

CBSE Class 12 Business Studies
Revision Notes
CHAPTER – 11
MARKETING MANAGEMENT

MEANING OF SOME IMPORTANT TERMS:

- **Needs** = basic human requirements. Essential items necessary or fundamental to human existence.
- **Wants**= desire for a particular product. Tend to be "satisfier specific".
- **Demand**- willingness to buy is backed by purchasing power
- **Utility** – want satisfying power of a product.
- **What can be marketed:**
 - A product =
 - bundle of utility not confined to physical products but can refer to other things of value such as services, ideas, place. It refers to anything that satisfies a need or want.
 - may be tangible or intangible(i.e. goods and services)
 - even people can be marketed
 - **Customers**= people or organizations that seek satisfaction of their wants.
 - **"Marketers"** =
 - Anyone taking a more active role in the process of exchange is called a marketer. Normally it is the seller. But in certain situations, it may also be the buyer. This may be in the situation of rare supply.
 - Sellers as marketer are the deliverers or providers of satisfaction. They makes available products or services and offers them to customers with an intention of satisfying customer needs and wants. They can be divided into:
 - Goods marketers (such as Hindustan Lever)

- Services marketers (such as Indian Airlines)
- Others marketing experiences (such as Walt Disney) or places (like tourist destinations).
- **Marketing activities** = activities carried on by the marketers to facilitate exchange of goods and services between the producers and the users of such products.
- **Market is:**
 - Place where buyers and sellers meet and conduct buying and selling activities. It does not necessarily mean a geographical place (e.g. conduct of business thro telephone, mail or internet)
 - The other ways in which this term is being used is in the context of a product market (cotton market, gold or share market), geographic market (national and international market), type of buyers (consumer market and industrial market) and the quantity of goods transacted (retail market and wholesale market).
 - In the modern marketing sense, it refers to a set of actual or potential buyers of a product or service i.e. all customers who share a particular need or want and are able to buy the product (also referred to as target markets)

Important Features of Marketing

- 1. Needs and wants:** Satisfaction of the needs and wants of individuals and organizations.
- 2. Creating a market offering:** Complete offer for a product of service.
- 3. Customer value:** greatest benefit or value for the money.
- 4. Exchange mechanism:** Exchange of products/services for money/for something of value to them.

Meaning and concept of Marketing Management

Marketing management means management of the marketing functions. It is the process of organizing, directing and controlling the activities related to marketing of goods and services to satisfy customers' needs & achieve organizational goals.

The process of Marketing involves:

i. Choosing a target market

ii. Getting, keeping as well as growing the customer

- that is, ensure that the target customers purchase the firm's product, ensure that they keep their customers satisfied with the products and attract new customers so that the firm can grow.

iii. Create, develop and communicate superior values to the customers.

Functions of Marketing/Marketing activities

Gathering And Analyzing Market Information:

- systematic investigation of facts
- SWOT analysis
- Necessary to identify needs
- Decisions can be wrt. Identifying customer needs and wants, identifying buying motives, choice of a brand name, packaging and media used for promotion.
- Data is available both from primary as well as secondary sources.

Marketing planning :

- Aim = to develop a complete marketing plan so that the marketing objectives can be achieved.
- It also must specify the action programs .
- E.g if a marketer aims at enhancing his market share in the country in the next three years, then his marketing plan should include various important aspects like plan for increasing level of production, promotion of products etc.

Product designing and development:

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

Standardization and grading:

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

Packaging and labeling:

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

Branding

- Whether to sell the product in its generic name or in a Brand name.
- Helps in differentiation, builds customer loyalty and promote its sale.
- Decision = whether each product will have a separate brand name or the same brand name to be used for all products.

Concepts & Philosophies of Marketing

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

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

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

4. MARKETING CONCEPT : Implies that a firm can achieve its goals by identifying needs of the customer and satisfying them better than the competitors. Customer satisfaction is the precondition for realizing the firm's goal and objectives,

5. SOCIAL MARKETING CONCEPT : Under this concept customer satisfaction is

supplemented by social welfare. Some products bring harmful effect on environment so these should not be supplied. It pays attention to the social, ethical and ecological aspects of marketing. Raman, Joginder, John, Iqbal and Shreya are friends. They are operating different business. Each one has his/her own concept regarding operating their business. Raman believes in producing products at a large scale. Thereby decreasing the average cost of the products and selling it's at a reasonable price.

