



Business Studies Notes PDF

On

Marketing Management

(Class - 12 / Chapter- 11)

Market: It refers to the 'set of potential and actual buyers of a product or service'.

MARKETING

It is a social process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others.

According to JF Pyle, "Marketing is that phase of business activity through which the human wants are satisfied by the exchange of goods and services."

Features of Marketing:

1. Needs and Wants:

- The marketing process assists consumers in obtaining what they require and desire.
- A need is said to be known as a state of deprivation or the feeling that one is depriving oneself of something.
- Needs are fundamental to human beings and are unrelated to a specific product.

2. Creating a Market Offering:

Market offering is the process of offering and introducing a product or service with specific features such as size, quality, taste, and so on for the purpose of selling.

3. Customer Value:

Marketing used to facilitate the exchange of goods as well as services between buyers and sellers.

4. Exchange Mechanism:

- The exchange mechanism is used in the marketing process.
- Exchange refers to the process where two or more parties used to come together in order to get the desired goods or service from someone while in exchange for something. For example, money is the medium of exchange used to purchase or sell a product or service. The following conditions needs to be met in order for an exchange to take place:
 - a. There must be at least two parties.
 - b. providing something of value to the other party
 - c. communication
 - d. freedom to accept or reject offer
 - e. willingness of the parties to enter into a transaction

What can be marketed:

1. A product =

- bundle of utility not confined to physical products but can refer to other things of value such as services, ideas, and place. It refers to anything that satisfies a need or want.
- may be tangible or intangible (i.e. goods and services)
- even people can be marketed

2. Customers= people or organizations that seek satisfaction of their wants.

MARKETERS

- Anyone taking a more active role in the process of exchange is called a marketer. Normally it is the seller. But in certain situations, it may also be the buyer. This may be in the situation of rare supply.
- Sellers as marketer are the deliverers or providers of satisfaction. They make available products or services and offer them to customers with an intention of satisfying customer needs and wants.

- They can be divided into:
 - Goods marketers (such as Hindustan Lever)
 - Services marketers (such as Indian Airlines)
 - Others marketing experiences (such as Walt Disney) or places (like tourist destinations).

MARKETING MANAGEMENT

It means management of all the activities related to marketing or in other words we can say, it refers to planning, organising, directing and controlling the activities which result in exchange of goods and services. Marketing management involves following activities:

- Choosing a target market
- Growing customers in target market

The Process of Management of Marketing Involves:

a. Identifying a target market

b. Creating demand by producing products that meet the needs and interests of customers.

c. Create, develop, and communicate superior customer values: To provide superior value products/services to prospective customers, and to communicate these values to other potential buyers in order to persuade them to purchase the product/service.

MEANING AND CONCEPT OF MARKETING AND SELLING

Marketing: It is a wide term. It refers to a large set of activities of which selling is just one part. A marketer before making the sale does a lot of other activities such as planning the type, design of the product, the price and selecting the distribution outlets at which the same would be available.

Selling: It refers to the sale of goods or service through publicity, promotion and salesmanship. The title of the product is transferred from seller to buyer. The entire focus in selling is to convert the product into cash.

Difference between Marketing and Selling:

Basis	Marketing	Selling
Scope	It is a broad term that encompasses a variety of activities such as identifying customer needs, product development, pricing, distribution, promotion, and selling.	It is only a part of the marketing process.
Focus	Satisfying the needs and desires of the customers to the greatest extent possible.	Title transfer from seller to consumer
Aim	Profits are generated as a result of customer satisfaction.	Profits are generated by increasing sales volume.
Emphasis	Customer bending based on the product	Creation of products that can meet the needs of the customers.
Strategies	Product, promotion pricing, and physical distribution are all part of the effort.	Efforts such as promotion and persuasion are required.

CONCEPTS & PHILOSOPHIES OF MARKETING

1. PRODUCTION CONCEPT = In the earlier days of the industrial revolution, the number of producers were limited; → limited supply of industrial products → not able to match demand. So, anyone who was able to produce goods could easily find buyers for the same.

