***UNIT-1***

***Meaning of Marketing***:

 According to Philip Kotler, “A market is the set of all actual and potential buyers of a product.” The marketing concept is a customer orientation and backed by integrated marketing aimed at generating customer satisfaction as the key to satisfying organizational goals.

***Evolution Of Marketing***

 As noted earlier, exchange is the origin of marketing activity. When people need

to exchange goods, they naturally begin a marketing effort. Wroe Alderson, a leading

marketing theorist has pointed out, ‘It seems altogether reasonable to describe the

development of exchange as a great invention which helped to start primitive man on the

road to civilization’. Production is not meaningful until a system of marketing has been Definition of Marketing

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

 ***Clas­sification of Market:***

**1. Geographical area:**

From the viewpoint of area covered a market can be local, regional and international. A local market has a very limited area and generally for perishable daily necessary goods like fish, vegetables etc. A regional market covers a particular region of a country.

Such regional classification is found in a large country. India, for example, is divided into four regions, east, west, north and south, for all practical purposes. A national market covers the entire area of a country. An international market means extension of market in other countries.

**2. Unit of sale:**

Market is commonly classified on the basis of unit of sale. For example, wholesale market and retail market. The unit of sale in wholesale market is big, while in retail market it is small and sometimes very small. The price of the same commodity differs in wholesale and retail markets.

**3. Periodicity:**

**Economists classify markets from the viewpoint of time and as such there are four types of markets:**

**(a) Very short-period:**

This is a market for perishable goods and the goods have to be sold out by the sellers in a short time. The supply cannot be adjusted with the demand,

**(b) Short-Period:**

This is a market for goods with a limited stock. The supply can be adjusted with the demand to some extent but not fully,

**(c) Long-period:**

In such a market the supply can be adjusted with the demand by changing the scale of production.

**(d) Very long-period:**

In such a market, the length of the period is so long that very big changes take place to affect the supply and the demand, e.g. change in technique of production, change in population, change in tastes etc.

**4. Nature and degree of competition:**

In a free economy country there is a competition in the market which may be either perfect or imperfect and accordingly we get perfect and imperfect markets.

**A market is perfect when sane conditions are satisfied, e.g:**

(a) There are large number of sellers and buyers;

(b) The products of the sellers are identical;

(c) Each buyer and each seller has perfect knowledge of the market;

(d) Each seller has equal access to the factors of production; etc.

When one or more of the conditions are absent the market is imperfect.

Market can be further classified according to the degree of imperfection. The worst situation is when there is a monopoly (one seller) or a monopsony (one buyer).

**5. Methods of transactions:**

Generally in a market there are ‘spot’ transactions. The main characteristic of a spot transaction is that the goods exist aid the buyers and the sellers do the transactions on the basis of sane agreed terms and conditions. A market where spot transactions take place is called an ordinary market. But there are some organised markets where ‘futures’ transactions also take place.

Under futures tran­sactions goods do not exist but transactions are made by samples and by descriptions or by both. Goods which satisfy some conditions can be brought under organised markets. There are different types of organised markets like money market, commodity market and capital market.

**6. Position of sellers:**

Markets can be further classified according to the position of sellers. Accordingly we find primary, seco­ndary and terminal markets. The agricultural or industrial goods are sold by the producers to some middlemen like wholesalers.

This is the primary market. In the secondary market the middlemen like the wholesalers sell the goods to another group of middlemen called the retailers. Ultima­tely the goods are sold in the terminal market to the actual consumers.

***Modern concepts of marketing***

**a) Production concept: –** The companies which use the production concept generally focus too narrowly on their own activities because according to this concept the companies think that consumer will buy the product which comes in the market.

 **b) Product concept: –** As per this concept companies give importance to the features or the quality of the product because in long run the product exists only with the quality it is giving to the consumer.

 **c) Selling concept: –** it is not sufficient for the manufacturer to made the goods and wait for the customers. Thus, according to this concept it is very important to inform the consumer about the product which can be done through different ways of promotion.

**d) Marketing concept: –** consumer now a day is treated as “GOD”. So it is very important for the manufacturer to produce the product which the consumer wants, so that consumer get satisfaction and manufacturer earns profit.

 **e) Consumer concept:-** now not only marketing concept is sufficient rather the companies are using consumer concept which means to give attention to individual consumer it can be done through one to one marketing.

 **f) Societal marketing concept: –**

This concept means that company should not only work for the consumer but also for the society. So the company should make balance between company’s profits, consumer wants and society welfare.

# *Role of Marketing on Economic Development*

Economic development, the process by which a country improves the well-being of its citizens through political or economic means, is influenced by a variety of factors, including marketing. The term is often confused with economic growth, which refers to an increase in the ability of an economy to produce goods or services over time. In fact, economic growth is only one important factor in the economic development of a region.

***Functions of Marketing***

Marketing function Description A. Exchange functions

1. Buying

2. Selling

Ensuring that product offerings are available in sufficient quantities to meet customer demands Using advertising, personal selling and sales promotion to match goods and services to customer needs

B. Physical distribution functions 3. Transporting

4. Storing

Moving products from their points of production to locations convenient for purchasers Warehousing products until needed for sale

C. Facilitating functions 5. Standardizing and grading

6. Financing

7. Risk taking

8. Securing marketing information

Ensuring that product offerings meet established quality and quantity control standards of size, weight and so on Providing credit for channel members or consumers Dealing with uncertainty about consumer purchases resulting from creation and marketing of goods and services that consumers may purchase in the future Collecting information about consumers, competitors and channel members for use in marketing decision making

***8. The Selling Concept.***

It holds that consumers and businesses, if left alone, will ordinarily not buy enough of the **selling** company's products. The organization must, therefore, undertake an aggressive **selling** and promotion effort. ... Their aim is to sell what they make rather than make what the **market** wants.

## *9. Warehousing*

At times, the demand and supply for products can be unusually high. At other times, it can be unusually low. That’s why companies generally maintain a certain amount of safety stock, oftentimes in warehouses. As a business owner, it would be great if you didn’t have excess inventory you had to store in a warehouse. In an ideal world, materials or products would arrive at your facility just in time for you to assemble or sell them. Unfortunately, we don’t live in an ideal world.

## Transportation

Not all goods and services need to be physically transported. When you get a massage, oil change, or a manicure, the services pass straight from the provider to you. Other products can be transported electronically via electronic networks, computers, phones, or fax machines. Downloads of songs, software, and books are an example. So are cable and satellite television and psychic hotline readings delivered over the phone.

## *10. Grading:*

 Grading is a physical process and it follows standardization. It involves division of products into classes made up of units possessing similar characteristics; Grading is mostly done for Agricultural products and mineral products. Advantages of Grading: 1.Large scale production: Grading helps in large scale production and expanding the market. Even sellers and buyers situated at remote and far off places can enter into agreement for buying and selling on the basis of grades. 2.Quality assurance: The buyer is assured of quality 3. Pricing: Grading helps the producer to get higher price for the commodities.4. Facilitate selling: Graded products can be sold easily in the market 5. Future Trading: Prices and Terms of sales can be easily decided 6. Bank facilities: The Banks are willing to advance loan since the prices of graded commodities can be easily established.

***11.Packaging:***

A common use of **packaging** is **marketing**. The **packaging** and labels can be used by **marketers** to encourage potential buyers to purchase the product. **Packaging** is also used for convenience and information transmission. Packages and labels communicate how to use, transport, recycle, or dispose of the package or product.

**Marketing Environment:**

The term ‘marketing environment’ denotes all the external factors and forces that affect a firm’s ability to develop and maintain successful transactions and relationships with the target customers. Thus, marketing environment includes all forces that affect marketing policies, decisions and operations of a firm.

The external forces which constitute uncontrollable environment include (a) micro factors such as suppliers, customers, intermediaries, competitors and general public; and (b) macro factors such as demographic, economic, natural/physical, technological politico-legal and socio-cultural factors.

The internal environment of a firm which is controllable includes product design, packaging, pricing, promotion, and distribution policies of the firm. As a matter of fact, these forces constitute the marketing mix of a firm.

**What Is Marketing Environment?**

“A company’s marketing environment consists of the actors and forces outside marketing that affect management’s ability to build and maintain successful relationships with target customers.” —Philip Kolter

**A few examples of external forces having influence on a business are as follows:**

(i) Rapid technological changes as in computer industry—introduction of new models.

(ii) Changes in government economic policies, e.g., licensing policy, import-export policy, taxation policy, etc.

(iii) Political uncertainty, e.g., unstable government, change of finance minister or industry minister of the nation, etc.

(iv) Social changes, e.g., demand for reservation in jobs for minorities and women.

(v) Changes in fashion and tastes of consumers, e.g., preference for Khadi garments in place of synthetic garments, dislike of oils containing unsaturated fats.

(vi) Labour unrest leading to industrial conflicts—demand for higher wages and bonus, better working conditions, etc.

(vii) Increased competition in the market with the entry of multinational corporations (MNCs).

## What Is Market Segmentation?

[Market segmentation](https://blog.alexa.com/marketing-research/market-segmentation/) is the process of dividing a [target market](https://blog.alexa.com/marketing-research/target-market) into smaller, more defined categories. It segments customers and audiences into groups that share similar characteristics such as demographics, interests, needs, or location.

## Eight Benefits of Market Segmentation

The importance of market segmentation is that it makes it easier to focus marketing efforts and resources on reaching the most valuable audiences and achieving business goals.

Market segmentation allows you to get to know your customers, identify what is needed in your market segment, and determine how you can best meet those needs with your product or service. This helps you design and execute better marketing strategies from top to bottom.

# 1. Create stronger marketing messages

When you know whom you’re talking to, you can develop stronger marketing messages. You can avoid generic, vague language that speaks to a broad audience. Instead, you can use direct messaging that speaks to the needs, wants, and unique characteristics of your target audience.

# 2. Identify the most effective marketing tactics

With dozens of marketing tactics available, it can be difficult to know what will attract your ideal audience. Using different types of market segmentation guides you toward the [marketing strategies](https://blog.alexa.com/the-complete-guide-to-marketing-strategies/) that will work best. When you know the audience you are targeting, you can determine the best solutions and methods for reaching them.

# 3. Design hyper-targeted ads

On digital ad services, you can target audiences by their age, location, purchasing habits, interests, and more. When you use market segmentation to define your audience, you know these detailed characteristics and can use them to create more effective, targeted digital ad campaigns.

# 4. Attract (and convert) quality leads

When your marketing messages are clear, direct, and targeted they attract the right people. You draw in ideal prospects and are more likely to convert potential customers into buyers.

# 5. Differentiate your brand from competitors

Being more specific about your value propositions and messaging also allows you to stand out from competitors. Instead of blending in with other brands, you can differentiate your brand by focusing on specific customer needs and characteristics.

