

MARKETING APTITUDE

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1. AN INTRODUCTION TO MARKETING

1.1 Meaning Of Market

The concept of a **market** is any structure that allows buyers and sellers to exchange any type of goods, services and information.

Traditional Meaning

The term 'market' refers to the place where buyers and sellers gather to enter into transactions involving the exchange of goods and services. **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).

Modern Meaning

In modern marketing sense, the term market has a broader meaning. It refers to a set of actual and potential buyers of a product or service.

1.2 Meaning of Marketing

Marketing is the process associated with promoting for sale goods or services. It is considered a "social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and values with others. It is an integrated process through which companies create value for customers and build strong customer relationship in order to capture value from customers in return.

Traditional Meaning:

In traditional sense marketing has been referred to as performance of business activities that direct the flow of **goods** and **services** from producers to consumers.

'Merchandising', 'selling' and 'shopping' are all part of a large number of activities undertaken by a firm, which are collectively called **marketing**.

Marketing is not merely a post-production activity. It includes many activities that are performed even before goods are actually produced and continue even after the goods have been sold. Activities such as identification of consumer needs, collection of information for developing the product, designing suitable product package and giving it a brand name are performed before commencement of the actual production. Similarly, follow up activities are required for maintaining good customer relations for procuring repeat sale.

Modern Meaning

In modern times, emphasis is placed on describing marketing as a social process. Marketing is a social process where in people interact with others, in order to persuade them to act in a particular way, say to purchase a product or a service, rather than forcing them to do so.

1.3 Important Features of Marketing

(i) Need and Want

The focus of the marketing process is on satisfaction of the needs and wants of individuals and organisations.

A **need** is a state of felt deprivation or feeling of being deprived of something. If unsatisfied, it leaves a person unhappy and uncomfortable.

Human needs shaped by such factors as culture, personality and religion are called **wants**.

A marketer's job in an organisation is to identify needs of the target customers and develop products and services that satisfy such needs.

(ii) Creating a Market Offering

Market offering refers to a complete offer for a product or service, like size, quality, taste, etc; at a certain price; available at a given outlet or location and so on. A good 'market offer' is the one, which is developed after analysing the needs and preferences of the potential buyers.

(iii) Customer Value

The job of a marketer, therefore, is to add to the value of the product so that the customers prefer it in relation to the completing products and decide to purchase it.

(iv) Exchange Mechanism

The process of marketing works through the exchange mechanism.

Exchange refers to the process through which two or more parties come together to obtain the desired product or service from someone, offering the same by giving something in return. For any exchange to take place, it is important that the following conditions are satisfied:

- i. Involvement of at least two parties viz., the buyer and the seller.
- ii. Each party should be capable of offering something of value of the other.
- iii. Each party should have the ability to communicate and deliver the product or service. No exchange can take place if the buyers and sellers are not able to communicate with each other or if they cannot deliver something of value to the other.
- iv. Each party should have freedom to accept or reject other party's offer.
- v. The party should be willing to enter into transaction with each other.

The points listed above are the necessary conditions for an exchange to take place.

Important point to be noted is that Marketing is not merely a business phenomena or confined only to business organisations. Marketing activities are equally relevant to non-profit organisations such as hospitals, schools sports clubs and social and religious organisations.

1.4 What can be marketed?

Product: A product is a 'bundle of utilities' or 'source of satisfaction' that can be used to satisfy human needs and wants. It is not confined to physical objects, such as motor cycle, biscuit, bulb and pencil but also refers to other things of value such as services, ideas, places, etc., that can be offered to the potential buyers for their use.

Service, Person, Idea, and Place etc: Apart from the product, what can be marketed is a service or a person or an idea (say Red Cross persuading to donate blood) or a place (way Kerala Tourism persuading people to visit Kerala for health tourism).

Who is a marketer?

Marketer refers to any person who takes more active part in the process of exchange. Any body, who takes more active role in the exchange process will be taken as the marketer it may be a seller or a buyer.