Meaning and Concept of Marketing and Selling

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

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

Difference between Selling & Marketing

Basis	Selling	Marketing
Scope	It is only a part of process of marketing.	It is a wide term consisting of a number of activities such as notification, customers needs etc.
Focus	Transfer of the title from seller to consumer.	Achieving maximum satisfaction of customers needs and wants.
Pre-dominance	Product is given quantity.	Customer is treated as the king.
Aim	Profits through sales volume.	Profits through customer satisfaction.
Emphasis	Bending the customer according to the product.	To develop the products as per the customer needs.

Marketing Mix

There are a large number of factors that affect marketing decisions. They can be classified as:

• Non-controllable factors and Controllable factors:

To be successful, a firm needs to take sound decisions wrt controllable factors while keeping the environmental factors in mind.

To develop marketing tools, marketing managers use the above mentioned controllable factors and the set of marketing tools that a firm uses to pursue its marketing objectives in the target market is described as Marketing Mix. Success of a market offer will depend upon how well these ingredients are mixed to create superior value for customers and simultaneously achieve their sales and profit objective. Thus, an ideal marketing mix would need:

- **Producing satisfying products**
- **Offered to buyers at a reasonable price**
- **Conveniently available**
- **About which communication is offered**

Marketing mix refers to ingredients or the tools or the variables which the marketer mixes in order to interact with a particular market.

11.8.1 Elements of Marketing Mix

The four main elements of marketing mix as classified by MCarthy are:

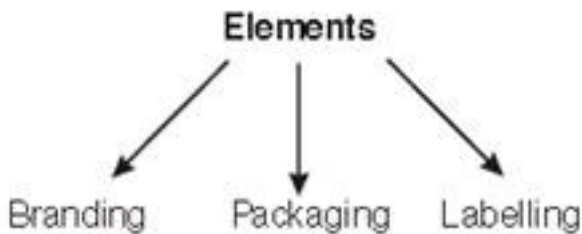
- A. Product
- B. Price
- C. Place/Physical Distribution
- D. Promotion

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

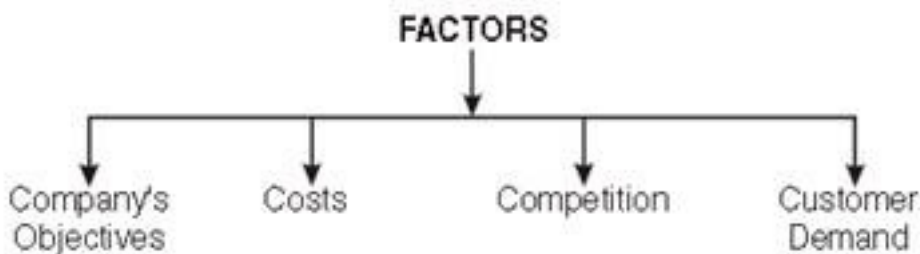


Elements/4 Ps of Marketing Mix

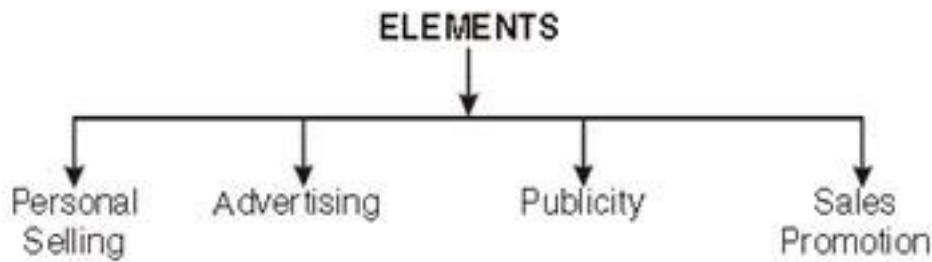
1. Product Mix: All the features of the product or service to be offered for sale.