# 6. Build deeper customer affinity

[When you know what your customers want and need, you can deliver and communicate offerings that uniquely serve and resonate with them](https://twitter.com/intent/tweet?text=When+you+know+what+your+customers+want+and+need%2C+you+can+deliver+and+communicate+offerings+that+uniquely+serve+and+resonate+with+them&url=https%3A%2F%2Fblog.alexa.com%2Ftypes-of-market-segmentation%2F&hashtags=&related=&via=AlexaInternet) . This distinct value and messaging leads to stronger bonds between brands and customers and creates [lasting brand affinity](https://blog.alexa.com/building-brand-affinity/).

# 7. Identify niche market opportunities

[Marketing](https://blog.alexa.com/niche-marketing/) is the process of identifying segments of industries and verticals that have a large audience that can be served in new ways. When you segment your target market, you can find underserved niche markets that you can develop new products and services for.

# 8. Stay focused

[Targeting in marketing](https://blog.alexa.com/targeting-in-marketing/) keeps your messaging and [marketing objectives](https://blog.alexa.com/marketing-objectives/) on track. It helps you identify new marketing opportunities and avoid distractions that will lead you away from your target market.

## The Four Types of Market Segmentation

The four bases of market segmentation are:

* Demographic segmentation
* Psychographic segmentation
* Behavioral segmentation
* Geographic segmentation

Within each of these types of market segmentation, multiple sub-categories further classify audiences and customers.

# Demographic Segmentation

Demographic segmentation is one of the most popular and commonly used types of market segmentation. It refers to statistical data about a group of people.

**Demographic Market Segmentation Examples**

* Age
* Gender
* Income
* Location
* Family Situation
* Annual Income
* Education
* Ethnicity

Where the above examples are helpful for segmenting B2C audiences, a business might use the following to classify a B2B audience:

* Company size
* Industry
* Job function

Because demographic information is statistical and factual, it is usually relatively easy to uncover using various [sites for market research](https://blog.alexa.com/sites-for-market-research/).

A simple example of B2C demographic segmentation could be a vehicle manufacturer that sells a luxury car brand (ex. Maserati). This company would likely target an audience that has a higher income.

Another B2B example might be a brand that sells an enterprise marketing platform. This brand would likely target marketing managers at larger companies (ex. 500+ employees) who have the ability to make purchase decisions for their teams.

# Psychographic Segmentation

[Psychographic segmentation](https://blog.alexa.com/psychographic-segmentation/) categorizes audiences and customers by factors that relate to their personalities and characteristics.

**Psychographic Market Segmentation Examples**

* Personality traits
* Values
* Attitudes
* Interests
* Lifestyles
* Psychological influences
* Subconscious and conscious beliefs
* Motivations
* Priorities

Psychographic segmentation factors are slightly more difficult to identify than demographics because they are subjective. They are not data-focused and require research to uncover and understand.

For example, the luxury car brand may choose to focus on customers who value quality and status. While the B2B enterprise marketing platform may target marketing managers who are motivated to increase productivity and show value to their executive team.

# Behavioral Segmentation

While demographic and psychographic segmentation focus on who a customer is, [behavioral segmentation](https://blog.alexa.com/behavioral-segmentation/) focuses on how the customer acts.

**Behavioral Market Segmentation Examples**

* Purchasing habits
* Spending habits
* User status
* Brand interactions

Behavioral segmentation requires you to know about your customer’s actions. These activities may relate to how a customer interacts with your brand or to other activities that happen away from your brand.

A B2C example in this segment may be the luxury car brand choosing to target customers who have purchased a high-end vehicle in the past three years. The B2B marketing platform may focus on leads who have signed up for one of their free webinars.

Geographic segmentation is the simplest type of market segmentation. It categorizes customers based on geographic borders.

**Geographic Market Segmentation Examples**

* ZIP code
* City
* Country
* Radius around a certain location
* Climate
* Urban or rural

Geographic segmentation can refer to a defined geographic boundary (such as a city or ZIP code) or type of area (such as the size of city or type of climate).

An example of geographic segmentation may be the luxury car company choosing to target customers who live in warm climates where vehicles don’t need to be equipped for snowy weather. The marketing platform might focus their marketing efforts around urban, city centers where their target customer is likely to work.

## Market Segmentation Strategy

Now, you know what market segmentation is, why it’s important, and the four types of market segmentation. It’s time to put this information into practice.

Use the following market segmentation process to learn about your audience and find new marketing and product opportunities.

# Analyze your existing customers

If you have existing customers, start your market segmentation process by performing an [audience analysis](https://blog.alexa.com/marketing-research/audience-analysis). An audience analysis allows you to learn about your customers and begin to identify trends that exist within your current customer base.  Use these [market research questions](https://blog.alexa.com/market-research-questions/) to guide your research.

**Interview your customers.**

Go right to the source and conduct interviews with existing customers, past customers, ideal customers, and prospects and leads. Ask questions that help you fill in the details of all four types of market segmentation.

**Interview your sales team.**

If you have a sales team that spends a lot of time working with customers, use them as a resource. Interview them to find commonalities or trends they often see while working with your customers.

**Refer to your business data.**

Your business likely has loads of data that can help you get to know your customers. Use your customer relationship management tools and point-of-sale systems to find trends related to behavioral segmentation. Pull data that shows how much customers spend, how often they visit your store, and the type of products and services they buy.

**Use your website analytics.**

Your website also has data that can help you learn about your audience. Use Google Analytics to find details related to all four types of market segmentation. For example, you can learn about customer behavior by seeing what pages users visit, how long they stay on the site, and what referral sites led them to your site.

**Research audience geography.**

Get details for graphic segmentation and find out where your audience lives using Alexa’s [Site Overview tool](https://www.alexa.com/siteinfo). Enter your site URL, and the report shows you where your website visitors are located across the world.

### Marketing Information System:

Marketing information system usually abbreviated as MkIS, is the major tool used by marketing management for problems solving and decision-making. The concept of marketing information system can be understood easily by earlier examination of three separate words: marketing, information and system. Marketing information includes all the facts, estimates and opinions etc.

That affect the quality of decisions for firm’s survival and growth. Marketing information system is an interacting, continuing, future-oriented structure of people, equipment and procedures designed to generate and process an information flow to aid managerial decision-making in a company’s marketing programme.

According to Philip Kotler, “A marketing information system is a continuing and interacting structure of people, equipment and procedures designed to gather, sort, analyse, evaluate and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, execution and control”.

Marketing information system is a systematised method for providing information flow on a regular basis – the right information, for the people, at the right time. MkIS is a very broad term. Even it includes such diverse elements such as weather reports and forecasts which may affect the agricultural commodity prices.

After the problem definition, the marketing information are collected through internal or external sources. The collected data are carefully interpreted and used. Finding the conclusive truth from data analysis highly depends on the dynamic thinking capacity and creative, logical mind of the marketer.

After data interpretation, the marketing information must be communicated and disseminated to the ready parties. Effective management not only makes systematic analysis but also dissemination of that at different organisational levels should also be cared. The decision making authority must communicate his opinion to the man of action’, so that ‘doing and thinking man’ can be combined.

A MkIS, to some extent, resembles a military or diplomatic intelligence operation. It gathers, processes and stores potentially useful information that currently, exists in inside or outside the company. However, in MkIS we could not suggest the industrial espionage or hiring the competitors’ personnel to say their secrets.

Frequently they are valueless or counter-productive. Moreover, the information a company needs is usually available by socially acceptable means, if the firm will just establish a reasonably simple marketing information system.

***UNIT-2***

### What is Product Planning?

In order to maximise his sales revenue and profits, a business firm must continuously adjust and adapt its products and services to the changing requirements of customers. From time-to- time, it may have to design and develop new products.

Product planning is the process of searching ideas for new products, screening them systematically, converting them into tangible products and introducing the new product in the market. It also involves the formation of product policies and strategies.

Product planning includes improvements in existing products as well as deletion of unprofitable or marginal products. It also encompasses product design and engineering which is also called product development. Product planning comprises all activities starting with the conception of product idea and ending up with full scale introduction of the product in the market.

It is a complex process requiring effective coordination between different departments of the firm. It is intimately related with technical operations of the organisation, particularly with engineering, research and development departments.

Any product has two broad objectives—immediate objectives and ultimate objectives. Immediate objectives include satisfaction of immediate needs of consumers, increasing sales, utilising idle plant capacity, etc. Permanent or ultimate objectives consist of reduction in production costs, creation of brand loyalty, monopolising the market, etc.

### Significance and Objects:

Product planning and development is a vital function due to several reasons. First, every product has a limited life span and needs improvement or replacement after some time. Secondly, needs, fashions and preferences of consumers undergo changes requiring adjustments in products.

Thirdly, new technology creates opportunities for the design and development of better products. Product planning and development facilitate the profitability and growth of business. Development of new products enables a business to face competitive pressures and to diversity risks. Product is the most important constituent of marketing mix.

Finding and meeting the needs of customers is the key element in a successful marketing strategy. New product development has become all the more important in the modern world characterised by technological change and market dynamics.

New product development brings opportunities but also involves heavy commitment of finance, technology and even emotional attachment. New product decisions are necessary as well as costly. Many new products fail causing ruin to business firms.

Product development is a continuous and dynamic function. Continuous adjustments and improvements in the product arc necessary to minimise costs of production and to maximise sales. High rate of product obsolescence requires product innovation frequently. At the same time, cost and time scales have increased. In some products, the gestation period is very long, sometimes longer than the life of the product.

As a result the role of R&D expert has become very important. He needs to be in touch with sales persons and actual end users. Successful technological innovation involves great resources as well as great risks. Product innovators face spectacular successes as well as disastrous failures.

Most of the new product ideas do not become actual products. Many new products achieve limited acceptance in the market. This is so because firms very often are reluctant to move away from tried and tested products.

**Thus, product planning is required for the following reasons:**

 (i) To replace obsolete products;

(ii) To maintain and increase the growth rate/sales revenue of the firm;

(iii) To utilise spare capacity;

(iv) To employ surplus funds or borrowing capacity; and

 (v) To diversify risks and face competition.

## What Is the Product Life Cycle?

The product life cycle is the process a product goes through from when it is first introduced into the market until it declines or is removed from the market. The life cycle has four stages - introduction, growth, maturity and decline.

While some products may stay in a prolonged maturity state, all products eventually phase out of the market due to several factors including saturation, increased competition, decreased demand and dropping sales.

Additionally, companies use PLC analysis (examining their product's life cycle) to create strategies to sustain their product's longevity or change it to meet with market demand or developing technologies.

## 4 Stages of the Product Life Cycle

Generally, there are four stages to the product life cycle, from the product's development to its decline in value and eventual retirement from the market.

### 1. Introduction

Once a product has been developed, the first stage is its introduction stage. In this stage, the product is being released into the market. When a new product is released, it is often a high-stakes time in the product's life cycle - although it does not necessarily make or break the product's eventual success.

During the introduction stage, marketing and promotion are at a high - and the company often invests the most in promoting the product and getting it into the hands of consumers. This is perhaps best showcased in Apple's famous launch presentations, which highlight the new features of their newly (or soon to be released) products.

It is in this stage that the company is first able to get a sense of how consumers respond to the product, if they like it and how successful it may be. However, it is also often a heavy-spending period for the company with no guarantee that the product will pay for itself through sales.

