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CHAPTER-11 MARKETING MANAGEMENT – NOTES

CONCEPT OF MARKETING-

- Marketing is a process whereby people exchange goods and services for money or for something of value to them.
- Marketing is concerned with exchange of goods and services from producers to consumers in such a way that maximizes the satisfaction of consumer needs.

MARKETING IS NOT MERELY A POST-PRODUCTION ACTIVITY

It includes many activities that are performed even before goods are actually produced, and continue even after the goods have been sold. It includes activities such as:-

- Identification of customer needs
- Collection of information for developing the product
- Designing suitable package of the product and giving it a brand name
- Many follow-up activities are also required for maintaining good customer relations for procuring repeated sales.

FEATURES OF MARKETING

1. **NEEDS AND WANTS** – A marketer's job is to identify the needs and wants of the target customers and develop products and services that satisfy such needs and wants.
2. **CREATING A MARKET OFFERING** – It refers to providing complete information about the product and services. A good market offer is always prepared keeping in mind the needs and priorities of the customers. Market offer includes the following information like:- providing information about the name of the product and service, type, price, size, centre of availability, etc.
3. **CUSTOMER VALUE** – A buyer analyses the cost and the satisfaction that a product provides before buying it. When he/she finds that the satisfaction that it provides exceeds the cost, only then he/she buys it. The purpose of marketing is to generate customer value at a profit.

4. **EXCHANGE MECHANISM** – Exchange is referred as the essence of marketing. The process of marketing involves exchange of goods and services for money or for something of value to them. Following are the conditions that need to be satisfied for exchange to take place:-
- Involvement of two parties – buyer and seller
 - Both should be capable of paying each other something eg; money in exchange of a product
 - Both should have the ability to communicate
 - Both should have the freedom to accept or reject the offer.
 - The parties should be willing to enter into transactions with each other.

CONCEPT OF MARKETING MANAGEMENT

Marketing management refers to planning, organizing, directing and controlling the activities which facilitate exchange of goods and services between producers and consumers of goods and services.

FEATURES/ PROCESS OF MARKETING MANAGEMENT –

1. **CHOOSING A TARGET MARKET** – A manufacturer may choose to make clothes for teenage or bridal wear or casual wear for middle aged people.
2. **GETTING, KEEPING AS WELL AS GROWING THE CUSTOMERS** – the marketer has to create demand for his products so that the target customers purchase the product, keep them satisfied with the firm's products and also attract more customers so that the firm can grow.
3. **CREATING, DEVELOPING AND COMMUNICATING SUPERIOR VALUES FOR THE CUSTOMERS** – The primary job of a marketing manager is to create superior values so that the customers are attracted to the products and communicate these values to the prospective buyers and persuade them to buy these products.

FUNCTIONS OF MARKETING MANAGEMENT –

- Analysing and planning the marketing activities
- Implementing marketing plans
- Setting control mechanism

- ❖ **MARKETING MANAGEMENT IS NOT ONLY CONCERNED WITH CREATING DEMAND BUT WITH MANAGING THE DEMAND EFFECTIVELY, AS PER THE SITUATION IN THE MARKET**

CONCEPT OF MARKETING MIX

Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market.

ELEMENTS OF MARKETING MIX

- ❖ **PRODUCT**
- ❖ **PRICE**
- ❖ **PLACE**
- ❖ **PROMOTION**

1. PRODUCT

- Product means goods or services or anything of value, which is offered to the market for sale.
- The important product decisions include deciding about the features, quality, packaging, labelling and branding of the products.

BRANDING

- Branding is the process of giving a name or a sign or a symbol, etc. to the product.
- A marketer has to decide whether the firm's products will be marketed under a Brand name or a Generic name.

VARIOUS TERMS RELATED TO BRANDING –

1. BRAND- A brand is a name, term, sign, symbol, design or some combination of them used to identify the products of one firm and to differentiate them from those of the competitors.
Brand is a comprehensive term which has two components – brand name and brand mark.
2. BRAND NAME - That part of a brand which can be spoken is called a brand name. Brand name is the verbal component of the brand.
3. BRAND MARK – That part of a brand which can be recognised only but cannot be spoken is called brand mark. It appears in the form of a symbol, design, distinct colour scheme, etc.
4. TRADE MARK – a brand or part of a brand that is given legal protection against its use is called trade mark. The firm which got its brand registered gets the exclusive right for its use. In that case, no other firm can use such name or mark in the country.

