

Marketing Management

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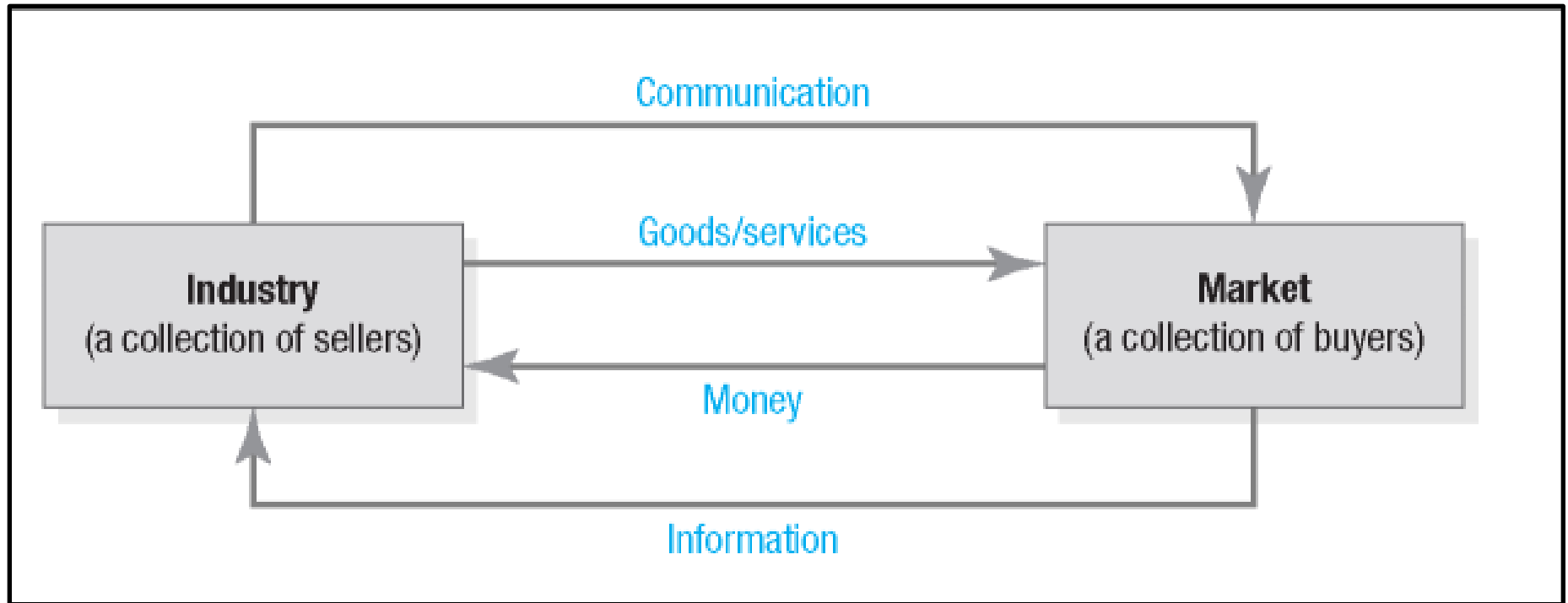
P.Umamaheswarrao

