

CHAPTER ONE

INTRODUCTION

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1.1 Introduction :

Marketing is generally the most neglected area in the economic life of developing countries. These countries give importance to production and constructions. Yet marketing holds a key position in these countries. Its effectiveness as an engine of economic development with special emphasis on its ability to develop rapidly much needed entrepreneurial and managerial skills needs hardly any elaboration.

Marketing is the process by means of which goods and services are exchanged and their values determined in terms of money prices. It is that phase of business activity through which human wants are satisfied by the exchange of goods and services. Marketing comprises all activities involved in determination and satisfaction of consumer wants at a profit to the producer of goods marketed. To make clear the meaning of marketing a few definitions of the term are given here :

1.2 Definitions of Marketing :

- 1) American Marketing Association (AMA) defines Marketing as the performance of business activities that direct the flow of goods and services from producer to consumer or users.¹

1. Marketing - Philip Kotlar, India Book House Pvt.Ltd. Bombay - 1983. P.4.

- 2) E.W. Cundiff, R.R. Still and Govani :
 Observe "marketing" is the managerial process by which products are matched with markets and through which transfer of ownership is effected"²
- 3) Pyle J.F. - "Marketing is that phase of business activity through which human wants are satisfied by the exchange of goods and services"³
- 4) Professor William Stanton - Observes "Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying goods and services to the benefit of the present and potential customers"⁴
- 5) Philip Kotlar - "Marketing is human activity directed at satisfying needs and wants through exchange process"⁵

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2. Fundamentals of Marketing - Cundiff, E.W. Still, R.R. and Vegani, Prentice Hall of India Pvt. Ltd, New Delhi - 1977, P. 6.
3. Principle of Marketing and Salesmanship - J.C.Sinha - R.Chand & Co. New Delhi, 1980.P.7.
4. Fundamentals of Marketing - Stanton, W.J., McGraw Hill, Kogakusha Ltd., Tokyo - 1978.P.5.
5. Marketing Management ; Analysis, Planning and Control. Philip Kotlar, Prentice Hall of India, Pvt. Ltd. New Delhi, 1982. P.19.

1.3 Approaches to the study of Marketing :⁶

By approach is meant a way of gaining an understanding of the subject 'market'. In its development as a distinct subject or area of study, marketing has undergone many changes. Over a period of time many approaches to its study have developed. The traditional approaches are institutional, functional and commodity. The managerial and social approaches have been used to explain broader perspectives and throw new insights on the subject.

Each approach to the study of marketing has its merits and limitations. Each is used to achieve different objectives and to analyse different kinds of marketing activities. Differences in the size and nature of business organisations, characteristics of industry, background and experiences of those engaged in marketing activities, influence the approach to be used. Similarly one or more approaches are used depending upon the sequences of operations and organisational sequences required to meet different marketing problems. In this more important of these approaches are discussed.

6 . This section is adopted from the thoroughly revised and rewritten edition of "Principles of Marketing and Salesmanship" by J.C.Sinha - R. Chand & Co. New Dehli-2 - The matter in the Press.

1. The Commodity Approach :

This approach is called commodity or product approach because it lays emphasis on the way a particular product or service is marketed. This approach studies individual commodities with special emphasis on the following :-

- i) Sources and condition of supply ;
- ii) nature and extent of demand ;
- iii) channels of distribution commonly used ;
- iv) functions performed by various marketing agencies ;
and
- v) special features peculiar to the marketing of the commodity.

Thus, commodity approach is useful when minor variations in the strategies and techniques used to market different products are important. For example, there is much common in the marketing of Television Sets and cameras. But there are also significant differences in the activities required to move these two products to consumers. Commodity approach is concerned with these differences.

Merits :- Following are the merits of this approach -

1. Concreteness - It helps in having a clear-cut and concrete programme for marketing.

2. Use of special trade terms - There is opportunity for developing and using special trade terminology.
3. In-depth study - It gives almost opportunity to study the marketing problems and opportunities of the given product in usual depth.