Costs are generally very high and there is typically little competition. The principle goals of the introduction stage are to build demand for the product and get it into the hands of consumers, hoping to later cash in on its growing popularity.

### 2. Growth

By the growth stage, consumers are already taking to the product and increasingly buying it. The product concept is proven and is becoming more popular - and sales are increasing.

Other companies become aware of the product and its space in the market, which is beginning to draw attention and increasingly pull in revenue. If competition for the product is especially high, the company may still heavily invest in advertising and promotion of the product to beat out competitors. As a result of the product growing, the market itself tends to expand. The product in the growth stage is typically tweaked to improve functions and features.

As the market expands, more competition often drives prices down to make the specific products competitive. However, sales are usually increasing in volume and generating revenue. Marketing in this stage is aimed at increasing the product's market share.

### 3. Maturity

When a product reaches maturity, its sales tend to slow or even stop - signaling a largely saturated market. At this point, sales can even start to drop. Pricing at this stage can tend to get competitive, signaling margin shrinking as prices begin falling due to the weight of outside pressures like competition or lower demand. Marketing at this point is targeted at fending off competition, and companies will often develop new or altered products to reach different market segments.

Given the highly saturated market, it is typically in the maturity stage of a product that less successful competitors are pushed out of competition - often called the "shake-out point."

In this stage, saturation is reached and sales volume is maxed out. Companies often begin innovating to maintain or increase their market share, changing or developing their product to meet with new demographics or developing technologies.

The maturity stage may last a long time or a short time depending on the product. For some brands, the maturity stage is very drawn out, like Coca-Cola .

### 4. Decline

Although companies will generally attempt to keep the product alive in the maturity stage as long as possible, decline for every product is inevitable.

In the decline stage, product sales drop significantly and consumer behavior changes as there is less demand for the product. The company's product loses more and more market share, and competition tends to cause sales to deteriorate.

Marketing in the decline stage is often minimal or targeted at already loyal customers, and prices are reduced.

Eventually, the product will be retired out of the market unless it is able to redesign itself to remain relevant or in-demand. For example, products like typewriters, telegrams and muskets are deep in their decline stages (and in fact are almost or completely retired from the market).

**BRANDING**

The word ‘**brand**‘ has its origin in the Norwegian word Brand which means to burn. In ancient times, farmers use to put burn marks as identification on livestock to distinguish their property. A brand is a symbol, a mark, a name that acts as a means of communication. It brings about an identity of a given product.

In other words, a brand helps a customer in instant recall differentiating it thereby from the competing products of a similar nature.

**DEFINITION OF BRANDING**

**According to AMA(American Marketing Association)**,” *A brand name is a part of a word, letter, group of words or letters to identify the goods as well as services. These are of a seller or a group of sellers and to differentiate them from those of the competitors.”*

**SOME EXAMPLES:**

* LUX, DOVE, LIRIL, REXONA etc are some toilet soaps.
* SURF EXCEL, ARIEL etc are some detergents.
* NIVEA, VASELINE, PONDS etc are creams.

**PACKAGING**

Packaging is a process that speaks of the company’s ability to contain economically man-made or natural products. It is for shipment, storage, sale or final use. In other words, the packaging is an act of housing the products in the packages. These are also in containers like tins, cans, bags, jars, bottles boxes, keys, casts etc.

**DEFINITION OF PACKAGING**

**According to William Stanton**;” *Packaging is the general group of activities in designing the containers or wrappers for the products.”*

Simple words, packing done for product protection while the packaging is done for promotion.

**LABELING**

It means putting identification marks on the package. In simple and easy words, a label may be any print statement, any symbol, a piece of paper, cloth or metal. A label may also print directly on the container or an article.

**DEFINITION OF LABELING**

**According to Mason and Rath**, “*Label is an information tag, wrapper or seal attached to a product or product’s package.”*

**FOR EXAMPLE**

There is often a warning on medicines “To best used under the direction of a medical practitioner”

So a label is an informative tag, wrapper or seal of product or product’s package.

***WHAT IS PRICING:***

**Pricing** is the process whereby a business sets the price at which it will sell its products and services, and may be part of the business, marketing plan. In setting prices, the business will take into account the price at which it could acquire the goods, the manufacturing cost, the market place, competition, market condition, brand, and quality of product.

***OBJECTIVES OF PRICING:***

 **Some of the more common pricing objectives are:**

* maximize long-run profit.
* maximize short-run profit.
* increase sales volume (quantity)
* increase monetary sales.
* increase market share.
* obtain a target rate of return on investment (ROI)
* obtain a target rate of return on sales.

***FACTORS OF PRICING:***

 **7 important factors that determine the fixation of price are:**

* (i) Cost of Production:
* (ii) Demand for Product:
* (iii) **Price** of Competing Firms:
* (iv) Purchasing Power of Customers:
* (v) Government Regulation:
* (vi) Objective:
* (vii) Marketing Method Used:

***METHODS AND STRATEGRIES:***

 **Cost-oriented methods or pricing are as follows:**

* Cost plus **pricing**:
* Mark-up **pricing**:
* Break-even **pricing**:
* Target return **pricing**:
* Early cash recovery **pricing**:
* Perceived value **pricing**:
* Going-rate **pricing**:
* Sealed-bid **pricing**:

***UNIT-3***

## Promotion Mix – Definition

Philip Kotler opines, “A company’s total marketing communication mix also called promotion mix consists of specific blends of advertising, personal selling, sales promotion, public relations and direct marketing tools that the company use to pursue its advertising and marketing objectives.”

Promotion is a process of communication involving information, persuasion, and influence. It includes all types of personal or impersonal communication by a producer with prospective customers as well as middlemen in the distribution network.

The purpose of promotion is to inform, persuade and influence the prospective customers. Personal selling, advertising, public relations, sales promotion and direct marketing are widely used to inform the people about the availability of products and create among them the desire to buy the products.

## Promotion Mix – Scope of Promotion Mix in Different Areas

Promotion basically deals with outer world and therefore comprise of more and more communication strategies and tools for attracting customers.

**Scope of promotion mix can be stressed with the help of following key points****:**

#### 1. Advertising:

Advertising involves turning attention of third parties towards product for the sole purpose of sale.

Hence it can be stated that anything and everything that turns the attention to an article or service or an idea might be called as an advertisement.

American marketing association defines advertising as, “any paid form of non-personal presentation of ideas, goods or services by an identified sponsor. Advertising is a prime part of promotion mix.

**2. Personal Selling:**

Art of personal selling is defined by D.D.Couch as, “science of creating in the mind of your prospect a desire that only possession of your product will satisfy”.

It is evident that salesmanship is both science and art. As a part of art requires patience, practice and use of correct methods, devices and skills.

As a scientific process it requires mastery over certain fundamentals that pre requisites for success in selling.

**3. Sales Promotion:**

American marketing association defines sales promotion as, “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.”

**4. Public Relations and Publicity:**

“Public relations is a deliberate and continuous effort to establish and maintain favorable relations between the organization and its public .Customers, employees, stockholders, government and society.” Public relations must be healthy for future prospect of any organization. Costs involved in publications and media management is comparatively lower than advertisement and other promotional elements.

**5. Other Selling Tools:**

Other selling tools includes any other selling and promotions activity other than advertising, personal salesmanship, sales promotion. It mainly includes mouth publicity etc. Many corporate giants have taken keen interest in viral marketing via internet which is similar to Mouth Publicity. Thus word of mouth has been facilitated by the internet. One more form not directly connected to any other form is sponsorship to events, other brands, organized activities, sporting tournaments etc.

Indian Premier League was officially sponsored by DLF. Individual teams participating in IPL were sponsored or co-sponsored by different companies by participating in the Bidding process.

Every event now is either sponsored or co-sponsored and properly advertised for popularity of that sponsoring company.

**Sales Promotion Definition**

Sales promotion is a marketing strategy where the product is promoted using short-term attractive initiatives to stimulate its demand and increase its sales.

This strategy is usually brought to use in the following cases –

* to introduce new products,
* sell out existing inventories,
* attract more customers, and
* to lift sales temporarily.

***NEEDS OF SALES PROMOTION:***

## Free Samples

It doesn't get much better than free. Free samples stimulate sales while serving as an effective enticement for customers to visit your store. Free samples give customers an opportunity to try your product before they make a commitment to buy. Save the free sales promotions for new products or a grand opening because they are expensive and in themselves do not generate revenue.

## Point of Purchase

Customers often appreciate help in making decisions. Point-of-purchase display s put those items the customer may not have considered right up front where they are more noticeable. They'll boost your bottom line as well. According to the University of Delaware, 99 percent of retailers believe that point-of-purchase racks increase revenue. Nearly two-thirds of buying decisions are made while the customer is in your store. You can assist your clientele by featuring sales and interesting new products in special point-of-purchase locations and racks.

***SALES PROMOTION MIX:***

The promotional mix is one of the 4 Ps of the marketing mix. It consists of public relations, advertising, sales promotion and personal selling. In this lesson, you'll learn how a marketing team uses the promotional mix to reach company objectives and goals.

**The Promotional Mix**

A marketing plan is focused on the target market and made up of four key elements. These four elements are also knows as the 4 *P*s. One *P* is called the **promotional mix** and it contains advertising, public relations, personal selling and sales promotion. They are used as tools to communicate to the target market and produce organizational sales goals and profits.

The new amusement park Fun Town has spent most of this year customizing and fine-tuning their promotional mix. Let's take a look at each element that Fun Town adopted to create an effective promotional communication program.

**Advertising**

One of the most important elements of the promotional mix for Fun Town was the creation of a viable advertising program. Adiviting is any form of impersonal (one-way) paid communication in which the company is identified. Fun Town realized that it needed to have a good advertising campaign because this would allow the company to reach a large number of people effectively. Fun Town used television, radio, newspaper, social media and Internet ads to introduce the target market to a grand opening of the amusement park. The park also used giant billboards and e-mails to reach other local customers. They promoted senior citizen discounts, family discounts and grand opening specials to lure the target market into trying a day at Fun Town.

**Public Relations**

Another promotional tool that Fun Town utilized was **public relations**. The main purpose of public relations is that it helps build a positive public image for a company, supports new product launches and sales, helps a company to evaluate public attitudes and communicates the overall goals of the company. Fun Town has multiple days throughout the year where they donate a percentage of ticket sales to local charities. They also have days where they close the park down and invite disadvantaged youths to enjoy the rides for free. In addition, Fun Town uses their public relations team to handle any negative park issues. For example, if a visitor is injured on a ride, the public relations team must evaluate public attitudes and communicate with the media that the appropriate corporate response occurred.

**Sales Promotion**

**Sales promotion** is another tool in the promotional mix. It contains methods of stimulating consumer purchase and is usually based on a short-term or immediate goal. Examples of sales promotion items are contests, sweepstakes, giveaways, free samples or coupons. Fun Town has invested heavily in sales promotion. They have had contests, like the first 1,000 people in the park would get a prize. They also had giveaways of free Fun Town water bottles, t-shirts, hats and canvas bags. Lastly, Fun Town released a large number of coupons into the marketplace, such as BOGO (buy one ticket, get one ticket free) or 15% off for students, family coupons for 20% off the day, etc.