1.5 Meaning of Marketing Management

Marketing management is a business discipline, which is focused on the practical application of marketing techniques and the management of a firm's marketing resources and activities. In simple words Marketing management means management of the marketing function.

In other words, marketing management refers to planning, organising, directing and control of the activities, which facilitate exchange of goods and services between producers and consumers or users of products and services. Similarly **Philip Kotler** has defined Marketing management as the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer values of management.

1.6 Process of Marketing Management

The process of management of marketing involves:

- (i) Choosing a target market, say a manufacturer may choose to make readymade garments for children up to the age of 5 years;
- (ii) In respect of the target market chosen, the focus of the process of management is on getting, keeping as well as growing the customers. That means the marketer has to create demand for his products so that the target customers purchase the product, keep them satisfied with the firm's products and also attract more customers to the firm's products so that the firm can grow; and
- (iii) The primary job of a marketing manager is to create superior values so that the customers are attracted to the products and services and communicate these values to the prospective buyers and persuade them to buy these products.

Marketing management involves performance of various functions such as analysing and planning the marketing activities, implementing marketing plans and setting control mechanism. These functions are to be performed in such a way that organisation's objectives are achieved at the minimum cost.

Marketing management generally is related to creation of demand. However in certain situations, the manager has to restrict the demand. A situation of 'overfull demand'. If the demand is 'irregular', such as in case of seasonal products, (say fans, woollen cloths) the marketer's job is to change the time pattern of demand through such methods as providing short-term incentives, to the buyers. Thus, the marketing management in not only concerned with creating demand but with managing the demand effectively, as per the situation in the market.

2 DIFFERENCE BETWEEN MARKETING AND SELLING

- (i) **Part of the Process vs Wider Term:** Selling is only a part of the process of marketing and is concerned with promoting and transferring possession and ownership of goods from the seller to the buyer. Marketing is a much wider term consisting of number of activities such as identification of the customer's needs, developing the products to satisfy these needs, fixing prices and persuading the potential buyers to buy the same. Thus, selling is merely a part of marketing.
 - (ii) **Transfer of Title vs Satisfying Customer Needs:** The main focus of selling is on affecting transfer of title and possession of goods from sellers to consumers or users in contrast, marketing activities put greater thrust on achieving maximum satisfaction of the customer's needs and wants.
 - (iii) **Profit through Maximising Sales vs Customer Satisfaction:** All selling are directed at maximising sales and, thereby, the profits of the firm. In other words, the emphasis is on profit hand, marketing on the other hand is concerned with customer satisfaction and thereby increasing profit in the long run. A marketing organisation, thus, attaches highest important to customer satisfaction as a route to profit maximisation.
 - (iv) **Start and End of the Activities:** Selling activities start after the product has been developed while marketing activities start much before the product is produced and continue even after the product has been sold.
 - (v) **Difference in the Emphasis:** In selling, the emphasis is on bending the customer according to the product while in marketing, the attempt is to develop the product and other strategies as per the customer needs.
 - (vi) **Difference in the Strategies:** Selling involves efforts like promotion and persuasion while marketing uses integrated marketing efforts involving strategies in respect of product, promotion, and pricing and physical distribution.
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3 FUNCTIONS OF MARKETING

Marketing was born out of a need to take better into consideration the demand factors in production planning. The function of marketing is to channel information of consumer needs to the production and satisfaction of needs to consumers. The basic power of marketing is the aspiration to produce and sell only that kind of products, which have demand. Marketing integrates the whole company to serve this demand. Marketing aims at effective production systems, where information is transmitted effectively between production and consumption. The following are the functions of marketing:

1. **Gathering and Analysing Market Information** One of the important functions of a marketer is to gather and analyse market information.
2. **Marketing Planning:** Work of a marketer is to develop appropriate marketing plans so that the marketing objectives of the organisation can be achieved.
3. **Product Designing and Development:** Another important marketing activity or decision area relates to product designing and development. For example, when we plan to buy any product say a motorbike, we not only see its features like cost, mileage, etc. but also the design aspects like its shape, style, etc.
4. **Standardisation and Grading:** Standardisation refers to producing goods of predetermined specification, which helps in achieving uniformity and consistency in the output. Standardisation ensures the buyers that goods conform to the predetermined standards of quality, price and packaging and reduces the need for inspection, testing and evaluation of the products.

