UNIT 6 WHAT DOES MARKETING INVOLVE?

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6.0 OBJECTIVES
After studying this unit, you should be able to:
• refresh the understanding of marketing;
• identify the various marketing functions;
• understand the concept of marketing mix;
• comprehend and analyse the 4 P’s of marketing mix; and
• apply the elements of marketing mix to the practical world.

6.1 INTRODUCTION
Marketing, as you are all aware of, starts with the consumer and ends too, with the consumer. The businessman takes the consumer to be the king and therefore, the consumer becomes the focal point of all of his marketing decisions. The businessman has become sensitive to the attitudes of the consumer. He therefore, tries to materialize his goals through consumer satisfaction.

Marketing is the central function of any business. The entire business is organized around the marketing function. The businessman emphasizes identification of market opportunity and seeks to convert customer “needs” into “products”. The entire business is a customer satisfying process.

The businessman has to get involved in a number of activities to satisfy his customers and thereby earn profit. Marketing consists of all those activities, which involve working through markets. It covers all those activities and processes by which the products are matched with the market. Marketing functions refer to a series of specialised activities involved in the marketing of goods and services.

Let’s try to understand these marketing functions in the subsequent paragraphs.
Production of goods by the business gains importance only when they are sold. Marketing enables a businessman to sell his goods to the consumers.

The functions of marketing make goods and services of use to the society by creating form, place, time and possession utilities. Goods are to be processed into different forms to suit the needs of the consumers, creating thereby the form utility. Goods are required to be transported from the place of production to the place of consumption, thereby creating place utility. Surplus goods are also required to be stored in warehouses for deferred consumption, thereby creating time utility. Sale and transfer of goods create possession utility.

The functions of marketing may be broadly divided into three categories:

I) Functions of Exchange;
II) Functions of Physical Supply; and
III) Facilitating Functions.

The diagrammatic presentation of marketing functions (Fig 6.1) is as follows:

![Diagram of Marketing Functions]

Let us now discuss these functions in detail.

I. Functions of Exchange

The functions of exchange include activities performed in the transfer of ownership from sellers to buyers. They include:
1) Buying
2) Assembling
3) Selling

1) **Buying function:** A marketer is engaged in the process of transformation. He takes inputs from the environment, converts them into a finished product and then supplies it back to the environment. Buying involves transfer of ownership of the product from seller to buyer.

A manufacturer buys raw material from the suppliers for using the same in producing goods whereas a trader procures finished goods from the various manufacturers. A trader can be a wholesaler or a retailer. A wholesaler buys the goods for resale to retailers whereas a retailer buys the goods for resale to the ultimate consumers. Efficient buying is very important for success in marketing.

Goods can be sold at a profit only when they are of right quality and quantity. The following points, known as five R’s of best buy, should be kept in mind before any purchase:
- Right source
- Right quantity
- Right quality
- Right price
- Right time

2) **Assembly function:** The work of assembly begins only after the goods have been purchased. It implies gathering of products purchased from different producers/manufacturers at some central place. Some times firms assemble goods in big lots, grade them and give their own brand name after packing the goods.

For example, Niharika Agro Products purchases rice from various farmers, grades them according to the quality, packages in small lots, gives a brand name (Raja Chawal) and sell it to the wholesalers.

3) **Selling function:** Selling is a very important function of marketing. It is vital to the success of any firm because the revenue is earned by the businessman through selling. The businessman on the one hand, earns profits while on the other hand, he makes available the goods and services to the consumers. Selling can be defined as “effecting transfer of ownership in goods by the seller to the buyer in exchange for money”.

Selling involves many activities like locating buyers, finding their preferences, persuading them to buy, negotiating the terms of sale, receiving payment and making delivery, and providing appropriate after sale services.

An enterprise may sell goods directly or through agents, wholesalers and retailers.

**II. Functions of Physical Supply**

The functions of physical supply refer to the activities involved in the physical movement of the goods. These functions are:

i) Transportation
ii) Storage (i.e. warehousing)
iii) Inventory management
iv) Order processing
v) Delivery
The details of these functions are given as under:

i) **Transportation**: Transportation is physical movement of material and goods from one place to another. The function of transportation is quite important because goods are not consumed at the place of their production. Customers are located at far away places. Therefore, goods have to be transported. Transport serves as a link between the producer and the consumer. Proper arrangement for the transportation of the product to market is important to the process of marketing. Transport helps to widen the market; to increase the scale of production and to stabilize the prices. The essence of transportation is that the right product reaches the right destination at the right time. Transportation includes decisions like:

- Choice of mode of transport
- Route planning
- Freight consolidation
- Vehicle scheduling

It may be noted that choice of mode of transport depends upon relative costs of different modes, their speed, reliability, frequency etc. Road transport is suitable for short distances and for rough terrains like mountains. Rail transport is ideal for bulky goods and also if the goods are to be sent over long distances. When goods are costly or of perishable nature and where speed counts, air transport should be preferred. Water transport is the cheapest but it slower.