***WHAT IS ADVERTISING:***

Advertising is a means of communication with the users of a product or service. Advertisements are messages paid for by those who send them and are intended to inform or influence people who receive them, as defined by the Advertising Association of the UK.

***WHAT IS PUBLICITY:***

Can you recall hearing positive or negative news about an organization on the nightly news? Or did you know that McDonald's recently announced that they would have breakfast items available all day? These are prime examples of publicity. **Publicity** can be defined as a form of public relations that provides news or information in the media. Publicity is also how a business or organization is perceived in the media. Due to their closeness in nature, publicity is often misconstrued with two other forms of mass communication: advertising and marketing. How can anyone tell the difference between all of these? Let's take a look at how publicity distinguishes itself from advertising and marketing.

***PERSONAL SELLING:***

Personal selling is where businesses use people (the "sales force") to sell the product after meeting face-to-face with the customer. The sellers promote the product through their attitude, appearance and specialist product knowledge. They aim to inform and encourage the customer to buy, or at least trial the product.

***ADVANTAGE OF SALES PROMOTION*:**

**Advantage**:The primary benefit of sales promotions is that they induce customer traffic and sales by offering a lower price and better value proposition. ... Taking 25 percent off the price of a good without altering its benefits increases the customer's perception of value.

***LIMITATION OF SALES PROMOTION:***

**Disadvantages of Sales Promotion**

* Increased price sensitivity. Consumers wait for the **promotion** deals to be announced and then purchase the product. ...
* Quality image may become tarnished: ...
* Merchandising support from dealers is doubtful: ...
* Short-term orientation:

Advertising has evolved into a vastly complex form of communication, with literally thousands of different ways for a business to get a message to the consumer. Today's advertisers have a vast array of choices at their disposal.

The internet alone provides many of these, with the advent of branded viral videos, banners, advertorials, sponsored websites, branded chat rooms and so much more.

Here are a few examples of what's available for your media arsenal:

## [Online Advertising (aka Digital)](https://www.thebalancecareers.com/the-different-forms-of-digital-advertising-38451)

If you see an advertisement via the internet, then it is classified as online advertising. In fact, there are ads on this very page, and most other websites you visit, as they are the primary revenue driver for the internet. Another avenue of online advertising is native advertising, which is the digital variation of the old print advertorials and sponsored content. There are many digital marketing strategies including placing ads on popular websites and social media sites.

### Google Adwords and Adsense

AdWords from Google allows companies to bid on the placement of an ad on Google's search engine results page. By using keywords or common search terms, searches that are related to the business and their products and services appear in the search results. For example, a company that advertises insurance will show up in any search queries for insurance products. The business pays Google if the ad is clicked on, which is why it's called a [cost per click](https://www.investopedia.com/terms/c/cpc.asp) basis.

Google AdSense allows a company to host ads on their website from Google to generate revenue for the site. For businesses looking to advertise, they can enroll in Adsense and Google, through its algorithms, will match the ad to various websites with related content or search parameters. As a result, companies can reach larger audiences through Google's placement of advertisements. Google places advertisements on other websites to produce clicks and website traffic.

### LinkedIn Advertising

Companies can create a business page and post content, videos, products offerings on their page as a way of reaching the millions of LinkedIn users. A LinkedIn page can be an extension of a company's website and drive traffic to the site through links in the content. Also, employees of the company can establish LinkedIn pages with similar content that contain links to the company's website and product offerings.

Companies can also place ads on LinkedIn that can be targeted to particular traits or demographics of LinkedIn users. For example, if a business wanted to advertise to people that worked in the field of accounting, an ad can be placed that only targets LinkedIn users that work in the accounting industry or have an accounting degree. With LinkedIn, many members belong to groups. Ads can be targeted to a specific group like a cryptocurrency group or a technology group.

Other social media sites, such as Facebook and Twitter, offer similar programs like the ones outlined from Google and LinkedIn. With digital advertising, it's important to research and target the specific audience that'll likely buy a company's product or service before placing an ad.

From ads on Facebook and Snapchat to partnerships with BuzzFeed and Reddit, the fastest, easiest way to reach millions of potential customers is online.

## [Cell Phone & Mobile Advertising](https://www.thebalancecareers.com/what-trends-in-mobile-advertising-mean-for-the-industry-38956)

A dominating force in digital advertising is through mobile devices such as cell phones, iPads, Kindles, and other portable electronic devices with internet connectivity. Current trends in mobile advertising involve major use of social media such as Twitter, Instagram, Snapchat, LinkedIn, and Facebook. Mobile advertising is similar to online advertising and is increasingly gaining importance as a method of reaching new customers.

## [Print Advertising](https://www.thebalancecareers.com/print-advertising-explained-38453)

Once a huge driver of sales, print is taking a back seat to the many digital forms of advertising now available to marketers. However, if there is one thing that's certain about advertising, it's that being different is good. And when consumers tire of digital ads, a return to printed pieces and the tactile feeling and permanence they provide is definitely in the cards. Typically, print can be split into three subcategories:

1. **Periodical Advertising**
2. If it's in a magazine, a newspaper, or anything else that comes out at regular intervals, then it's periodical advertising (aka a print ad). For decades, print ads were the gold standard for advertisers and their clients. To grab the center spread of a big magazine or the back cover of a newspaper meant millions of people saw the message.
3. **Brochures, Leaflets, Flyers, Handouts, and Point-of-Sale Advertising**
4. Although some of these media can be placed within the pages of newspapers and magazines, they are treated as a separate entity, usually because they have less chance of being seen. From something that sits on a counter or customer service desk to a glossy car brochure, small print media offer a more intimate and long-form way of engaging the consumer. Use this approach when you have more information than you can cram into a print ad.
5. **Direct Mail Advertising**
6. Either of the techniques mentioned above can be incorporated into direct mail. It simply means that your printed pieces are mailed directly to the consumer. This is a technique that has been and continues to be, abused by inferior marketing agencies that have turned the craft into junk mail. If it is creative and intelligently conceived and executed, direct mail can be a fantastic way to engage the customer. Do not count it out.

## [Guerrilla Advertising](https://www.thebalancecareers.com/guerrilla-marketing-101-38530)

Also known as ambient media, guerrilla advertising (or marketing) has become prominent over the last 20 years. It is a broadly used term for anything unconventional and usually invites the consumer to participate or interact with the piece in some way. Location is important, as is timing. The driving forces behind guerrilla advertising or marketing are creative ideas and innovation, not a large budget. Quite often, you will ask for forgiveness rather than permission with these campaigns, and they will spread via word of mouth and [social media](https://www.thebalancecareers.com/best-social-media-sites-for-job-searching-2062617).

## [Broadcast Advertising](https://www.thebalancecareers.com/what-exactly-is-broadcast-advertising-38483)

A mass-market form of communication including television and radio, broadcast advertising has, until recently, been the most dominant way to reach a large number of consumers. Broadcast advertising has suffered from the popularity of DVRs and "ad-skipping" technology. However, it is still an effective way to reach millions of people, especially when the Super Bowl comes around.

## [Outdoor Advertising](https://www.thebalancecareers.com/what-is-outdoor-advertising-38452)

Also known as out-of-home (OOH) advertising, this is a broad term that describes any type of advertising that reaches consumers when they are away from home. Think of billboards, bus shelter posters, fly posters, and even those big digital boards in Times Square.

## [Public Service Advertising](https://www.thebalancecareers.com/what-exactly-is-public-service-advertising-38455)

Unlike traditional commercials, Public Service Advertisements (PSA) are primarily designed to inform and educate rather than sell a product or service. PSAs traditionally appear on TV and radio but are also heavily promoted online.

## [Product Placement Advertising](https://www.thebalancecareers.com/the-delicate-art-of-product-placement-advertising-38454)

Product placement is the [promotion of branded goods](https://www.thebalancesmb.com/business-promotion-definition-2947189) and services within the context of a show or movie, rather than as an explicit advertisement. If you have ever seen a movie and wondered, "Wow, they sure are driving a lot of Fords in this scene," or "Does everyone in this TV show drink Pepsi?" then you are noticing product placement. It's a way that these films and shows get funding, and is a great way for advertisers to reach a targeted demographic.

**ADVERTISING BUDGET**

The next step in fixing the advertising budget is the allocation of appropriation to different tasks and media of advertising. The avenues of budget-utilisation are determined for an effective and economical use of the expenditure. The advertising process is broken into several units and each unit is assigned adequate funds for completion of the task.

The size of the allocated funds is revised from time to time to find out their effectiveness. The revision process begins at the bottom of the activity to find out whether the size of the budget is adequate or inade­quate. The advertising budget is allocated according to objectives, the media used, the message transmitted and the geographic regions to be covered.

**1. Allocation by Objectives:**

Advertising objectives have been useful guidelines to the allocation of funds. The objectives are broken down into campaign objectives. The month, year and other time factors are the basis of campaign objectives. Funds are allocated to meet each campaign objectives. The length of the campaign determines the amount of funds required. Media goals and other short-term functions are determined.

The results of previous advertising objectives determine the level of funds required for the purpose. The objectives of media, message and competitive approach determine the size of the appropriate funds required to meet the tasks. The advertising objectives are revised and supporting budgets are allocated for each component of the objective.

Appropriate and experimental campaigns are formulated and the cost per campaign is determined. Some contingency reserve funds are set apart to meet any unforeseen requirements of the campaign. The campaigns with budgeted funds are submitted to the marketing management which determines the size of the budget for each campaign.

If, in its opinion, the budget is higher, it is pruned for each campaign or the campaign itself is curtailed by the management. The allocation process continues to determine the budget for each component of the objectives of the advertiser.

**2. Allocation by Media:**

The budget appropriation is allocated amongst the different media according to their contribution, the administrative overheads, media copy development and reproduction, and research. The media require significant funds for coverage, generally 80 per cent of the total budget which is allocated to the media.

Of the several media, television accounts for about 60 per cent of the total budget. Small firms spend more money on newspaper and magazine advertising. They spend about 90 per cent of their budget on the print media. Some tiny industries may spend 100 per cent only on vehicles and loudspeaker announcements. The allocation depends on the industry, the size, needs and objectives of each firm.

Reach, frequency and continuity also determine the size of the funds required. Media objectives are met with the allocation process.

**3. Allocation by Message:**

The budget is allocated according to the message developed for each media. The copy development and research functions require specific amounts. Message development is divided into layout, design and illustra­tion. The marginal contribution of each message and copy determines the maximum amount of expenditure to be incurred on them.

The probability of expenditure and the contribution of each copy are compared to deter­mine the actual amount of budget for each copy. The budget becomes the control mechanism of expenditure. A comparison of several years’ budgets shows how much is to be spent and how much expenditure should be curtailed with a view to economical and effective utilisation of funds.

**4. Market:**

The market is divided into several segments. The development of each segment requires allocation of funds. The management decides how much money should be spent on a particular market segment. The push or pull theory is used for distribution purposes. According to the push theory, the development of middlemen in the channel at distribution is essential.