Limitations :- However, this approach is said to suffer from the following limitations :-

- 1) Repetitiveness :- This approach is repetitive particularly for those who do not have highly specialised interest in the commodities being studied. In case of most of the commodities, similarities in marketing are considerably greater than the differences. Basic principles are similar. Differences in most cases relate to the method of adopting these principles.
- 2) Time-consuming :- This approach is time consuming. It requires more time to cover all the commodities and services adequately than what is provided in the syllabus for marketing.

However, these limitations can be neutralised by modifying this approach of study. For example, instead of dealing with each individual commodity classes of commodities closely related can be studied. For instance,

various marketing problems of agricultural goods, manufactured consumer goods and industrial goods, minerals and other raw materials can be studied.

To conclude, problems of marketing different commodities differ from one another in respect of their product characteristics and marketing considerations. Each problem is dealt with by a specific institution depending upon the nature of the problem. Let us take example of the storage function. For the storage of perishable goods Refrigerated warehouses are required. But goods like lumber, coal etc. are stored in open yards. For this and similar other reasons ; commodity approach is a realistic approach because it makes a detailed analysis of marketing problems of major commodities or group of commodities. No study of marketing can ignore different aspects of commodity analysis.

2. Functional Approach :

The functional approach of the study attempts at the "physiological treatment" to the subject. It views marketing from the stand point of group of inter-related activities, i.e. distinct. The over-all marketing process is broken down into economic functions or services, such as buying, selling transporting, storage or warehousing etc. Each function is then analysed with view to determine its nature, need and importance in relation to both

marketing institutions, commodities or classes of commodities. Thus, the study of marketing is approached through a detailed analysis of the specific activities. In other words, it emphasises the functioning or physiology of the marketing system, rather than on the structure of its "anatomy" or "mechanistic part" or "on the commodity" in connection with which the function is being performed.

This approach is helpful in knowing marketing activities necessary to create time, place and ownership utilities by moving goods through time space and succession of ownerships. It underlines the importance of various marketing functions and evaluates their performance with a view to improve their working.

Under this approach functions necessary for an orderly system of marketing are studied. The importance of each function varies widely from commodity to commodity. But all the marketing functions are indispensable, no matter which institution or agency performs it or which commodity is involved. They are inter-related to each other and efficiency of one function reacts directly on one or more of other functions. For example, inadequate transportation facilities would make it necessary to have more storage facilities.

Expenses have to be incurred for every marketing function. These add to the total marketing costs. Functional approach helps in studying these costs and devising ways and means to minimise them. Also it pinpoints the relative importance of each function in the marketing of each product. For example, storage function is more important in the marketing of agricultural goods like food grains, whereas quick transportation is more essential in the case of sugar cane. Further this approach is helpful in analysing and appraising the efficiency of specified institution or agency in performing one or the other functions.

Merits of this approach are as under -

- 1) It is possible to examine the efficiency with which a particular marketing function is performed and expenses incurred on its performance.
- 2) Better understanding of the marketing system can be obtained in relatively short period of time.
- 3) This minimises duplication or repetition of efforts.

The limitation of this approach is said to be its abstractness. However, this limitation can be removed with the help of suitable example.

3. The Institutional Approach :

The institutional approach is analytical in character. It attempts to analyse and describe each segment of the marketing system. It undertakes to describe and analyse the various types of wholesalers, retailers and other institutions which together make up the marketing system. For instance, the retailing system is first divided into its component parts. Then each type of retail institution is analysed in terms of its importance, marketing functions performed by it, cost of its operation, competitive conditions, trends, economic position etc. The same procedure is followed regarding the wholesale system and non-title-taking middlemen i.e. different types of agents.

Thus, the institutional approach studies the nature and character of various middlemen and related agencies as well as the arrangement and organisation of the marketing machinery. In this approach, the human element receives primary emphasis. Ownership of product changes hands many times in the process of their flow from the place of origin to the place or places of both title takers (wholesale and retail merchants) and non-title takers (different kinds of agents) helps in this flow. These intermediaries get compensated for the functions performed by them through

the margin of profit or commission. Often they are organised into their respective associations. These associations undertake collection, evaluation and dissemination of valuable marketing information to their members. Also, they protect their interests through representation to the Government etc. The institutional approach helps in the study of the working of these intermediaries. This study is essential to insure right price, just profit margin and necessary government regulation of objectionable marketing practices, if any.