2. PRODUCT CONCEPT= With passage of time, the supply improved→ customers started looking for products that were superior in performance, quality and features.

3. SELLING CONCEPT= increase in scale of production→ competition among the sellers → Product quality and availability alone did not ensure survival as a large number of firms were now selling products of similar quality.

4. MARKETING CONCEPT= Marketing begins with determining what consumers want in order to satisfy consumers and profit. Customer satisfaction is a prerequisite for achieving the firm's goals and objectives.

5. SOCIAL MARKETING CONCEPT= Customer satisfaction is supplemented by social welfare in this concept. A company that adopts the societal concept must balance the company's profits, consumer satisfaction, and societal interests.

Functions of Marketing:

1. Gathering and Analyzing Market Information:

- Systematic fact-gathering and information-analysis.
- Examining a business environment's strengths, weaknesses, opportunities, and threats.
- Identifying customer needs and desires, determining purchasing motivations, selecting a brand name, packaging, and promotional media, and so on.
- Data is available from both primary and secondary sources.

2. Marketing Planning:

- Create an appropriate marketing plan in order to meet marketing objectives.
- It should specify the action plans to achieve these goals.
- For example, if a marketer wants to increase his country's market share in the next three years, his marketing plan should include various important aspects such as a plan for increasing production levels, product promotion, and so on.

3. Product designing and development:

- Involves decisions regarding the product to be manufactured and its attributes such as its quality considerations, packaging, models and variations to be introduced etc.
- Done by anticipating customer needs and developing new products or improving existing products to satisfy these needs.

4. Standardization and grading:

- Standardization = Process of setting certain standards for a product on the basis of its desired qualities. E.g. ISI mark for electrical goods.
- Grading = Division of products into classes made up of units possessing similar features such as for agricultural products

5. Packaging and labeling:

- Packaging refers to designing a package (that is a wrapper or a container) for a product.
- Packaging protects the products from damage, risks of spoilage, breakage and leakage. It also makes buying convenient for customers and serves as a promotional tool.
- Labeling = designing a label to be put on the package. It may vary from a simple tag to complex graphics.

6. Branding:

- It aids in product differentiation, builds customer loyalty, and promotes sales.
- An important decision area is branding strategy, which determines whether each product will have a separate brand name or the same brand name will be used for all products.

7. Customer Support Services:

- Customer support services are extremely effective at increasing prospective customer sales and developing brand loyalty for a product.
- It aims to provide maximum customer satisfaction while also building brand loyalty.
- Examples include sales services, customer complaints and adjustments, credit services, maintenance services, technical services, and consumer information.

8. Pricing of Product:

- Product price refers to the amount of money that customers must pay in order to obtain a product.
- It is an important factor in a product's success or failure.
- Because the price of a product/service is related to its demand, the price should be set after considering all of the factors that influence the price of the product.

MARKETING MIX

- A large number of factors influence marketing decisions; these are classified as 'non-controllable factors' and 'controllable factors.'
- Controllable factors are those that can be influenced at the firm level.
- Environmental variables are factors that influence a decision but are not controllable at the firm level.
- In order to be successful, a company must make sound decisions after analyzing controllable factors and keeping environmental factors in mind.
- Marketing Mix refers to the set of marketing tools that a company employs to achieve its marketing objectives in the target market.
- The success of a market offer is determined by how well these ingredients are combined to provide superior value to customers while also meeting sales and profit goals.

Elements of Marketing Mix:

The four main elements of marketing mix are:

- A. Product**
- B. Price**
- C. Place/Physical Distribution**
- D. Promotion**

These elements are more popularly known 4 P's of the marketing:

- 1. Product Mix:** All the features of the product or service to be offered for sale.
- 2. Price Mix:** Value (Money) in lieu of product/service received by seller from a buyer.
- 3. Place:** Physical product distribution, i.e. making the product available to customers at the point of sale.