2. Price Mix: Value (Money) in lieu of product/service received by seller from a buyer.



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



4. Place Mix: Physical distribution: Various decisions regarding distribution of products.

- Channels of distribution: Whether wholesalers, retailers are to be used or not.
- Physical movement of the products from producer to consumers.
- Storage, transportation, managing inventory (stock) etc.

i) Branding:

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

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

Qualities of a Good Brand Name

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

Advantages of Branding-

Advantages to the marketers:

1. Enables product differentiation:.

- Distinguishes the firms products from that of its competitors, thus secures and controls its markets.

2. Helps in advertising and display programmes:

- Without a brand, the advertiser can only create an awareness about the generic product and not be sure of the sale of his brand.

3. Differential pricing:

- As when customers like and become used to a brand, they would agree to pay a little more for it than the competing product

4. Ease in introduction of a new product

minimizes selling costs – enjoys the reflected glory of the brand.

Advantages to Customers:

1. Helps in product identification:

- If customer is satisfied with a brand, he will not make a close inspection every time.

2. Ensures quality:

- deviation in quality, customers can have a recourse to the manufacturer/marketer. ↑ confidence and level of satisfaction of customers

3. Status symbol:

- Because of their quality, customers feel proud of suing them and so ↑ level of satisfaction of customers

2. (ii) Packaging: Act of designing and producing the container or wrapper of a product. Good packaging often helps in selling the product so it is called a silent salesman.

Levels of Packaging

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



Functions of Packaging

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

Advantages of Packaging

- Rising Standards Of Health And Sanitation - As chances of adulteration in such goods are minimized
- Self-Service Outlets – so some of the traditional role assigned to personal selling w.r.t promotion has gone to packaging.

- **Innovational Opportunities** – innovation on packaging used to market products e.g. tetra packs for milk.
- **Product differentiation** – colour, size, material etc of packaging makes a difference in perception of customers about the quality of the product.

3. Labelling:

Labelling means putting identification marks on the package. Label is a carrier of information & provides information like - name of the product, name of the manufacturer, contents of the product, expiry and manufacturing date, general information for use, weight etc. Labels perform following functions:

1. Identify the product: It helps the customers to identify the product from the various types available. For example: We can easily identify a Cadbury chocolate from the various chocolates by purple colour of its label.

2. Describe the product and specify its contents:

The manufacturer prints all the information related to the product.



3. Grading of products: With the help of label, products can be graded in different categories **for example:** Brook Bond Red Label, Brook Bond Yellow Label, Green Label etc.



4. Helps in promotion of products: Attractive and colourful labels excite the customers and induce them to buy the products. For example: 40% extra free mentioned on detergent etc.

5. Providing information required by law: There is legal compulsion to print batch no., contents, max retail price, weight/volume on all the products and statutory warning on the packet of cigarettes, “Smoking is injurious to health”: In case of hazard or poisonous material

appropriate safety warnings need to be put.

II P-PRICE MIX:

Meaning and concept of Price: Sum of values that consumers exchange for the benefit of having or using the product Price may therefore be defined as the amount of money paid by a buyer (or received by a seller) in consideration of the purchase of a product or a service

Normally expressed in monetary terms. Decisions include decisions wrt basic price, discounts to be offered etc

Factors determining price determination:

1. Pricing Objectives

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

2. Product cost:

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

3. Utility and demand:

- Utility provided by the product and the demand of a product set the upper limit of price that a buyer would be willing to pay for a product.
- Buyers pay to the point where the utility of the demand is more than or equal to the utility derived from it.

- Law of demand = consumers purchase more at a lesser price.
- Elasticity of demand = responsiveness of demand to change in prices of a product. Demand = elastic if a small change in price results in a large change in quantity demanded.
- If demand is inelastic, firm can fix higher prices.

4. Competition in Market: Prices of competitors need to be considered before fixing prices.

5. Government Policies: Products regulated by government pricing regulations need to be priced as per government policies.

III. P-Place Mix/Physical Distribution Mix

A set of decisions needs to be taken to make the product available to customers for purchase and consumption.

- The marketer needs to make sure that the product is available at the right quantity, at the right time and at the right place.
- It requires development of:
 - Channels of distribution
 - Physical distribution of products.

