CHAPTER ONE : INTRODUCTION

I : MARKETING : Meaning and definition.

The emergence of marketing as a business discipline is of recent origin, though it has been in practice in one way or the other since the days of Adam and Eve. The meaning and ideas associated with marketing have undergone a great change over the centuries. Even at present, the term marketing has been understood and defined by various authorities in various ways. To consider a few established definitions of marketing :

William.J.Stanton : "Marketing is a total system of business activities designed to plan, price, promote and distribute want satisfying goods and services, to present and potential customers."[1]

Definitions Committee of the American Marketing Association : "Marketing includes all activities having to do with effecting changes in the ownership and possession of goods and services. It is that part of economics which deals with the creation of time and place and possession utilities and that phase of business activity through which human wants are satisfied by the exchange of goods and services for some valuable consideration."

Philip Kotler "Marketing is getting the right goods and services, to the right people, at the right place, at the right time, at the right price with the right communication and promotion." He further defines that "Marketing is the creation and delivery of a standard of living".[2]

Theodore Levitt defines marketing "as a view point which looks at the entire business process as a highly integrated effort to discover, create, arouse and satisfy consumer needs."

In all the above definitions more emphasis is given to the consumer, his needs and wants. "A human need is a state of felt deprivation in a person".[3] Needs of any person are plenty and complex, ranging from basic needs for food, clothing and shelter to social needs for belonging, influence and affection. The human wants are the form that human needs take as shaped by a person's culture and individuality."[4] These human needs and wants are the central point around which all marketing activities revolve.

The main business of business is business. In other words, the main objective of all business activities is the satisfaction of human wants. We purchase Pedha not to provide market to the pedha-seller but to satisfy our need. This need may be of organising Birth-day party and distributing pedhaes ; may be to distribute pedhaes to express a feeling of unparalleled pleasure for getting Ist rank in the examination result ; may be to show our hospitality by offering pedhaes to the guests who visit our home etc., Similar is the case of all other products and the objective of all business is to give consumers the products they want. To achieve this objective the producers, farmers, wholsalers, retailers etc., undertake production and distribution activities. But they will fail in reaching this objective if no arrangement is made to see that the goods move from those places where they are not needed to those places where they are most needed. It is the task of 'marketing' to get the goods 'where' they are wanted, 'at what time' they are wanted, 'at what price' they are wanted. In this sense, "marketing includes all those activities involved in the creation of time, place and possession utilities."[5] To reach the goods from the places of their origin to the places of their use or consumption various obstacles come in the way and marketing by creating utilities removes those obstacles. For example, firstly, products are to be moved from the places of their manufacture to the places of their need. Transport function of marketing, removes this difficulty of distance and this is the creation of place utility.

Secondly, goods are to be made available at a time when needed. The storage and warehousing function of marketing protects the products against fire, rain, pests, thieves etc., till that time and it is the creation of time utility. Finally, the ownership and possession of these goods are to be transferred from the original owner to the final consumer. The buying and selling functions of marketing helps in this task and it is the creation of possession utility.

Thus, "Marketing is an human activity directed at satisfying needs and wants through exchange processes"[6]. Exchange processes involve various activities and functions viz., sellers have to find out buyers, identify their needs, design appropriate products, promote them, store and transport those products, negotiate with the buyers and so on. The product development, search, communication, distribution, packaging, branding, pricing and service constitute the core of marketing. Thus, "in this existing age of change, marketing is the beating heart of many operations".[7]

The Evolution of the Marketing Concept :

An agricultural and handicraft economy characterised the pre-industrial revolution period.

Practically, every family unit produced its own food, clothing, shelter and household equipment. Society was divided into two classes- the farmers and the craftsman. The farmer exchanged his surplus with the articles made by craftsman. The role of marketing in those days was limited to the production of basic needs of life and exchanging them to a known person in the immediate neighbourhood.

Modern marketing is the result of Industrial Revolution. Home handicraft operations moved into factories. Mass production became the order of the day with the effect that goods were made available at lower prices in large quantities.

The increased number and size of the firms resulted in competition, a phenomena unknown in the era of agriculture economy. The stage of competition necessitated an effective system of distribution and this marked the begining of modern marketing. Till then, the firms use to dispose of whatever they produce but, when competition set in, firms could no longer do the disposal job. The firms had to distribute their products over a scattered and distant markets. Marketing at this stage became"a job of distribution."

Lateron the firms became sales-oriented. The producer who was familiar with distributing his products was forced to view the market searchingly. Besides facing competition he was to ensure that his product was preferred and accepted. A conscious effort on the part of the producer to "sell" his product and not merely "distribute" them was needed. This was the period of creative selling. Goods were available in plenty and at cheap rates. Several brands of the same products were available. The problem was not of "handling the product" but of "handling the consumer."

After the world war II, the size and character of the consumer market and the needs of the consumers changed rapidly. There was a substantial increase in population. The disposable income of the family registered an increase. The consumer with a good discretionary income at his disposal, found himself in a better position to bargain and get the best return for every paisa he spent. In a situation of abundant choices the businessman could no more sit and be satisfied after a single sale. Repeated sales were to be ensured, for this the products were to be made available at such a price, in such a size, of such a quality, at such a place which are most convenient and satisfactory to consumers. Any complaint from consumer was to be attended soon, if it needed replacing he had to do it, if it required sales-service he had to provide it. This realization on the part of the producers forced them to change their attitude from 'only profits' to "satisfaction and profits." Marketing at this stage starts with the determination of consumer wants and ends with the satisfaction of those wants. This marketing concept marks a major shift in emphasis from "the product to the consumer." It places the consumer both at the beginning and at the end of the business cycle.