The various means of transport can be depicted in the following diagram (Fig 6.2):

![Diagram of Means of Transport](image-url)
Activity

Tick the appropriate option:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Road</th>
<th>Railways</th>
<th>Water</th>
<th>Air</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Amarnath wants to transport 100 quintals of rice from Bihar to Rishikesh in Uttranchal.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Vinay wants to transport 10 quintals of wheat from Ghaziabad to Bulandsahar.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Ram Singh wants to transport 500 tons of sugar to London</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Suraj Nath plans to send 500 kilos of onions from Azadpur Mandi to Okhla Mandi (both places are in Delhi).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Sham Lal wants to send 100 kgs. of rose flowers from Delhi to Chennai.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Hint: 1. Railways; 2. Road; 3. Water; 4. Air)

ii) Warehousing: Another function of marketing process is warehousing. It involves the making of proper arrangements for retaining the goods in a perfect state till the time consumers need them for consumption. Warehousing function is important because there is usually a time lag between production and consumption. With the help of warehouses where goods are stored, uninterrupted supply is maintained so that there is no inconvenience to the user and there is stability in prices. Modern warehouses provide facilities for packing, blending, grading, labelling etc. of stored goods. A manufacturer can secure wider distribution of goods by holding stock at different places. Further the goods get protected from the following risks:

- Fire
- Theft
- Leakage
- Pests, rodents and insects
- Weather changes
- Moisture

The owners may maintain their own warehouses or take the services of warehousing companies. Perishable products like fruits, vegetables etc, are stored in cold storages.

Benefits of Warehousing

There are a number of benefits in warehousing. These are:

- Goods can be manufactured or processed in bulk and stored.
- Goods can be stored safely in warehouses.
- It helps in making available the product to the buyers as and when needed.
- It helps in maintaining price stability by adjusting supply with the demand.
Setting up an Enterprise

- It helps in purchasing goods from far off places as well.
- Commercial banks make available loan on the security of warehouse receipts.
- More imports are possible.
- It facilitates exports.

iv) **Inventory management:** The firm needs to maintain a particular level of stock to ensure product availability as and when customers demand. Holding of inventory involves cost of storage, cost of capital tied up in inventory, cost of adverse price movements, cost of spoilage etc. Inventory control implies control over the size of the inventory. The business firm should weigh the benefits of maintaining inventory against the cost and optimum level should be decided.

iv) **Order processing:** The following steps may be taken to process the order:
- Receipt of order.
- Acknowledgement/Acceptance sent to the customer on receipt of order.
- Customer credit check.
- Inventory scheduling i.e. collection, packing etc.
- Dispatch of goods.

III. **Facilitating Functions**

Facilitating functions refer to the activities involved in helping the process of exchange (Figure 6.3). Following are some of the important functions, which facilitate buying and selling of goods. Every trader is required to take these steps judiciously and carefully.

![Diagrammatic Presentation of Important Facilitating Functions](image)

1) **Marketing Research**

American Marketing Association has defined Marketing Research as “gathering, recording and analysing of all facts about any problem relating to the transfer and sale of goods and services from the producer to consumer.”

The term ‘marketing research’ means application of research process in solving marketing problems. Marketing Research equips the marketer in taking all-important decisions correctly. It provides the right information at the right time in the right place and to the right person, which is vital in decision-making.
A businessman can conduct marketing research for the following purposes:

a) To recognise the needs of the customers: Marketing Research can be used to identify the various needs and wants of the customers. It involves the study of the market and the customers.

b) To understand the buying motives: Marketing Research can be used to understand buying motives of the customers. A customer may buy a product for more than one reason, protection, style, status etc.

c) To decide the brand name: A product should have a suitable name. An attractive name always fetches plenty of customers and helps in bringing reputation to the firm. The manufacturer should conduct proper marketing research to decide the brand name of the product.

d) To decide the size of the package: The size of the package should be the one, which is convenient in lifting, carrying and storing. A proper size of the package enables proper handling of the product. Ideal size can be ascertained through marketing research.

e) To decide the method of advertisement: Advertisement has a great impact on the minds of the customers especially children and adolescents. A good advertising campaign certainly leads to high profits. Marketing Research helps the businessman in deciding the suitable method of advertising.