Components of physical distribution-

1. Order Processing: Accurate & speedy order processing leads to profit & goodwill & vice versa.

2. Transportation: Add value of the goods by moving them to the place where they are required.

3. Inventory control: Additional demand can be met in less time, the need for inventory will also be low.

4. Ware housing: Need arises to fill the gap between the time when the product is produced & time when it is required for consumption.

Channels of Distribution

- Includes a series of firms/ individuals/ people/institutions/merchants and functionaries who form a network which helps in the transfer of title to a product from the producer to the end consumer.
- They help to overcome time, place and possession gaps that separate the goods and services from those who need/want them from those who want them

Types of Channels:

Direct Channel — Manufacturer-Customer. Eg. mail order, internet, door to door selling.

Indirect Channel —

1. Manufacturer-Retailer-Customer.

Usually used for specialty goods like expensive watches, appliances, Cars(Maruti Udyog) etc.

2. Manufacture-wholesaler-Retailer-customer.

Usually used for consumer goods like soaps , salt etc.

3. Manufacture → Agent → Wholesaler → Retailer → Customer

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

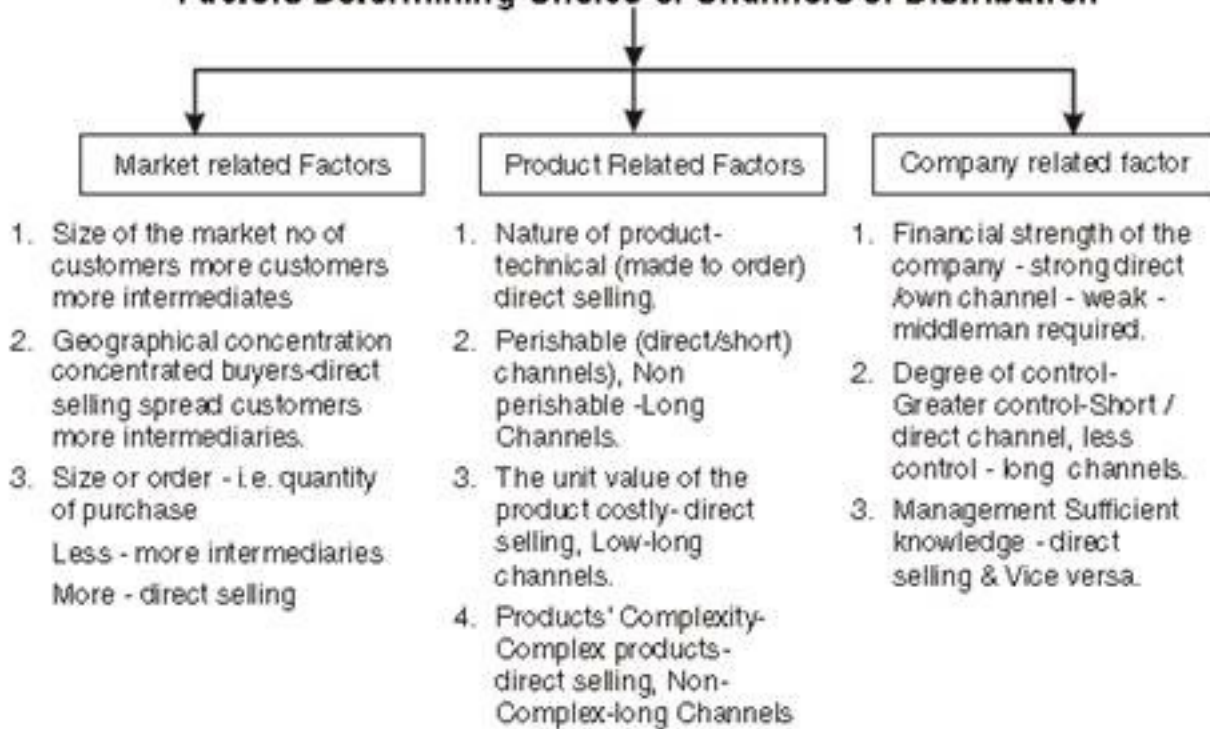


Direct Channel

Factors Determining Choice of Channels of Distribution

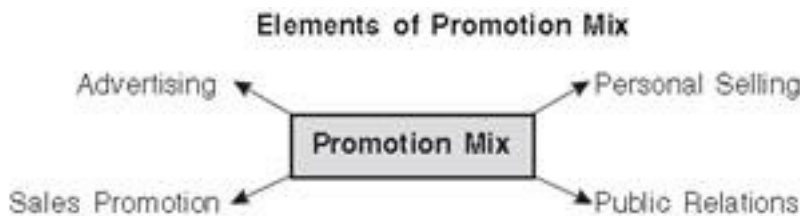
Choice of appropriate channel of distribution is a very important marketing decision, which affects the performance of an organisation. Whether the firm will adopt direct marketing channels or long channels involving a no. of intermediaries is a strategic decision.

Factors Determining Choice of Channels of Distribution



IV. P-Promotion Mix

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



Tools/Elements of Promotion Mix

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

Role or Importance of Advertising

1. Paid Form –sponsorer has to bear the costs of communicating with the prospective buyer.