The longer the distribution-channel, the higher the cost of ad­vertising. The contribution of each component of the channel is assessed before advertising at the cost-and-budget decision. The pull theory lays emphasis on the need for communication with the final user of the product.

The users may be heavy users, light users, opinion leaders, innovators, followers and late adopters. Each product stage is identified and an ade­quate amount of budget is allocated for success at every stage. The con­tribution of every component of the channel determines the amount of appropriation to be allocated to each.

**5. Allocation by Products:**

The budget is generally allocated on the basis of the sales of each product line. If the manufacturer is producing different articles, the budget is allocated on the basis of the value of sales of each article.

The stage of product life cycle, the amount of competition, the product faces, the extent of market penetration, the margin contributions of each product and the role of advertising for their development – these are the deciding factors in budget allocation. A product contributing a significantly higher share of the profit is allocated larger funds. A product in the initial stage of marketing requires a larger advertising budget than the product in its maturity stage.

**6. Allocation by Geographical Area:**

Budget is allocated according to the geographical area covered by advertising. To some areas, larger budgeted funds are assigned to harness the potential marketing opportunities. Advertising in local newspapers and magazines receives larger funds than advertising in the national print media to exploit the local marketing opportunities.

In some markets, sustained spending is essential to prevent deterioration in the brand’s competitive position. Larger funds are allocated to develop a poor market and a smaller amount is allocated to highly developed markets. Where trading is controlled by middlemen and retailers, a smaller budget is required for advertising purposes.

  ***UNIT-4***

***CHANNELS OF DISTRIBUTION:***

A channel of distribution refers to a path or route that a good or service takes in order to reach the hands of the ultimate consumer. In other words, it is a chain of businesses or intermediaries through which a good or service passes until it reaches the end consumer. Distribution channels in marketing are a key element in the entire marketing strategy. It helps the business in expanding its reach and grows its revenue.

**Some important definitions of channels of distribution:**

A channel of distribution or marketing channels are the distribution networks through which producers’ products flow to the market. — Cundiff, Still and Govoni

This is a route taken by the title to the goods as they move from producer to the ultimate consumers or industrial users. —William J. Stanton

**There are various functions of distribution channels:**

(i) Transfer of title of the goods involved.

(ii) Physical movement from the point of production to the point of consumption.

(iii) Storage function.

(iv) Communication of information concerning the availability, characteri­stics and price of the goods in transit, inventory and on purchase.

(v) Most of the utilities of products are created by performing the function of physical distribution promptly and efficiently.

(vi) Transactional function like buying from the manufacturer and selling to the consumer.

(vii)Storing the goods and sorting them into quantities desired by customers.

(viii) Channels of distribution also conduct marketing research and gather data on market conditions, expected sales, consumer’s trends, competition etc. Thus giving valuable information to the manufacturer.

(ix) Distribution channels help in maintaining the price too. By stocking the goods, a constant flow of goods to the market is assured. This equalizes the demand and supply factors which stabilize prices.

**Channels of distribution are very important for any firm because of the following:**

(i) Distribution channel is an important element of marketing mix of a firm and other elements are closely related with interdependence on the distribution channel. Other marketing decisions like pricing, promotion and physical distribution are highly affected by this.

(ii) A sound distribution channel enables the firm to cut down cost and maximize its sales volume.

(iii) The cost involved in the use of distribution channels adds up into the price of the product that the ultimate customer has to pay. Thus it is important to choose the distribution channel wisely.

(iv) A product or service is really useful to the consumer only when it is available at the right time and at the right price. Distribution channels ensure this.

(v) Due to right distribution channels fluctuations in the production can be reduced which ensures steady employment and proper budgetary control.

## Types Of Marketing Channels

## 1) Direct selling :

[Direct selling](https://www.marketing91.com/direct-selling/) is the oldest type of marketing [channel](https://www.marketing91.com/channel-levels-consumer-industrial-marketing-channels/). A manufacturer produces goods and sells them directly to the consumer from his/her own retail store. This method does not involve any intermediator. However, in modern times direct sales have also changed. Direct selling does not only mean selling goods from a fixed retail store.

Modern direct selling involves personal contact arrangements, one-on-one demonstrations, party plan, and also internet sales. Nowadays, a successful business is one which thinks about the comfort of its customers. therefore, businesses are using methods so that they can make available goods and services to their customers at their homes or at their jobs. Hence, we categorized direct selling into the following categories.

### 1-A) Manufacturer to the consumer :

This is the simplest way of selling and it is also beneficial for the consumer. Because the consumer is buying goods directly from the seller. He doesn’t have to pay more because of the additional cost added by the intermediates. Most local businesses opt this marketing channel to sell goods to their consumers.

For example, when a farmer sells his goods to the consumer directly and when you buy food from a restaurant. In this type of marketing channel manufacturer does not go to customers to sell their goods, but consumer comes to the manufacturer whenever a need of [product](https://www.marketing91.com/what-is-a-product/) arises. This type of marketing channel is quite old fashioned. In the competitive world of marketing, manufacturers need to improve their style of selling to get maximum business.

### 1-B) Networking :

There are thousands of networking companies doing their business only on the basis of direct selling. In this type of marketing channels, [people](https://www.marketing91.com/people-marketing-mix/) sell [products](https://www.marketing91.com/types-of-products/) face-to-face. They provide a demonstration of the products and also share their personal experience using that product. This type of marketing channel is effective a make quick sale. Because people aren’t buying goods from some stranger, but they are buying them from the people they trust and have known for a long time.

### 1-C) Online selling :

Online selling is a modernized version of direct selling. [Technology](https://www.marketing91.com/how-to-make-your-business-more-efficient-by-upgrading-technology/) plays an important role in this type of marketing channel. People spend most of their time using mobile phones, tablets or laptops. There are services which let you do almost everything from paying the bill to ordering food online. Therefore, manufacturers have also opted this method for selling goods to keep up with the changing times. Online sells of goods can be done in two ways.

**a) By selling your goods on well-established** [e-commerce](https://www.marketing91.com/e-commerce-segmentation/) **websites:**

There are giant e-commerce websites like [Amazon](https://www.marketing91.com/marketing-strategy-of-amazon/), [Flipkart](https://www.marketing91.com/marketing-strategy-flipkart/), [eBay](https://www.marketing91.com/marketing-mix-of-ebay/) etc. where you can sell your goods. The benefit of selling goods through these websites is that you don’t have to spend money to advertise your website. These websites sell a variety of products and because of their popularity, people search for things directly on these websites. You can reach a wider range of customers by selling goods through e-commerce websites.

**b) By selling your goods on your own website:**

if you don’t want to sell your goods on above-mentioned e-commerce websites. You can start your own website and sell goods directly to consumers without paying commission to anyone. But then you need to lose some finances to advertise your e-commerce website so that people know about it.

## 2) Manufacturer to Retailer to Consumer :

In this type of marketing channel retailer first, buy goods from the manufacturer and then sell them to a consumer. This marketing channel is opted by manufacturers who produce goods like cloth, furniture, shoes, and fine [china](https://www.marketing91.com/china-fastest-growing-economy/) etc. these types of goods are not needed by consumer immediately and a consumer can take time before making a purchase decision.

Goods sold through this type of marketing channel are not consumable immediately. The retailer can buy goods from different manufacturers and store them in his store and sell them to consumers whenever they want to make a purchase.

## 3) Manufacturer to wholesaler to the consumer :

A wholesaler buys goods directly from a manufacturer and sells them in bulk to a consumer. A consumer can buy things in bulk from a wholesaler at low prices than the prices of a retail store.

A wholesaler sells goods at low prices because unlike retailer he doesn’t spend money on the display of goods. For example, when you shop at a warehouse club. Customers can buy membership of warehouse club to buy things at a low price.

## 4) Manufacturer to Agent to Wholesaler to Retailer to Consumer :

An agent is a middleman that assists the manufacturer to distribute goods in the market. he works on commission from the manufacturer. The job of the agent is to move goods in the market right after the order is received.

For example, in the cosmetic industry, it is not possible for a retailer to reach manufacturer to get cosmetic products to sell in the market. Therefore, manufacturers employ agents to sell their products to wholesalers at different locations. The wholesaler sells goods to retailer and retailer further sells goods to consumers.

## 5) Franchising :

Powerful companies sell their franchise to retailers. In this type of marketing channel, manufacturers have full control of the store but they don’t own it. When you get a franchise of a company that means you are obliged to sell products only from that manufacturer. You have to agree and follow the conditions set by the manufacturer.

However, you have certain advantages if you are getting the franchise of a company such as you don’t need to advertise your business because powerful companies run huge marketing campaigns and you will get loyal and dedicated customers. There are fewer chances for you to fail at business and you have to spend less to get a franchise than to start your own business.

## 6) Value-added reseller:

This type of marketing channel is used to sell products from one manufacturer to another manufacturer. For example, an earphones manufacturer will sell its products to a mobile company and they will sell mobile phones along with earphones. The earphones manufacturing company does not have to work hard to market and [boost](https://www.marketing91.com/marketing-mix-boost/) the sales of their product. Their products will be sold whenever a consumer will buy a mobile phone.

The above were the 6 Main types of Marketing Channels most commonly used in the business world.

## Wholesaling

Wholesaling is the buying/handling of products and services and their subsequent resale to institutional users and in some cases to final consumers. Wholesaling assumes many functions in a distribution channel, particularly those in the sorting process. Manufacturers and service providers sometimes act as their own wholesalers.

ADVERTISEMENTS:

**Industrial, commercial and government institutions are wholesalers’ leading customers followed closely by retailers:**

**(a) Importance of Wholesaling:**

Wholesaling is a significant aspect of distribution because of its impact on the economy, its functions in the distribution channel and its relationship with suppliers and customers. In USA, wholesalers generate almost one-fifth of their total revenues from foreign markets.

Revenues are high since wholesaling involves substantial purchases by institutional consumers. There are larger numbers of retailers because they serve individual, disposed final consumers, and wholesalers handle fewer, larger and more concentrated customers.

From cost prospective, wholesalers have a great impact on prices. Operating costs for wholesalers include inventory charges, sales force salaries, rent charges and costs of advertising etc. Wholesaler costs and profits depend on inventory turnover, money value of products the functions performed and efficiency etc.

**(b) Functions of Wholesaling:**

Wholesalers carry out tasks ranging from distribution to risk taking.

**Following functions are performed by wholesalers:**

(i) Enable manufacturers and service providers to distribute locally without making customer contacts.

(ii) Provide a trained sales force.

 (iii) Provide marketing and research supports for manufacturers, service providers and retail or institutional consumers.

(iv) Purchase large quantities, thus reducing total physical distribution costs.

(v) Provide warehousing and delivery facilities.

(vi) Provide credit facilities for retail and institutional customers, whenever required.

 (vii) Provide adjustments for defective merchandise.

(viii) Take risks by being responsible for theft, deterioration and obsolescence of inventory. Wholesalers who take title of ownership of products and services usually perform all the above tasks.