4. Promotion Mix: Informing the customers about the products and persuading them to buy the same.

I. PRODUCT MIX

The product element of the marketing mix signifies the tangible or intangible product offered to the customer which satisfies the need.

Classification of Product or Service:

Product or goods can be classified in two categories:

- (i) Consumer goods
- (ii) Industrial goods

A. Shopping Efforts Involved:

On the basis of the buyers' time and effort.

- **Convenience Products:** Convenience goods are consumer products that are frequently purchased for immediate use. Medicines, newspapers, stationery, toothpaste, and so on.
- **Shopping Products:** Shopping products are those in which buyers spend a significant amount of time comparing the quality, price, style, suitability, and so on at various stores before making a final purchase. **For example,** electronic goods, automobiles, and so on.
- **Specialty Products:** Specialty products are goods that have unique characteristics that compel customers to go out of their way to purchase them. For example, art, antiques, and so on.

B. Durability of Products:

- **Non-durable Products:** These are consumer goods that are consumed in a short period of time. For example, milk, soap, stationery, and so on.
- **Durable Products:** Tangible items that can withstand repeated use, such as a refrigerator, radio, bicycle, and so on.
- **Services:** Intangible services are those activities, benefits, or satisfactions that are sold, such as dry cleaning, watch repairs, hair cutting, postal services, doctor services, and so on.

INDUSTRIAL PRODUCT

Industrial products are used as input or raw material to produce consumer goods, e.g., tools, machinery etc.

Characteristics:

- Number of buyer
- Channel of distribution
- Geographical concentration
- Derived demand
- Technical consideration
- Reciprocal buying
- Leasing

Classification:

- **Materials and Parts:** items that are completely incorporated into the manufacturer's products.
- **Capital Items:** the manufacture of finished goods, such as installations and equipment.
- **Supplies and Business Services:** short-term goods and services that aid in the development or management of the final product. Repairs and maintenance, for example.

BRANDING

The process used to create a distinct identity of a product. It is the process of using a name, term, symbol or design individually or in some combination to identify a product.

Brand: Name, term, sign, design or some combination of the above used to identify the products of the seller and to differentiate them from those of competitors.

Qualities of a Good Brand Name:

- Short, easy to pronounce, spell and remember (Rin, Vim, and Ponds).
- Suggest product benefits and quality (Genteel, Boost)
- Distinctive (Zodiac, Safari)
- Adaptable to packing or labeling requirements, to different advertising media and to different languages.
- Versatile to accommodate new products (Maggi)
- Capable of being registered and protected legally
- Have staying power (should not get outdated easily).

ADVANTAGES OF BRANDING

1. Advantages to the Marketers:

- **Enables Product Differentiation Through Marking:** It aids in distinguishing its product from that of its competitors.
- Aids in the development of advertising and display programs
- **Differential Pricing:** It allows a company to charge different prices for different products.
- Ease of New Product Introduction

2. Advantages to the Customers:

- **Aids in Product Identification:** Assists customers in identifying products.
- **Ensures Quality:** Ensures product quality
- **Status Symbol:** Brands become status symbols due to their quality. As an example, consider Benz automobiles.

PACKAGING

It can be defined as a set of tasks or activities which are concerned with designing, production of an appropriate wrapper, container or bag for the product.

Level of Packaging:

There are three levels of packaging:

- **Primary packaging:** It refers to the product's immediate container e.g. toffee in a wrapper, a match box.
- **Secondary packaging:** It refers to additional layers of protection that are kept till the product is ready for use e.g. at Colgate toothpaste usually comes in a cardboard box.
- **Transportation packaging:** It refers to further packaging components necessary for storage, identification and transportation e.g. package of toffees are put into corrugated boxes for storing at a manufacturer's warehouse and for transportation.

Functions of Packaging:

- **Product Identification:** Packaging helps in identification of the product.