Grading is the process of classification of products into different groups, on the basis of some of its important characteristics such as quality, size, etc.

5. **Packaging and Labelling:** Packaging refers to designing the package for the products. Labelling refers to designing the label to be put on the package. Label may vary from a simple tag to complex graphics.

We have seen that in the success of many of the consumer brands in recent time such as *Lays* or *Uncle Chips* potato wafers *Clinic Plus* shampoos, and *Colgate Toothpaste*, etc., packaging has played and played an important role.

6. **Branding:** A very important decision area for marketing of most consumer products in whether to sell the product in its generic name or to sell them in a brand name (such as Pollar Fan or Rottomac Pen). Brand name helps in creating product differentiations. The important decision areas in respect of branding include deciding the branding strategy, say whether each product will be given a separate brand name or the same brand name will be extended to all products of the company, say Philips Bulbs, Tubes and Television or Videocon Washing Machine, Television, and Refrigerator. Selection of the brand name plays important role in the success of a product.
7. **Customer Support Services:** A very important function of the marketing management relates to developing customer support services such as after sales services, handling customer complaints and adjustments, procuring credit services, maintenance services, technical services and consumer information. Customer support services prove very effective in bringing repeat sales from the customers and developing brand loyalty for a product.
8. **Pricing of Products:** Price of product refers to the amount of money customers have to pay to obtain a product. The demand for a product or service is related to its price. The marketers have to properly analyse the factors determining the price of a product and take

several crucial decisions in this respect, including setting the pricing objectives, determining the pricing strategies, determining the price and changing the prices.

- 9. Promotion:** Promotion of products and services involves informing the customers about the firm's product, its features, etc. and persuading them to purchase these products. The four important methods of promotion include advertising, Personal Selling, Publicity and Sales Promotion.
- 10. Physical Distribution:** Managing physical distribution is another very important function in the marketing of goods and services. The two major decision areas under this function include (a) decision regarding channels of distribution or the marketing intermediaries (like whole sellers, retailers) to be used and (b) physical movement of the product from where it is required by the customers for their consumption or use.
- 11. Transportation:** Transportation involves physical movement of goods from one place to the other.

A marketing firm has to analyse its transportation needs after taking into consideration various factors such as nature of the product, cost and location of target market and take decisions in respect or mode of transportation to be chosen and other related aspects.

- 12. Storage or Warehousing:** Usually there is a time gap between the production and procurement of goods and their sale or use. It may be because of irregular demand for the products such as in the case of woollen garments or Raincoats. In order to maintain smooth flow of products in the market, there is a need for proper storage of the products. In the process of marketing, the function of storage is performed by different agencies such as manufacturers, wholesalers and retailers.
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4 ROLE OF MARKETING

All the marketing organisations operate either to earn profit or pursue some other goals. It also plays a significant role in the economic development of a nation. The role of marketing in different situations may be described in brief as follows.

4.1 Role in a Firm

The modern concept of marketing plays a significant role in achieving the objectives of a firm. It emphasises that customer satisfaction is the key to the survival and growth of an organisation in the contemporary competitive marketing environment. For example, what products or services a firm will market will depend upon what its customers need. In other words, marketing as a business philosophy helps in serving the customers by satisfying their needs. It is a well-known fact that a satisfied customer is the most valuable asset of any firm.

4.2 Role in the Economy

Marketing plays a significant role in the development of an economy.