Classification of Marketing Research Problems

The various marketing research problems can be classified based on the subject matter of research as shown below:

a) Research on Product: It includes:
   • Reviewing product line, product quality, product features etc.
   • Study of the actual uses of a given product;
   • Study of the new uses of an existing product;
   • Study of packaging, packing material etc.
   • Testing of new products.

b) Research on Markets: It includes:
   • Study of the market size;
   • Study of the market segments;
   • Short range and long range sales forecasting;
   • Study of the overall business trend;
   • Analysis of market share.

c) Research on consumers: It includes:
   • Study of consumer profile;
   • Study of the consumer tastes;
   • Study of the consumer brand preferences;
   • Study of consumer dissatisfactions;
   • Study of the consumer reactions.
d) Research on Advertising and Promotion: It includes:
   - Media research;
   - Assessing the impact of advertisement;
   - Assessing the effectiveness of sales promotion measures;
   - Cost benefit analysis.

e) Research on Distribution: It includes:
   - Measuring relative effectiveness of different types of distribution intermediaries;
   - Measuring dealers’ reaction to the firm;
   - Measuring warehouse efficiency.

f) Research on Pricing: It includes:
   - Assessing the general pattern of pricing followed by the industry;
   - Evaluating the pricing strategy of the firm;
   - Measuring price elasticity of demand.

g) Research on Sales Methods: It includes:
   - Testing new sales programmes;
   - Analysing problems of selling;
   - Measuring the effectiveness of salesmen;
   - Study of sales compensation.

h) Research on Competition: It includes:
   - Study on competitive structure of the industry;
   - Study on the competitive structure of the individual competitor;
   - Study of competitor’s product, prices;
   - Study of the competitor’s promotion programme, channels policies, etc.

Steps Involved in Marketing Research

The researchers have to go through several steps in order to apply marketing research to solve any marketing problem. The major steps are as follows:

1. Defining and Analysing the problem: The marketing problem should be clearly identified and defined. If the definition of the problem is faulty the research results will be misleading e.g. research should be conducted to analyse the effectiveness of advertisement.

2. Developing a research design: After the marketing problem has been clearly defined, the researcher should develop a proper research design. He should decide on how to collect data, the various research instruments to be used, sampling plan etc.

3. Collection of data: Data is the foundation of all marketing research. Data can be primary data or secondary data.
   Primary data is the data collected by the researcher himself and that too for the first time. It can be collected through salesmen, dealers, consumers etc. The
researchers can also refer to the reports like sales turnover reports, advertising reports etc. The important reports can be collected through various research instruments like tape recorder, cameras, questionnaires, telephone interviews, e-mails etc.

Secondary data is the data collected earlier by some other agency or body and used by the researcher. It can be gathered through magazines, journals, government publications, annual reports of companies, etc.

4. *To analyse the data collected:* The next step is to extract meaningful information from the data collected. It can be done through:

- Averages;
- Measures of dispersion;
- Measures of correlation and co-efficient of variation;
- Goodness of fit.

5. *Report preparation and implementation:* This is the last step in the research procedure. The major findings and recommendations, which are inferred from the study, should be properly prepared.

   The findings should be written in concise, succinct simple and clear language. It can be supported with graphs, tables and examples. It should then be properly presented, thoroughly discussed and decision should thereafter, be taken rationally.

**Activity**

You are required to fill the following questionnaire after interviewing at least 5 consumers regarding their tastes and preferences in respect of consumption of potato chips. You may use Photostat copies of the questionnaire.

1. Name:
2. Age:
3. Sex:  
   - Male
   - Female
4. Address:
5. Questions:  
   - Self-employed
   - Housewife
   - Govt. employee
   - Private Sector employee
   - Student
   - Any other, Specify ___
6. Monthly Income:  
   - Below Rs. 5,000
   - Rs. 5,000-10000
   - Rs. 10,000-15,000
   - Above Rs. 15,000
7. Do you consume potato chips? If yes, how frequently:  
   - Less than 3 days in a week
   - Between 3-5 days in a week
   - Above 5 days in week
8. Which flavour of potato chips do you like most?  
   - Plain salted flavour
   - Chilly flavour
   - Masala flavour
   - Tomato flavour
9. How much importance do you give to a brand while asking for a packet of potato chips?

- Quite a lot
- Not much
- Medium

10. Which brand of potato chips do you like the most? (Rank your preferences):

- Ruffle Lays
- Uncle Chipps
- Cheetoes
- Haldiram
- Any other, Specify ____________

11. What aspect do you consider most while choosing potato chips?

- Brand name
- Quantity
- Taste
- Price
- Colour of the Pack
- Free gift inside the pack

Advertisement of the manufacturer

2) **Standardisation and Grading**

   a) **Standardisation**: Standardisation means production of such goods as will be uniformly of the same specifications with regard to shape, size, colour, material, performance etc. If the goods are not standardised it will have a negative impact on the minds of the consumers. The customers will lose faith and trust in the product and may shift to an other brand. The uniform specifications should be such that the customer is not required to examine the product each time before purchasing it.

   b) **Grading**: Grading is division of product into classes made of units possessing similar features of size, shape, colour and quality. Grading is usually done in raw materials and agricultural products. For example, rice, wheat pulses, fruits, vegetables, eggs etc. are graded.

