲ BRAND POSITIONING

- ✓ **According to Philip Kotler**, Brand Positioning means "Company's offering image to occupy a distinct place in the minds of the target market." For example, Colgate, Patanjali etc.
- ✓ In other words, the brand with the goal is to create a unique impression in the minds of the customers and at the marketplace.

➲ TYPES OF BRAND POSITIONING

1) **Lifestyle Positioning**
Lifestyle brand tries to sell an image and identity rather than the product. The main focus is to associate the brand with a lifestyle and focus is more on the aspirational value than the product value. Cigarette, Alcohol, and Tabacco companies are often seen to use lifestyle positioning while marketing their products. Example:- Marbore cigaratte, Kingfisher etc.
2) **The Problem Solver**
Most of the brands focus on positioning their products as a one stop solution for a specific problem. They pinpoint the pain areas and the challenges the consumers face in their communication and other marketing strategies and mend it into promoting their product. Example:-Tide, Wheel etc.
3) **Parent Brand**
This positioning strategy aims at establishing a brand promise and a reputation of the parent brand. All the products and sub-brands under the parent brand seem to comply with the established promise. Example:- Nestle Products includes maggi, soups, ketchup etc.
4) **Product Specific**
Some brands which cater to different market segments, use product-specific positioning strategies where they position their different products differently than others. This is usually seen in the automobile industry. Example:-Volvo
0740 Turbo etc.

5) **Feature Specific**

When the competition is huge and the products are similar, companies usually position their products by focusing more on specific features like price, quality, or other micro features depending on the product sold. This type of positioning strategy is usually seen in the mobile industry. Example:- Oneplus5, MI etc.

➲ `MEANING AND DEFINITION OF PRICING

Pricing is one of the four elements of the marketing mix, along with product, place and promotion. Pricing strategy is important for companies who wish to achieve success by finding the price point where they can maximize sales and profits.

- **PRICE**
  - ✓ Price may be defined as the value of product attributes expressed in monetary terms which a consumer pays.
  - ✓ ***According to W J Stanton***, "Price is the amount of money which is needed to acquire in exchange of some combined assortment of a product and its accompanying services."
  - ✓ ***According to Adam Smith***, "the price of everything, what everything really costs, in the toil and trouble of acquiring it."
  - ✓ By analyzing the above definition we can define the term price is the money value of a product or service i.e.
    Money (price) = Bundle of expectations or satisfaction.

- **PRICING**
  - ✓ Pricing is the process of determining the value of a product or service in terms of money before it is offered to the market for sale.
  - ✓ ***According to Converse, Huegey and Mitchell***, "Decision concerning price to be followed for a period of time may be called price decision."
  - ✓ ***According to W J Stanton,*** "pricing is the functions of determining the products value in monetary terms."
  - ✓ In other words pricing refers to managerial approach or task that involves establishing pricing objectives, identifying the factors that govern price, ascertaining its importance, determining value and implementing it.

➲ METHODS OF PRICING

- **Pricing**
  - Cost-Oriented Method
    - Cost-Plus Pricing
    - Mark-Up Pricing
    - Break-Even Pricing
    - Target Return Pricing
    - Early Cash Recovery Pricing
  - Market-Oriented Method
    - Perceived Value Pricing
    - Going-Rate Pricing
      - Competitors Pricing
      - Premium Pricing
      - Discount Pricing
    - Sealed Bid Pricing
    - Differentiated Pricing
      - Customer Segment
      - Time Pricing
      - Area Pricing
      - Product Form Pricing

A. COST-ORIENTED METHODS

Cost provides the base for a possible price range, some firms may consider cost-oriented methods to fix the price. It includes:-

1) **Cost-oriented pricing**

   Cost-plus pricing involves adding a certain percentage to cost in order to fix the price. For instance, if the cost of a product is rs.200 per unit and the marketer expects 10% profit on costs, then the selling price will be rs.220. The difference between the selling price and the cost is the profit.

2) **Mark-up pricing**

   Mark-up pricing is a variation of cost pricing. In this case, mark-ups are calculated as a percentage of the selling price and not as a percentage of the cost price. Firms that use cost-oriented methods use mark-up pricing. The following used to determine mark-up pricing:-

   Mark-up pricing= Average unit cost/selling price.

3) **Break-even pricing**

   In this case, the firm determines the level of sales needed to cover all the relevant fixed and variable costs. The break-even price is the price at which the sales revenue is equal to the cost of goods sold. In other words, there is neither profit nor loss. The following formula is used to calculate the break-even point:-

   Contribution= Selling Price- Variable cost per unit

   BEP= Fixed cost/Contribution * Sales

4) **Target return pricing**

   In this case, the firm sets prices in order to achieve a particular level of return on investment (ROI). The target return price can be calculated by the following formula:-

   Target return price= Total costs+ (Desired % ROI investment)/Total sales in units

   However, this method helps to ensure that prices exceed all costs and therefore contribute to profit.