- **Product Protection:** The main function of the packing is to provide protection to the product from dirt, insects and breakage.
- **Convenience:** It provides convenience in carriage, stocking and in consumption.
- **Product Promotion:** Packaging simplifies the work of sales promotion.

Importance of Packaging:

- Rising standard of health and sanitation
- Self service outlets
- Product differentiation
- Innovational opportunities



LABELLING

Labeling is the process of affixing identification marks to a package. Labels are information carriers that provide information such as the name of the product, the name of the manufacturer, the contents of the product, the expiry and manufacturing date, general information for use, weight, and so on.

Labels Perform Following Functions:

- **Identify the product:** It assists customers in identifying the product among the various types of products available. For example, the purple color of a Cadbury chocolate label easily distinguishes it from other chocolates.
- **Describe and specify the product's contents:** The manufacturer provides all information regarding the product's contents, etc.
- **Product grading:** With the help of labels, products can be classified into different categories based on quality, nature, and so on, for example: Brooke Bond Red Label, Brooke Bond Yellow Label, Brooke Bond Green Label, and so on.
- **Aids in product promotion:** Attractive and colorful labels excite customers and entice them to purchase the products. For example, 40 percent extra free, as stated on detergent, buy two get one free, and so on.
- **Providing legal information:** There is a legal requirement to print the batch number, maximum retail price, weight/volume on all products, and a statutory warning on the packet of cigarettes, "Smoking is harmful to one's health": In the event of a hazard on/poisonous material, appropriate safety warnings should be posted.

II. PRICE MIX

Meaning and concept of Price: Sum of values that consumers exchange for the benefit of having or using the product Price may therefore be defined as the amount of money paid by a buyer (or received by a seller) in consideration of the purchase of a profit or a service. Normally expressed in monetary terms. Decisions include decisions wrt basic price, discounts to be offered, etc.

Factors determining price determination:

1. Pricing Objectives:

- to maximise profits in the short term-tend to charge maximum price.
- Obtain a large share of the market i.e., by maximising sales it will charge lower prices.
- Firm is operating in the competitive market and may charge a low price for it.

2. Product cost:

- Price should include all costs and also include a fair return for undertaking the marketing effort and risk.
- Includes costs of producing, distributing and selling the product.
- Costs set the floor price – the minimum level / lower limit at which the product may be sold.
- Price should recover Total costs (Fixed costs/overheads + Variable costs+ Semi-variable costs) in the long run, but in certain circumstances (introduction of a new product/entry into a new market) product price may not cover all the costs for a short while.

3. Utility and Demand:

- The utility provided by the product, as well as the demand for the product, determine the maximum price that a buyer will be willing to pay for that particular product.
- Buyers would be willing to pay until the utility of the demand exceeded or equaled the utility derived from it.
- According to the law of demand, consumers buy more at a lower price.
- Demand elasticity is the responsiveness of demand to changes in product prices. If a small change in price leads to a larger change in quantity demanded, demand is elastic. Firms can set higher prices if demand is inelastic.

4. Extent of Competition in Market:

- Before setting prices, competitors' prices and anticipated actions must be considered.

5. Government Policies:

- In the public interest, the government can intervene to regulate product prices.

III. PLACE MIX/PHYSICAL DISTRIBUTION MIX

- A set of decisions needs to be taken to make the product available to customers for purchase and consumption.
- The marketer needs to make sure that the product is available at the right quantity, at the right time and at the right place.
- It requires development of:
 - Channels of distribution
 - Physical distribution of products.

Components of physical distribution:

- **Order Processing:** Accurate & speedy order processing leads to profit & goodwill & vice versa.
- **Transportation:** Add value of the goods by moving them to the place where they are required.
- **Inventory control:** Additional demand can be met in less time, the need for inventory will also be low.
- **Warehousing:** Need arises to fill the gap between the time when the product is produced & time when it is required for consumption.