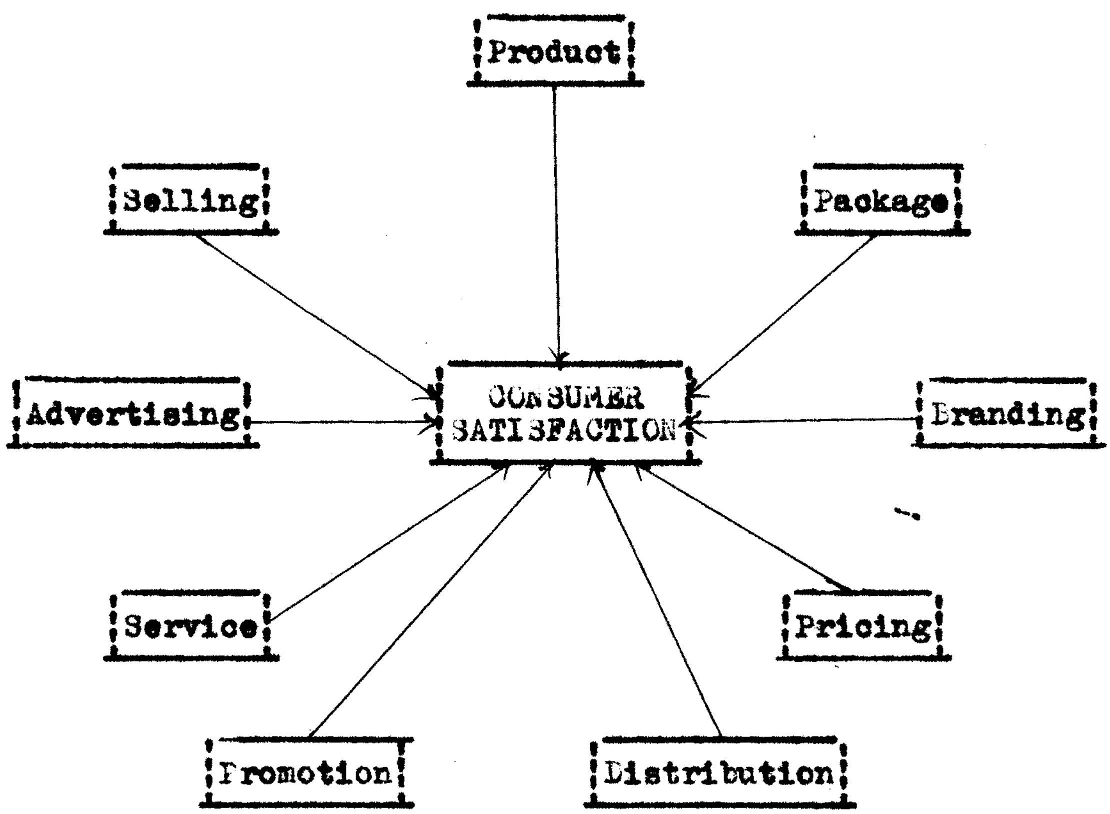

Exhibit-I : the marketing 'Concept'

When a consumer buys a pack of milk powder, he expects a purpose to be served, a need to be satisfied. If the milk-powder does not provide him the flavour, the taste and the refreshment he expects from it, his purchase has not served the purpose. To put it more clearly, the marketing man who sold the milk-powder has failed to satisfy his customer. And why satisfy the customer ? Because, "consumer satisfaction is the foundation on which any business builds its future."

Marketing Concept and India :

The question is often raised whether the marketing concept is relevant to a developing nation like India as it is relevant to advanced and developed countries like U.S.A. and U.K. It is argued that the question of 'creating a market or customer' is applicable to advanced countries where the expansion of goods and services is at a more rapid speed than the expansion of customers. As such this modern marketing concept is not applicable to India. But, it is a wrong notion and is based on the wrong and improper understanding of the meaning of the term 'marketing concept.'

The most important task performed by marketing in the developed countries is the channelizing of resources in confirmity with demand which in turn, helps in speeding up the tempo of economic development. Performance of this task is equally important for a developing country like ours. Whatever be their economic position, people- whether from developed, developing or under-developed countries- desire for better food, better clothing, better shelter and for more and more comforts and luxuries. When marketing ensures this improved standard of living, how can it be avoided ? Marketing is not only helpful for achieving the overall objectives of economic development. The neglect of marketing keeps these objectives far from achievement. For example, in India, planners have given much importance to production ignoring marketing. As a result, India has only production centres and the same have developed as marketing centres also. These are the urban centres of the country. Consequently, the benefits of economic planning is shared by these few urban centres. If the proper policy for marketing development was adopted, then our planners would have been able to avoid the problem of imbalanced economic development. At least now, due importance is to be given towards this aspect as 'Marketing is an effective instrument to reach the targets of economic progress.' Marketing creates demand for more and more goods and services. This encourages for more and more production and distribution activities giving opportunities for more and gainful employment. This helps for the fast progress of economy and equally for the fast improvement in standard of living of the people.

Further more, India is wedded to mixed economy where private and public participation in trade and industry co-exist. Certain basic sectors of industry and trade are reserved for public sector while other vast areas are open for private sector. No doubt, under mixed economy, the production, distribution and pricing of certain essential products are controlled but, too many items of consumption enjoy a free market characterised by cut-throat-competition. And wherever competition is present there is a need for effective marketing.

To conclude with, marketing touches every one's life. It is the means by which standard of living is developed and delivered to people. It is very much relevant to India and all the nations irrespective of their stage of economic development or their differences in economic and political philosophies.

Significance of marketing :

The significance of marketing can be assessed from Peter.F.Drucker's [8] expressions : "It is in marketing that we satisfy individual's, organisational's, social and national values, needs and works, be it through producing goods, supplying services, fostering innovation for creating satisfaction." Hence, marketing is significant to all viz., an individual consumer, an organisation, the society and the nation as a whole.

Significance of marketing to consumers : The marketing concept forces to realise that all organisational goals including profits shall be fulfilled through consumer satifaction. The attempt of all the competing firms to satisfy consumer puts the latter in a most sovereign position "Love your customer, not product", "You are the boss", "Find wants and fill them" are some of the slogans used by firms to describe the sovereignty of consumer. Lower prices, better quality, ready stock at most convenient places are some of the benefits that accrue to the consumer as a direct result of marketing. The customer can bargain to derive maximum benefits, can choose out of the colourful varieties, can complain and his complaint will be soon attended too, can buy on credit, on instalment or on cash with heavy discount or even return the item if he is not satisfied with it. "The consumer, certainly is the main beneficiary of the marketing concept."

Significance of marketing to organisation : In the words of Peter.F.Drucker, "Any organisation in which marketing is either absent or incidental is not a business and should never be run as if it were one." [9] The significance of marketing for an organisation lies in the fact that the organisation is forced to keep itself in touch with the ever changing situations of market. A firm will always feel the pulse of market through continous marketing research, planning, control and innovation. It will be fast in responding to the changes in buyer's attitude. It quickly corrects the defects of its products, if any. It bases its decisions not on guess work but on reliable data and the exact interpretation of such data. It never stick up to a single product-line but instead goes on diversifying or simplifying or entering altogether a new product line." A firm which is not alive to the changes in the market, and which goes on with the same product for years together, without catering to the changing needs of the consumer, is likely to face obsolescence. But, a firm that practices the marketing concept will move with the changing times."[10]

Significance of marketing to society : Marketing has been defined as the process for delivery of standard of living to the society. The growth of the American economy into one of the most advanced societies is the best example for this. By inventing new goods and services and by educating the consumer, marketing acts as a 'change agent' and as "value adder" in society. Marketing sets the pace for social development by making the society familiar with more of necessaries, comforts and luxuries.