5) **Early cash recovery pricing**

   Some firms may fix a price to realize early recovery of investment involved, when market forecast suggest that the life of the market is likely to be short, such as in the case of fashion-related products or technology-sensitive products. This method is used to maximize short-revenues and reduce the firm’s medium-term risk.

B. MARKET-ORIENTED METHODS

1) **Perceived value pricing**

   A good number of firms fix the price of their goods and services on the basis of customers' perceived value. They consider customers' perceived value as the primary factor for fixing prices and the firm's costs as the secondary. The customers' perception can be influenced by several factors such as advertising, sales on techniques, effective sales force and after sale-service staff.

2) **Going-rate pricing**

   The benchmark for setting prices is the price set by major competitors. It includes:-

   a. **Competitors' parity method:** A firm may set the same price as that of the major competitor.
   b. **Premium pricing:** A firm may charge a little higher if its products have some additional special features as compared to major competitors.
   c. **Discount pricing:** A firm may charge a little lower price if its products lack certain features as compared to major competitors.

3) **Sealed-bid pricing**

   This pricing is adopted in the case of large orders or contracts, especially those of industrial buyers or government departments. The firms submit sealed-bids for jobs in response to an advertisement.

4) **Differentiated pricing**

   Firms may charge different prices for the same product or service. It includes the following:-

   a. **Customer segment pricing:** Here different customer groups are charged different prices for the same product or service depending on the size of the order, payment terms, and so on.
   b. **Time pricing:** Here different prices are charged for the same product or service at different timings or season. It includes off-peak pricing, where low prices are charged during low-demand tunings or season.
   c. **Area pricing:** Here different prices are charged for the same product in different market areas. For instance, a firm may charge a lower price in a new market to attract customers.
   d. **Product form pricing**

      Here different versions of the product are priced differently but not proportionately to their respective costs. For instance, soft drinks of 200, 300, 500 ml etc are priced according to this strategy.

➲ PRICING POLICIES/METHODS/STRATEGY/TYPES

A pricing strategy/policy in which the same price is offered to every customer who purchases the product under the same conditions.

In other words, it is the policy by which a company determines the wholesale and retail prices for its products or services. It includes the following types:-

1) **Price Skimming/High price policy**
   This policy is applied when a new product is introduced. The product is brought to market at a high initial price. This strategy is followed in case of products which have a very short life and quickly become obsolete, such as electronic gadgets, fashionable products, book and magazines covering-current issue etc.
2) **Penetration pricing/Low price policy**
   In this policy the introductory price of a product is low which may subsequently increase. The idea behind entering the market with a low selling price is to attract customers towards the market and increase the market coverage, which results in higher volume of production and consequently reduces cost.
3) **Premium pricing**
   Premium pricing strategy establishes a price higher than the competitors. Premium pricing can be a good strategy for companies entering the market with a new market and hoping to maximize revenue during the early stages of the product life cycle.
4) **Psychological pricing**
   This strategy is commonly used by marketers in the prices they establish for their products. For instance, rs.99 is psychologically "less" in the minds of consumers than rs.100. It's a minor distinction that can make a big difference.
5) **Geographic pricing**
   A producer may cover a wide area for the distribution of his product. The distance and transportation cost involved in moving the products from the place of production to different regions for marketing, plays a pivotal role in fixing the selling price.
6) **Single pricing**
   If a single price is charged without discriminating between regions and customers, it is single-price policy. Example, Hindustan Unilever Ltd, Wipro consumer products sell their products at a single price throughout the country.

7) **Location pricing**
The prices charged will depend upon the location of supply of product or service. Railways charge different fares for II class, A/C sleeper coaches. In a hospital charges are different for general ward, special ward etc.

8) **Variable pricing**
Where the selling price charged is varied from customer to customer depending on his bargaining capability, it is variable pricing. For example, vegetable and fruits vendors, granite merchants etc.

9) **Bundle pricing**
A group of products sold as a package is called a product bundle or bundle pricing. The price of the bundle includes the price of all individual products constituting the bundle. For example, make-up kit, shaving-kit etc.

10) **Time pricing**
Where the price charged is related to time, it is time pricing. For example, Auto charges one and a half time the regular fare between 9pm and 6am.

11) **Product-line pricing**
A product line has different brands or models of a product. Where the prices of each model or brand is different from the other. For example, the product line 'Tea' of HUL has Brooke Bond, Red Label, 3Roses, Taaza where each variety carries a different price.

12) **Market segment pricing**
In this strategy the customers will be divided into different segments based on common feature and a single price is charged to customers belonging to a segment.
For example, Railways divide the customers into 3 categories as children, adults, senior citizen and they charged differently.