Marketing can play a significant role in the economic development of a nation. It can inspire people to undertake new activities and to set up enterprises for producing goods that are needed by the customers.

Marketing can help in finding out right type of products and services that a firm should manufacture, the places where it should make such products available for sale, the price at which the products should be sold and the channels that should be used for moving the products to the ultimate place of consumption or use.

5 MARKETING MIX AND ITS ELEMENTS

5.1 Meaning Of Marketing Mix

The process of marketing involves creating a market offering, to satisfy the needs and wants of the present and potential buyers.

There are large numbers of factors affecting marketing decisions. These can broadly be divided into two categories: (i) controllable factors, and (ii) non-controllable factors. Controllable factors are those factors, which can be influenced at the level of the firm.

There are certain other factors, which affect the decision but are not controllable at the firm's level. These are called environmental variables. For example, the political factors such as the government policy on whether to allow any technical or financial collaboration.

The combination of variables chosen by a firm to prepare its market offering is also called marketing mix. Thus, ***marketing mix is described as the set of marketing tools that a firm uses to pursue its marketing objectives in a target market.***

5.2 Elements of Marketing Mix: Four Ps

The marketing mix consists of various variables, which have broadly been classified into four categories, popularly known as **four Ps** of marketing. These are: (i) Product, (ii) Price, (iii) Place, and (iv) Promotion, and are discussed as follows:



1. **Product:** Product means goods or services or 'anything of value', which is offered to the market for exchange.

The concept of product relates to not only the physical product but also the benefits offered by it from customer's viewpoint.

2. **Price:** Price is the amount of money customers have to pay to obtain the product. In case of most of the products, level of price affects the level of their demand.
3. **Place:** Place or Physical Distribution includes activities that make firm's products available to the target customer. Important decision areas in this respect include selection of dealers or intermediaries to reach the customers, providing support to the intermediaries. The order decision areas relate to managing inventory, storage and warehousing and transportation of good from the place it is produced to the place it is required by the buyers.
4. **Promotion:** Promotion of products and services include activities that communicate availability, features, merits, etc. and persuade them to buy it.

Seven Ps

People: Any person coming into contact with customers can have an impact on overall satisfaction. People are particularly important because, in the customer's eyes they are generally inseparable from the total service. As a result of this, they must be appropriately trained, well motivated and the right type of person.

Process: This is the process (es) involved in providing a service and the behaviour of people, which can be crucial to customer satisfaction.

Physical evidence: Unlike a product, a service cannot be experienced before it is delivered, which makes it intangible. Reduce the feeling of risk, thus improving the change for success, it is often vital to offer potential customers the chance to see what a service would be like. Providing physical evidence, such as case studies, testimonials or demonstrations, does this.

Four New Ps

Personalisation: It is here referred customisation of products and services through the use of the Internet.

Participation: This is to allow customer to participate in what the brand should stand for; what should be the product directions and even which ads to run. This concept is laying the foundation for disruptive change through democratization of information.