ADVANTAGES OF BRANDING –

TO THE MARKETERS:-

1. **ENABLES MAKING PRODUCT DIFFERENTIATION** – Branding helps a firm in distinguishing product from that of its competitors. This enables the firm to secure and control the market for its products.
2. **EASE IN INTRODUCTION OF NEW PRODUCT** – If a new product is introduced under a known brand, it is likely to get an excellent start. Many companies will establish brand names, decide to introduce new products in the same name.
3. **DIFFERENTIAL PRICING** – Branding enables a firm to charge higher price for its products than its competitors because if customers like a brand and become habitual of it, they do not mind paying a little higher price for it.
4. **HELPS IN ADVERTISING AND DISPLAY PROGRAMMES** – A brand name helps a firm in its advertising and display programmes. Without a brand name, the advertiser can only create awareness for the generic product and can never be sure of the sale for his product.

TO THE CUSTOMERS:-

1. **HELPS IN PRODUCT IDENTIFICATION** - Branding helps the customers in identifying the products. If a person is satisfied with a particular brand of a product, he need not make a close inspection every time, he has to buy that product.
2. **ENSURES QUALITY** – Branding ensures a particular level of quality of the product. If there is any deviation in the quality, the customers can make a complaint to the manufacturer or the marketer.
3. **STATUS SYMBOL** – some brands become status symbols because of their quality. The customers feel proud of using them and adds to the level of satisfaction of the customers.

FEATURES OF A GOOD BRAND NAME –

1. Simple and short- eg:- LUX, BATA, DALDA, ETC.
2. Easily pronounceable eg:- TATA, BATA, ETC.
3. Suggestive- eg:- HAJMOLA, UJALA, ETC. it should suggest the product's benefits and qualities
4. Distinctive-
5. Capable of being registered and protected legally
6. Should be adaptable to packaging or labelling requirements
7. Should be versatile to accommodate new products
8. Should have staying power, it should not get out of date

PACKAGING

- Packaging refers to the act of designing and producing the container or wrapper of a product.
- Container are designed so that the consumer does not face any difficulty while using it.

LEVELS OF PACKAGING

There can be three different levels of packaging.

1. **PRIMARY PACKAGE** – It refers to the product's immediate container. Eg:- toothpaste tube.
 - In some cases, the primary package is kept till the consumer is ready to use the product.
 - Sometimes, it is kept throughout the entire life of the product.
2. **SECONDARY PACKAGE** – It refers to additional layers of protection that are kept till the product is ready for use. Eg:- a toothpaste tube comes in a cardboard box. When consumers start using the shaving cream, they will dispose off the box but will retain the primary tube.

3. **TRANSPORTATION PACKAGE** – It refers to further packaging components necessary for storage, identification and transportation. Eg:- big boxes to contain 10, 20 or 100 secondary packings.

FUNCTIONS OF PACKAGING

1. **Product Identification** – Packaging helps in identification of the products. For example:- Maggie noodles in yellow colour packets, himalaya facewash in green tube, etc.
2. **Product protection** – packaging protects the contents of a product from spoilage, breakage, leakage, damage, climatic effect, etc. for eg:- airtight containers and packets are used for chips, biscuits, etc.
3. **Product promotion** – packaging is also used for promotion purposes. It is considered as a silent salesman specially in self-service stores. the package is the buyer's first encounter with the product and is capable of turning the buyer on or off.
4. **Facilitating use of the product** - the size and shape of the package should be such that it is convenient to open, handle and use for the consumers.

IMPORTANCE OF PACKAGING

1. **RIISING STANDARDS OF HEALTH AND SANITATION** – Because of the increasing standards of living in the country, more and more people have started purchasing packed goods as the chances of adulteration in such goods are minimized.
2. **SELF SERVICE OUTLETS** – The self-service retail outlets are becoming very popular, particularly in major cities and towns. In such outlets, packaging serves as a silent salesman.
3. **PRODUCT DIFFERENTIATION** – the colour, size, material, etc. of the package makes real difference in the perception of customers about the quality of the product. Packaging helps a firm to differentiate its product from that of its competitors.
4. **INNOVATIONAL OPPORTUNITY** – There is much scope for making innovations in the packaging that has made possible the marketing of various new products.

LABELLING

- Labelling refers to designing the label to be put on the package.
- Labels are useful in providing detailed information about the product, its contents, method of use, etc.