➲ FACTORS INFLUENCING PRICING POLICY

Following are the factors influencing pricing policy:-

1) **Cost**
   Cost of a product play a vital role in pricing policy of an organization. By understanding the costs, marketers can judge profitability in advance. They can move resources to the highest profit opportunities and make best use of available scarce resources. By comparing costs with those of competitors, it is possible to assess production efficiency and estimate the relative profits each competitor can expect at various prices.
2) **Objectives**
   Pricing objectives of the company will also play a crucial role in pricing policy. Price is based on the objectives set by the company. Objectives of company can be classified into (1) maintaining ROI, (2) stability in prices, (3) maximizing profits, (4) meeting competition. Company may consider any one or more of the objectives listed above before the price is fixed.
3) **Demand**
   Demand is usually depicted by demand curve. Marketers use the curve to estimate changes in total demand for a product based on differing prices. Elasticity is measured and price is decided based on the type of elasticity.
4) **Competition**
   Determination of price is influenced by present and potential competition. The competitors' price helps the firm in setting its price. The company should carefully study the competitors' prices and the consumers' reactions towards each competitor's offer.
5) **Distribution channel**
   Goods are made available to the consumers through middlemen. Each one of them has to be compensated for the services rendered. This compensation should be included in the ultimate price the consumer pays.
6) **Government**
   Government interference such as control of prices, levying of taxes etc will also influence pricing policy of an organization. If government increases tax, the ultimate consumer will have to may more for the product due to the increased tax component added in the price.

7) **Economic Conditions**
Economic condition prevailing in the country influences price fixation. Usually prices are raised during inflation because of the increase in costs. During periods of depression, prices are reduced as survival becomes a problem.

8) **Ethical considerations**
Sometimes company may sell certain products not for making profits but as a public welfare measure. For example, company may sell certain life-saving drugs or vaccines at a price which covers only the cost of production.

9) **Types of buyers**
Price fixation is largely dependent on the types of consumers. Different buyers may have different motives and values. Quality, safety, status, symbol and beauty are the four different considerations a buyer can observe. Thus, pricing decision is based on perceived value of customers.

10) **Product Differentiation**
Product differentiation is one of the marketing strategies to reach many customers. Many products can be differentiated in form the size. Shape, colour, coating, physical structure. Based on these factors price also varies.

UNIT5:- RECENT TRENDS IN MARKETING

➲ GREEN MARKETING

- ✓ Green marketing is a process of promoting products or services based on their environmental benefits.
- ✓ In other words, green marketing is the marketing of environmentally friendly products and services. This is also called as "Eco-marketing or Sustainable marketing".
- ✓ **For example:-** Samsung with eco-friendly LED backlights. They use 40% less electricity have also no harmful chemicals like mercury and lead.
- ✓ **<u>Significance of Green marketing</u>**

1) **Environmental advantages**
   Going green is an environmentally responsible choice. It is estimated that 40 percent of all greenhouse gases comes from energy production that businesses use to heat, cool and light workplaces. Reducing these energy needs reduces carbon dioxide output, helping to control global warming. As businesses use more natural resources than individual consumers, recycling business materials and conserving water contribute to conservation on a larger scale.
2) **Economic advantages**
   The reduction in waste equals lower operating costs and more savings. Eco-friendly business equipment and practices such as low-wattage or LED lights, use of natural lighting, water conservation policies, mandatory recycling and hybrid company vehicles save money on utilities, fuel and office supplies. This generates instant cash flow. Further going green puts a business in a positive light in the eyes of customers, potential investors, distributors and prospective employees etc.
3) **Efficient use of resources**
   Today, human demands and needs are unlimited but resources are short enough that cannot fulfill the human needs. Markets need to facilitate the consumers by utilizing resources efficiently.
4) **Consumer attraction**
   Green marketing examples of different products attracts the consumers regarding environment protection. People are so much conscious about their environment and variations in behavior. Green marketing is considered as growing marketing that helps to design socially and sustainable products.

5) **Competitive advantage**
Today, companies which adopt green marketing techniques gain more competitive advantage over other companies which are not conscious about such techniques and environment. Companies which develop innovative products and services with innovative qualities at affordable rates are successful in the market.