Department of Mechanical Engineering

Bapatla Engineering College

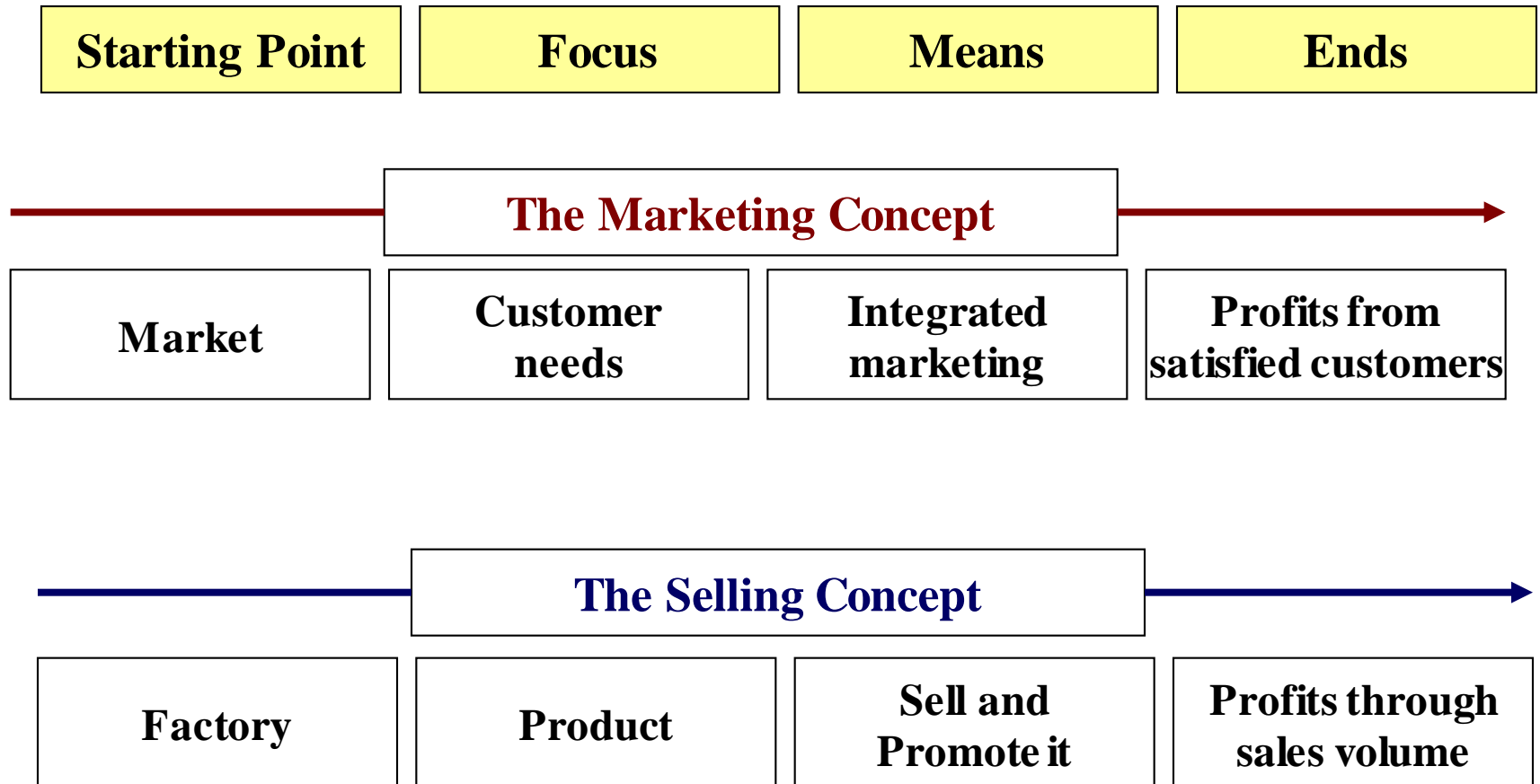
Introduction To Marketing

- The Performance of the business activities that direct the **flow of goods from producer to consumer** is known as Marketing.
- Marketing is human activity directed at satisfying needs and wants through **exchange processes**.
- Marketing begins with the customer (**by identifying their needs**) and ends with the customer(**by satisfying their needs**).
- It is the process of discovering and translating consumer wants into products and services.



A Simple marketing System

Marketing Concept versus Selling Concept



Marketing Vs Selling

Marketing	Selling
1. MARKETING is a process of transferring a product or service to a buyer at a competitive price in order to satisfy his or her need”	1. SELLING is a process of transferring a product or service to a buyer at a price regardless of his or her need”
2. Focuses on the needs of the Customer	2. Focuses on the needs of the Producer
3. Marketing makes use of long-term Strategies to get sales	3. Selling makes use of short-term tactics to get sales
4. Customers enjoy supreme importance	4. Product enjoys supreme importance
5. Converts customer needs into products	5. Converting products into cash
6. Profits through customer satisfaction	6. Profits through sales volume

Functions of Marketing

Buying

Selling

Assembling

Standardization

Grading

Branding

Transportation

Warehousing

Financing

Market Research

MARKETING FUNCTIONS

1. Buying:

- Buying is one of the significant functions of marketing. It refers to the process of acquiring goods at the right place, at the right time in right quantity and quality and from the right source of suppliers.
- However, assembling commences only after the goods have been bought. It means collection of goods bought from different sources at a common point.

2. Selling:

- Selling is the heart of marketing task. It is the process of transfer of ownership of goods to a buyer in exchange for money.
- Thus selling involves all efforts made in persuading the prospective customers to buy a commodity or service.

