

BUSINESS STUDIES

CHAPTER - 32

MARKETING MANAGEMENT



We learn about the following in this chapter,

- Market - meaning and types
- Marketing system - meaning - functions - importance
- Marketing mix – PRODUCT – PRICE – PLACE – PROMOTION
- Producer – Middle men – Consumers
- Consumer rights and Consumer Forums.

Market – Meaning : The term market is derived from the Latin word ‘Marcatus’, which means trade or a place of business. In ordinary language, the term market refers to a certain place where buyers and sellers personally meet each other and make their purchases and sales. In other words, it is a place where goods are bought and sold.

1) On the basis of area

Local market : This type of market is generally limited to a specific local area. Buying and selling is limited to local area only.

Regional market : This type of market is generally restricted to a particular geographical area or state.

National market : These are the markets whose activities are restricted within the boundaries of a particular country.

International market : These are the markets whose marketing activities are carried out among a number of countries.

(2) On the basis of items

Commodity market : In this type of markets different types of commodities such as raw materials, semifinished goods, capital goods and consumer goods are bought and sold.

Money market : It is a specialized market for availing short term finance to business houses.

Capital market : It is a specialized market for availing long term finance to business houses, generally through financial institutions and stock exchanges.

(3) On the basis of Link

- **Primary market** : In this type of markets the producers sell their goods to wholesalers (basically agricultural products)
- **Secondary market** : This is the market where wholesalers sell their goods to the retailers.
- **Terminal market** : This is the market where retailers sell goods to the ultimate consumers.

4. On the basis of volume of business

- **Wholesale market** : In this type of market goods are sold in huge quantities to the retailers.
- **Retail market** : In this type of market goods are sold in small quantities to the ultimate consumers.

5. On the basis of nature of transactions

- **Spot market** : In this type of market goods are sold to the buyers on the spot where the sellers agree to sell their products and buyers agree to buy them for consideration.
- **Future market** : In this type of market goods are transferred at a later date.

6. On the basis of nature of goods

- **Consumer market** : In this type of market goods are purchased for personal consumption.
- **Producers markets** : In this type of markets goods are purchased for the use in the further process of production.

7. On the basis of Regulation

- **Regulated markets :** These markets are regulated by statutory regulations.
- **Non-regulated or free markets :** These markets are not controlled by statutory measures. They operate freely.

There are a few other kinds also. You will learn about them in higher classes.

8. Traditional and Non Traditional markets :

Traditional markets : refer to oldest form of marketing under which the goods are exchanged on some predetermined basis. It generally reflects to traditional place concept. It includes market on the basis of area, potential buyers and sellers, volume and nature of goods.

Non-Traditional markets : These markets do not have a fixed place, the purchases and sales are carried out from different places. They generally include

- Mail order houses
- Tele shopping
- Virtual stores
- Catalogue market
- Online marketing

MARKETING

Meaning : It involves all the activities which results in the flow of goods and services from the producers to the consumers.

American Marketing Association defines marketing as “Marketing is the performance of business activity that directs the flow of goods and services from producers to consumers or users.”

From the above definitions, it is clear that marketing does not confine itself to physical distribution of goods and services but it is the consumer orientation of all the marketing activities.

Functions of marketing : Marketing involves many functions. Some of the major functions of marketing are :-

1. Buying and assembling.
2. Selling.
3. Transportation.
4. Storage and warehousing.
5. Market research.
6. Standardization.
7. Grading.
8. Branding.
9. Insurance.

1. **Buying and assembling** : Buying in marketing implies buying of goods by the manufacturers for use in production or buying of goods from middle men for resale. It is not buying of goods by the consumers for consumption. Assembling is a function which starts after buying is over.
2. **Selling** : It is concerned with disposing or transferring of goods by sale from the seller to the buyer at a profitable price.
3. **Transportation** : Transportation is an integral part of marketing. It creates time and place utility and adds the value to the goods.
4. **Storage and ware housing** : It refers to preserving of the goods between the time of production and the time of sale. Storing of goods is facilitated by ware housing.
5. **Market research** : It is a method of discovering all potential trend and demand.
6. **Standardization** : Standardization is determining the quality and setting of standards for manufactured products. Standards convey ideas relating to the uniformity to the external appearances and internal content of the product. It facilitates purchase and sale of goods.

- 7. Grading :** It is a process of sorting out products on the basis of some established criteria. Grading widens the market, helps in price fixation. It also assures the consumers the assured standard quality at a reasonable price.
- 8. Branding :** This is the act of fixing a symbol or some letter to a product to distinguish it from the products of others. Branding brings down selling costs, widens the market and creates a demand for a particular or branded 'product'. Brand should be duly registered under the Trade Marks Act. The letter 'R' within a circle on each product and package indicates that the selected brand is duly registered. Others cannot use this brand name. If used legal action can be taken. e.g. : Reebok shoes, Rin soap, Parker pen etc.
- 9. Insurance :** This is another important function of marketing. There are many risks involved in marketing. Insurance provides security against all types of insurable risks and helps them to overcome uncertainty in business, It protects the businessman against losses

IMPORTANCE OF MARKETING

Standard of living : Availability and consumption of various types of products and services increase the standard of living of the people.