Significance of marketing to India : Marketing can boost India's economic progress provided the existing marketing environment are exploited fully. A conscious application of marketing will benefit the nation in many ways :

Firstly, marketing helps in the production of those goods and services which are essentially needed. In other words, available scarce resources will be used to their optimum extent. Over and idle-capacity of plants is avoided. This avoids the dead investment in the field of industry.

Secondly, marketing creates enterpreneurs and managers. India has remained under developed or it is described well as a developing and not as a developed nation for want of professional managers and risk-taking enterpreneurs. The scarcity of resources is not at all the problem coming in the way of progress. Funds can be borrowed, technical know-how can be imported, plant, projects, machinery and equipments can be arranged but, proper manning of all these is the real problem. Economic development just cannot happen. It has to be achieved through the conscious efforts of people. Marketing creates such people and for India, such people- managers and enterpreneurs- are the prime need of the hour.

Thirdly, marketing is helpful in gaining full and near full employment. Continuous production is not possible without continuous distribution. And for performing these and similar functions a large army of persons is employed.

Fourthly, marketing can change public opinion. Of all, the Indian customer is more traditional and superstitious. To create new norms of behaviour, new standards of conduct and new ways of life, marketing is essential.

The economists realise that in any country the economic system and marketing system greatly influence each other. Economic growth itself is viewd as the expansion of a nation's market. A country remained under-developed mainly because of the neglect of marketing. In the words of Peter.F.Drucker "If we want economic development in freedom and responsibility, we have to build it on the foundation of marketing. The history of the growth of the

United States or Japan contains no miracle. If any miracle has occurred, it is only a marketing miracle made possible by the daring marketing companies of these nations." Similarly, if an economic miracle has to happen in India, it has to happen only through marketing.

Criticisms of marketing :

The marketing concept is a philosophy of service, satisfaction and mutual gain. Although, marketing delivers standard of living, and responsible marketers fulfil the needs and aspirations of buyer with appropriate products but, marketing is not free from comments and objections. Individual consumers and society as a whole suffer from the disadvantages of marketing.

Individual consumers have to face with the following disadvantages on account of marketing : Higher prices, deceptive practices, high pressure selling and poor service to consumers.

Higher prices are the result of high cost of distribution and still higher cost of advertising and promotion. The greedy middlemen add their share to the price of product beyond the value of their actual services. Heavy and unnecessary advertising and promotion activities of the manufacturer further adds to the original price of product. For example, 40% to 60% of the final price of consumer goods is taken away by middlemen. But, marketers are having their own answers for such criticisms. Firstly, middlemen perform those functions which would otherwise have to be performed by either producer or by the consumer. Secondly, mass advertising and promotional activities are a must to inform the prospective customers about the merits of products.

The marketing system is charged with the deceptive practices adopted by marketers. Such tactics include for example, advertising a large price-reduction from an artificially increased price list, wrong-picturisation of the product's attributes, mis-representing the product's performance, exaggerating the apparent contents of a package (not filling the package to the top). The marketers respond to such comment with the following observation that : in the long run such practices will result in more loss than benefit to their business as chances of brand changing in favour of more reliable product will be their.

Marketing is labelled for high-pressure selling. That is, salesman will use such techniques that the persons will be induced to purchase a product which actually they are not in need of. Before, the buyer gets any time to re-think about his decision the sale is effected. Things are actually sold and not bought. Insurance policies, 'Bank deposit weeks' and door-todoor sale are the best example for this.

Poor service to the disadvantaged (low and middle income) consumers is the grave charge labelled against marketing. The poor pay more, that is the lower income consumer purchase at a small shop which keep sub-quality goods and charge higher prices. The middle class consumer in an attempt to maintain his status purchases the goods on most disadvantaged terms viz., no varieties for selection, interest added instalment sales, no return of defective goods etc.

Marketing is charged for contributing several bad effects upon the society as a whole which include false needs, insufficient public goods, excessive political power etc.

False wants are those which are not the geniun needs of consumers but are imposed upon them from external forces created by marketing. For example, most of teenagers try to behave, consume and use in accordance with the advertisments. Most of the existing needs to entertain, to have fun, to relax are coming under this category.

Marketing is also accounted for creating a social imbalance between private goods and public goods. "An increase in the consumption of automobiles requires a facilitating supply of streets, high ways, traffic control and parking space. The protective services of the police and the highway patrols must also be available, as must those of the hospitals. Although the need for balance here is extraordinarily clear, over use of privately produced vehicles has, on occasion, got far out of line with the supply of the related public services. The result has been hideous road congestion, an annual massacre of impressive proportions, and chronic colitis in the cities."[11]

Marketing is blamed for concenteration of excessive political powers in the hands of those people who help to frame the business policies as per the tunes of business people. Providing funds to political parties, opening of schools and hospitals in the name of political figures, erection of a large size statue of a dead political figure at public places by businessmen are some of the means to gain access to political power.

To conclude, the system that dissatisfy the consumer, pollute the society, swallow the competitor, gain the protection and favour of legislators is of course be criticised. But, in fact, a consumer oriented and innovative marketing is free from all such exaggerated comments. To quote Joshi and Mamoria "Makreting is the father of innovation and product development, prompter of entrepreneurial talent, developer of economy, stimulater of consumption and higher standard of living and guardian of price system."

Approaches to the study of marketing :

The approach to study the subject of marketing has passed through several stages before reaching the present decision-making approach.

Broadly, marketing can be studied through any of the following four approaches :

1. The functional approach,
2. The institutional approach,
3. The commodity approach, and
4. The decision making approach.

1. The functional approach : As per this approach marketing is studied from functional point of view. In other words, the various activities undertaken to perform the various functions of marketing constitute the subject matter of this approach.