FUNCTIONS OF LABELLING

1. **DESCRIBE THE PRODUCT AND SPECIFY ITS CONTENTS**- One of the most important functions of labels is to describe the product, specify its contents, its usage, manufacturing and expiry dates, cautions in its use, etc.
2. **HELPS IN IDENTIFICATION OF THE PRODUCT OR BRAND** – Labelling helps in identifying the product or the brand. We can easily identify a particular product amongst the various products by its packaging and label.
3. **HELPS IN GRADING OF PRODUCTS** – Labelling helps in grading the products into different categories. We can categorize products on the basis of their features. Such as ponds winter care cream and ponds normal cream.
4. **HELPS IN PROMOTION OF PRODUCTS** – A carefully designed label can act as a promotional tool by itself and can attract attention of the customers. Labels also enable the firms to display their promotional messages in the labels.
5. **HELPS IN PROVIDING INFORMATION REQUIRED BY LAW** – some important information needs to be necessarily mentioned on the packaging, labelling helps in providing that information such as statutory warning on the cigarette packs. The other common information on the labels include:- name and address of the manufacturer, net weight when packed, maximum retail price, manufacturing and expiry dates, etc.

2. PRICE

- Price may be defined as the amount of money paid by a buyer in consideration of the purchase of a good or a service.
- Price is the single most important factor affecting the revenue and profits of a firm.
- Price is considered to be an effective competitive weapon.
- Price is often used as a regulator of the demand of a product.

IMPORTANT PRICING DECISIONS –

1. Setting pricing objectives :-
[Profit maximization, obtaining market share leadership, surviving in a competitive market, etc.]
2. Determining the pricing strategies :-
 - Market penetration pricing strategy i.e. setting the lowest price to capture a large market share.

- Market skimming pricing strategy i.e. setting high price to maximize market skimming.
- 3. Analyse the factors determining the price
- 4. Fixing a price for the firm's products
- 5. Decisions in respect of discount to customers, traders, credit terms. etc. so that customers perceive the price to be in line with the value of the product.

FACTORS AFFECTING PRICE DETERMINATION –

- **Product cost** – One of the most important factor affecting price of a good or service is its cost. This includes the cost of producing, distributing and selling the product. The product cost sets the minimum level or the floor price at which the product may be sold. In the long run, a firm cannot survive unless atleast all its costs are covered.
- **The utility and Demand** - while the product cost sets the lower limits of the price, the utility provided by the product, sets the upper limit of price, which a buyer would be prepared to pay. The buyer may be ready to pay up to the point where the utility from the product is atleast equal to the price paid.

The price of a product is affected by the elasticity of demand of the product. :-

- When the demand of the product is inelastic, a rise in the price does not affect quantity affected by buyers too much. Therefore, a firm can fix higher price.
- When the demand is elastic, a small rise in price results in decrease in the quantity demanded by a large amount. Therefore, firm should fix lower price for such products or services.
- **Extent of competition in the market** – Between the lower limit and the upper limit where would the price settle down, is affected by the nature and the degree of competition. The price will reach the upper limit in case there is lesser degree of competition while under conditions of free competition, the price will tend to be set at the lowest level.
- **Pricing objectives** – The price is also affected by the pricing objectives of the firm
 - **Profit maximization**- if the firm wants to maximize profits in the short run, it will charge maximum price for its products. But if it wants to maximize its total profits in the long run, it will charge lower price per unit to capture large market share.
 - **Obtaining market share leadership**- If a firm's objective is to obtain larger share of the market, it will keep the price of its products at lowest levels so that greater number of people are attracted to purchase the products.
 - **Surviving in a competitive market**- If a firm is facing difficulties in surviving in the market due to intense competition, it can use promotional tools and discounting techniques to increase its sales.
 - **Attaining product quality leadership** – If a firm wants to attain leadership in respect of product quality, it will charge high price for its best quality products to cover cost related to research and development.
- **Government and legal regulations** – To protect the interests of public against unfair trade practices, government can intervene and regulate the price of commodities. Government can declare a commodity as essential commodity and regulate its price.

- **Marketing methods used** – Price determination is also affected by the distribution system, quality of salesmen employed, quality and amount of advertising, sales promotion efforts, credit facility and customer support services, etc. uniqueness of any of these elements gives the company a competitive freedom in fixing prices of its products.

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