Subject: Business studies Class 12th chapter: Marketing

Marketing: Definition

Traditionally marketing has been defined as functions or business activities that are direct the flow of good and serves from the producers to consumers. Thus it involves many activities like product designing, packaging, warehousing, transportation, branding, selling, advertising, pricing etc.

Marketing includes activities before production as well, so it is both pre-production like collection of customer information, target market, developing products and services etc. and post-production activity and continues after the sale of good as well.

**As per Phillip Kotler**:

Marketing is a social process by which individuals and groups obtain what they need and want through creating offerings (products and services) and freely exchanging them.

Marketing is about identifying and meeting the physiological and social needs of the customers or simply “meeting the needs profitably”. Thus marketing is the process of choosing a target market and getting, growing customers by delivering superior value to them.

**Features:**

1: **Need and want:**

Marketing is about identifying the needs and wants of the customers and meeting those needs by delivering value regularly. Need is state of self-deprivation or feeling being deprivation ivering value reglarly tomers hat they need and want through creating offereings and freely exchnaived of something like food, shelter, clothes etc. if need remains unsatisfied, the person will be unhappy and uncomfortable.

Want is directing need towards a particular product that satisfies the need, like in USA customers need food but they want hamburger and fries of in India they want chapatti, rice etc.

Demand are wants for specific product with the ability to pay for the specific product, it is said “marketers do not create need, they create and influence wants”.

2**. Creating market offering:**

Market offering refers to the complete bundle of values in a product or a services having required features like size, ingredients, quality, taste, price, availability at a location. A good market offering is developed only after analysing the needs, preferences and wants of the customers.

3. **Customer value:**

 The process of marketing is about delivering value to the customers, the buyers make buying decision only after their perception of value of a certain product of services in satisfying their needs in relation to its cost. Value is sum of the perceived tangible and intangible benefits and costs to customers. Marketing simply adds the value to the offering so that customer will purchase the product rather than switching to competitors.

4. **Exchange mechanism:**

 Exchange refers to the process through which the parties come together to obtain the desired product of service from the intermediary or the producers. For example a person requiring food item gives money to the retailer in return to obtain the product of choice. Due to globalisation and expansion of market, exchange is conducted through various middlemen involved in different stages of distribution thus creating “channels of distribution”.

“What can be Marketed?”

|  |  |
| --- | --- |
| Physical product  | DVD player, Motor cycle, automobiles, cell phones, television, washing machines  |
| Services | Insurance, health care, BPO, financial services, online trading, billing services |
| Ideas  | Polio vaccination, family planning, blood donation, tree plantation, disease protection  |
| Persons | Ministers for election, presidents and prime ministers of states |
| Place | Visit Agra- city of love, Kashmir- paradise on earth, Gujarat- breathe the air of Gujarat |
| Experience  | Special dinner with Sachin Tendulkar, lunch with Amitabh Bachan, experience balloon riding, Gulmarg cable car gondola  |
| Properties  | Real estate, shares, debentures etc |
| Events | Sports events like Olympics rio 2016, Diwali fashion show, music concert, film festivals “ festival de Cannes” |
| Information  | Admission process of a university, research organisation information, market information, technology information  |
| Organisation  | For creating public image, HUL, Ranbaxy, Dabur, ITC, HCL, HP, Lenovo like Philips says- Lets make things better |

Marketing and selling

|  |  |  |
| --- | --- | --- |
| Items  | Marketing  | Selling  |
| Scope  | Marketing is wider in scope, starting with identifying needs and continues after selling | Only concerned with transfer of goods and services and is a part of marketing |
| Transfer of title  | Marketing is concerned with satisfying needs  | Selling is only concerned with transfer of title of goods and services  |
| Profits  | Aim is to maximise profits through satisfaction of the customers by meeting their needs  | Concerned with maximizing sales and thus increasing profits  |
| Position of activities  | Marketing starts before product is manufactured | Selling only starts when product is manufactured  |
| Emphasis  | Emphasis is to develop the product as per the needs of customers  | Emphasis is on bending the customer to sell the product |
| Strategies  | Marketing involves strategies like product, price, promotion and physical distribution  | Selling involves, persuasion and promotion only |

Functions of Marketing:

1. Gathering and analysing market information:

In order to identify the needs of the customers, information is required to be gathered from the sources and analysed to identify the needs and thus becomes the basis of developing the specific market offering like electronics, durable products all being developed once the need Is identified and for that information is necessary.

1. Market planning:

It involves the activities of creating objectives, strategies, policies, procedures, rules, methods and budgets related to marketing activities. For example the objective for the year 2016 of ITC is to increase market share by 15% and to do so ITC will develop strategies and policies.