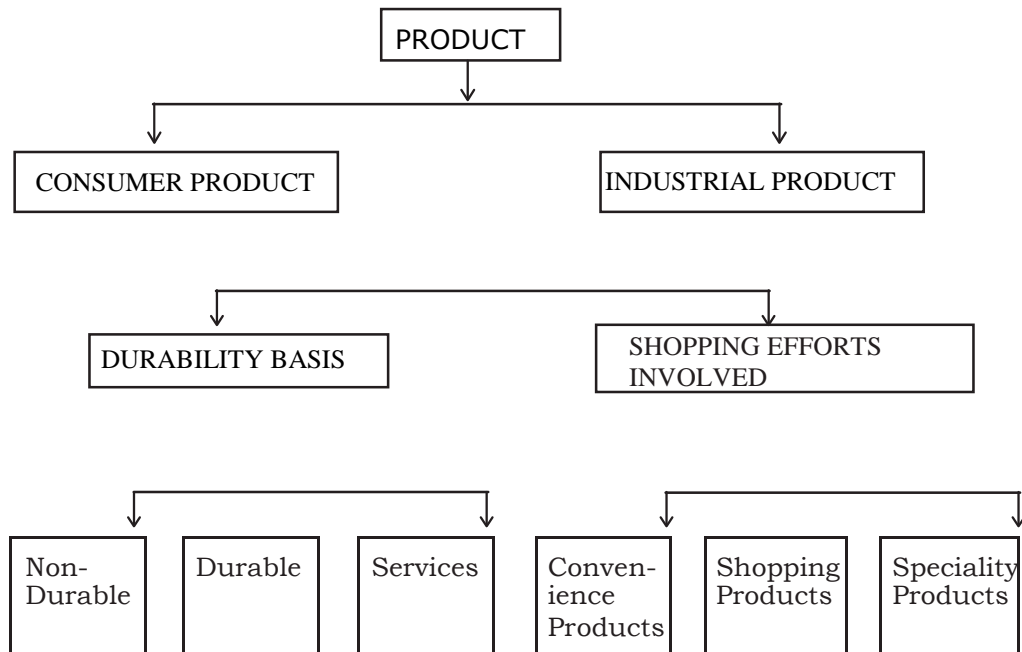
Peer-to-Peer: This refers to customer networks and communities where advocacy happens. The historical problem with marketing is that it is "interruptive" in nature, trying to impose a brand on the customers. This is most apparent in TV advertising.

Predictive modelling: This refers to algorithms that are being successfully applied in marketing problems (both a regression as well as a classification problem).

6 CLASSIFICATION OF PRODUCT

6.1 Product

In marketing, product is a mixture of tangible and intangible attributes, which are capable of being exchanged for a value, with ability to satisfy customer needs. We also include services, ideas, persons, and places in the concept of product. Products may be classified into two categories –(i) Consumers Products and (ii) Industrial Product



6.1.1 Consumer Products

Products, which are purchased by the ultimate consumers or users for satisfying their personal needs and desires, are referred to as consumer products. For example, soap, edible oil, eatables, textiles, toothpaste, fans, etc. which we use for our personal and non- business use are consumer goods.

The consumer products have been classified on the basis of two important factors:

- (A) The extent of shopping efforts involved, and
- (B) Durability of the product.

A. Shopping Efforts Involved:

On the basis of the time and effort buyers are willing to spend in the purchase of a product, we can classify the consumer product into the following three categories as here under:

- 1. Convenience Products:** Those consumer products, which are purchased frequently, immediately and with least time and efforts, are referred to as convenience goods. Examples of such products are cigarettes, ice creams, medicines, newspaper, and stationery items toothpaste. Etc. These products have low unit-value and are bought in small quantities. Some of the important characteristics of such products are:

- (a) These products are purchased at convenient locations, with least efforts and time;
- (b) Convenience products have a regular and continuous demand, as these generally comes under the category of essential products;

These products have small unit of purchase and low prices. For example the eggs are sold at Rs.28 per dozen and the customers purchase them in small numbers.

- (d) **Convenience products:** have standardised price as most of these products are branded products;

The competition in these products is high as the supply is greater than the demand. The marketers have, therefore, to heavily advertise. (f) *Sales* promotion schemes or short-term incentives such as sales contests, discount offers, etc play an important role in the marketing of such products.

2. **Shopping Products:** Shopping products are those consumer goods, in the purchase of which buyers devote considerable time, to compare the quality, price, style, suitability, etc., at several stores, before making for these products; and final purchase. Some of the examples of shopping products are clothes, shoes, jewellery, radio, television, etc.
3. **Speciality Products:** Speciality products are those consumer goods, which have certain special features because of which people make special efforts in their purchase. These products are such, which have reached a brand loyalty of the highest order, with a significant number of buyers. The buyers are willing to spend a lot of time and efforts on the purchase of such products. For example, if there is a rare collection of artwork or of antiques, some people may be willing to spend a lot of shopping effort and travel long distance to buy such products. In our day-to-day life, we see people going to a particular hair-cutting saloon or restaurant, or a tailor. The demand for these goods is relatively inelastic, i.e., even if the price is increased, and the demand does not come down

Durability of Products:

On the basis of their durability, the consumer Products has been classified into three categories— Durable, Non-durable and Services.