**(c) Relationship of suppliers and customers with wholesalers:**



In this case the needs of the wholesaler are considered unimportant.

**(d) Types of Wholesaling:**

**Three broad categories of wholesaling are discussed below:**

**(i) Manufacturer Wholesaling:**

In this case a firm has its own sales offices and wholesale activities are done at these offices. Sales office may be conveniently located in a market place. This type of arrangement is preferred when the manufacturer desires more control on marketing and/or customers who may be few in number and each is a key account.

**(ii) Merchant Wholesaling:**

Merchant wholesalers buy, take title and take possession of products for further resale. Merchant wholesalers may perform full range distribution tasks. They provide credit, store and deliver products, after merchandising and promotion assistance, have a personal sales force, offer research and training support and provide all necessary information to customers and provide installation and after-sales services. This class is very commonly prevalent in durable consumer goods, pharmaceuticals and grocery items etc. Merchant wholesalers demand higher compensation for performing large number of functions.

**(e) Agents and Brokers:**

They perform various wholesale tasks, but do not take title of products, unlike merchant wholesalers. Agents and brokers enable a manufacturer to expand sales volume because of their special expertise and experience in the field.

Such agents and brokers may work for many firms and carry non competitive and complementary products in exclusive territories. Agents have little say on marketing and pricing. This class is prevalent in steel, cement, automobile and white goods. Voltas Ltd. works as wholesale agent for many white goods manufacturers.

**(f) Present Trends in Wholesaling:**

Due to phenomenal expansion of marketing activities and entry of many foreign exporters, the wholesaling has changed dramatically in India. The vast popularity of Internet and mobile phones have enhanced the importance of wholesalers in India.

These medias have also played a major role in selling books, CDs and PCs etc. Wholesalers are constantly looking for productivity gains to benefit their customers and themselves and protect their position in the market place. Wholesaler rendering after-sales service to customer is very important and it provides him the competitive advantage.

## What Is Retail?

Retail is the final channel of distribution where small quantities of goods (or services) are sold directly to the consumer for their own use.

Two key-phrases in this definition that separate retail from wholesale are –

* **Small quantities of goods:** Unlike manufacturing or wholesale, the number of goods involved in a retail transaction is very less.
* **Directly to the consumer:** Retail stores are the last channels of distribution where the actual sales to the customer happen.

## What Is Retailing?

Retailing is the distribution process of retailer getting the goods (either from the manufacturer, wholesaler, or agents) and selling them to the customers for the actual use.

In simple terms, retailing is the transaction of small quantities of goods between a retailer and the customer where the good is not bought for the resale purpose.

## What is A Retailer?

A retailer is a person or a business who sells small quantities of goods to the customers for the actual use.

## Importance Of Retailing

Retailing is important for the creators, customers, as well as the economy.

Retail stores are the places where most of the actual sales to the customers take place. They act as both a marketing tool for the brands and a support tool for the customers to exchange and communicate important information.

Besides this, retailing is a [great asset to the economy](https://study.com/academy/lesson/social-economic-impact-of-retailing.html). It provides jobs, adds to the GDP, and acts as a preferred shopping channel during the holiday season.

* different types of retail stores like department stores, speciality stores, supermarkets, convenience stores, catalogue showrooms, drug stores, superstores, discount stores, extreme value stores etc.
* **Non-store retailing:** Non-store retailing is a type of retailing where the transaction happens outside conventional shops or stores. It is further divided into two types – direct selling (where the company uses direct methods like door-to-door selling) and automated vending (installing automated vending machines which sell offer variety of products without the need of a human retailer).
* **Corporate retailing:** It involves retailing through corporate channels like chain stores, franchises, and merchandising conglomerates. Corporate retailing focuses on retailing goods of only the parent or partner brand.
* **Internet retailing:** Internet retailing or online retailing works on a similar concept of selling small quantities of goods to the final consumer but they serve to a larger market and doesn’t have a physical retail outlet where the customer can go and touch or try the product.
* **Service retailing:** Retailers not always sell tangible goods, retail offerings also consists of services. When a retailer deals with services, the process is called service retailing. Restaurants, hotels, bars, etc. are examples of service retailing.

## Characteristics Of Retailing

Retailing can be differentiated from wholesaling or manufacturing because of its certain distinct characteristics which include –

* **Direct contact with the customer** – Retailing involves direct contact with the end customer and are a mediator between the wholesaler and the customer or the manufacturer and the customer depending upon the distribution channels used.
* **Relationship with the customers –** Retailers form a bond with the customers and help them decide which products and services they should choose for themselves.
* **Stock small quantities of goods –** Retailers usually stock small quantities of goods compared to manufacturers and wholesalers.
* **Stock goods of different brands –** Retailers usually stock different goods of different brands according to the demand in the market.
* **Customers’ contact with the company –** Retailers act as the representatives of the company to the end customers who give their feedback and suggestions to them.
* **Have a limited shelf space –** Retail stores usually have very limited shelf space and only stock goods which have good demand.
* **Sells the goods at maximum prices –** Since retailing involves selling the products directly to the customers, it also witnesses the maximum price of the product.

## Functions Of Retailing

Retailers have many important functions to perform to facilitate the sale of the products. These functions include –

### Sorting

Manufacturers produce large quantities of similar goods and like to sell their inventories to few buyers who buy in lots. While customers desire many varieties of goods from different manufacturers to choose from. Retailers balance the demands of both sides by collecting and assorting the goods from different sources and placing them according to the customers’ needs.

### Breaking Bulk

Retailers buy the goods from manufacturers and wholesalers in sufficiently large quantities but sell to the customers in small quantities.

### Channel Of Communication

Since retail involves direct contact with the end consumers, it forms a very important channel of communication for the companies and manufacturers. The manufacturer tries to communicate the advantages of their products as well as the offers and discounts through retailers.

Retail also acts as a mediator between the company and the customer and communicates the feedback given by the customers back to the manufacturer or wholesaler.

### Marketing

Retail stores are the final channels where the actual decisions are made. Hence, they act as important marketing channels for the brands. Smart placements, banners, advertisements, offers, and other strategies are executed by the manufacturers to increase their sales in retail stores.

## Definition of Physical Distribution:

Physical distribution is concerned with the physical movement of the goods from the producer to the consumer. It is an important part of marketing activity and a major component of marketing mix. It includes all those activities which help in efficient movement of goods from producer to consumer, such as trans­portation, warehousing, material handling, inventory control, order processing, market forecasting, packaging, plant and warehouse location and customer ser­vice.

Philip Kotler has defined physical distribution as, “Physical distribution involves planning, implementing and controlling the physical flow of materials and final goods from the point of origin of use to meet consumer needs at a profit.”

According to William J. Stanton, “Physical distribution involves the man­agement of physical flow of products and establishment and operation of flow systems.”

Physical distribution is thus, management of the physical flow of products and management and operation of the flow system. It is a process of managing the movement of the goods.

#### Objectives of Physical Distribution:

Physical distribution has two broad objectives viz. consumer satisfaction and profit maximisation. Apart from these, there are other objectives too. A sat­isfied consumer is the biggest asset that a company has. A firm can provide sat­isfaction to consumers by making available right quantity of right goods at right place and time, at lowest costs. Prompt and dependable distribution enhances consumer satisfaction.

At the same time, by offering better service at lower price of the product, the firm can attract additional consumers and make more prof­its. This can be done by improving the efficiency and effectiveness of physical distribution activities, firm can bring in economy which will have an effect on profit margin i.e. by lowering the physical distribution costs, profit position can be improved.

**Apart from these two broad objectives, physical distribution has other objectives as follows:**

i. To make available the right goods in right quantity at right time and right place at least cost.

ii. To achieve minimum inventory level and speedier transportation.

iii. To establish price of products by effective management of physical distribution activities.

iv. To gain competitive advantage over rivals by performing customer service more effectively.

#### Importance of Physical Distribution System:

Physical distribution activities have an important role to play in success of business.

**Its importance can be judged from following points:**

**1. Creating Time and Place Utility:**

Physical distribution activities help in creating time and place utility. This is done through transportation and warehousing. Transportation system creates place utility as it makes available the goods at the right place where they are required. Warehousing creates time utility by storing the goods and releasing them when they are required.

**2. Helps in Reducing Distribution Cost:**

Physical distribution cost account for a major part of the price of the product. If these costs are handled systematically, decrease in costs of product can be there. Proper and systematic planning of transportation schedules and routes, warehousing location and operation, material handling, order processing, etc. can easily bring in cost economies.

**3. Helps in Stabilisation of Price:**

Physical distribution helps in maintaining stable prices. Even customers expect price stability over a period of time. Proper use of transportation and warehousing facilities can help in matching demand with supply and thus ensure stabilisation of price.

**4. Improved Consumer Services:**

Consumer service in physical distribution means making products in right quantity available at right time and right place i.e. place where customer needs.

#### Components of Physical Distribution:

**(1) Order Processing:**

Order processing is the starting point of any distribution activity. Order processing includes activities like receiving the order, handling the order, granting credit, invoicing, dispatching, collecting bills, etc. Each customer expects that the order placed by him is implemented without delay, and as per the specifications of the order.

Thus, order processing becomes very important. Marketer should make effort to maintain the order cycle time i.e. the time period between the time of placement of an order by the customer to the time of arrival of goods at his destination. Standard procedure should be laid down for processing of order.

**(2) Storage and Warehousing:**

Storage means making proper arrangements for retaining the goods in proper condition till they are demanded by customers. There are many products which are seasonally produced but are used throughout the year, they can be stored and later released.

Similarly, there are products which are produced throughout the year but are seasonally used like umbrella, fans, heaters, etc. Here also storing plays an important role. Storage reduces the need for instant transportation which is difficult and costly.

Warehousing provides the storage function. Places where the goods are stored are known as warehouse. Goods are stored in warehouses to be released in time of demand. Apart from storing function, warehouses also perform other functions like, marketing and assembling the goods.

Two types of warehouses are there- Storage Warehouses and Distribution Warehouses. Storage warehouse helps in storing the good for long and medium period of time to ensure matching of supply and demand. Distribution warehouses facilitate assembling the product and redistributing it within a short period of time. They can also be centralised (when located near factory) or decentralised (when located near market).

**(3) Inventory Control:**

Inventory control refers to efficient control of goods stored in warehouses. Maintaining adequate level of inventory is very essential for smooth flow of business. Inventory acts as a bridge between the orders of customers and production. They are the reservoir of the goods held in anticipation of sales. Therefore, it needs to be properly managed and controlled. Neither to small nor too large inventory should be maintained.

Former would result in stock out, resulting in lost sales and latter involves heavy investments. Thus, a balance has to be maintained. As Prof. W. J. Stanton states, “the goal of inventory control is to minimise both the investment and the fluctuation in inventories, while at the same time filling customer order properly and accurately.”

Correct anticipation of the product demand is necessary for maintaining the correct level of inventory. Properly estimated demand helps the business firms in terms of cost of inventory, supplying to customer in time and maintaining the production schedule.