3. Transportation:

- Transportation is an important function of marketing as markets are geographically away from production centres. It implies the movement of goods from the points of production to the points of consumption.
- It creates place and time utility of goods by removing them from the place of production to the place where they are to be consumed.

4. Storage:

- As goods are produced in anticipation of demand, it becomes necessary for the businessmen to store the goods properly till the time of their sale.
- Thus storage is the process of preserving goods from the time they are produced till they are needed for consumption.
- Storage of goods in warehouses has become very popular in these days. The storage function of marketing can, therefore, be made effective through the establishment of warehouses. It creates both time and place utilities.

5. Financing:

- The importance of financing in the present day economy cannot be underestimated although it is considered as an ancillary function of marketing.
- Finance refers to the provision of money at the time it is wanted.
- All the plans of a businessman would remain mere dreams unless adequate money is available to convert them into reality.
- Thus it is very difficult to conduct smooth marketing without the availability of adequate and cheap finance.

6. Risk-taking:

- Risk is an inevitable feature of any business activity and marketing is no exception to it. It is a chance of loss.
- Although a business is run for profit; there is a chance of loss in spite of the best efforts of the businessman.

- Marketing enterprise has to face innumerable risks in the process of marketing goods on account of social hazards such as theft, burglary, bad debts etc or changes in demand as a result of changing buyer behavior or price decrease, competition, technological advancements, poor quality, and government controls.
- Some of these risks can be totally avoided and some others can be shifted to insurance companies. But risks on account of changes in prices cannot very easily be shifted, eliminated or reduced.

7. Standardisation and Grading:

- Some major problems of marketing can be tackled with the help of standardization and grading.
- Standardisation is the process of setting up standards to manufacture products. The standard is a constant physical characteristic that gives uniformity to a group of products.
- It is determined on the basis of color, weight, quality and other special or general features of a product. Grading is a part of standardization.

- It is the process of sorting out goods into a number of grades or classes in accordance with quality and size.
- Grading helps in comparing the quality and price of various commodities, especially agricultural products and raw materials.

8. Market information:

- Any information that is required to improve the market is called the market information. It provides a marketer with everything he wants to know.
- In marketing, a marketer has to face a lot of problems.
- He can solve those problems only by careful interpretation of the available data.
- A knowledge marketer can find the customers tastes and preferences with the help of marketing information and its proper analysis. This has paved the way for marketing research which is now an independent branch of marketing.

Marketing Mix

- **Marketing Mix** - A mixture of several ideas and plans followed by a marketing representative to promote a particular product or brand is called marketing mix.
- Several concepts and ideas combined together to formulate final strategies helpful in making a brand popular amongst the masses form marketing mix.

Elements of Marketing Mix

- The elements of marketing mix are often called the **four P's of marketing**.
- **Product**
- Goods manufactured by organizations for the end-users are called products.
- Products can be of two types - Tangible Product and Intangible Product (Services)

- An individual can see, touch and feel tangible products as compared to intangible products.
- A product in a market place is something which a seller sells to the buyers in exchange of money.
- **Price**
- The money which a buyer pays for a product is called as price of the product.
- The price of a product is indirectly proportional to its availability in the market. Lesser its availability, more would be its price and vice a versa.
- Retail stores which stock unique products (not available at any other store) quote a higher price from the buyers.
- **Place**
- Place refers to the location where the products are available and can be sold or purchased. Buyers can purchase products either from physical markets or from virtual markets.