3) **Financing**

   The role of finance in any business cannot be under-estimated. Finance acts as a lubricant, which makes the wheels of business move faster and faster. Finance is required for marketing the various goods and services. A businessman may need finance for short-term purposes or long-term purposes. Short-term purposes may include paying salary to salesmen or paying expenses on conducting surveys etc. Long-term purposes may include purchasing of computers or constructing a godown or purchasing vehicles for delivering goods etc.

   The various sources of finance are:

   - Own Capital
   - Friends and relatives
   - Commercial banks
   - Co-operative banks
   - Agricultural credit societies
   - Government agencies etc.
4) **Risk Taking**

Business risks refer to the possibility of inadequate profit or even losses due to unexpected events, which are beyond control. Risk is part and parcel of business. There are plenty of risks involved in any business. Risks arise due to unforeseen circumstances, natural calamities, wrong planning, irresponsible human behaviour etc. An enterprise has to bear innumerable risks in the process of marketing goods and services. Some of the examples are as below:

- Risk due to fire
- Risk due to theft and negligence
- Accidents
- Change in government policies
- Drought, famine, lightning and earthquakes
- Wrong estimation
- Change in tastes and fashion
- Technology changes
- Trade cycle risks etc.

**Check Your Progress Exercise 1**

**Note:**

a) Use the space below for your answer.

b) Compare your answers with those given at the end of the unit.

1. Give one word for the following:
   i) A process of transferring ownership of the product from seller to the buyer.
   ii) Movement of men and material from one place to another.
   iii) Activities involved in helping the process of exchange.
   iv) A place where storing is done.
   v) Possibility of losses due to unforeseen circumstances.

2. Match the following:

<table>
<thead>
<tr>
<th>Type of Product</th>
<th>Mode of Transport</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Logs of wood</td>
<td>A) Air plane</td>
</tr>
<tr>
<td>2) Imported Fruits</td>
<td>B) Elephants</td>
</tr>
<tr>
<td>3) Coal</td>
<td>C) Water</td>
</tr>
<tr>
<td>4) Wood-planks</td>
<td>D) Train</td>
</tr>
<tr>
<td>5) Sugar bags</td>
<td>E) Lorry</td>
</tr>
</tbody>
</table>

3. Give two examples for each of the following:
   i) Products which can be graded;
   ii) Short-term finance required;
   iii) Primary Data (source)
   iv) Research instruments;
v) Means of Road transport.

   i) ......................................................................................................................

   ii) ......................................................................................................................

   iii) .....................................................................................................................

   iv) ......................................................................................................................

   v) ......................................................................................................................

4. Warehousing is important because:

   i) ......................................................................................................................

   ii) ......................................................................................................................

   iii) .....................................................................................................................

5. What kind of research can be done on products and consumers? Mention two points each.

   Products:

   i) ......................................................................................................................

   ii) ......................................................................................................................

   Consumers:

   i) ......................................................................................................................

   ii) ......................................................................................................................

6.3 WHAT IS MARKETING MIX?

The business firm usually develops a marketing plan to achieve its various marketing objectives. Developing a plan is becoming more and more important keeping in view the ever expanding global scenario, tight competition, changing needs and wants of the customers, technological changes etc.

Marketing mix is a plan designed to analyse the marketing problems. In fact, marketing mix is the ingredients or variables, which the marketer mixes in order to interact with a particular market.

Marketing mix is the term used to describe the combination of four inputs, which constitute the core of a firm’s marketing programme. The four areas are as follows:

- Product Mix
- Price
- Place (Distribution)
- Promotion

These are popularly known as four P’s of marketing mix (Figure 6.4).
The idea behind development of a marketing mix is to have greater consumer satisfaction. Marketing mix refers to various decisions taken in the context of product, price structure, promotional activities and the distribution system. A bird’s eye view of these decisions, being sub-elements of 4 P’s of marketing mix, is depicted in Figure 6.5.

6.4 MARKETING MIX – PRODUCT

Product mix refers to a combination of various features relating to the product or service to be offered for sale. It also refers to total number of products and items a businessman offers to the market. But, what is a product?

Product has a very special position in the marketing mix of a firm.

Product in the narrow sense: In this sense, the term ‘product’ denotes a physical commodity - a mere non-living object. The needs of the consumers are satisfied by using these products. These products can be designed as a need-satisfying entity e.g. a bottle of Kissan’s orange squash; a packet of Amul’s butter; a Cadbury chocolate bar etc.

Product in the wider sense: In this sense, a product is something more than a mere assemblage of matter. It takes into account the brand name, package etc. that go into the
personality build up of the product. It is a source of providing material social and psychological benefits to the customers.

People derive satisfaction from the non-utility aspect of the product as well e.g. Kellogg flakes are consumed to satisfy hunger needs in the morning; but it is also used because of its brand name, packaging, prestige etc. A person feels that he has a better standard of living in consuming flakes manufactured by Kellogg's than by a local company.