Marketing can be studied under eight major functions grouped in three categories viz., the functions of exchange,

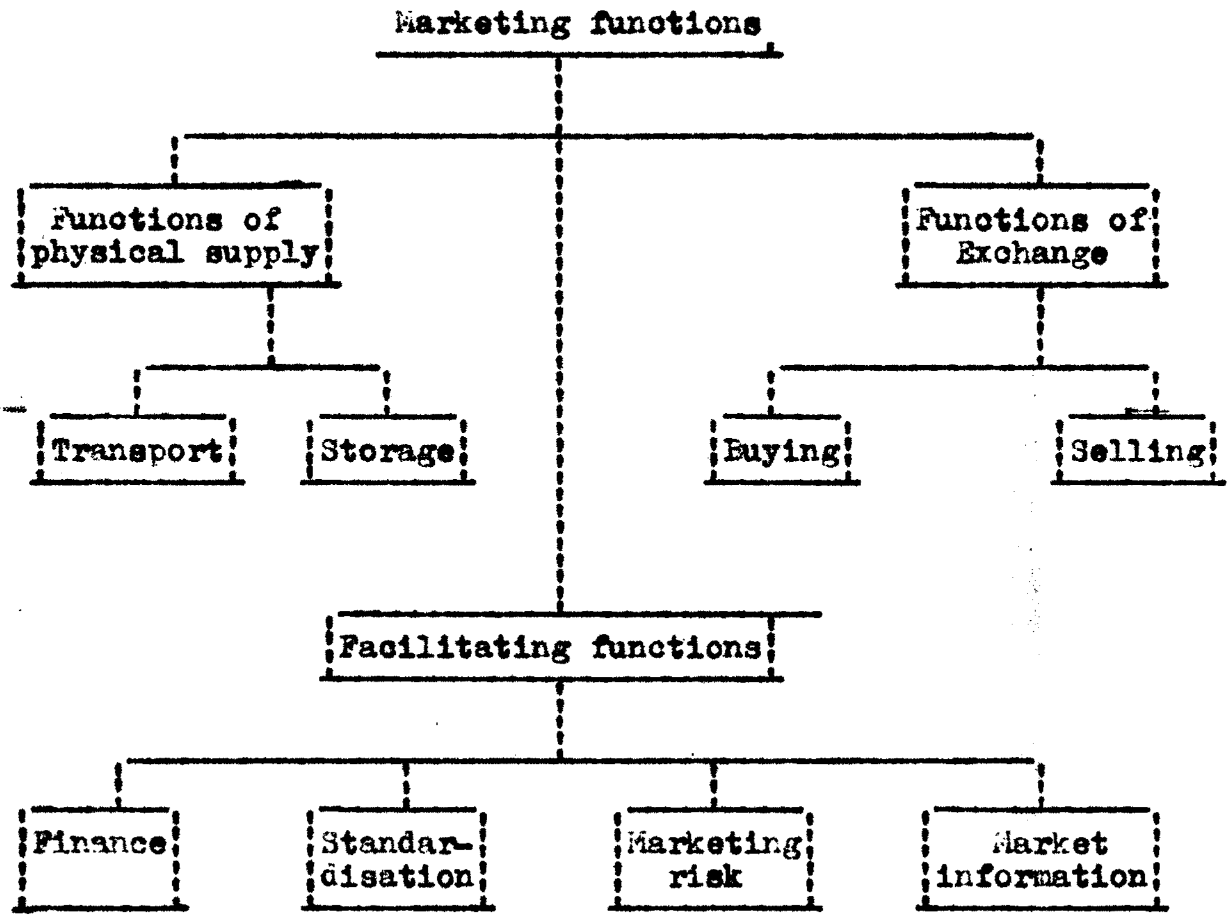

Exhibit-II : Functional-approach to marketing

the functions of physical supply and the facilitating functions(Exhibit-II). The exchange functions are sub-classified into two major functions, viz., buying and selling. The functions of physical supply are also sub-classified into transport and storage. The facilitating functions were added from time to time as the need arises. They are finance, standardisation, market risk and market information.

The main drawback of this approach is that too much importance is attached to individual functions instead of studying how they are applied to particular business operation.

2. The Institutional approach : In this approach the institutions engaged in performing various marketing functions are being studied. In the journey of goods from producer to consumer various middlemen are engaged. In the retail field, this study includes the activities of chain stores, departmental stores, super-markets, independent stores, door-to-door sale, road side sale etc. In the wholesale area, this study covers the activities of wholesalers, brokers, wholesale receivers etc. Apart from these institutions who, while transfering the goods from producer to consumer, hold title to the product, there are several institutions which do not hold title to the product but plays a major role in transfering the goods from producer to consumer. For example, human porters, rickshaes, bicycle, pack-animals, bullock-carts, lorries, railways, airlines do the actual job of transporting men and material from one place to another; financial institutions provide the needed funds; warehouses provide the storage facilities; the advertising agencies, the insurance companies etc. These are all facilitating

institutions, for they effectively facilitate the marketing operations. Under this approach, much importance is attached to institutions rather than commodities.

3. The Commodity approach : Under this approach the major emphasis is focussed upon the commodities. Particular commodity under study (say, milk, pedha, wheat) is selected and is theroughly followed from the place of origin till it reaches the final consumer or user. The source of supply, the nature and extent of demand, the purpose of its need, who needs it, who sells it, the middleman used, the operations under taken at various stages etc. Such and similar aspects are studied.

This method is concrete for it gives detail descriptions of the system used for the marketing of each commodity. But it is a time consuming process.

4. The Decision-making approach : "The nature of marketing is such that it can be best understood if all these three approaches (functional, institutional, commodity) are used in covering various aspects of the subject."[12]

This is the latest approach in which marketing is studied from the management's point of view. It is a combination of all the three approaches. The management analyses the alternative factors, study the pros-and-cons of each alternative and decide to pick the one in which the risk is least.

Thus, this management approach can be regarded as the best as it combines the advantages of all three approaches while ignoring the disadvantages. But, unbiased, right and timely decision is expected from the management.