Merits of the Institutional Approach :

- 1) A careful study of the operation and functions of these institutions is useful because an economic system is organised and its accounts are maintained on an institutional basis.
- 2) Necessary data for any study can be procured from the experiences of the companies or business organisations such as whole salers, retailers etc.

4. Managerial Approach :

This approach studies marketing with the emphasis on decision making process involved in the handling of the specific problems and situations as they emerge. The emphasis is on the evaluation of current marketing

practices and developing marketing strategies to achieve specific marketing objectives. It emphasises the need of applying scientific management principles to the marketing functions of an undertaking in such a way that the chief responsibility of marketing can be achieved. And this responsibility is considered to be the creation of contented customers with profit to the undertaking.

The management approach to the study of marketing begins with finding facts relating to all elements of the market and the means to satisfy that market. It makes greater use of the social, behavioural and mathematical sciences in establishing these facts.

This approach is based on the definition of marketing as "the managerial process by which products are matched with markets and through which the consumer is enabled to use or enjoy the product"

Thus this approach to the study of marketing lays emphasis on the functions performed by marketing managers such as assessment, planning, organising, leading, motivating, evaluating and adjusting. It involves development of principles, i.e. generalised statements helpful in making judgements, understanding and improving management of marketing efforts so that sales and profits are increased and marketing costs are reduced.

In this approach marketers look beyond the internal environment of the undertaking. They take into consideration the factors external to the undertaking which have effect on its working. Obviously this requires an examination of both the internal and external environments so that marketing opportunities can be correctly located and benefits of these opportunities are availed of through proper planning of the product, promotion, distribution and price.

Thus, the managerial approach to the study of marketing begins with the analysis of the factors and forces both within and outside the undertaking and needs opportunities. It goes beyond the management of products, prices, distribution and promotion. It covers assessment of the change in the environment, new opportunities, the planning of action to take advantage of the opportunities, organising and managing the resources to meet opportunities for service, growth and profits.

Managerial approach focuses the attention of the students of marketing on the following lines :

1. Assessment of marketing opportunities ;
2. Formulation of the company goals in tune with the marketing opportunities so assessed ;

3. Formulation of marketing objectives and their identification with actual opportunities ;
4. Selecting the best marketing strategy to achieve these objectives ;
5. Planning marketing programme to carry out the strategy effectively ;
6. Effective implementation of the marketing plan and thereby carrying out of the strategy ;
7. Controlling of the markets and the marketing functions.

5. The social Approach :

This approach to the study of marketing focuses on the contribution made by the various marketing activities and institutions to the overall standard of living of the society. Also it analyses from the social point of view the costs, more particularly the social costs at which several marketing functions are performed and costs of the contributions made by each marketing institution.

This approach is based on the social sciences, history and social philosophy. There are three sub-types of social approach -

1. The people oriented approach of the psychologists.

2. The social system approach of the sociologists and
3. The historical approach of the marketing historians.

This approach lays emphasis on the study of the various factors and forces which have effects on the desires and actions of human beings as unique and creative individuals and groups (such as potential buyers of goods and services both individuals and families as well as various organisations). Findings of such studies are translated into practical courses of action to direct and control the marketing efforts. Basically it has the social responsibility orientation and examines the interaction of the society as a whole with the overall marketing programme. Thus, the social approach emphasises the search for an understanding of the potential consumers and organisational buyers and the environment. The study of marketing is carried further into the area of social responsibility an often overlooked aspect of the study of marketing.

1.4 Approaches in this work :

The approaches used in this work include the traditional approaches i.e. commodity, institutional, functional and modern i.e. social approach.

The very fact that this study is related to the

marketing of milk makes it clear that it is based on the commodity approach. However, in any study of marketing as a subject significance of none of the other approaches can be belittled. For example while studying the marketing of milk as a commodity it is essential to know what are the various activities involved in getting the milk from the producer to the ultimate consumers. This we do through the functional approach. Similarly it is essential to know the various agencies or institutions who perform these activities. Thus institutional approach becomes necessary. Also from the societal point of view any study of marketing is useful only when we are in a position to know the socio-economic effect of marketing of any product on both the producers and consumers. Therefore all the traditional approaches and the social approach have been in this study.