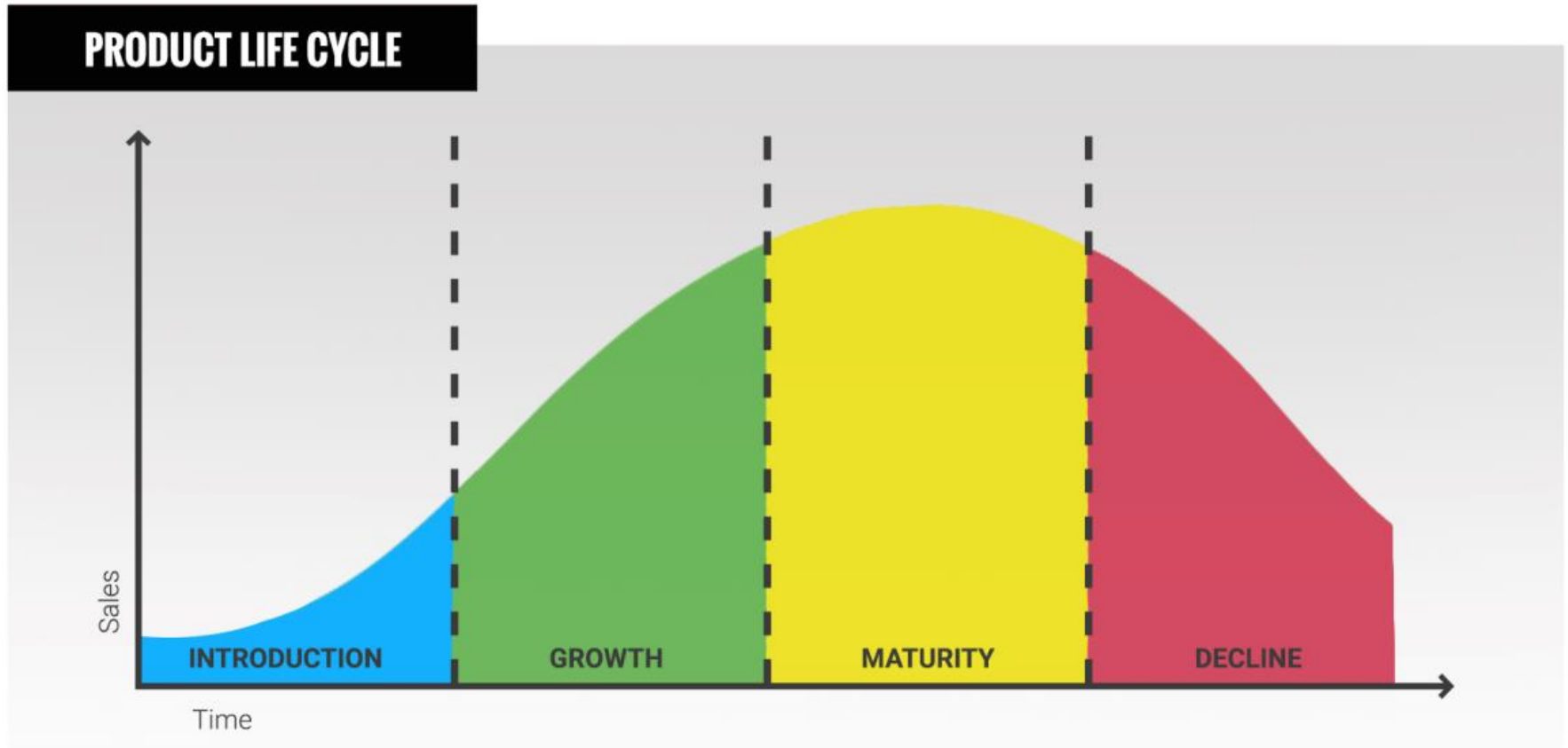
- In a physical market, buyers and sellers can physically meet and interact with each other whereas in a virtual market buyers and sellers meet through internet.
- **Promotion**
- Promotion refers to the various strategies and ideas implemented by the marketers to make the end - users aware of their brand. Promotion includes various techniques employed to promote and make a brand popular amongst the masses.
- Promotion can be through any of the following ways:
- **Advertising**
- Print media, Television, radio are effective ways to entice customers and make them aware of the brand's existence.
- Billboards, hoardings, banners installed intelligently at strategic locations like heavy traffic areas, crossings, railway stations, bus stands attract the passing individuals towards a particular brand.

- Taglines also increase the recall value of the brand amongst the customers.
- Word of mouth
- One satisfied customer brings ten more customers along with him whereas one dis-satisfied customer takes away ten more customers. That's the importance of word of mouth. Positive word of mouth goes a long way in promoting brands amongst the customers.