**(4) Material Handling:**

Material handling includes all those activities which are associated in moving products when it leaves the manufacturing plant but before it is loaded on the transport. This activity has been in existence since very long period of time, and now it has developed as a system.

It involves moving the goods from plant to warehouses and from warehouses to place of loading in transport modes. Proper management of material handling helps in avoiding unnecessary movement of goods, avoiding damage to the goods, facilitate order processing and efficient movement of goods.

Material handling is the sub part of the total physical distribution system and helps in reduction in cost and better service to consumers. Effective management of material handling system leads to effectiveness of total physical distribution system and thereby makes it economical.

**(5) Transportation:**

Transportation as a component of physical distribution is concerned with the movement of goods from the warehouse to customer destination. It includes loading and unloading of goods and their movement from one place to another. In doing so it provides time and place utility. Transport accounts for a major portion of the distribution cost and of the total price of the product.

Being a major cost element, marketers must take keen interest in transportation decision as it will help in reducing cost and increasing customer satisfaction. Correct form of transportation mode is very essential as it directly affect the price of the product. Proper choice facilitates smooth movement of goods on time and in good condition. The transportation mode therefore needs to be adequate, regular and dependable.

Different modes of transportation are there like Road transport, railways, Airways, Water transport and pipeline from which a choice has to be made. Each has its own share of merits and demerits. Normally a combination of different mode is chosen and integrated in a sequential order to move the product economically and faster.

Choice of a particular mode of transportation depends upon various factors like cost of the transport, availability of the mode of transport, speed, reliability, frequency, safety and suitability of the mode to move the product.

**i. Road Transport:**

This is an ancient form of transport and plays an important role in marketing. Road transport may be through different means like transport by animals (like bullock, camel), transport by human beings (like coolies or porters), transport by automobiles (like scooters, auto rickshaws, cars, truck buses etc.). Road transport is flexible and economical. However, it is unsuitable for long distances.

**ii. Railways:**

It is suitable for transporting bulk goods over long distances. It is an economical mode because large volume of traffic is handled over large network of railways. However, it is inflexible as it is unfit to transport goods to rural areas. Further, it involves huge maintenance expenditure.

**iii. Water Transport:**

Water way is an important mode of transport for heavy and bulky goods in large quantities. It consists of inland water transport and ocean transport. Inland water transport is used for transporting goods within county and ocean transport is used to transport goods to other countries. Water transport is a cheapest form of transport, having great carrying capacity and is highly suitable for heavy and bulky goods, but it has low speed and higher degree of risk due to seasonal difficulties.

**iv. Air Transport:**

Of late air transport has assumed significant importance as a mode of transport. Although it accounts for a small percentage of transportation, it is useful for perishable items, overnight packages, emergency supplies etc. The main disadvantage of air transport is that it has high freight charges, low carrying capacity and too much dependence on climatic conditions.

**v. Pipelines:**

These are specialized carriers design to transport the crude and refined petroleum and natural gas from wells to refineries and further to distribution centre. It is an economical mode as it involves less handling and labour cost, but it is the slowest mode of transportation and very limited in number.

***UNIT-5***

## What Is a Marketing Strategy?

A marketing strategy refers to a business's overall [game plan](https://www.investopedia.com/terms/f/four-ps.asp) for reaching prospective consumers and turning them into customers of the products or services the business provides. A marketing strategy contains the company’s value proposition, key brand messaging, data on target customer demographics, and other high-level elements.

## Marketing Strategies vs. Marketing Plans

The marketing strategy informs the [marketing plan](https://www.investopedia.com/terms/m/marketing-plan.asp), which is a document that details the specific types of marketing activities a company conducts and contains timetables for rolling out various marketing initiatives.

Marketing strategies should ideally have longer lifespans than individual marketing plans because they contain value propositions and other key elements of a company’s brand, which generally hold consistent over the long haul. In other words, marketing strategies cover big-picture messaging, while marketing plans delineate the logistical details of specific campaigns.

Academics continue to debate the precise meaning of marketing strategy, therefore multiple definitions exist. The following quotes help crystallize the nuances of (modern) marketing strategy:

* "The sole purpose of marketing is to sell more to more people, more often and at higher prices." (Sergio Zyman, marketing executive and former Coca-Cola and JC Penney marketer)
* "Marketing is no longer about the stuff that you make, but about the stories you tell." (Seth Godin, former business executive, and entrepreneur)
* "The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself." (Peter Drucker, credited as founding modern management)
* “Marketing’s job is never done. It’s about perpetual motion. We must continue to innovate every day.” (former vice chair and chief marketing officer, GE)
* "Take two ideas and put them together to make one new idea. After all, what is a Snuggie but the mutation of a blanket and a robe?" (Jim Kukral, speaker and author of "Attention!")

## The Creation of Marketing Strategy

A carefully-cultivated marketing strategy should be fundamentally rooted in a company’s value proposition, which summarizes the [competitive advantage](https://www.investopedia.com/terms/c/competitive_advantage.asp) a company holds over rival businesses. For example, Walmart is widely known as a discount retailer with “everyday low prices,” whose business operations and marketing efforts revolve around that idea.

Whether it's a print ad design, mass customization, or a social media campaign, a marketing asset can be judged based on how effectively it communicates a company's core value proposition. [Market research](https://www.investopedia.com/terms/m/market-research.asp) can be helpful in charting the efficacy of a given campaign and can help identify untapped audiences, in order to achieve bottom-line goals and increase sales.

## What is Product Differentiation?

Product differentiation is a process used by businesses to distinguish a product or service from other similar ones available in the market.

The goal of this tactic is to help businesses develop a competitive advantage and define compelling [unique selling propositions (USPs)](https://www.productplan.com/glossary/unique-selling-proposition/) that set their product apart from competitors. Organizations with multiple products in their portfolio may use differentiation to separate their various products from one another and prevent cannibalization.

In this article, we will provide an overview of product differentiation and answer several common questions about this process.

## Why is Product Differentiation Important?

In many industries, the barrier to entry has dropped significantly in recent years. As a side effect, these industries have seen substantial increases in competitive products. In increasingly crowded competitive landscapes, differentiation is a critical prerequisite for a product’s survival.

What does your product or service do/accomplish/offer that the competition does not? Product differentiation helps your organization answer this question and focus on the unique value a product brings to its users. If no effort is put into a differentiation strategy, products risk blending in with a sea of competitors and never getting the market hold they need to keep going.

## Who is Responsible for Product Differentiation?

While many schools of thought suggest differentiation is marketing’s responsibility, that is not necessarily true. In fact, virtually every department within an organization can play a role in product differentiation.

**Which teams are responsible for differentiation?**

* Marketing
* Product Management
* Engineering
* Sales
* Support and Success

This is because any aspect of your product can be a differentiating factor. We usually think first of marketing because it’s marketing who focuses on product positioning and is often the first touchpoint for a customer or prospect. However, differentiation is more than just how marketing positions the product—every single customer touchpoint is an opportunity for differentiation. Is the product reliable or prone to outages? How difficult is it to purchase the product? What are customer interactions with support and success like?

The answers to each of these questions could lead to a differentiating factor.

## What are Types of Product Differentiation?

There are several different factors that can differentiate a product, however, there are three main categories of product differentiation. Those include horizontal differentiation, vertical differentiation, and mixed differentiation.

### Horizontal Differentiation

Horizontal differentiation refers to any type of differentiation that is not associated with the product’s quality or price point. These products offer the same thing at the same price point. When making decisions regarding horizontally differentiated products, it often boils down to the customer’s personal preference.

**Examples of Horizontal Differentiation:** Pepsi vs Coca Cola, bottled water brands, types of dish soap.

### Vertical Differentiation

In contrast to horizontal differentiation, vertically differentiated products are extremely dependent on price. With vertically differentiated products, the price points and marks of quality are different. And, there is a general understanding that if all the options were the same price, there would be a clear winner for “the best.”

**Examples of Vertical Differentiation:** Branded products vs. generics, A basic black shirt from Hanes vs. a basic black shirt from a top designer, the vehicle makes.

### Mixed Differentiation

Also called “simple differentiation,” mixed differentiation refers to differentiation based on a combination of factors. Often, this type of differentiation gets lumped in with horizontal differentiation.

**Examples of Mixed Differentiation:** Vehicles of the same class and similar price points from two different manufacturers.

## What are the Factors of Product Differentiation?

Now that we’ve looked at the categories of product differentiation, let’s look at the specific factors that can differentiate products. A product’s unique selling proposition (USP) can be literally anything that makes it unique or different from others out there. Here’s a few examples of ways companies can differentiate their products from others in the market.

* **Quality**: How does the quality, reliability, and ruggedness of your product compare to others on the market?
* **Design**: Have you done something different with your design? Is it minimalistic and sleek? Easy-to-navigate?
* **Service and interactions**: Do you offer faster support than anyone else on the market? Does your team provide custom onboarding? How are your customers’ interactions with your team different from those of your competition?
* **Features and functionalities**: Does your product do something the competition does not? Is it faster than anything else out there? Is it the only one to offer a certain integration?
* **Customization**: Can you customize parts of the product that competitors cannot?
* **Pricing**: How does your product’s price or [pricing model](https://www.productplan.com/pricing-model-saas-product/) differ from that of the competition? Cheaper is not the only differentiating factor to consider with [product pricing](https://www.productplan.com/how-to-price-a-product/).

## How Do You Develop a Product Differentiation Strategy?

Ready to start focusing on product differentiation but not sure where to start? Here are a few steps to get you headed in the right direction.

1. Know your market. Take note of the market your product serves. Who are the competing organizations and what do they offer? What types of key customer needs are not being met with existing options?
2. Work with your entire team to establish ways you can potentially distinguish your product from others in the market. Take inventory of the benefits and values your product brings to customers and establish how important those values are.
3. Identify opportunities to further differentiate the product from others. Assess where they may belong in your organization’s strategic product roadmap.

Our examples above have only scratched the surface on what different factors can differentiate a product. And it’s worth noting that there is no right way to approach product differentiation. The ideal process is different for every product, team, and organization.

# Services Marketing - Definition and its Importance

Stated simply, Services Marketing refers to the marketing of services as against tangible products.

As already discussed, services are inherently intangible, are consumed simultaneously at the time of their production, cannot be stored, saved or resold once they have been used and service offerings are unique and cannot be exactly repeated even by the same service provider.

Marketing of services is a relatively new phenomenon in the domain of marketing, having gained in importance as a discipline only towards the end of the 20th century.

**Services marketing first came to the fore in the 1980’s when the debate started on whether marketing of services was significantly different from that of products so as to be classified as a separate discipline**. Prior to this, services were considered just an aid to the production and marketing of goods and hence were not deemed as having separate relevance of their own.

The 1980’s however saw a shift in this thinking. As the service sector started to grow in importance and emerged as a significant employer and contributor to the GDP, academics and marketing practitioners began to look at the marketing of services in a new light. Empirical research was conducted which brought to light the specific distinguishing characteristics of services.

By the mid 1990’s, Services Marketing was firmly entrenched as a significant sub discipline of marketing with its own empirical research and data and growing significance in the increasingly service sector dominated economies of the new millennium. New areas of study opened up in the field and were the subject of extensive empirical research giving rise to concepts such as - the product-service spectrum, relationship marketing, franchising of services, customer retention etc.