1. Product designing and development:

Another decisional area is to design and develop the product as per the needs and information of the market, the design contributes in making product appealing and attractive to the customers like shape, style , colour, texture, material used etc. and thus also keeps competition in check.

1. Standardisation and grading:

Standardisation refers to the producing the good of predetermined specification, which helps in achieving uniformity and consistency thus ensure buyers that goods and uniform and of standard quality.

Grading is the process of classifying goods into different categories on some important characteristics like quality, size, colour. Grading is usually useful for any product where quality is not predetermined and after grading the quality is determined and goods sorted.

1. Packaging and labelling:

Packaging refers to activities of designing the container for the product, it can include three types of packaging primary packaging: plastic container of toothpaste secondary packaging: cardboard box to protect primary package tertiary packaging: corrugated box for shipping the product.

Labelling is simply attaching tag to the product that carries brand name, information about the product, seller information and manufacturing and expiry dates etc.

1. Pricing of offering;

Price refers to the amount of monetary value the customer is to pay for obtaining the product, price is very crucial for the business firms as demand of the product is directly lined with the price of the product. General rule depicts higher the price lower is the demand and vice versa, thus marketing helps is determining the appropriate prices of the products and services based on the market and the various factors affecting pricing decisions.

1. Promotion;

Involves the process of informing, persuading and reminding the customers directly or indirectly about the products and series they sell. It includes advertising, sales promotion, personal selling, publicity, WOM, viral marketing, OOH etc.

1. Physical distribution:

The process or involves activities of taking product from point of production to point of consumption. The two major activities is to decide the channels of distribution to be used and the physical movement of the goods from one point to another for the consumption. It involves storing, transportation and logistics of goods from one place to another.

1. Transportation: Involves physical movement of goods from one place to another due to wide spread of customers over a large geographical area using modern modes of transportation like buses, tempos, trains, airplanes etc.
2. Storage or warehousing;

Due to the time gap between production and procurement of good and then their sale especially due to irregular demand, the goods need to be stored to make them available whenever the demand is high and also to a stock of goods for future delivery and to avoid delays in delivery. Thus marketing performs the function of storing the goods with manufacturers, wholesalers and retailers.

**Marketing mix & Elements**

As per J. McCarthy marketing activities employed to create, communicate and deliver value to the customers, these activities are divided into four parts namely

Product

Price

Place

Promotions

Together they form marketing mix tools or as simply referred as 4Ps of marketing. These decisions regarding the marketing tools are affected by certain factors and they are of two types: controllable and incontrollable.

**Controllable factors**: are those factors which are in control of the business firm and can be influenced at firm level like packaging of the product, deciding brand name, price of the product.

**Uncontrollable factors**:are those factors which are not in control of the firm and affect the decisions of the firm, they are environmental factors like political condition, government policy, economic environment of a state etc.

 **Elements of Marketing mix**

1. **Product** :

Product is anything that can be offered to the market to satisfy the needs of the customers including physical good, service, experience, events, place, information etc.

Product means bundle of utilities offered to the customers which is value to the customers to satisfy their needs and wants like food items by ITC, toiletries by HUL, medicines by Ranbaxy, steel by TATA, electronics by SONY.

1. **Price:**

Price is the amount of money customers are charged or have to pay to obtain the product, price has direct impact on the demand of the product as per the economic theories.

The price needs to be carefully decided for the product after analysing the market, customers, income and other factors. The business can thus create their pricing strategy based on the various factors controllable as well as uncontrollable.

1. **Promotion:**

Includes all the activities that communicate the information regarding availability, features, usage, offers etc. of the product to the target customers and thus persuading them to purchase he product.

Today promotion is big part of the marketing mix of modern business, they spend millions of dollars to come up with innovative and persuasive promotional activities and using different tools of promotional mix to communicate with the target and prospective customer group like Samsung, Apple, LG, SONY, HUL, HONDA and MARUTI.

1. **Place:**

Physical distribution involves all the activities to make the offering available at the point of consumption. It creates time, place utility for the consumers for a certain product.

Decisions regarding intermediaries like retailers, wholesalers, distributors, agents is to be taken as per the cost incurred, length of the channeltaken aapriduct ike retailers, wholesalers, distributors, agenst is to be taken aas per the busienss nnovative and per and nature of the product etc.

**Product**

Product is bundle of utilities offered to the target customers for the satisfaction of their needs and wants. Product can be both tangible and intangible. Thus product is anything that is offered to the market for the satisfaction of the needs of customers.

Decision to purchase a product is affected by tangible part, intangible part and most importantly psychological factors like brand name, reputation, discounts, warranties etc.