Do not all of us get attracted to buy potato wafers of ‘Uncle Chippys’ than purchasing any other local product? Therefore, it can be said that ‘product’ is the total package of benefits which the customer receives when he buys it.

**Sub-elements of product mix**

Various sub-elements of product mix are discussed below:

I. The Nature of Product

The nature and characteristics of the product which are contained in the mix are related to:

a) **Product Line**: It refers to a group of products within a product class e.g. in the case of Amul Co-operative Society, butter constitutes one product line, cream constitutes another, milk, a third one; and so on.

b) **Product width**: The width of the product mix denotes the number of product lines that the businessman offers to the market. For example, Amul has a wider product mix whereas MDH has a narrow product mix.

c) **Product length**: It refers to the number of product items that are carried in a product line. The length of product line denotes the number of items in the line e.g. Amul carries a number of product items in a butter line - it offers ‘white butter’ and ‘salted butter’. Similarly Amul cheese may be ‘cheese spread’, ‘sliced cheese’.

d) **Product Depth**: It refers to the total number of variants that are offered in each product item in the product line. In the case of Hindustan Lever Limited, the soap Lux may be Pink, white or Lux international.

II. Features of a Product

The decisions regarding features of a product are mentioned below:

- **Size**: The size of the product should be easy to handle. It should be convenient to carry. For example, pack of Cadbury chocolate comes in manageable size.

- **Colour**: The colour of the product should be appealing. For example, the yellow colour of Brown & Polson custard.

- **Flavour**: The flavour of the product should have a wide variety of flavours: Priya Gold Biscuits are found in many flavours - pine-apple, elaichi, orange etc.

- **Weight**: A product should not be too heavy. For example Saffola oil comes in one litre pack, Amul butter comes in 100 gms. pack.

- **Durability**: A product should have a longer shelf life. For example Kissan tomato puree has a shelf life of 12 months.

- **Shape**: Solid products can be round (like Milk Bikis cream biscuits manufactured by Britannia); square (like Krack jack biscuits of Parle);
rectangle (like Cadbury’s Five Star chocolate) etc. In the case of liquid eatables they can take the shape of their containers. For example Pepsi, Coke, Kissan sauce, Kanodia Mustard oil etc.

III. Branding

A brand is a name, term, sign, symbol, or design or a combination of them, which is intended to identify the goods or services of the seller and to differentiate them from those of other competitors. A brand distinguishes a product from similar other offerings. A successful brand is a major asset for a company.

• **Brand Name:** It is that part of a brand which can be vocalized or uttered e.g. Five star chocolate, coca-cola, etc.

• **Brand Mark:** It is that part of a brand that can be recognised. It is not utterable since it is in the form of symbol; design etc. e.g. Nestlé’s ‘Nest’ or Mother Dairy’s ‘Drop’.

• **Trade Mark:** When brand is given legal protection, it is called ‘trade mark’. A trade-mark is a legal term protecting the seller’s exclusive rights to use the brand name or brand mark. R in circle (i.e. ®) is used to show that the trademark is registered.

Examples of Branding

![Amul](image1.png) ![Ever Fresh](image2.png) ![Frozen Fruits & Vegetables](image3.png)

**Benefits of Branding**

• The customers find it easier to identify and handle the product.

• It gives the assurance of quality to the customers.

• Less time and energy is wasted in shopping because the customer has to just go to the market and name the brand. Thus, it makes shopping easier.

• A Purchase of a socially visible brand gives immense psychological satisfaction to the buyer.

• The quality of the product may also improve due to competition.

**Selecting a Brand Name**

Following aspects should be taken into account while selecting a brand name:

• It should reflect some benefit and functions of the product e.g. Good Knight, a mosquito repellent suggests that one can have a good sleep at night without mosquitoes.

• It should be distinctive. It should portray status, power etc e.g. Badshah Masale; Everest spices; Shakti-bhog Atta.
• It should be easy to pronounce and remember e.g. Taj Mahal Tea, Jagat Basmati rice.

• It should be legally protected.

IV. Packaging

Packaging may be defined as all the activities involved in designing and producing the containers or wrappers for a product.

Material used in Packaging

• Wooden Boxes - Fruits
• Metal Containers - Processed food, oil
• Plastic - Rice, Ghee, Chocolate,
• Paper - Toffees
• Glass - Coke, Jam, Sauce
• Aluminium (foil) - Tea, Coffee
• Jute Sacks - Rice, Wheat
• Tetra pack - Fruit juices, Fruit drinks
• Durable rubber tanks and drums (made from high tenacity polyamide plastic matrix) - Food grains, oil

Forms of Package/Container

• Tube - Fruit Jelly
• Bottle - Cold Drink
• Small unit package (200 gm, 50 gm) - Tea, Spices
• Sachets - Candy, soups, pan masala
• Re-usable containers (Jars) - Desi Ghee, Edible oil
• Refill packs - Coffee, Chocolate powder, Tea