1.2 : <u>The Market</u> : <u>Meaning and Definition</u> :

The term'market' has been derived from the latin word 'Marcatus' meaning trade or a place where things are bought and sold. Commonly, when we speak of a market, we refer to a place where things are purchased and sold and where the purchasers and the sellers physically meet. But, in Marketing, the scope of the term 'Market' is more than this. It has been defined as "a centre about which or an area in which the forces leading to exchange of title to a particular product operate and towards which and from which the actual goods tend to travel."[13] The term market includes both place and region in which buyers and sellers are in free touch by means of mail, telephone, in person, cable, telegraph to exchange or agree to exchange the title to product. An economic market is said to exist "wherever and whenever the buyers and sellersof goods and services meet in search of opportunities for the adjustment of their mutual interests and transact business in an atmosphere of free and open competition."[14] In the words of Philip Kotler, "A market is the set of actual and potential buyers of a product."[15]

Thus, as the society grows and advances markets does not remain as a mere physical place where buyers and sellers meet physically. But, with modern means of communications and transportation, a marketer can advertise his product effectively, accept orders of thousands of customers over telephone and deliver the goods within no time at far off places. Without having face-to-face contact the needs can be satisfied. A milk dealer for example, gives advertisment in the morning news paper, about the availability of milk, collects orders over telephone by 5.30 a.m, deliver the milk vans to various places by 6.30 a.m, collects the cheques by 7.00 a.m. and thus the consumers are enabled to use milk by 7.00 a.m.

Classification of markets :

Markets have been classified variously on various basis. The nature of business, the nature of commodity, the position of seller, the area covered and the time of dealings forms the basis. Briefly markets can be classified into following categories :

1. On the basis of geographical area,
2. On the basis of volume of business,
3. On the basis of nature of commodities,
4. On the basis of the position of sellers, and
5. On the basis of the nature of transactions.

1. Geographical classification of market : Markets are further sub classified into the following four categories, looking to the area covered : a) Local Market b) Regional Market, c) National Market, and d) World Market.

a) Local Market : This market covers a very small locality say a village, town or a few villages. Buyers and sellers from the same village or town are seen in this market. It provides a place to expose the products and immediate cash to sellers. The concenteration process starts from such local markets. The facilities like storage, grading, branding, finance, insurance are not available in such markets.

b) Regional Market : Such markets cover the whole regions, say a few towns together or few districts together form a regional market. The process of concenteration is done to a greater extent in such regional markets. The farmers, the middlemen and their agents or manufacturer's agent are seen in these markets, various facilities like financing, banking, insurance, grading, storage, standardisation are available in such regional markets.

c) <u>National market</u> : The national market covers the whole geographical boundaries of a nation. There are certain commodities for which demand exist in all parts of the country. For example, jute, cotton, wheat, rice is demanded and supplied throughout the country. The citizens of the same country play their role as buyers, sellers and as middlemen.

d) <u>The world market</u> : This market cover the buyers and sellers from various nations. The advanced means of transport, communication, storage, international finance has helped markets to grow beyond the political and geographical boundaries of the nations. Today, even the perishable products like vegetables, meat, fish, milk products are having world market.

2. <u>On the basis of volume of business transacted</u> : On the basis of the quantity of goods purchased and sold, the markets are classified into : a) wholesale market and b) retail market.

a) <u>Wholesale market</u> : Under such markets goods are bought and sold in large quantities. It is a link in between the manufacturer and the retailers. As the manufacturers find it difficult to contact and sell in small quantities to a large number of retailers and retailers are also handicapped due to financial shortages, hence, a middlemen in between the manufacturer and retailer come into picture, that is the wholesaler. He purchases in large lots from manufacturers and sells in smaller lots to retailers.

b) Retaile market : Herein goods are purchased either from wholesalers or from manufactuers directly and sold in small quantities directly to the final consumers. Easy access is the main advantage of such markets to consumers and to the manufacturer, such markets provide the information about changes in buyer behaviour.

3. On the basis of nature of commodities : There are two broad groups of markets divided on the basis of the nature of commodities viz., commodity markets and the capital markets.

Commodity markets : On the basis of the nature of the commodities the markets are named after different commodities. There are manufactured goods, semi-manufactured goods, agricultural goods etc. Different commodities are used in different ways. Some are directly consumed while there are some goods which are processed before final use. On such basis commodity markets are sub-divided into :

a) Produce exchanges,

b) Manufactured goods market, and

c) Bullion market.

a) Produce exchanges : These are well organised markets for raw-materials and are found in industrially developed cities. Each market is governed by its own rules and regulations. Single commodity is dealt in each market but there is no restrictions for the sale of other commodities. The jute exchange in Calcutta, the cotton exchange of Bombay the wheat exchange of Hapur, Karachi, Chicago are some of the examples.

b) The manufactured goods markets : These are the markets for manufactured and semi-manufactured goods. For example cotton and jute yarn, fibre, leather goods, machinery etc., are sold in such markets. A few such markets of national importance are the gunny trade exchange Calcutta, the leather exchange, Kanpur; the piece-goods exchange of Bombay etc.

c) The bullion market : These markets deal in gold, silver and precious stones. These are well-organised markets and are found only in developed centres of the world. For example at Delhi, Bombay, Calcutta, London, New-York etc.

Capital markets : Capital is essential for development. Today's business is so large that an individual's surplus form just a meagre amount of whole capital. Various forms of capital is needed at various stages of business. Further short period and longer period financial requirements are their. On this basis, capital markets are sub-classified into :

a) The money market,

b) The foreign exchange market, and

c) The stock exchange.

a) The money market : Dr. Lorenzo has defined money market "as that section of the capital market which is concerned with short-term loans for financing current business operations". It means and includes all those financial agencies which are concerned with the collection of surplus savings from the public and allowing the needed firms to borrow loans. This market provides loans for a short period to meet working business requirements.

b) The foreign exchange market : Dr. Lorenzo has defined this market as "the other section of the capital market which facilitates the operations of business transactions between two or more countries using different forms of money and the transfer of capital for a long period is called the foreign exchange market."

It is an international market concerned with the supply of currencies of different nations needed for the import and export trade of a country.

c) The stock exchange : It is a market dealing in the shares, debentures and other securities of various companies. The long-term financial requirements of companies is met by such markets. It is a highly specialised market and usually command a very wide area of operation. Calcutta, Bombay, Madras, Delhi, Bangalore are the established stock exchanges in India.

4. On the basis of the position of sellers : On the basis of the importance attached to sellers the markets have been classified into the following three categories :

a) The primary market,

b) The secondary market, and

c) The terminal market.

a) The primary market : It is a market situated in a locality. The farmers of nearby areas bring their out put to sell as it is not convenient for them to take the same to the secondary markets of big cities. The wholesalers their agents and co-operative societies operate in such markets.

b) The secondary market : This is a wholesale market in which the wholesellers sell the goods to retailers.

