***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).

### 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 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.

## How to Create a 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.

## What is Consumer Behavior in Marketing?

Marketing is so much more than creating a catchy phrase or a jingle people will sing for days. Understanding consumer behavior is a vital aspect of marketing. **Consumer behavior** is the study of how people make decisions about what they buy, want, need, or act in regards to a product, service, or company. It is critical to understand consumer behavior to know how potential customers will respond to a new product or service. It also helps companies identify opportunities that are not currently met.

A recent example of a change in consumer behavior is the eating habits of consumers that dramatically increased the demand for gluten-free (GF) products. The companies that monitored the change in eating patterns of consumers created GF products to fill a void in the marketplace. However, many companies did not monitor consumer behavior and were left behind in releasing GF products. Understanding consumer behavior allowed the pro-active companies to increase their market share by anticipating the shift in consumer wants.

**The Three Factors**

To fully understand how consumer behavior affects marketing, it's vital to understand the three factors that affect consumer behavior: psychological, personal, and social.

**Psychological Factors**

In daily life, consumers are being affected by many issues that are unique to their thought process. Psychological factors can include perception of a need or situation, the person's ability to learn or understand information, and an individual's attitude. Each person will respond to a marketing message based on their perceptions and attitudes. Therefore, marketers must take these psychological factors into account when creating campaigns, ensuring that their campaign will appeal to their target audience.

**Personal Factors**

Personal factors are characteristics that are specific to a person and may not relate to other people within the same group. These characteristics may include how a person makes decisions, their unique habits and interests, and opinions. When considering personal factors, decisions are also influenced by age, gender, background, culture, and other personal issues.

For example, an older person will likely exhibit different consumer behaviors than a younger person, meaning they will choose products differently and spend their money on items that may not interest a younger generation.

**Social Factors**

The third factor that has a significant impact on consumer behavior is social characteristics. Social influencers are quite diverse and can include a person's family, social interaction, work or school communities, or any group of people a person affiliates with. It can also include a person's social class, which involves income, living conditions, and education level. The social factors are very diverse and can be difficult to analyze when developing marketing plans.

***UNIT-3***

## Marketing Mix Definition

Marketing mix is the set of tactics a business use to promote and sell its products in the market. These tactics range from developing the product, deciding its price and places where it will be sold, to deciding its communication and promotional strategies.

The tactics are further divided into 4Ps – Product, Price, Place, and Promotion. However, nowadays, the marketing mix constitutes several [other Ps](https://www.feedough.com/service-marketing-mix-7-ps-marketing-mix/) like Process, People and physical evidence as vital mix elements.

## Product mix

Product is an item produced or procured by the business to satisfy the needs of the customer. It is the actual item which is held for sale in the market. The product can be tangible or intangible (it can be a good or a service). It is not necessary that the business produce the product. It can also procure it from somewhere else.

Product mix refers to the mix of all the products present in the company for sale. (Just like the coca cola example above. All the 3500+ products constitute the product mix of the company.)

Every product has a definite life cycle. A life cycle of the product constitute different stages a product undergoes from the time it was first thought to the time it is finally removed from the market.

A business keeps all this in mind while creating a product mix of the marketing mix.

## Price Mix

Price is the actual amount which the consumer pays for the product. It is a result of various factors which include profits of the company, segment targeted, subsidies, discounts, supply-demand, and the cost of other three P’s of the marketing mix.

This aspect determines the company’s survival in the market. Hence price has a great effect on the entire marketing mix.

Price mix influence the positioning of the product among competition as well as the customer’s perception of the product. Hence businesses usually use one of these three strategies for pricing –

* Penetration Pricing (low price kept to capture market share)
* Skimming Pricing (high price initially then lowering of price)
* Competition Pricing (pricing at par of competition)

The price decides where will product stand among the competition.

## ****Place Mix****

A product, until it is well placed / distributed to reach the customer, is of no use to the customer. Hence, Place Mix is important. Business should be clear about their target market and how to reach the same. Place mix constitute strategies of where and how the product will be available for the customers for the actual sale.

Distribution Strategies include

* Intensive Distribution (Cover as much market as you can. E.g. Surf Companies)
* Selective Distribution (For premium products. Open limited outlets. E.g. Zara)
* Exclusive Distribution (For more exclusive products. Very less outlets. E.g. Lamborghini)
* Franchise system (Small companies distribute on your behalf. E.g. Coca-Cola)

A business can also decide between direct and indirect distribution.

Direct Distribution – When the business sell directly to the customers without involving any intermediaries.

Indirect Distribution – When the business involves intermediaries in their distribution strategy.

## Promotion Mix

Promotion leads and follows every other P’s of the mix. It’s through this aspect is how the business let know customers about their product. Promotion leads to brand recognition.

Promotion includes

* Advertising
* Branding
* Personal Selling
* Sales Promotion
* Public Relations
* Direct Marketing, and
* Social Media Outreach

These mediums helps the business to transfer the idea of the product from the company to the customer.

## 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).

***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-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.

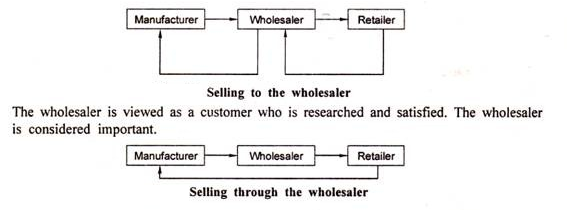
(v) Provide warehousing and delivery facilities.

(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:**

[](http://cdn.yourarticlelibrary.com/wp-content/uploads/2014/03/image83.png)

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***

## 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:

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