Benefits of Packaging

• It helps in keeping the product safe from pests, rodents, moisture, rain etc.
• It helps in storage.
• It helps in product differentiation.
• It helps in increasing sales.
• It increases the shelf life.
• It ensures visibility of the product if the packaging is transparent.
Activity

Match the following:

<table>
<thead>
<tr>
<th>Type of package</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tetra pack</td>
<td>A) Kissan Jam</td>
</tr>
<tr>
<td>2. Glass</td>
<td>B) Frooti</td>
</tr>
<tr>
<td>3. Plastic</td>
<td>C) Pineapple Slices</td>
</tr>
<tr>
<td>4. Tin</td>
<td>D) Rice</td>
</tr>
</tbody>
</table>


V. Labelling

Functions of Labelling

Labelling serves the following functions:

- Identification of a product is easy for the customer.
- The manufacturer is able to grade the products into different categories, e.g. Hindustan Lever Limited (HLL) sells different types of tea under yellow, red and green label.
- It is a carrier of information.
- It provides information, which is mandatory by law.
- It attracts the buyers and draws them to buy the product.

6.5 MARKETING MIX – PRICE

Pricing is one of the most important decision-area of marketing. This is the only area from where revenue is earned by a businessman. Pricing is crucial to profit as well. Price is the exchange value of a product.

Factors Influencing Pricing Policy

- **Consistency:** Pricing has to be consistent with overall objectives of the firm, e.g. the firm’s objective may be profit maximization or to achieve a high turnover. Accordingly, it may be a higher price or lower price.
• **Public image:** If the public image of the product is high the price may be kept high.

• **Purchasing power of the consumers:** If the purchasing power of the consumers is low, the price should be kept low.

• **Price control measures:** The prices of certain products are controlled by the government. The businessman should fix the price keeping in mind the prevailing policies of the government.

• **Pricing policy of the competitors:** The businessman should fix the price keeping in view the pricing policy of the competitors.

• **Availability of substitutes:** The price may be kept higher in case there is no substitute available in the market.

• **Ability to postpone purchase:** If the consumer can think of postponing the purchase of a particular product the price of such product should be kept low.

• **Cost of production:** The price fixed should be such as would recover all the costs including a fair return to the businessman.

• **Demand and Supply:** If the demand of the product is higher than its supply the price may be fixed at a higher level. In case supply exceeds the demand, the price should be fixed at low level.

• **Current fashion and tastes:** If the product matches the current fashion and tastes, a high price may be fixed.

**Decisions Regarding Terms of Sale**

The terms of sale, which the businessman may decide, shall include the following:

• Ex-works price
• Ex-warehouse price
• Cash sale price
• Credit sale price
• Instalment facility etc.

**Decisions Regarding Discounts and Rebates**

The businessman, keeping in view the trends of business, may offer certain types of discounts and rebates. The may include:

• Trade discount
• Cash discount
• Off-season rebate
• Festival rebate
• Rebate for cash down purchase etc.

**Activity**

In the following Table two brand names of five products are given. Visit a local grocery shop; enquire about the MRPs of these products and on that basis fill the column relating to MRP.
<table>
<thead>
<tr>
<th>Product</th>
<th>Brand/ Company</th>
<th>MRP</th>
<th>Brand/Company</th>
<th>MRP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Jam</td>
<td>Tops</td>
<td></td>
<td>Kissan</td>
<td></td>
</tr>
<tr>
<td>2. Milk</td>
<td>Mother dairy</td>
<td></td>
<td>Parag</td>
<td></td>
</tr>
<tr>
<td>3. Edible Oil</td>
<td>Dhara</td>
<td></td>
<td>Saffola Gold</td>
<td></td>
</tr>
<tr>
<td>4. Biscuits</td>
<td>Parle G</td>
<td></td>
<td>Priya Gold</td>
<td></td>
</tr>
<tr>
<td>5. Bread</td>
<td>Britannia</td>
<td></td>
<td>Harvest</td>
<td></td>
</tr>
</tbody>
</table>

6.6 MARKETING MIX – PROMOTION

Promotion of the product is another important element of marketing mix. Marketing depends heavily on effective communication flow between the business firm and the consumer. It involves informing the potential customers about the availability of product and stimulating them to buy it. The businessman usually chooses a combination of communication effects. This is called development of communication mix.

The following are the communication tools (or promotional measures), which a seller can follow:

a) Advertising
b) Sales promotion
c) Personal selling
d) Publicity

A combination of these techniques is used by the businessman depending upon the nature of the product, type of customers, degree of competition, etc.

a) Advertising

Advertising is a potent promotional tool of marketing communication. It is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. The businessman tries to spread his ideas about his product among his customers through advertising.