1.5. The objectives of the study :

The objectives of the study have been as under :

1. To find out the cost of production of milk in the Kasaba Bawada area and the return on investment received by the producers.
2. To find out the channels of distribution of milk and the place of various institutions occupied in these channels.
3. To find out the activities of each of the members of the channel.

4. To work out the price spread in the marketing of milk produced in Kasaba Bawada.
5. To assess the impact of production and marketing of milk on the producers in respect of the following :
 - A. Contribution to the solution of the problems of direct and disguised un-employment.
 - B. Contribution to the total income of the producers,
 - C. Overall socio-economic impact of the production and marketing of milk in area.
6. To make suggestions for the improvement of processing and marketing of milk with a view to reducing the cost of marketing and bringing the benefits of such reduction of cost to the producers and the consumers.

1.6 Methodology of the study :

The study is based on both primary and secondary data.

Secondary data have been collected from the records of the Shri Dnyaneswar Duddh Utpadak Sahakari Sanstha Ltd., Kasaba Bawada and Shri Ram Vivid Karyakari Sahakari Seva Sanstha Ltd., Kasaba Bawada, Kolhapur.

For the collection of primary data sources of information were classified into four groups : (a) The milk-

producers of Kasaba Bawada ; (b) The consumers of Kasaba Bawada ; (c) The Gavalis and (d) Cooperative organisations engaged in collection and distribution of milk.

On the basis of random sampling method lists of respondents were prepared. For this purpose 10 % of the milk producers, 10 % of the milk consumers, $33\frac{1}{3}\%$ of the Gavalis and the following cooperative organisations were included in the list of respondents.

1. Dnyaneshwar Dudh Utpadak Sahakari Sanstha Ltd.,
Kasaba Bawada, Kolhapur.
2. Shri Ram Vivid Karyakari Sahakari Seva Sanstha
Ltd., Kasaba Bawada (Multi-purpose Society)

Questionnaires were prepared for all the four categories of respondents . Copies of these questionnaires were distributed amongst the respondents.

Also interview and observation schedules were prepared for the field survey.

Personal Interviews were conducted with the help of questionnaire covering the milk producers, consumers of milk, gavalis and officers of the cooperative organisations. Also, personal discussion with respondents in groups of six to ten was arranged in informal meetings.

As per the observation schedule, places of producers were visited to have first-hand knowledge about the total process of animal husbandry relating to cows and buffaloes, those who actually worked in milk production, the way milk produced was handled in the whole process from point of collection by or delivery to the middlemen or direct sale to the consumers.

Similarly places of Gawalis were also visited. Offices of the Dnyaneswar Duddh Utpadak Sahakari Sanstha Ltd., Kasaba Bawada and Shri Ram Vivid Karyakari Sahakari Seva Sanstha Ltd., Kasaba Bawada, Kolhapur were visited. Apparently the purpose was to talk to the workers working there, but at the same time the way of work being done was also observed. Some of the booths of Shri Ram Vivid Karyakari Sahakari Seva Sanstha in Lane Bazar, Shahupuri were also visited four to five times each to observe their functioning.

The data collected were checked up, tabulated and analysed, before taking up the final drafting of this dissertation.

Finally, after discussion in depth with Guide teacher the final draft was prepared.

1.7 Scope of the study :

The study is confined to the marketing of cows' and

buffalows' milk produced in Kasaba Bawada. Producers to consumers channel of distribution could be observed in depth only in the Kasaba Bawada proper. Similarly the indirect channel of distribution through the Gavalis and Cooperative organisations could be observed only upto Kolhapur. The remaining information is based on the information collected through secondary sources. All the findings are based on information relating to the year 1985-86.

1.8 The Chapter Scheme :

The whole study has been presented in five chapters as listed below :

1. Introduction.
2. Place of milk in Socio-Economic life of the community.
3. A profile of Kasaba Bawada.
4. Presentation and Analysis of the data.
5. Observations and suggestions.