Product life cycle (PLC)

- Product life cycle (PLC) Like human beings, products also have a life-cycle. From birth to death, human beings pass through various stages e.g. birth, growth, maturity, decline and death.
- A similar life-cycle is seen in the case of products. The product life cycle goes through multiple phases, involves many professional disciplines, and requires many skills, tools and processes.
- Product life cycle (PLC) has to do with the life of a product in the market with respect to business/commercial costs and sales measures. To say that a product has a life cycle is to assert three things:
- Products have a limited life,
- Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller,

Product life cycle (PLC)



- Products require different marketing, financing, manufacturing, purchasing, and human resource strategies in each life cycle stage.
- The four main stages of a product's life cycle and the accompanying characteristics are:
 - **Market Introduction Stage**
 1. costs are very high
 2. slow sales volumes to start
 3. little or no competition
 4. Demand has to be created
 5. customers have to be prompted to try the product
 6. makes no money at this stage
 - **Growth Stage**
 1. costs reduced due to economies of scale
 2. sales volume increases significantly

3. profitability begins to rise
4. public awareness increases
5. competition begins to increase with a few new players in establishing market
6. increased competition leads to price decreases

- **Maturity Stage**

1. costs are lowered as a result of production volumes increasing and experience curve effects
2. sales volume peaks and market saturation is reached
3. increase in competitors entering the market
4. prices tend to drop due to the proliferation of competing products
5. brand differentiation and feature diversification is emphasized to maintain or increase market share
6. Industrial profits go down

- Saturation and decline stage

1. costs become counter-optimal
2. sales volume decline or stabilize
3. Prices, profitability diminish
4. Profit becomes more a challenge of production/distribution efficiency than increased sales

ADVERTISING

- The American Marketing Association defines advertising as “any paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor.”
- Advertising is non-personal as it is not directed to any single individual.
- Secondly, the sponsor i.e. the manufacturer or producer is identified as his name and address is always contained in an advertisement and he also bears all the cost involved in the process.
- Objectives of Advertising:
 - i. To educate customers
- Can you remember the advertisement of *Dandi Namak* on television? In this advertisement it is said that *Dandi Namak* is good for health as it contains Iodine.

- This message educates you that iodine is good for health and *Dandi Namak* contains iodine.

ii. To create demand for new product

- You read in newspaper that a new type of pen called 'Gel pen' is introduced in the market, which is very economical and convenient in writing. This motivates you to buy the said pen.
- Similarly, many students like you shall also buy gel pen after coming to know about it through advertisement. This will create a demand for the new product launched in the market.

iii. To retain existing customers

- You might remember that Nirma washing powder was a very popular detergent. But, after Wheel powder came to the market the sale of Nirma suddenly decreased.
- Then the Manufacturers of Nirma improved the product and advertised about the same in different Media.

- After knowing this the persons who were earlier using Nirma did not switch over to Wheel and continued using Nirma.
- In this manner Nirma sustained its existing demand. Thus, advertising helps the manufacturers not only to create a demand for a new product but also to retain the existing customers.

iv. To increase sales

- We have learnt that advertising creates demands for new products and sustains the demand of old one. Thus, with increase in demand, the sale of the product also increases.

v. To assist salesman

- In most advertisements the salient features of a product, its qualities and its uses are expressed in detail. This assists a salesman to sell the product quickly without spending time in explaining and convincing the customer.

Media of Advertising

- The advertisements are communicated by using some media like, newspaper, journals, radio, television, etc.

(A) Print Media:

- Print media is a very commonly used medium of advertising by businessman. It includes advertising through newspaper, magazines, journals, etc. and is also called press advertising.

1. Newspapers

- You must have read Newspapers. In our country newspapers are published in English, Hindi and in other regional languages. These are the sources of news, opinions and current events. In addition, Newspapers are also a very common medium of advertising.
- The advertiser communicates his message through newspaper which reaches to crores of people.

Advantages

- Advantages of Newspaper Advertising are as below:
 - i. Newspapers normally have wide circulation and a single advertisement in the newspaper can quickly reach to a large number of people.
 - ii. The cost of advertising is relatively low because of wide publication.
 - iii. Generally newspapers are published daily. Thus, the same advertisement can be repeated frequently and remind reader everyday.
 - iv. The matter of advertisement can be given to newspapers at a very short notice. Even last minute changes in the content are also possible. This makes advertising quite flexible.

Limitations

- Newspaper advertising also suffers from some limitations as mentioned below:
 - i. Newspapers are read soon after they are received and then are kept generally in some corner of the houses. After 24 hours we get a fresh newspaper and this makes the life of the newspaper short.
 - ii. People read newspapers mainly for news and pay casual attention to advertisement.
 - iii. Illiterate persons can not read and thus, newspaper advertising does not benefit them.

2. Periodicals

Periodicals are publications which come out regularly but not on a daily basis. These may be published on a weekly, fortnightly, monthly, bimonthly, quarterly or even yearly basis.