The quantity of purchase and sale is relatively large in such markets hence final consumers do not come into picture in these markets.

c) <u>The terminal market</u> : It gives a full stop to the journey of goods from the places of production to the places of consumption. The final consumers purchase the goods from retailers in smaller quantities for their own use or consumption.

5. <u>On the basis of the nature of transaction</u> : On the basis of the nature and mode of business transacted, the markets have been classified into two categories viz., the spot market and the futures market.

a) <u>The spot market</u> : These are the markets in which buyers have to pay for and accept the delivery of the goods on the spot immediately or within a short time and the sellers should be ready to give delivery of the goods of a particular grade on the spot. Ready delivery and acceptance of such delivery is the basic feature of spot market.

b) <u>The futures market</u> : It refers to those transactions of an organised produce exchange where in the agreement is entered in between the parties. Such agreement is to deliver a particular grade of products in fixed quantity after a future date. The price will be fixed either at the time of entering into contract or will be fixed later on as per the terms of agreement. Hence, in such markets, a promise is made to deliver and to pay for a specified grade of goods on some future date.

This is just the brief classification of markets. Apart from this markets are classified on various basis, for example on the basis of free inter-course, markets have been classified as perfect and imperfect markets; on the basis of producers and middlemen the markets are classified as the consumers market, producers market, reseller's market.

Market Segmentation :

The term market refers to the aggregate of all demands for a particular product or service. It consist of thousands of individual customers or hundreds of groups of customers. These customers differ in many ways. They differ in their wants, income, locations, buying attitudes, age sex, culture etc. All the customers may be in need of the same thing, but the ways of satisfying those needs differ from one group of customers to another, for example, need of cloths; one group may cover its body by purchasing khadi cloth, the other by terewool and so on. In other words, each total market consist of separate sub-markets with separate features of their own. The ways of approaching these different groups also differ and there comes "the need of segmentation of market."

Stanton has defined the term market segmentation "as the process of taking the total, heterogenous market for a product and dividing it into several sub-markets or segments, each of which tends to be homogenous in all significant aspects."[16] In other words, it is the development of different demand schedules in place of one demand schedule for the whole market. Each demand schedule represents one of the various groups of a whole market. For example, a market for ready made garments can be divided into different sub-markets say for college boys, for college girls, for sportsmen, for children, for office workers, for workshop workers etc. A total market differs in many ways but, a sub-market or a segment of total market stands identical in all its features.

Bases for market segmentation : A firm can segment its market in various ways. The method varies from product to product. The most important method of segmenting a total market is to divide it into two sub-markets viz., the ultimate consumer's market and the industrial user's market, the criteria being the purpose of purchase. Ultimate consumers purchase for their own use. They satisfy their own non-business wants and constitute consumer market. Industrial users are business, industrial, institutional organisations who buy products or services for use in their business or for making other products. Milk can be purchased by house-wife for using in morning coffee constituting consumer market. On the other hand if the same milk is collected by a dairy like K.M.F. for processing it into powder or other milk-product then dairy is an industrial user and constitute the organ of industrial market.

The segmentation of all markets into two groups-consumer and industrial is extremely important from the marketing point of view. As the two markets buy differently, different marketing programme is to be chalked out depending upon whether the purchaser is a final consumer or an industrialist.

The middlemen also constitute the separate and major segment of market as they purchase neither for their own consumption nor for further processing. They purchase for resale either to next middleman or to final consumer. As such the marketing programme, product, design, package, incentives, distribution, pricing, promotion- for such "Middlemen's Market is to be differed.

A consumer market can still be segmented on the basis of common consumer characteristics, such as age, sex, income, education, regions, nations, languages etc.

Table : 1.1 : Major variables for consumer market segmentation

Variables :	Typical Breakdowns
Geographic :	
Region	South India, North India, Central India etc,.
States	Uttar Pradesh, Maharashtra, Karnataka, Tamil Nadu, Jammu & Kashmir, West Bengal etc,.
Cities	Cosmopolitan, State capitals, District head quarters etc,.
Density	Rural, Urban, Sub-urban.
Climate	Arid, Semi-Arid, Cold, Warm.
Demographic :	
Age	3 months to 3 years, 3 years to 6 years, 6 years to 11 years, 12 years to 19 years, 20 years to 35 years, 35 years to 50 years, 51 years and above.
Sex	Male, female.
Family size	2 members, 3-5 members, 6 members and above.
Family life cycle	Child, adolscent, adult, young married, couples with one or two issues, couple with more issues, old.
Income	Upto Rs. 3,600, Rs. 5,000, Rs. 12,000, Rs. 18,000, Rs. 24,000, Rs. 36,000 and above.
Occupation	Students, house-wives, professionals, businessmen, officials, craftsmen, technicians farmers, wrestlers etc,.
Education	Illiterate, literate, High-school, graduate, Post graduate.
Nationality	Indian, American, Australian, Arabian, British.
Psychographic :	
s	Lower-poors, poors, lower-middles, middles, lower-uppers, upper-uppers.
Life style	Traditionally-superstitious, moderate-traditional, fashionable, active-advancing, pleasure-seekers.
Personality	Gregarious, authoritarian, ambitious, thrifty, dependent, independent.
Behavioristic	
Purchase Occasion	Regular occasion, Special occasion.
Benefits sought	Quality, service, economy, status, distinction.
User status	Regular user, first-time user, potential user, Ex-user, Non-user.
Usage-rate	Heavy-usage, medium-usage, light-usage.
Brand loyalty	Hard-core loyals, soft-core loyals, shifting loyals, switchers.
Awareness stage	Unaware, aware, informed, interested, desirous, intending to buy.
Attitude toward product	Enthusiastic, positive, indifferent, negative, hostile.
Volume :	
Quantum of purchase	Bulk, small-scale, medium-scale.

Source : Adopted from Philip Kotler's "Principles of Marketing" Page 17.

The above classification is not the water-tight compartments for segementing a market. Consumer characterstics usually involve a large number of variables. Therefor, market can be segmented not only under a single base but through a succession of bases. For example, a given market can be segmented as per region & state-wise in the first instance. Then family size, age, sex, income can be used. This can be followed with the personality traits, the brand loyalty, benefits sought, awarness stage and the volume of purchase. In fact, the aim is to go as deep as possible in segmenting the market so that, the most attractive and relevant segments suited for the given marketing programme is chosen out of the total heterogenous market. Once the needs and characteristics of the customer-group are brought into clear focus, the marketing appeals can be made to fall exactly in line with the requirements of the customer-group. Further, when the customer-groups are apprached after careful segmentation expected response would be forthcoming from them.