1. **Non-durable Products:** The consumer products, which are normally consumed in one or few uses are called non-durable products. For example, we purchase products like toothpaste, detergents, bathing soap and stationary products etc. From the marketing point of view, these products generally command a small margin, should be made available in many locations and need to be heavily advertised.
 2. **Durable Products:** Those tangible consumer products which normally survive many uses, for example, refrigerator, radio, bicycle, sewing machine and kitchen gadgets are referred to as durable products. These goods are generally used for a longer period, command a higher per unit margin, and require greater personal-selling efforts, guarantees and after sales services, on the part of the seller.
 3. **Services:** The durable and non- durable goods are tangible in the sense that these have a physical existence and can be seen and touched. Services are intangible in form. By services we mean those activities, benefits or satisfactions, which are offered for sale, e.g., dry cleaning, watch repairs, hair cutting, postal services, services offered by a doctor, an architect and a lawyer.
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6.1.2 Industrial Products

Industrial products are those products, which are used as inputs in producing other products.

The Examples of such products are raw materials, engines, lubricants, machines, tools, etc. In other words, industrial products are meant for non-personal and business use for producing other products. The market for industrial products consists of manufacturers, transport agencies, banks and insurance companies, mining companies and public utilities.

6.1.2.1 Characteristics of industrial products

1. **Number of Buyers:** As compared to the consumer products, the numbers of buyers of industrial products are limited. For example, few producers of sugar purchase sugar cane, but sugar, which is a consumer product, is purchased by crores of people in our country.
2. **Channel Levels:** Because of limited number of buyers, the sale of industrial products is generally made with the help of shorter channels of distribution, i.e., direct selling or one level channel.
3. **Geographic Concentration:** Because of location of industries at certain points or regions, industrial markets are highly concentrated, geographically. For instance, the demand for power loom comes from Bombay, Sholapur, Bangalore, etc. where the textile industry is concentrated in our country.
4. **Derived Demand:** The demand for industrial products is derived from the demand for consumer products. For example, the demand for leather will be derived from demand for shoes and other leather products in the market.
5. **Role of Technical Considerations:** Technical considerations assume greater significance in the purchase of industrial products because these products are complex products, bought for use in business operations.
6. **Reciprocal Buying:** Some big companies from basic industries like oil, steel, rubber, and medicines resort to the practice of reciprocal buying. For example, Ashok Leyland may buy tyres and tubes from MRF, which in turn may buy trucks from Leyland, whenever it feels the need for the same.
7. **Leasing Out:** A growing trend in industrial product market is to lease out rather than to purchase the products on outright basis because of the heavy price of these products.

6.1.2.2 Classification of industrial product

The industrial goods are classified into the following major categories:

- (i) **Materials and Parts:** These include goods that enter the manufacture's products completely. Such goods are of two types: (a) Raw material: including farm products like cotton, sugar cane, oil seed and natural products such as minerals (say crude petroleum, iron ore), fish and lumber; and (b) manufactured material and parts. These are again of two types – component materials like glass, iron, plastic and component parts such as tyre, electric bulb, steering, and battery.
 - (ii) **Capital Items:** These are such goods that are used in production of finished goods. These include: (a) installations like elevators, mainframe Computers, and (b) equipments like Hand Tools, Personal Computer, Fax Machines, etc.
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- (iii) ***Supplies and Business Services:*** These are short lasting goods and services that facilitate developing or managing the finished product. These include: (a) maintenance and repair items like Paint, Nails, etc., and (b) operating supplies like Lubricant, Computer Stationary, Writing Paper, etc
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7 BRANDING, PACKAGING, AND LABELLING