### Importance of Marketing of Services

Given the intangibility of services, marketing them becomes a particularly challenging and yet extremely important task.

* **A key differentiator:** Due to the increasing homogeneity in product offerings, the attendant services provided are emerging as a key differentiator in the mind of the consumers. Eg: In case of two fast food chains serving a similar product (Pizza Hut and Domino’s), more than the product it is the service quality that distinguishes the two brands from each other. Hence, marketers can leverage on the service offering to differentiate themselves from the competition and attract consumers.
* **Importance of relationships:** Relationships are a key factor when it comes to the marketing of services. Since the product is intangible, a large part of the customers’ buying decision will depend on the degree to which he trusts the seller. Hence, the need to listen to the needs of the customer and fulfill them through the appropriate service offering and build a long lasting relationship which would lead to repeat sales and positive word of mouth.
* **Customer Retention:** Given today’s highly competitive scenario where multiple providers are vying for a limited pool of customers, retaining customers is even more important than attracting new ones. Since services are usually generated and consumed at the same time, they actually involve the customer in service delivery process by taking into consideration his requirements and feedback. Thus they offer greater scope for customization according to customer requirements thus offering increased satisfaction leading to higher customer retention.

**Need for Consumer Protection**

Consumer choice is influenced by mass advertising using highly developed arts of persuasion. The consumer typically cannot know whether drug preparations meet minimum standards of safety, quality and efficacy. He usually does not know whether one prepared food has more nutritional value than others; whether the performance of a product will in fact meet his needs and expectations; or whether the “large economy size” is really a bargain. Hence, we need consumer protection.

1. Physical protection of the consumer, for instance, protection against products that are unsafe or endanger health and welfare of consumer.

2. Protection of the consumer against deceptive and unfair trade practices. Consumer must have adequate rights and means of redress against business malpractices and frauds.

3. Ecological and environmental effects of chemical, fertiliser or refinery complexes will have to be seriously considered because they pollute water, air and food and endanger human life. Consumer wants due protection against all types of pollution; he wants enriched quality of life — a beautiful, healthy, and peaceful environment free from pollution.

4. Adequate protection of consumer public against the abuse of monopoly position and/or restrictive trade practices. Protection delayed is protection denied.

Greater and free competition in the market is of definite advantage to the consumer. Competition can reduce prices, enhance quality and stimulate innovation in product-mix and marketing-mix. Innovation means progress and progress means life, a prosperous life. Competition is the dispenser of justice to the consumer and producer.

Consumer seeks protection, advice and information when his rights are adversely affected. The shift from buyer beware to seller beware has increased the role of Government in promoting the consumer’s right to safety, the right to be informed, the right to choose, the right to be heard, the right to redress and right to represent.

These consumer rights constitute Consumer Bill of Rights. In 1962, President John F. Kennedy, in his consumer message, summed up these rights of consumers and paved the way for organised consumerism in the U.S.A. and all over the world.

**Consumerism in India – Consumer Responsibilities**

**The rights and responsibilities being the two faces of the same coin, the IOCU has also drafted certain consumer responsibilities which are as follows:**

(a) Critical Awareness- To be alert and questioning about the goods and services they use.

(b)Action- To act on fair and just demands.

(c) Social Responsibility- Consumers must be concerned about the impact of their consumption behaviour on other citizens, particularly on disadvantaged groups in the local, national or international community.

(d)Environmental Awareness- To be sensitive about what their consumption of goods does to the environment and not waste scarce natural resources or pollute the earth.

(e) Solidarity- To act together through the formulation of consumer groups which have the strength and influence to promote consumer interests.

Over the last twenty years, in fact, ever since the consumer forum under the Consumer Protection Act became functional, consumers have become aware about their rights and how these can be exercised. But, on the other hand, the Indian consumer does not want to observe and fulfill responsibilities.

He is especially apathetic about his social responsibilities (e.g., indulging in conspicuous consumption of luxuries), environmental awareness (e.g., slave to the disposable culture) and consumer solidarity (‘all I’m interested is in solving my own personal problem’ syndrome).

What the Indian consumer fails to realise is that it is this very lack of solidarity that results in his large-scale exploitation. The more solidarity there is, less will be the need to approach consumer forum for redressal. Solidarity can lead to more representation on departmental bodies that can take care of various consumer problems. Solidarity can lead to policy changes benefiting consumers and much more. The prime concern of the consumer movement is to prevent or minimise consumers’ exploitation and not maximise litigation.

In the present scenario, consumers’ policy issues no longer remain national and local issues. With the Government opening its doors to international business interests, consumer issues too need to be studied and understood in the international context.

Third world countries have already suffered from the policy of ‘dumping’ of drugs banned in Europe and the West and are likely to suffer further from the effects of the transfer of obsolete or worn-out technologies into the countries. Consumer solidarity gains extreme importance at such a time.

The United Nations has adopted a set of general guidelines for consumer protection.

**These cover seven areas:**

1. Physical safety.

2. Promotion and protection of consumers’ economic interests.

3. Standards for the safety and quality of consumer goods.

4. Distribution facilities for essential consumer goods and services.

5. Measures enabling consumers to obtain redress.

6. Education and information programmes.

7. Measures relating to specific areas (food, water and pharmaceuticals).

The purpose of these guidelines was well described by the United Nations Secretary General in his 1983 report — ‘The draft guidelines represent an initial attempt to create an international framework within which national consumer protection policies and measures can be worked out. They are also intended to assist the international community in its consideration of the question of consumer protection policy and to further international co-operation in this field.’

**Consumerism in India – Business Response to Consumerism**

**Consumerism Opportunities:**

Consumerism is now an established, a vocal, and a well-organised force in the marketplace so that consumer complaints and grievances will be heard and redressed (set right). The only question is who will answer those complaints? And who will redress them? Business or Government?

If business ignores them or if business cannot or will not be accountable to the consumer, it is obvious that the only alternative is more and more consumer legislation and Government intervention to ensure justice and fair play to consumers. It means that indifference of business towards ever-growing consumer movement will amount to an open invitation or a blank cheque in favour of Government interference in the free market mechanism.

In other words, consumerism is a direct challenge to business to be met with squarely, if business wants freedom or survival in our economy.

Savvy marketers in India are fast recognising the value of adopting a positive attitude towards the new needs and wants of their consumers. Many of them have instituted “positive action programmes” in their organisations which anticipate and directly respond to consumer demands. This pro-consumerism is reflected in better quality products, better services, better warranties, better credit, clearly spelt out and strongly backed.

It is reflected in the trend to release more informative advertising that not only sells, but clearly and honestly tells the consumer what he, or she, is entitled to know about the product and its performance.

Consumers in India today increasingly expect value for money and quality in products and services. Marketers in India are gradually showing genuine interest in satisfying todays more sophisticated, more skeptical and more demanding consumers. They must bridge the gap between consumer expectations and business performance by adopting pro-consumerism marketing policy. This will benefit the business and economy as a whole.

If businessmen avoid subjecting themselves to self-regulation and voluntary restraint, society has a right to intervene through the people’s Government to regulate their behaviour. In that contingency, authorities will be compelled to impose more and more controls and restrictions through legislation.

If businessmen had earlier shown the necessary foresight and followed effective, fair trade norms or practices, the need for enacting consumer legislations would not have arisen. Failure of business to adopt marketing strategies from consumer’s viewpoint and develop consumer-oriented marketing concept is really responsible for the growth of consumerism and consequent legislation to provide consumer protection.

Self-policing is far more effective and superior or advantageous than State-policing in the field of distribution. There are about 40 million people employed in the Indian distribution system alone. If constructive ties are forged between the Government and the business, through co-operation, both parties can understand each other’s viewpoints and difficulties and our economy can assure distributive justice without controls and restrictions.

Business community must read the writing on the wall and take, without delay, appropriate steps to regulate its conduct and cultivate self-discipline and self-regulation in the larger national interests. Let it be noted that this is not merely for protecting the consumer interest but also to protect the interest of the business community itself.

In the current context of Indian marketing environment, business cannot hope to thrive or survive unless it wakes up, faces the realities and fulfills both its economic as well as its social obligations to the satisfaction of the consumer-public — the man in the street — or the community at large. For today businessmen can do their business only with public acceptability. Otherwise they will have no business left to transact.

**What Is Direct Selling?**

Direct selling is characterized by a consultant or representative that utilizes their personal connections to sell a product or service directly to consumers and is compensated for the sales they make. Direct selling is based on making and keeping personal relationships with the people you sell to, encouraging repeat business from customers. The one-on-one communication with your customers makes selling a product that much easier since you can pull from personal experience to give examples of ways to use the product and share your impressive results.

**What Is Direct Marketing?**

Direct marketing is focused on advertising a product with the hopes that the advertisement will encourage a consumer to purchase a certain product or service. What makes this type of marketing direct is the audience that it targets—with direct marketing, a company does not intend their marketing material to spread worldwide, but rather throughout a certain region, or specifically to a certain type of person. Direct marketing is not necessarily meant to sell a product immediately, but rather set a consumer up to purchase the product in the future.

**The Differences**

With similarities in the ways that direct selling and direct marketing practices target customers, nearly everything else about the two is different. Here are the 4 main differences to note.

**1. The History of Direct Selling and Direct Marketing**

While direct selling dates back to peddlers and other traveling vendors venturing from town to town to sell their wares, direct marketing was only really made popular with the introduction of the postal service, but especially with the invention of the internet. Direct marketing comes in various forms, such as local mass mailers through the postal system, and internet ads generated based on your browsing history, offering the most personalized online shopping experience possible.

**2. From the Personal to the Impersonal**

Direct selling is used to target customers who are a part of the seller’s personal network. While the introduction of social media makes connecting with people you’ve never met as easy as clicking a button and waiting for a reply, direct selling is still limited to the people you come in contact with. This incredibly personal interaction helps a customer feel at ease knowing they have direct contact with the person selling them a product. Direct marketing, on the other hand, is able to reach more people than direct selling ever could, simply because direct marketing aims at targeting consumers within a specific area or demographic, and does not require face-to-face interaction.

**3. Direct and Indirect Contact**

Aside from targeting a specific audience for advertising, direct marketing is more impersonal, requiring little to no face-to-face contact with customers. Direct selling, on the other hand, is completely based on personal contact, as this type of selling allows a customer to not only see the products available online, but also in person. Representatives for companies like Avon, Usborne Books, and [**ASEA**](http://aseaglobal.com/) typically host parties in the homes of family and friends to advertise their products and make immediate sales, which means these products must be of the highest caliber since a consumer will see and touch them before making a purchase.

**4. The Length of Reach**

With the help of direct marketing, a company has the ability to reach more potential customers than they ever could simply by word of mouth. Representatives participating in direct selling can only reach as far as their own social network, and the network of friends and family who help spread the word about their business. While the shorter reach of direct selling may seem like a disadvantage, some customers prefer to do business with a smaller operation where they receive personal help and attention.

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