Thus, by tailoring marketing programmes to pinpointed market segments, a firm can do a better marketing job and make more optimum use of available resources. Through market segmentation all customers of all sub-markets can be satisfied. Because, the products are designed to match the needs and desires of such customers, the size, colour, contents, packages are developed only after taking into account their tastes and aspirations and finally, the prices are fixed after giving due weightage to their ability to pay. In this way, full satisfaction of the less or unsatisfied group is made possible through market segmentation.

<u>Market coverage</u> :

Market segmentation by itself will not guarantee successful marketing. After market segmentation the firm has to decide how many segments are to be covered. The firm can adopt any of the following three market-coverage strategies :

a) Undifferentiated marketing,

b) Differentiated marketing, and

c) Concentrated marketing.

a) <u>Undifferentiated marketing</u> : Under this strategy different market segments are ignored and the whole market is regarded as a single segment. The more common needs of consumers is identified and tried to fulfil by offering a single product. A single market offer is made to cover the largest segments of market. No doubt such a policy results in more economies in production cost, distribution cost, promotion expenses etc, but it is not free from risks. Although some products are suitable for a large number of people but "it is rarely possible for a product to be all things to all people." The result is either dissatisfaction or under satisfaction of some of the market segments.

b) Differentiated marketing : Under this strategy different market segments are covered with different products and marketing programme. The product and marketing programme is designed to suit every purse, purpose and personality. The firm aims at going more deeper in each segment by identifying different needs, tastes and desires of each segment. In this way the total sales are increased, repeated purchases are ensured and more satisfaction of a large number of market segments is assured.

However, this policy increases the costs like production cost, inventory cost, promotion cost, research and development cost etc. But, such a high cost is balanced from increased total sales of the firm.

c) Concentrated marketing : This policy tries to cover a large share of one or a few sub-markets. This policy forces the firm to concentrate all its marketing efforts in a single segement. The firm goes much deeper to meet the full needs of the segment it wishes to serve. As such, it earns special reputation for its products within the segment. The firm with limited resources can earn a high rate of return on its investment. However, this limiting the marketing operations to a particular segment is harmful when a sound competitor enters the same segment.

After segmenting the total market, the differentiated marketing is preferable where the firm is having large resources. A firm with limited resources may go in for concenterated marketing. Undifferentiated marketing is chosen only where market is homogenous.

1.3 Channels of Distribution :

Goods change many hands before they reach the final consumers. The services of a large number of middlemen is used to place the goods into the hands of final user. This channel of distribution has been defined as "the route taken by the title to the product as they move from the producer to the ultimate consumer or industrial user."[13] A channel includes both the producer and the final user plus those middlemen like wholesalers and retailers who pay for and become the owner of products for resale sometimes, the middlemen like agents are also included in the channel. Such agent middlemen, although do not take title to the product but they are included for the active role they play in the transfer of ownership.

The facilitating institutions like banks, transport services, insurance companies etc. are not included in the channel for they do not take the title to the product. A channel for product comes to end when the product is changed in its form. For example, milk is collected by a local milk-collector, he may supply it to the local co-operative diary, the diary will supply to a large firm which will be processing that milk into Ghee; Ghee will be supplied by this firm to a dealer, dealer sells the Ghee to retailer and from their the final consumer will purchase the Ghee. In this case, at the processing unit the milk is converted into Ghee and as the shape of product is changed the channel for milk ends and a channel for Ghee starts.

Factors affecting channel selection : A channel play an important role in determining the efficiency and cost of distribution. Hence, more care is to be taken while selecting the particular channel and the number and type of middlemen therein. The producer may adopt selective selling policy, exclusive agency or he may use a large number of middlemen to distribute his products at every convenient points. The channel may be selected on the basis of following factors :

1. the nature of product,
2. the size of the market,
3. availability of capital,
4. management's policy,
5. the selling cost,
6. the degree of competition.

The nature of the product determines the number and type of middlemen to be used. Accordingly, a product may be perishable or durable, consumer or industrialist, a luxurious or a necessary product. For necessary and consumer products the large number of middlemen are to be used. For remaining products the channel may be relatively short.

The size of the market also determines the length of the channel,larger the size, lenger will be the channel. The financial position of a firm helps to undertake the marketing activities by itself or to use the services of middlemen. If surplus capital is available after meeting the manufacturing processes then the firm may think of using this capital in undertaking distribution work. Selection of the right middlemen and the number of middlemen, depends again upon the management's policy. Some times, management may decide to use the surplus capital in expansion of business rather than undertaking marketing operations. In such cases, it has to depend upon middlemen.

The percentage of selling cost in total cost of the product also determines in choosing the chain of middlemen. If the selling cost is negligible than marketing work can be assigned to middlemen. On the other hand, if selling cost constitutes major portion of the total price then the firm may limit its number of middlemen. Further, if cut-throat competition is there then to control the market a firm can open its own retail branches instead of relying upon middlemen who represent too many competing manufacturers.

On the basis of above factors, the channels of distribution can be classified either as direct channel or as indirect channel.

<u>Direct channel</u> :

Producer-to-consumer;

a) Door-to-Door sale,

b) Mail order sale,

c) Own retail centres,

d) Sale at factory gate

e) Sale through mechanical devices,

Indirect channels :

1. Producer-to-retailer-to-consumer,
2. Producer-to-wholesalers-to-retailer-to-consumer,
3. Producer-to-agents-to-retailer-to-consumer,
4. Producer-to-agents-to-wholesalers-to-retailers-to-consumers.