- For example you must have come across magazines and journals like Onlooker, [India Today](#), [Frontline](#), Yojana, Swagat, Femina, etc. published regularly in English, Grihasobha, Nandan and Champak in Hindi.

Advantages

- i. [Periodicals have a much longer life than newspapers](#). These are preserved for a long period to be referred in future or read at leisure or read again, whenever required.
- ii. [Periodicals have a selected readership](#) and so advertisers can know about their target customers and accordingly selective advertisements are given.

For example, in a periodical like Femina, which is a magazine for women, advertisements related to products to be used only by males are rarely published. However, manufacturers of products and services to be used by females prefer to give advertisement in this magazine.

- **Limitations**

- i. Advertising in periodicals is costlier.
- ii. The number of people to whom the advertisements reach are small in comparison to Newspapers.
- iii. The advertisement materials are given much in advance; hence last minute change is not possible. This reduces flexibility.

- **(B) Electronic Media:**

- This is a very popular form of advertising in the modern day marketing. This includes Radio, Television and Internet. Let us look into detail about these.

- **1. Radio Advertising**

- All of us are aware about a radio and must have heard advertisements for various products in it. In radio there are short breaks during transmission of any programme which is filled by advertisements of products and services. There are also popular programmes sponsored by advertisers.

Advantages

- (i) It is more effective as people hear it on a regular basis.
- (ii) It is also useful to illiterates, who can not read and write.
- (iii) There are places where newspapers reading may not possible, but you can hear radio. For example, you can hear radio while traveling on road or working at home; but you can not read newspaper. Similarly, while driving you can hear a radio but cannot read a newspaper.

Limitations

- (i) A regular listener may remember what he has heard. But, occasional listeners tend to forget what they have heard in Radio.
- (ii) The message that any advertisement wants to communicate may not be proper as there is no chance to hear it again immediately. There may be some other disturbances that distort communication.
- (iii) In comparison to Television, Radio is less effective as it lacks visual impact.

2. Television Advertising

- With rapid growth of information technology and electronic media, television has topped the list among the media of advertising.
- TV has the most effective impact as it appeals to both eye and the ear. Products can be shown, their uses can be demonstrated and their utilities can be told over television.
- Just like radio, advertisements are shown in TV during short breaks and there are also sponsored programmes by advertisers.

Advantages

- (i) It is most effective as it has an audio-visual impact.
- (ii) With catchy slogans, song and dance sequences, famous personalities exhibiting products, TV advertising has a lasting impact.
- (iii) With varieties of channels and programmes advertisers have a lot of choice to select the channel and time to advertise.
- (iv) With regional channels coming up any person even illiterates can watch the advertisements and understood it by seeing and hearing.

Limitations

- (i) TV advertisements are usually expensive to prepare as well as to telecast
- (ii) With almost every manufacturer trying to communicate their message through TV advertising the impact among the viewers is also reducing. Now-a-days people are switching on channels whenever there is a commercial break.

3. Internet

- Infact it is the latest method of communication and gathering information. If you have a computer and with an access to internet you can have information from all over the world within a fraction of second.
- Through internet you can go to the website of any manufacturer or service provider and gather information.
- Sometimes when you do not have website addresses you take help of search engines or portals. In almost all the search engines or portals different manufactures or service providers advertise their products.

Advantages

- (i) Information from all over the world is made available at the doorsteps.
- (ii) User can see the advertisement at their own time and as per their requirement.

Limitations

- (i) It is not accessible without a computer.
- (ii) It is not very suitable for general public.
- (iii) It is not suitable for illiterate and those having no knowledge about the operation of Internet.

(C) Other Media:

1. Hoardings

- While moving on roads you must have seen large hoardings placed on iron frames or roof tops or walls.
- These are normally boards on which advertisements are painted or electronically designed so that they are visible during day or night.

The advertisers have to pay an amount to the owners of the space, where the hoardings are placed

2. Posters

- Poster are printed and posted on walls, buildings, bridges etc to attract the attention of customers.
- Posters of films which are screened on cinema halls are a common sight in our country.

3. Vehicular displays

- You must have seen advertisements on the public transport like buses, trains, etc. Unlike hoardings these vehicles give mobility to advertisements and cover a large number of people

4. Gift Items from manufacturers

- When you buy a cycle, the shopkeeper sometimes gives you a key ring to hold the cycle key.
- Some jewelers give small purse or boxes when you buy jewellery.