7.1 Branding

7.1.1 Various Terms Relating to Branding

- 1 **Brand:** A brand is a name, term, sign, symbol, design or some combination of them, used to identify the products-goods or services of one seller or group of sellers and to differentiate them from those of the competitors.
- 2 **Brand Name:** That part of a brand, which can be spoken, is called a brand name. Brand name is the verbal component of a brand. For example, Asian Paints, Safola, Maggie.
- 3 **Brand Mark:** That part of a brand which can be recognised but which is not utterable is called brand mark. It appears in the form of a symbol design, distinct colour scheme or lettering. For example, the Gattu of Asian Paint.
- 4 **Trade Mark:** A brand or part of a brand that is given legal protection is called trademark.

7.1.2 Advantages of Branding

Advantages to the Marketers

- (i) Enables Marketing Product Differentiation
- (ii) Helps in Advertising and Display Programmes
- (iii) Differential Pricing
- (iv) Ease in Introduction of New Product

Advantages to Customers

- (i) Helps in Product Identification
- (ii) Ensures Quality
- (iii) Status Symbol

7.1.3 Characteristics of Good Brand Name

- (i) The brand name should be short, easy to pronounce, spell, recognise.
- (ii) A brand should suggest the product's benefits and qualities. E.g., Rasika, Genteel, Promise.
- (iii) A brand name should be distinctive e.g., Liril, Sprit, Safari, Zodiac.
- (iv) The brand name should be adaptable to packing or labelling requirements, to different advertising media and to different languages.
- (v) The brand name should be sufficiently versatile to accommodate new products, which are added to the product line e.g., Maggie, Colgate.
- (vi) It should be capable of being registered and protected legally.
- (vii) Chosen name should have staying power i.e., it should not get out of data.

7.2 Packaging

Packaging is the science, art and technology of enclosing or protecting products for distribution, storage, sale, and use. Packaging also refers to the *process* of design, evaluation, and production of packages. Packaging can be described as a *coordinated system* of preparing

goods for transport, warehousing, logistics, sale, and end use. Packaging contains, protects, preserves, transports, informs, and sells. In simple terms it refers to the act of designing and producing the container of the product.

7.2.1 Levels of Packaging

1. **Primary Packaging:** It refers to the product's immediate container. E.g., plastic packet for socks.
2. **Secondary Packaging:** It refers to additional layers of protection that are kept till the product is ready for use, e.g., a tube or shaving cream usually comes in a card board box.
3. **Transportation Packaging:** It refers to further packaging components necessary for storage, identification or transportation. For example a toothpaste manufacturer may send the goods to retailers in corrugated boxes containing 0, 20, or 100 units.

7.2.2 Importance of Packaging

- (i) Rising Standard of Health and Sanitation
- (ii) Self Service Outlets
- (iii) Innovation Opportunity
- (iv) Product Differentiation

7.2.3 Functions of Packaging

- (i) Product Identification
- (ii) Product Protection
- (iii) Facilitating Use of the Product
- (iv) Product promotion

7.3 Labelling

A simple looking but important task in the marketing of goods relates to designing the label to be put on the package.

7.3.1 Functions performed by a label

1. **Describe the Product and specify its contents:**
 2. **Identification of the Product or Brand:**
 3. **Grading of Products:** Different type of tea is sold by some brands under Yellow, Red and green Label categories.
 4. **Help in Promotion of Products:** For example, the pack of popular Amla Hair Oil states, 'Baalon mein Dum, Life mein Fun'. The label on the package of a Shaving Cream mentions, '40% Extra Free' or package of a toothpaste mentioning, 'Free Toothbrush Inside', or 'Save Rs 15'.
 5. **Providing Information Required by Law:** Another important function labelling is to provide information required by law. For example, the statutory warning on the package of Cigarette or Pan Masala, 'Smoking is Injurious to Health' or 'Chewing Tobacco is Injurious to Health'. Such information is required on processed foods, drugs and tobacco products.
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In case of hazardous or poisonous material, appropriate safety-warning need to be put on the label.