Consumer satisfaction : Marketing of variety of goods and services provides opportunity to consume many new types of products by consumers. It directly increases the consumer satisfaction and encourages production also.

Employment opportunity : Many institutions are involved in the process of marketing. For example manufacturers, wholesalers, retailers, transport agencies, banks, insurance logistic, transcribing and supply chain management agencies etc., in the course of executing marketing activities. These activities create employment opportunities in the country.

Resources : Marketing activities ensure optimum use of resources to produce goods and services. It enables to satisfy various needs of the consumers.

International Marketing : Marketing involves not only domestic trade but also making the products available, beyond the boundaries of a nation, International marketing brings foreign exchange and also strengthens the relationship between nations.

Economic development : Planned allocation of resources add job opportunities which leads to higher standard of living and increases income and savings level of the people and bring overall economic development.

MARKETING MIX

Meaning : Formulation and implementing the methods of marketing is referred as 'Marketing Mix'. The concept of Marketing Mix was first introduced by Prof. N.H. Borden of Hardware Business School of America. According to him the marketing mix refers to two lists :

- List of important elements that make up the marketing programme.
- List of forces having the marketing operations.

The elements of marketing mix are made up of four forces namely

Product mix, Price mix, Promotion mix and Place mix.

Marketing mix is important because of the following reasons:

- Marketing mix helps the firm to increase its sales and profit.
- Marketing mix represents the integral approach to marketing by maintaining balance among various elements which are interrelated.
- Marketing mix serves as a link between the firm and its customers.
- Marketing mix helps in pursuing customer oriented marketing. There by increases the satisfaction of the customers.
- Marketing mix helps to meet the needs of the customers.

Let us know in brief about the four forces of marketing mix.

1. Product Mix : It is a very important and vital element of the marketing mix. It means the different alternative combinations of the features relating to the product to be offered for sale. It includes service mix also. The producer aims at producing quality products but emphasis is also given to the variety of the product, design of the product, packaging, colour and other features under the product mix. Consumer satisfaction is also aimed at through product mix. Grading, Branding and labeling are also included in product mix.

2. Price Mix : Price is the value which a consumer spends in exchange of a product. It is the combination or process of facing the price of a product keeping in mind, the cost of the product. The discount if any to be offered, allowances and also the credit period and terms of payment to be allowed.

3. Place Mix : This mix represents the various acts undertaken by the concern to make its product available in the market. It gives emphasis on all distribution channels. It includes transfer of ownership of the product to the actual consumers. Moving of the product from one place to another for the consumer's choice also comes under the scope of place mix.

4. Promotion Mix : it is also called communication mix. This mix refers to the activities undertaken by the sellers to promote the product among the prospective buyers. Promotion mix includes advertising, salesmanship, sales promotion and publicity. In simple words all the activities done to pursue customers to buy the product come under the scope of Promotion mix.

Role of Producer - Middlemen and Consumers in the exchange of Goods

Distribution channel plays an important role in place mix of marketing. Distribution channel includes the exchange of goods and transfer of ownership from the producer to consumers.

The distribution channel can be classified mainly into two categories. They are :

- Direct distribution or Direct selling
- Indirect distribution or indirect selling.

Under direct selling the goods are sold by the producer directly to the consumers.

Ex : Bata shoes, Raymond outlets etc.,

Under Indirect selling, we have the following distribution channels.

1. Producer → Retailer → Consumer
2. Producer → Wholesaler → Retailer → Consumer
3. Producer → Agent → Wholesaler → Retailer → Consumer
4. Producer → Wholesaler → Consumer

1. Producer → Retailer → Consumer : Under this system of distribution, producer sells goods to the retailers, who in turn sells them directly to consumers. Generally under this channel of distribution goods of high value and durable articles are included. Ex : Ready made garments, automobile accessories. Retailers are only the middlemen here.

2. Producer → Wholesaler → Retailer → Consumer : Under this channel of distribution, two middlemen come into picture. Goods are sold in huge quantities to the wholesalers, who sell the products to the retailers in small quantity and then the retailers sell the products to the consumers in small quantities.

Ex : Distribution of groceries, drugs, hardware, stationery etc.

Here the wholesalers provide strong promotional support.

3. Producers → Agent → Retailers → Consumers : Under this channel of distribution, there are limited number of retailers. The producers appoint agents who go to the retailers and sell the products directly to them. In return the retailers sell them to the consumers. This type of channel is used to distribute industrial products or agricultural products.

4. Producer → Agent → Wholesaler → Retailer → Consumer :

This channel of distribution is the longest and complete distribution channel. Under this channel, the goods are first sold to agents, who after adding their profit sell to the wholesalers, who also add their profit and sell it to the retailers and finally retailers sell the goods to the consumers.