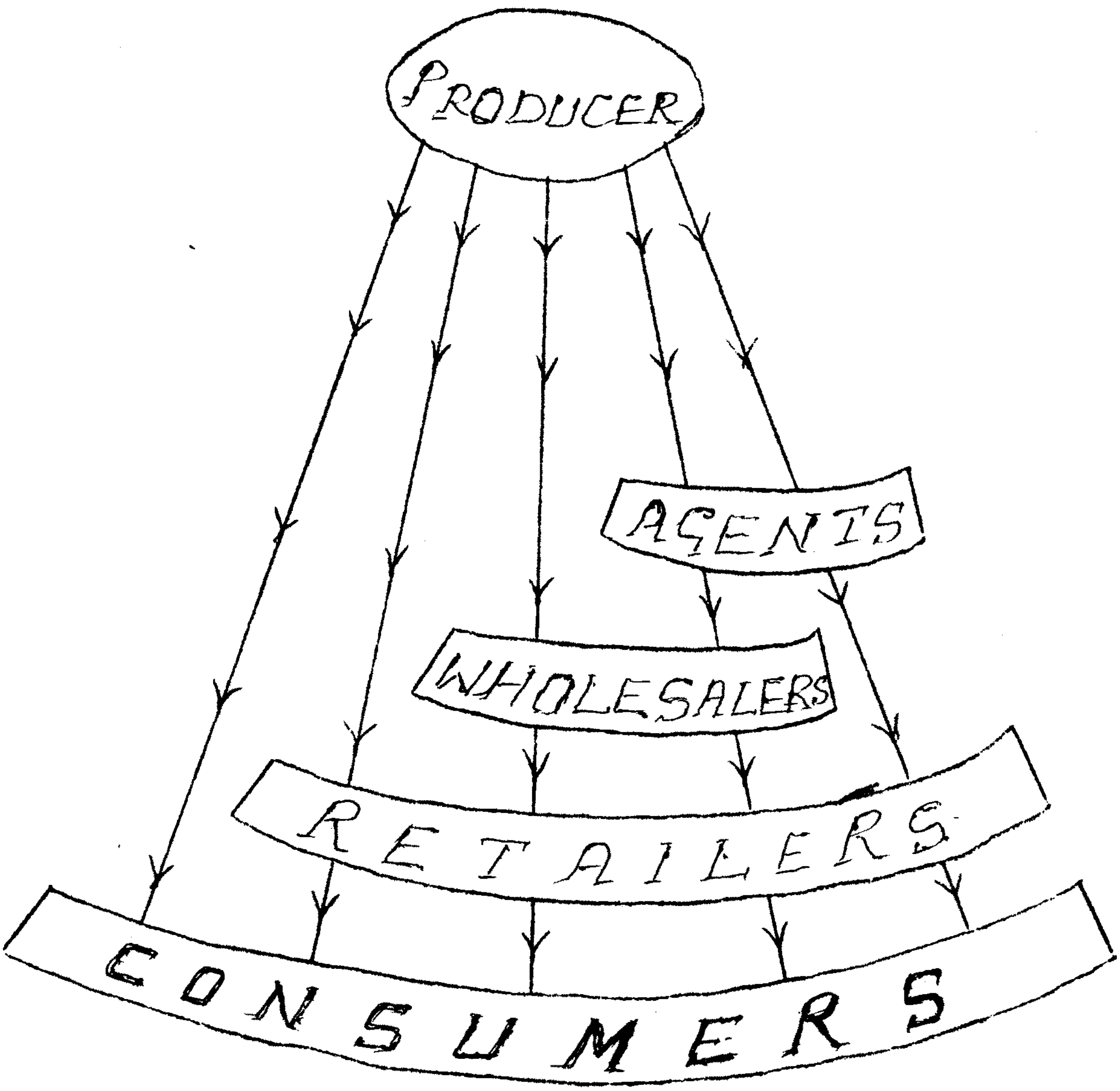

Exhibit-III : Major channels of distribution for consumer products.[19]

1. Producer-to-consumer channel : This is the shortest and the most simple channel of distribution. It involves no middlemen. The producer may appoint his own sales force to visit house to house and sell, the goods may be sold by post if the product is portable and consumers are literate or the firm may decide to establish its own retail centres to control market, to meet competition and to eliminate middlemen's commission. Further, sales may be made at factory's gate or sale's vending-machine may be installed at various localities.

2. Producer-to-retailer-to-consumer channel : Large retail stores like Janata Bazars, Super Markets, Departmental Stores etc., purchase directly, in large quantities from producers. The share of wholesaler from the final price is eliminated under this channel.

3. Producer-to- wholesaler-to-retailer-to-consumer channel : This is a traditional channel of distribution used in case of consumer products. Those retailers who operate in smaller scale and those producers who are unable to divert their attention from production side find the services of wholesalers most useful. Wide and scattered market can be covered effectively only through this method. Those products which are to be distributed at each point of convenience are to be marketed through this channel.

4. Producer-to-agent-to-retailer-to-consumer channel : Some producers prefer to use the services of their own agents or brokers, to reach the retail market. The wholesaler, who represent many competitive producers, is avoided and retailers are encouraged to push up the products.

5. Producer-to-agent-to-wholesaler-to-retailer-to-consumer channel : Those producers whose area of operation extends beyond geographical boundaries of the nation or who want to serve the entire national market make use of this channel. Hence, products will be passed on to various wholesalers through their agents, the different wholesalers will be disposing of the products to smaller retailers, who in turn places the products in the hands of ultimate consumers.

This is the broad classification and not the water-tight-compartment. The firm, depending upon its marketing policy, may alter the channel. The length of the channel and the number of middlemen depends upon the intensity of distribution. The channels of distribution and middlemen therein are always on trial, and changes occur constantly. Middlemen survive only when their existence is economically sound and socially desirable. The new channels and middlemen arise to do new tasks or to do the existing tasks more better.

Determining intensity of distribution :

After deciding upon the general channels of distribution the next job of a firm is to determine the intensity of distribution. In other words, the number of middlemen to be used at wholesale and at retail point is to be considered. The following three methods are available for a firm :

a) Intensive distribution,

b) Selective distribution, and

c) Exclusive distribution.

a) Intensive distribution : This policy is adopted by the firms manufacturing consumer convenience goods. As the consumer do not postpone his purchase for non availability of a particular brand at his convenient locality the firm has to use a large number of middlemen. The firm has to make use of services of every retailer where final consumers reasonably look for the product. Under intensive distribution the burden of advertising and promotion rests upon the manufacturer.

b) Selective distribution : A few middlemen both wholesalers and retailers- are selected for distribution of products. The customers having brand preferences are to be approached through this method. The firm will be selective in choosing the retailers. As a result, he selects few and not all the retailers. The firms producing consumer shopping or speciality goods prefer this method to market their products. The risk of bad debts and high cost of approaching a large army of retailers under intensive selling is avoided.

c) Exclusive distribution : It is an agreement in between the firm and the middlemen. The firm promises to supply its products to a particular middlemen in a particular market-territory. In return, the middlemen agrees to devote full attention to market the firm's products. Some times, middlemen are not allowed to deal in competitive products. The producers of speciality goods usually follow this policy.

The intensity of distribution depends upon the factors like nature of the product, marketing policy of the firm, competition in market, buyer's attitude towards products and their brand etc.

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