Channels of Distribution:

- Consists of a network of firms, individuals, merchants, and functionaries who assist in the transfer of title to a product from the producer to the end consumer.
- Intermediaries help to cover a large geographical area and increase distribution efficiency, including transportation, storage, and negotiation. They also provide customers with convenience by having a variety of items available in one location, as well as serving as an authentic source of market information because they are in direct contact with the customer.

Types of Channels:

1. Direct Channel (Zero Level):

The manufacturer and the customer establish a direct relationship. Manufacturer-Customer. For example, mail order, internet, and door-to-door sales.

2. Indirect Channel:

The distribution network is referred to as indirect when a producer uses one or more intermediaries to move goods from the point of production to the point of sale.

- **Manufacturer-Retailer-Customer:** Usually used for specialty goods like expensive watches, appliances, Cars (Maruti Udyog) etc.
- **Manufacturer-wholesaler-Retailer-customer:** Usually used for consumer goods like soaps, salt etc.

3. Manufacturer → Agent → Wholesaler → Retailer → Customer:

Done when manufacturers cannot approach wholesalers directly or when they carry a limited product line and has to cover a wide market.

Factors Determining Choice of Channels of Distribution:

The selection of an appropriate channel of distribution is a critical marketing decision:

- **Product Related Factors:** The nature of the product, whether it is industrial or consumer goods, perishable or nonperishable, etc., determines the distribution channels used.
- **Company Characteristics:** The company's financial strength and the level of control it wishes to exert over other channel members. Short channels are used to exert more control over intermediaries and vice versa.
- **Competitive Factors:** Companies may copy the channels used by their competitors.
- **Market Factors:** The size of the market as well as the geographical concentration of potential buyers influence channel selection.
- **Environmental Factors:** Legal constraints and a country's economic situation. In a down economy, marketers use shorter distribution channels.

IV. PROMOTION MIX

It refers to a combination of promotional tools used by an organization to communicate and persuade customers to buy its products.

Tools/Elements of Promotion Mix:

1. Advertising: Most commonly used tool of promotion. It is an impersonal form of communication, which is paid by the marketers (sponsors) to promote goods and services. Common mediums are newspaper, magazine, television & radio.

Role or Importance of Advertising:

- **Paid Form** –sponsored has to bear the costs of communicating with the prospective buyer.
- **Impersonality** – no direct face to face contact between prospects and advertisers. Creates a monologue and not a dialogue.
- **Identified Sponsor** –undertaken by an identified individual who makes the advertising effort and bears the costs of it.
- **Mass Reach** – a large number of people over a large geographical area can be reached.

- **Enhancing Customer Satisfaction And Confidence** – creates confidence and prospective buyers feel more comfortable and assured about the product quality
- **Expressiveness** – due to development in art, computer designs and graphics, special effects can be created that make simple products and messages look attractive.
- **Economy**- because of its wide reach, overall cost of advertising gets spread over a wide audience and per unit cost of reach ↓.

Objections to Advertising:

Some critics argue that advertising is a social waste because it raises costs, multiplies people's needs, and undermines social values.

- **Adds to Cost:** Unnecessary advertising raises the cost of the product, which is then passed on to the buyer in the form of high prices.
- **Undermines Social Values:** It undermines social values while encouraging materialism.
- **Confuses the Buyers:** A similar product of the same nature/quality confuses the buyer.
- **Encourages Sale of Inferior Products:** It makes no distinction between superior and inferior goods.
- **Some Advertisements are in Bad Taste:** These depict something that some people do not agree with.

2. Personal Selling: Personal selling consists of contacting prospective buyers of product personally i.e. face to face interaction between seller and buyer for the purpose of sale.

Features of the Personal Selling:

- Personal contact is established under personal selling.
- Oral conversation.
- Quick solution of queries.
- Receipt of additional information.
- Development of relationships with prospective customers which may become important in making sales.