- Sometimes manufacturers give diaries, calendars, purse, etc. to buyers and prospective customers.
- In all these items the name, address and telephone number of the manufacturer, or trader or service provider as well as descriptions of the products in which they deal in are printed.

Sales Promotion

- “Those marketing activities other than personal selling advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as display shows and exhibitions, demonstrations and various non-recurrent selling efforts not in the ordinary routine.”

Objectives of Sales Promotion:

- The basic objectives of sales promotion are:

i) To introduce new products

- To induce buyers to purchase a new product, free samples may be distributed or money and merchandise allowance may be offered to business to stock and sell the product.

ii) To attract new customers

- New customers may be attracted through issue of free samples, premiums, contests and similar devices.

iii) To induce present customers to buy more

- Present customers may be induced to buy more by knowing more about a product, its ingredients and uses.

iv) To help firm remain competitive

- Sales promotions may be undertaken to meet competition from a firm.

v) To increase sales in off season

- Buyers may be encouraged to use the product in off seasons by showing them the variety of uses of the product.

Types of Sales Promotion:

- Many sales promotion tools are available to accomplish these objectives at the consumer level, and at the middle men level. For the purpose of convenience, the types of sales promotion methods may be grouped under two categories:
 1. Types of sales promotion directed at consumers.
 2. Types of sales promotion directed at dealers and distributors.

Consumer Promotion Tools:

- The main consumer promotion tools include samples, coupons; cash refund offers, price packs, premiums, prizes, patronage rewards, free trials, product warranties, tie-ins, and point of purchase displays and demonstrations.

Samples

- **Samples are offers of a free amount or trial of a product to consumers.** The sample might be delivered door to door sent in the mail, picked up in a store, found attached to another product or featured in an advertising offer.
- Sampling is the most effective and most expensive way to introduce a new product.

Coupons

- **Coupons are certificates entitling the bearer to a stated saving on the purchase of a specific product.** Coupons can be mailed, enclosed in or on other products or inserted in magazine and newspaper advertisements.
- Coupons can be effective in stimulating sales of a mature brand and inducing early trial of a new brand.

Cash Refund Offers or Rebates

- These are like coupons except that the price reduction occurs after the purchase rather than at the retail shop.
- The consumer sends a specified “proof of purchase” to the manufacturer, who in turn ‘refunds’ part of the purchase price by mail.
- Cash refunds have been used for major products such as automobiles as well as for packaged goods.

Price Packs

- These are offers to consumers of savings off the regular price of a product, flagged on the label or package. They may take the form of a reduced-price pack which is single packages sold at a reduced price (such as two for the price of one) or a banded pack, which is two related products banded together (such as a tooth brush and tooth paste).
- Price packs are very effective in stimulating short term sales, even more than coupons.

- **Premiums or Gifts**
- These are merchandise offered at a relatively low cost or free as an incentive to purchase a particular product.
- Sometimes the package itself is a reusable container may serve as a premium
- A self-liquidating premium is an item sold below its normal retail price to consumers who request it.

Prizes

- These are offers of the chance to win cash, trips or merchandise as a result of purchasing something. Pepsi-cola offered the chance to win cash by matching numbers under the bottle cap with numbers announced on television.
- Sometimes the prize is a person, offering the winner either cash or dinner with actor Sharuk Khan.

Patronage Awards

- These are values in cash or in other forms that are proportional to one's patronage of a certain vendor or group of vendors.

- Most airlines offer “frequent flyer plans” providing points for miles traveled that can be turned in for free airline trips.
- Cooperatives pay their members dividends according to their annual patronage. Le Meridian adopted an “honoured guest” plan that awards points for users of their hotels.

Free Trials

- Free trials consist of inviting prospective purchasers to try the product without cost in the hope that they will buy the product. Thus, often we see, auto dealers encourage free test drives to stimulate purchase interest.

Product Warranties

- These are an important tool, especially as consumers become more quality sensitive. When My TVS offered a two year car warranty, substantially longer than other competitors’ customers took notice. They inferred that My TVS quality must be good or else the company would be in deep trouble.

- Companies must carefully estimate the sales-generating value against the potential costs of any proposed Warranty programme.

Tie-in Promotions

- These are becoming increasingly popular. In a tie in promotion two or more brands or companies team up on coupons, refunds and contests to increase their pulling power. Companies pool funds with the hope of broader exposure, while several sales forces push these promotions to retailers, giving them a better shot at extra display and ad space.