For customers product offers three types of benefits:

1. **Functional benefit**- Purchase of a motorcycle for transportation
2. **Psychological benefit**- purchasing pulsar 250cc
3. **Social benefit**- being a part of friend circle which have motorcycles.

**Classification of Product**

Product can be classified into two categories a) consumer product

b) Industrial product.

Product

Industrial Product

Consumer product

Shopping efforts

Durability basis

Speciality

Services

Shopping

Convenience

Durable

Non-durable

1. Consumer product: products purchased by the ultimate consumer or user for satisfying their personal needs like soaps, detergents, biscuits etc.

**1a.Durable products**: those tangible products which normally has high shelf life and can survive many reuses like refrigerators, washing machine.

**1b**.**Non-durable products**: Those products which have low shelf life and are consumed in one or few uses like toothpaste, soaps, detergents, stationary items etc.

**1c**. **Services:**  these are the activities performed in real time which are inventory less and intangible to satisfy the needs and to boost up the sales of the product like dry cleaning, watch repair, hair cutting, postal services, transportation etc.

**1d. convenience product:** are those products which are purchased frequently and does not require any effort to buy with least time and effort by the buyer like groceries, medicines, newspapers, toiletries.

**1e. shopping products:** those products which buyers devote considerable amount of time to compare with other products based on price, quality, features, suitability and then making decisions after comparison like jewellery, clothes, furniture, electronics.

**1f. Speciality product:** those products which have special features and buyers make special effort to purchase these items, these products enjoy high brand loyalty and customer satisfaction. Buyers are willing to spend good amount of time and effort to purchase such products like paintings, artwork, etc.

1. **Industrial products** are those products which are used as inputs in production of other products like, raw material, tools, machines, lubricants, etc.

**Branding:**

Branding is creating a corporate brand identity for consumers, and getting that brand identity imprinted on the minds of the customers.

Brand today is entity (product, service, company, person, technology) that offers a set of value exchange measures between what owners seek and the price he is willing to pay.

To understand branding we need to understand brand first:

Brand is a special name, term, sign, symbol, design, tag used to identify the products and services and make them distinguishable from their competitors like BATA, KIA, LG, SONY, DUNLOP, HP etc.

Thus the process of providing the name, symbol, or sign to the product is called branding so as to distinguish from the competitors.

*Related terms*:

*Brand name*: the part of brand which is spoken or is recognised via speech or simply the verbal component of the brand like Asian paints, Maggie, Lifebuoy, and Dunlop.

*Brand mark*: Part of brand which can be recognised but which is not spoken, identifiable by a unique logo, picture or design, colour scheme. Like Gattu of Asian paints, devil of Onida, golden M of McDonalds.

*Trade mark:* part of a brand or brand itself that gives legal protection against the use by any other firm, trademark is registered brand or its symbol/name. No other firm can use that mark, name or symbol.

**Advantages to marketers:**

1. Enables marking product differentiation from its competitors.
2. Helps is advertising and displaying the product.
3. Differential pricing.
4. Ease in introduction of new products.
5. Helps in building brand equity.

**Advantages for customers**:

1. Helps in product identification by specific brand name, symbol, or colour.
2. Ensures quality due to brand image.
3. Status symbol in society.

**Packaging:**

Package is the container provided for the contents or the ingredients of the product to protect them from any damage. Packaging refers to activities or the process of designing the container for the product, so as to safeguarding the contents of the product. Thus packaging plays vital role in the marketing of the product and usually package carries the brand and the label for the product containing all the information.

It includes three types of packaging:

***Primary packaging***: refers to the immediate container of the content of the product to protect them and till consumer is ready to use the product. Like Plastic container of toothpaste or container of a soap.

***Secondary packaging***: Refers to the outside container provided for the primary package so as to guard the primary package from damage. Like cardboard box to protect plastic covering of toothpaste.

***Tertiary packaging****:* Refers to the large outside containers which are used to ship product from one place to another. Like large corrugated box for shipping the product.

Functions of the packaging:

1. Easy product identification.
2. Product protection
3. Advertising and promotion
4. Labelling
5. Distribution of the products.

**Labelling:**

Label is simply the tag attached to the product providing the important and vital information about the product to the customers about the quality or price or even ingredients. Thus labelling is the process of providing the tag or label to the product which provides the required information to the customers.

Label may vary from being a simple tag to being a graphical presentation or a stickers on a product.

Functions:

1. Describes the product and its contents.
2. Identification of the product or brand.
3. Grading and sorting of products.
4. Helps in promotion of product.
5. Providing information to customers mandatory by law.