Role of Personal Selling:

- **Importance to Business Organisation**
 - Effective Promotional Tool
 - Versatile Tool
 - Reduces Effort Wastage
 - Consumer Attention
 - Long-Term Relationship
 - Personal Relationship
 - Role in the Introduction Stage
 - Customer Relationship
- **Importance to Customers**
 - Assist in the Identification of Needs
 - Up-to-date market information
 - Expert advice
 - Customers are enticed
- **Importance to Society**
 - Converts the most recent demand
 - Employment Possibilities
 - Job Opportunities
 - Salesperson Mobility
 - Standardization of Products

3. Sales Promotion: It refers to short term incentives/ other promotion activities that seek to stimulate interest, trial or purchase.

Merits of Sales Promotion:

- **Attention Value:** Attract attention of people through use of incentives.
- **Useful In New Product Launch:** Sales promotion tools induce people to break away from their regular buying behavior and try new products.
- **Synergy in Total Promotional Efforts:** Sales promotion activities add to the overall effectiveness of the promotional efforts (advertising and personal selling) of a firm.

Limitations Of Sales Promotion – if used frequently:

- 1. Reflects Crisis:** A firm that frequently relies on sales promotion activities may give the impression that it is unable to manage its sales and there are no takers for its products.
- 2. Spoils Product Image:** Consumers may feel that the products are not of good quality or are not appropriately priced.

Commonly Used Sales Promotion Activities:

- **Product Combination:** Including another product as a free gift with the purchase of one.
- **Rebate:** Providing products at reduced prices.
- **Instant draws and assigned gifts:** Scratch a card and instantly win a prize with the purchase of a TV, Tea, or Refrigerator, for example.
- **Lucky Draw:** a lucky draw coupon for free gasoline when a certain amount is purchased, and so on.
- **Useful Benefit:** 'Purchase goods worth Rs 3000 and get a holiday package worth Rs 3000 free,' and so on.
- **Full finance at 0%:** Many marketers of consumer durables such as electronics, automobiles, and so on offer simple financing schemes such as "24 easy installments" and so on.
- **Contests:** Holding competitive events that require the use of skills or luck, etc.
- **Quantity Gift:** Providing an extra quantity of the product, for example, "Buy three, get one free."
- **Refunds:** Refunding a portion of the price paid by the customer upon presentation of proof of purchase.
- **Discount:** Selling products at a lower price than the list price.
- **Sampling:** Provide free product samples to potential customers. Typically used at the time of a product's introduction.

PUBLIC RELATIONS

“The Chartered Institute of Public Relations” defines Public Relations as a strategic management function that adds value to an organization by helping it to manage its reputation. Public relations covers a wide range of tactics, usually involve providing information to independent media sources in the hope of gaining favorable coverage. It also involves a mix of promoting specific products, services and events and promoting the overall brand of an organization, which is an ongoing tact.

Public Relation tools include:

- **Press Release:** A press release is an announcement of an event, performance, or other newsworthy item that is issued to the press by a public relations professional of an organization. It is written in the form of a story with an attractive heading so that the media quickly grasps and circulates the message through newspaper/radio/television/internet.

- **Product promotion:** The company tries to draw attention to new products by organizing sporting and cultural events such as news conferences, seminars, and exhibitions, among other things.
- **Corporate Communication:** The image of the organization is promoted through newsletters, annual reports, brochures, and other means.
- **Lobbying:** The organization maintains cordial relations with government officials and ministers in charge of corporate affairs, industry, and finance in regard to business and economic policies.
- **Counseling:** The public relations department advises management on general issues affecting the public and the company's position.

Maintaining Good Public Relations also Helps in Achieving the Following Marketing Objectives:

- Building awareness
- Building credibility
- Stimulates sales force
- Lowers promotion costs

ROLE OF 'PR' IN AN ORIGATION

- Smooth functioning of business and achievement of objectives.
- Building corporate image that affects favorably on its products. Up keep of parks, gardens, sponsoring sports activities etc.

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Commerce

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