2. Impersonality – no direct face to face contact between prospects and advertisers. Creates a monologue and not a dialogue.

3. Identified Sponsor –undertaken by an identified individual who makes the advertising effort and bears the costs of it.
4. Mass Reach – large number of people over a large geographical area can be reached.
5. Enhancing Customer Satisfaction And Confidence – creates confidence and prospective buyers feel more comfortable and assured about the product quality
6. Expressiveness – due to development in art, computer designs and graphics, special effect can be created that makes simple products and messages look attractive.
7. Economy- because of its wide reach, overall cost of advertising gets spread over a wide audience and per unit cost of reach ↓.

Objections against Advertising: Though advertising is one of the most frequently used medium of promotion of goods & services but it attracts a lot of criticism/objections against it, which are as follows:

- 1. Increased Product Price:** Which is ultimately added to product cost, manufacturers pass this cost to ultimate customers.
- 2. Confusion to Customers:** The number of advertisements shown for a single product having different brands confuse the customers and it becomes very difficult for them to make choice.
- 3. Encouraging sale of Inferior Products:** In many cases some product features are over emphasized.
- 4. Advertisement of Bad Tastes:** Events, models degrade the human dignity.
- 5. Undermines Social Values and Promotes Materialism:** It induces the customers to buy more and more products. Because of emphasis on materialism, social relationships are distorted which brings social disorder. In the changed economic environment of globalisation, advertising is considered as an important tool of marketing. It helps a firm in effectively communicating with its target market, increasing the sale and thereby reducing the per unit cost of production. It is not a social waste rather it adds value to the social cause by giving a boost to production and generating employment.