Role of Middlemen in the channel of distribution

The distribution channel of a product begins with the producers and ends with the consumers. In between producer and the final consumer various middlemen are included. They either purchase and sell goods or negotiate purchases and sales. However transporting agents, banks, insurance companies which also help in the movement of goods are not included in the distribution channel. This is because though these agencies perform certain functions of marketing, they neither purchase nor sell the goods or negotiate the purchases and sales of goods.

Consumer rights and the functions of Consumer Forums :

Consumer : Consumer is a person who buys goods or hires or avails services for a consideration called Price or wages.

a) Consumer protection : It refers to protection to consumers against the exploitation by the producers and traders. There is a great need for consumer protection. To safeguard the interests of consumers, consumer rights are assured.

b) Consumer rights : Many Regulatory Acts have been passed in our country to provide an opportunity for the consumers to seek redresses of their grievances. Some of them are (1) Indian Contracts Act-1872 (2) The sale of goods Act-1930 (3) Indian Standards Institutions Act-1952 (4) Essential Commodities Act-1955 (5) The Consumer Protection Act-1986.

To comply with the Guidelines adopted by the United Nations, to protect the interests of the consumers, the Government of India passed the Consumers Protection Act in 1986. It came into force from 1987. It was amended in 1992, 1993 and 2002.

The Consumer Protection Act extends to the whole of India except Jammu and Kashmir. It applies to all goods and services. The Act promotes the rights of consumers as follows :

- The right to be protected against the marketing of goods which are hazardous to life and property.
- The right to information – information about the quality, quantity, purity, standard etc. to protect the consumers against unfair trade practices.
- Right to choice : Where ever possible access to variety of goods at competitive prices.
- Right to be heard : The interests of the consumers to be heard with due consideration.
- Right to seek redressal : Against the unfair trade practices or unscrupulous exploitation.
- Right to consumer education: The consumers are to be educated about their rights.
- Right to stop exploitation.
- Right to healthy environment that is good physical environment will enhance the quality of their life.

The Consumer Protection Act provides for the establishment of Central Protection Council, at National level, State Consumer Protection Council at State level. District Consumer protection council at the District level. These councils are formed in accordance with the jurisdiction and the minister in charge of consumer affairs in the Central Government is the chairman of National council. The minister in charge of consumer affairs is the chairman at the state level. The District Collector is the Chairman at district level.

Consumer grievances disputes redressal Agencies

The Consumer Protection Act provides for the establishment of consumer disputes redressal agencies such as :

- (1) District forum (2) State Commission (3) National Commission.

1) District Forum : There shall be a forum at each district. A qualified district judge nominated by the state government is its president. It entertains the complaints where the value of goods or services is less than 20 lakhs. There shall be two members of whom one shall be a woman.

2) The State Commission : A person who is or has been a High Court Judge is its president. There shall be two other eminent members, who have adequate knowledge relating to consumer affairs. It entertains complaints of exceeding 20 lakhs but not more than one crore. Of the two members one shall be a woman.

3) The National Commission : It is headed by a Judge of Supreme Court to be appointed by the Central government as President. There shall be other four members of eminence, integrity and standing. Of them one shall be a woman. National Commission shall dispose of any complaints where the claim shall exceed one crore.

EXERCISES

I. Fill in the blanks with appropriate words.

1. The place where sellers and buyers meet to sell and buy the goods is generally called _____.
2. The market that is generally restricted to a geographical region is called _____ market.
3. The markets that are regulated by statutory regulations is called _____ Markets.
4. Storing of goods between the time of production and the time of sale is facilitated by _____.
5. The activities that pursue customers to buy the products come under the scope of _____ mix.
6. The best example for the goods sold by the producers directly to the consumer is _____.

7. For all the brand registered products, on packages _____ is indicated.
8. The assurance of the standard quality of product to consumers is assured by _____ of goods.

II. Answer each of the following questions in a sentences or two.

1. Mention the four types of markets classified under the basis of area.
2. What are money markets? How are they different from capital markets?
3. What are producers markets what are consumers markets?
4. What is a spot market and how is it different from future market?
5. Mention any four types of non-traditional markets.
6. What do you mean by Marketing mix?
7. Why is consumer protection required?
8. What is branding of goods?

III. Answer each of the following questions in about eight to ten sentences.

1. What are the functions of marketing? Explain any one function briefly?
2. What are the main elements of marketing mix? Explain any one of them?
3. What is the importance of marketing? How does marketing help in improvement of standard of living ?

IV. Activities :

- 1) Collect labels of about ten items and listout the particulars under the following colums.

Sl. No.	Name of the product.	Particulars.	Date of manufacturing. Date of expiry. Maximum Retail price.

- 2) Collect any two consumer disputes which appear in Newspapers. Write about the dicision pronounced by the consumer forum.

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