Point-of-Purchase Displays

- These take place at the point of purchase or sale. Display of visible mark or product at the entrance of the store is an example. Unfortunately many retailers do not like to handle the hundreds of displays, signs and posters they receive from manufacturers.
- Hindustan Lever often use this tool to promote its products in the retail market.

Product Demonstrations

- **Products are being shown in action.** Consumers can visit the store and see the usage of product in live action so that doubts of the consumers can be clarified in the store itself.
- When a new product is introduced in the market, the sales promotional tool is often used. For example ultra modern grinder mixie being used by the company to demonstrate its speciality than the other product.

CHANNELS OF DISTRIBUTION

- A channel of distribution or trade channel is the path or route along which goods move from producers to ultimate consumers.
- It is a distribution network through which a producer puts his products in the hands of actual users.
- A trade or marketing channel consists of the producer, consumers or users and the various middlemen who intervene between the two.
- The channel serves as a connecting link between the producer and consumers.
- By bridging the gap between the point of production and the point of consumption, a channel creates time, place and possession utilities.
- A channel of distribution represents three types of flows:

- a. Goods flow from producer to consumers;
- b. Cash flow from consumers to producer as payment for goods; and
- c. Marketing information flows in both directions, from producers to consumers in the form of information on new products, new uses of existing products, etc. The flow of information from consumers to producers is the feedback of the wants, suggestions, complaints, etc.

- **KINDS OF DISTRIBUTION CHANNELS**

1. Manufacturer to Customer: This is also known as direct selling because no Middlemen are involved. A producer may sell directly through his own retail stores, for example, Bata.

- This is the simplest and the shortest channel. It is fast and economical.
- Small producers and producers of perishable commodities also sell directly to the local consumers.

- Big firms adopt direct selling in order to **cut distribution cost** and because they have sufficient facilities to sell directly to the consumers. The producer or the entrepreneur himself performs all the marketing activities

2. Manufacturer to Retailer to Customer: This is **one stage distribution channel having one middleman, i.e., retailer**. In this channel, the producer sells to big retailers like departmental stores and chain stores who in turn sell to customer.

- This channel is very popular in the distribution of consumer durables such as refrigerators, T V sets, washing machines, typewriters, etc.
- This channel of distribution is very popular these days because of emergence of departmental stores, super markets and other big retail stores.
- The retailers purchase in large quantities from the producer and perform certain marketing activities in order to sell the product to the ultimate consumers.

3. Manufacturer to Wholesaler to Retailer to Customer: This is the traditional channel of distribution.

- There are **two middlemen in this channel of distribution**, namely, wholesaler and retailer.
- This channel is most suitable for the products with widely scattered market.
- It is used in the distribution of consumer products like groceries, drugs, cosmetics, etc.
- It is quite suitable for small scale producers whose product line is narrow and who require the expert services and promotional support of wholesalers.

Characteristics of Wholesalers

- The followings are the characteristics of wholesaler:

- (i) Wholesalers buy goods directly from producers or manufacturers.
- (ii) Wholesalers buy goods in large quantities and sells in relatively smaller quantities.
- (iii) They sell different varieties of a particular line of product. For example, a wholesaler who deals with paper is expected to keep all varieties of paper, cardboard, card, etc.
- (iv) They may employ a number of agents or workers for distribution of products.
- (v) Wholesalers need large amount of capital to be invested in his business.
- (vi) They generally provides credit facility to retailers.
- (vii) He also provides financial assistance to the producers or manufacturers.

Functions of Wholesalers

- (a) **Collection of goods:** A wholesaler collects goods from manufacturers or producers in large quantities.
- (b) **Storage of goods:** A wholesaler collects the goods and stores them safely in warehouses, till they are sold out. Perishable goods like fruits, vegetables, etc. are stored in cold storage.
- (c) **Distribution:** A wholesaler sells goods to different retailers. In this way, he also performs the function of distribution.
- (d) **Financing:** The wholesaler provides financial support to producers and manufacturers by sending money in advance to them. He also sells goods to the retailer on credit. Thus, at both ends the wholesaler acts as a financier.
- (e) **Risk taking:** The wholesaler buys finished goods from the producer and keeps them in the warehouses till they are sold. Therefore, he assumes the risks arising out of changes in demand, rise in price, spoilage or destruction of goods.