Benefits of Advertising (for consumers)

- It provides information regarding price, availability, quality etc.
- Comparison with other products becomes easier.
- It acts as a guarantee regarding quality.

Benefits of Advertising (for manufacturers)

- It increases the sale of the product.
- It helps in easy introduction of new product.
- It establishes contact between manufacturers and consumers.
- It helps build the image of a product.
- It enables them to face competition.
Media of Advertising

The following Table shows the various kinds of media of advertising, which a manufacturer may resort to.

<table>
<thead>
<tr>
<th>Print Media</th>
<th>Electronic Media</th>
<th>Outdoor Display</th>
<th>Direct Mail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newspapers</td>
<td>TV</td>
<td>Bill boards</td>
<td>Price list</td>
</tr>
<tr>
<td>Direct mail</td>
<td>Video</td>
<td>Hoardings</td>
<td>Catalogues</td>
</tr>
<tr>
<td>Folders</td>
<td>Radios</td>
<td>Balloons</td>
<td>Letters</td>
</tr>
<tr>
<td>Journals</td>
<td>Cinema</td>
<td>Electric poles</td>
<td>Circulares</td>
</tr>
<tr>
<td>Magazines</td>
<td>Internet</td>
<td>Fairs and exhibitions</td>
<td>Pamphlets</td>
</tr>
</tbody>
</table>

Examples of good advertisements

1. Harvest Gold Bread
2. P mark Sarson Oil
3. Balrampur Chin

(Bakwaas Advertising First Class Bread.

Traffic air has driven me mad. Jagah jagah mein sam.
I am sitting in car making sandwiches with bread and ham.

Potholes are at every inch. Car is moving slowly.
Consider rain, there's so much water seems like it is Holi.

Am getting back late from the office. Reached home at nine.
Wife is thinking, I am having affair. Every night she does a whine.

This flyer bakwaas is getting at me. It is shattering my head.
Only peace of mind I have is my Harvest Gold bread.

Delhi's not Bread

(Advertisement No. 1)*

* (The sample has been used for educational purpose only and not for any other use).
Activity
Scan your environment and write the method of advertising used by the following companies to advertise their products:

<table>
<thead>
<tr>
<th>Company/Brand</th>
<th>Media</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Horlicks</td>
<td></td>
</tr>
<tr>
<td>2. Pepsi</td>
<td></td>
</tr>
<tr>
<td>3. Badshah Masala</td>
<td></td>
</tr>
<tr>
<td>4. Heinz Tomato Sauce</td>
<td></td>
</tr>
</tbody>
</table>

b) Sales Promotion

Sales promotion is an effort to stimulate consumers to purchase more and more of a particular commodity. It draws quick response from the target audience. It serves as a short-term incentive.

Various means of sales promotion (At consumer level)

Following are the various means of sales promotion at consumer level:

- Distribution of free samples
- Organisation of various contests
- Offer of refund of money if the product is not up to the satisfaction
- Offer of free gifts along with the product
- Offer of discounts and rebates
- Offer of quantity deals like ‘buy two get one free’
- Demonstration
- Instalment payment
c) **Personal Selling**

It is the oldest method of selling a product. It means selling personally. It is oral, face-to-face interaction between a seller and prospective customers for the purpose of making sales. It leads to 'on the spot sales'.

The salesman usually goes door to door, presents and demonstrates the product and tries to negotiate a deal. He also acts as a guide as he informs about the product.

A well-trained and competent salesman can be an effective communication instrument. His knowledge about the product, the company, its future plans, familiarity with customers, level of his motivation will be the determining factors in his role as a communicator.

d) **Publicity**

Publicity is not easily controllable by the firm. It is not paid for by an identified sponsor. Large firms normally try to control, through constant press releases, press conferences etc. Such activities are intended to build a favourable and positive public image of the firm but an adverse message appearing in some media about a product may spoil the image of the company.

### 6.7 MARKETING MIX – PLACE (DISTRIBUTION)

Place mix involves decisions to be taken in order to make the product available to the customers. Two decisions are required to be taken for this purpose:

1) **Development of Channels of Distribution**

Channels of distribution refer to the path taken by the goods in their movement to the customers. It starts with the producer and ends with the consumer. In between there may be a network of inter-dependent organisations or people employed like agents, dealers, wholesalers and retailers, which help in the transfer of product.

2) **Physical Distribution of Product**

Physical distribution involves physical handling of movements of goods from place of production to the place of consumption. Physical distribution fills time (through warehousing) and place (through transportation) gap by providing goods at right place, at right time in the right condition and lowest possible cost.

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**Check Your Progress Exercise 2**

**Note:**

a) Use the space below for your answer.

b) Compare your answers with those given at the end of the unit.