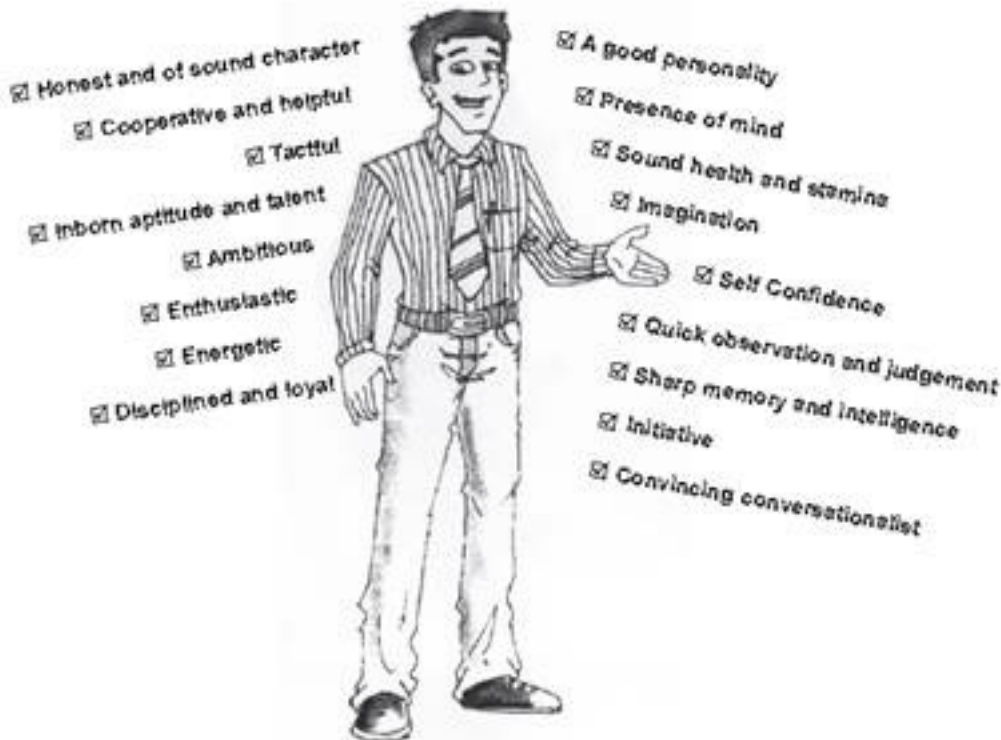
2. Personal Selling

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

Features of the Personal Selling

1. Personal contact is established under personal selling.
2. Oral conversation.
3. Quick solution of queries.
4. Receipt of additional information.
5. Development of relationship with the prospective customers which may become important in making sale.

Qualities of a Good Salesperson



Qualities of a Good Salesman

1. Physical qualities: Tidy appearance, good posture, cheerful smile etc
2. Psychological qualities: good nature with Empathy and ego drive,
3. Technical quality: Full technical knowledge about the product,
4. Good communication skills - Polite, tactful, having good manners etc

5. Honesty,
6. Courtesy,
7. Persistent- must not give up as one additional argument can close a sale.
8. Capacity to inspire trust



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

Merits of Sales Promotion:

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

• Limitations Of Sales Promotion – if used frequently:

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

not appropriately priced.

TECHNIQUES

- 1. Product Combination:** Offering another product as gift along with the purchase of a product.
- 2. Instant draws and assigned gift:** Scratch a card and instantly win a prize with the purchase of a TV, T. Shirt, Refrigerator etc.
- 3. Quantity Gift:** Offering extra quantity of the product e.g., Buy three LUX soaps and get one free.
- 4. Refunds:** Refunding a part of price paid by customer on production of some proof of purchase. e.g Rs 2 off on presentation of empty pack of Ruffle lays
- 5. Sampling:** Offer of free samples of the product to potential customers. Generally used at the time of introduction of a product.

Public Relations

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

- 1. Press Release:** A press release is an announcement of an event, performance, or other newsworthy item that is issued to the press by a public relations professional of an organization. It is written in the form of a story with an attractive heading so that the media quickly grasp and circulates the message through newspaper/radio/television/internet.
- 2. Press Kits:** It is a comprehensive package of information outlining a company’s products and services most frequently sent to members of the press. It includes
 - A brief company biography.

- Information of senior management.
- Comments from customers.
- Reprints of newspaper and magazine articles.
- Photos of products.

3. Brochures: It is a booklet published by the organization which contains the organization's background, its ethics, vision, mission, its past, present and future projects, its CISP, etc. E.g.: brochure given to new employees to give them a gist of the organization.

4. Newsletter: It is a printed publication produced at regular intervals focusing on a particular set of people. The content of a newsletter is presented in a writing style that is less formal and letter-like. For example, a newsletter published by a college consists of information about activities conducted during a particular period, special achievements by students or teachers, etc.

5. Events and Press support: Special events are acts of news development. The ingredients are time, place, people, activities, drama, showmanship; one special event may have many subsidiary events, such as luncheons, banquets, contests, speeches, and many others as part of the buildup.

6. Conferences and Seminars: Conferences and seminars are conducted for making people aware about the organization. For example travel companies generally call prospective clients and offer travel packages. The members are contacted through telephones and asked to attend seminar.

7. Websites: A website acts as a window for the outside world to know an organization. So it is designed not just to serve as a resource for members, but also to present a positive message to non-members who are browsing through.

ROLE OF 'PR' IN AN ORIGINATION

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