➲ E-MARKETING

- ✓ E-marketing is a process of marketing a product or service using the internet.
- ✓ In other words, E-marketing is a process of planning, executing, distributing, promoting and pricing the products and services in a computerized networking environment.
- ✓ For Example: KFC target young audience by involving apps like ***Radio KFC RJ Hunt***, designing their own ***bucket campaign*** and ***Wow menu option***.
- ✓ **Significance of E-marketing**

1) **To increase the visibility of business**
These days everything can be done online from buying movie tickets to buying furniture for the home. The Internet has brought tremendous changes to our lifestyle. Every business should recognize this and establish their presence on the internet. This will allow you to expand your visibility to a larger population.
2) **To connect with the customers**
Social media marketing allows businesses to connect with their potential and returning customers. Update their customers with the new or latest features of business. They can publicize the upcoming products or services and give a small description of these goods and services to their customers. By doing this you can attract new customers in the future.
3) **To cope with the competition**
These days people are able to access and purchase a wide range of goods from online with the help of the internet. It is very crucial for any business to maintain the competition against the small, local and large online retailers and businesses.
4) **Cost-effectiveness**
Businesses can avoid escalating marketing costs by adopting internet marketing. Cheaper than all forms of marketing, internet marketing is one of the best methods of promoting products and services in front of their target audience.

5) **Flexible market**

The most advantageous aspect of internet marketing is the flexibility to market products and services 24/7 and that too without incurring additional staff costs. Moreover, businesses can continue to conduct their marketing campaigns across the countries across the world.

➲ EVENT MANAGEMENT

- ✓ Event management is a project management for weddings, festivals, conferences, parties etc.
- ✓ In other words, it is a process of using business management and organizational skills to envision, plan and execute social and business events.
- ✓ **Significance of Event-management**

1) **Saves time and money**

An event management company has established relationships with hotels, venues and suppliers and can negotiate excellent rates on our behalf. They also know all the added value we can get – getting us more for our money and adding to the experience. All these insider relationships and tips mean we save money on everything we need.

2) **Gives creative ideas**

Event organisers will give us new and exciting ideas for our events. Depending on our requirements, they will recommend an event format to suit us, our audience and our budget.

3) **Budget management**

An event management company will create budget for us. The budget will be created by an experienced event planner who understands all the costs involved and the variances that can occur. This will be managed and any variances to plan highlighted and appropriate actions taken by him.

4) **Manage the Risk**

An event is full of uncertainties that might be encountered like power failure, a medical emergency or even a fire. Event management company just makes good senses by w determine all the risks and implementation of the strategies to help remove such risks.

5) **Professional delivery**
A well briefed and experienced team manager with responsibility for the overall event would ensure and allowing us to network and focus on enjoying the event with our guests. In particular business clients appreciate full attention from their hosts and are open to building relationships and planning future business endeavours during an event.

➲ M-MARKETING

- ✓ Mobile marketing is focused at reaching a specific audience on their smartphones, feature phone, tablets, email, sms, mms etc.
- ✓ In other words, M-marketing refers to a promotional activity designed for delivery to cell phones, smart phones and other handheld devices, usually as a component of a multi-channel campaign.
- ✓ **Significance of M-marketing**

1) **Availability of quick services anytime**
People want good, easy and quick services. They are looking for a service provider which can fulfill their requirements anytime, anywhere, and can be easily reached. A company can contact a user via mobile marketing techniques. A customer can also send feedback easily.
2) **Mobile is undetachable from life**
Mobile is a necessary part of daily life. It can easily carried to anywhere and that's why becomes a favorite device for e-shopping in leisure time.
3) **It is used for physical store**
A physical store also uses mobile services for providing services and advertising. Many store will save your number to notify you about special products and discounts offers.
4) **SMS marketing**
SMS and MMS marketing bring a tremendous change in marketing. Now users are getting offers and discounts or get notified for sale via sms or mms.
5) **Mobile search becomes primary contents for ranking**
Google is going to make search index based on mobile search ranking rather than desktop search ranking. So your website search ranking will be based on mobile searching rather than desktop searching.

➲ RELATIONSHIP MANAGEMENT

- ✓ Relationship marketing developed for direct response marketing campaigns that emphasizes customer retention and satisfaction rather than sales transactions.
- ✓ In other words, relationship marketing focuses on building loyalty to a brand, instead of simply encouraging a single sale.
- ✓ **Significance of Relationship management**

1) **Enhanced customer experience**
   Most people leave their current brand because of poor customer service. Relationship marketing, whether through providing superior customer service or simply listening and responding to feedback on social media, leaves a good taste in customers' mouths.
2) **Better feedback**
   Feedback can make or break a business. Today, you can engage with a brand on social media and, if they care about relationship marketing, they'll reply. This gives customers an opportunity to be heard, and provides valuable feedback for brands in areas that might need to be tweaked.
3) **More sales**
   Good relationship building ultimately will result in more revenue businesses. Customer who are happy with the companys' will reward companys' with their hard earned money.
4) **Innovative opportunities**
   Businesses should create opportunity for customers to input their thoughts and ideas towards comapanys' projects. For instance, Starbucks where they provide opportunity for submitting customer ideas for new drinks of them.
5) **Relationships with recruitment markets**
   Relationship marketing also have good relationship with those who supplies valuable human resource to the companys'. This kind of relationships ensures companys' with both qualitative and quantitative employees pool.