1. On the basis of the given clues fill the following pyramid:

```
         T...
P.......
P..........B ..........A .........
```

**Clues:**

i) A package material (3 letters)

ii) Exchange value of a product (5 letters)
iii) A carrier of physical and psychological satisfaction (7 letters)
iv) Assigning name to a product (8 letters)
v) A paid form of non-personal presentation and promotion of goods (11 letters)

2. List the 4 P's of marketing mix.

i) .........................................................................................................................
ii) .........................................................................................................................
iii) .........................................................................................................................
iv) .........................................................................................................................

3. You are a manufacturer of Bikaneri Namkeen. You want to appoint a salesman for door-to-door selling of the product. Name two qualities, which he should possess in order to be a good salesman.

i) .........................................................................................................................
ii) .........................................................................................................................

4. Name the oldest method of selling products.

.........................................................................................................................

5. Name the non-paid form of communication tool.

.........................................................................................................................

6. Observe critically the following advertisement and comment on the basis of information provided in the advertisement whether:

i) it is attractive to you as a prospective consumer.

ii) it contains complete information about the product.

(Advertisement No.3*)

* (The sample has been used for educational purpose only and not for any other use).
6.8 LET US SUM UP

Marketing is the central function of any business. The entire business is a customer satisfying process. Marketing enables a businessman to sell his goods to the consumers. The functions of marketing may be broadly categorised as functions of exchange; functions of physical supply; and facilitating functions. The functions of exchange involve activities associated with buying; assembling and selling. The functions of physical supply include transportation; storage (also called warehousing); inventory management; and order processing. Facilitating functions refer to the activities involved in helping the process of exchange. Important facilitating functions include marketing research, standardisation and grading, financing and risk taking. Marketing mix is a plan designed to analyse the marketing problems. The four areas of marketing mix, known as 4 P’s, are product mix, price, place (distribution) and promotion. Product mix involves decisions involving product line, product width, product size, its colour, branding, packaging, labelling etc. In the case of price mix the businessman takes decisions relating to pricing policy, terms of sale, discount, rebates, credit terms, allowances etc. Decisions regarding channels of distribution, transportation, warehousing etc. are related to place mix and finally promotion mix involves decisions regarding advertising, personal selling, sales promotion, publicity etc.

6.9 KEY WORDS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ex-works Price</td>
<td>Factory price.</td>
</tr>
<tr>
<td>Inventory</td>
<td>Stock of goods</td>
</tr>
<tr>
<td>MRP</td>
<td>Maximum retail price.</td>
</tr>
<tr>
<td>Price Elasticity of Demand</td>
<td>Ratio of the percentage change in demand caused by a percentage change in price.</td>
</tr>
<tr>
<td>Trade Discount</td>
<td>Discount allowed by a trader when goods are purchased in bulk quantity.</td>
</tr>
<tr>
<td>Warehouse</td>
<td>A place where goods are stored.</td>
</tr>
</tbody>
</table>

6.10 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress Exercise 1

1. i) Buying   ii) Transportation   iii) Facilitation
    iv) Warehouse   v) Risks
2. 1) B  2) A  3) D  4) C  5) E
3. i) Rice and wheat;
    ii) For purchase of raw material; payment of salary;
    iii) Consumers and Dealers;
    iv) Questionnaires; E-mails;
    v) Trucks; Bullock Carts.
4. **Hint**: i) Storage of goods;
   ii) Bulk purchase or manufacture of goods;
   iii) Adjustment of supply with demand.
5. **Product:**
   i) Reviewing product line, product quality, Product features etc;
   ii) Testing of new products.

   **Consumers:**
   i) Study of the consumer tastes;
   ii) Study of consumer dissatisfactions.

**Check Your Progress Exercise 2**

1. i) Tin
   ii) Price
   iii) Product
   iv) Branding
   v) Advertising

2. i) Price
   ii) Product
   iii) Promotion
   iv) Place

3. i) Understanding about the product.
   ii) Motivation to do hard work.

4. Personal selling.

5. Publicity.

6. **Hint:** Look at the advertisement critically and answer accordingly.

### 6.11 SOME USEFUL REFERENCES


### 6.12 ASSIGNMENTS

1. “It pays to advertise” Justify.

2. Explain how a businessman can promote his sales.

3. “Victoria Foods” have diversified and started processing and packing ‘light oven baked porridge (Dalia)’. You are the marketing manager of this firm. What factors will you keep in mind to decide the price of this product?

4. “Bhojan India” wants to transport 50 cartons of ‘White wheat Flour’ from Chandigarh to Delhi. Which means of transport should they use and why?

5. ‘A warehouse serves the function of protecting goods’. Do you agree? Give reasons in support of your answer.
6. What should a businessman do after receiving orders from a customer?

7. How is marketing research done?

8. What are the features of a good brand?

9. Name the material, which a businessman may decide to use for packaging the following products:
   a) Apples
   b) Mango juice
   c) Roasted chana
   d) Mustard oil
   e) Cookies

10. "A good package acts like a silent salesman". Justify this statement on the basis of following specimen of a package.