8 PRICE DETERMINATION

8.1 Meaning Of Pricing

When a product is bought, some money is paid for it. This money represents the sum of values that consumer's exchange for the benefit of having or using the product and is referred to as the price of the product. Similarly, money paid for the services such as fare for the transport service, premium for an insurance policy, and fee to a doctor for his medical advice represent the price of these services. 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.

Pricing occupies an important place in the marketing of goods and services by a firm. No product can be launched without a price tag or at least some guidelines for pricing. Pricing is often used as a Regulator of the demand of a product. Generally, if the price of a product is increased, its demand comes down, and vice-versa. Pricing is considered to be an effective competitive weapon. In the conditions of perfect competition, most of the firms compete with each other on the basis of this factor. It is also the single most important factor affecting the revenue and profits of a firm. Thus, most marketing firms give high importance to the fixation of price for their products and services.

8.2 Factors Affecting Price Determination

1 Product Cost

Types of Costs

- (i) **Fixed costs:** Fixed costs are those costs, which do not vary with the level of activity of a firm say with the volume of production or sale.
- (ii) **Variable Costs:** Those costs, which vary in direct proportion with the level of activity, are called variable costs.
- (iii) **Semi Variable Costs:** Semi variable costs are those costs, which vary with the level of activity but not in direct proportion with it.

2. The Utility and Demand

3. Extent of competition in the Market

4. Government and Legal Regulations

5. Pricing Objectives

6. Marketing Methods Used

9 CHANNELS OF DISTRIBUTION AND ITS FUNCTIONS

9.1 Physical distribution of products and services

The third important element of marketing mix is the physical distribution of products and services.

It is concerned with making the goods and services available at the right place, so that people can purchase the same. There are two important decisions relating to this aspect-one regarding physical movement of goods from producers to consumers or users and two, regarding the channels or using intermediaries in the distribution process.

Goods are distributed from the place of production to the place of consumption. The people, institutions, merchants, and functionaries, who take part in the distribution function, are called 'Channels of Distribution'.

Mostly goods and services are distributed through a network of marketing channels. For example we buy merchandise of our need such as salt, bulb, tea, sugar, soap, paper, books, flour, etc., from retail sellers.

Apart from the economy of effort, middlemen help to cover large geographical area and bring efficiency in distribution, including transportation, storage and negotiation. They bring convenience to customers as they make various items available at one store and also serve as authentic source of market information as they are in direct contact with the customer.

9.2 Channels Of Distribution

A manufacturer may choose from direct distribution to indirect distribution and from a short channel consisting of few intermediaries to a long channel of distribution consisting of large number of middlemen.

9.2.1 Direct Channel (Zero Level)

The most simple and the shortest mode of distribution is direct distribution, where in the goods are made directly available by the manufacturers to customers, without involving any intermediary. This is also called zero level channels. For example, when a manufacturer sells his goods through his own retail outlets (e.g., Mc Donald, Bata); it is referred to as direct channel.

9.2.2 Indirect Channels

When a manufacturer employs one or more intermediary to move goods from the point of production to the point of consumption, the distribution network is called indirect. This may take any of the following forms:

- 1. Manufacturer-Retailer Consumer (One Level Channel):** In this form of arrangement one intermediary i.e., retailers are used between the manufactures and the customers. For example, Maruti Udyog sells its cars and vans through company approved retailers.
 - 2. Manufacturer-Wholesaler-Retailer-Consumer (Two Level Channel):** This is the most commonly adopted distribution network for most consumer goods like soaps, oils, clothes, rice, sugar and pulses.
 - 3. Manufacturer-Agent-Wholesaler-Retailer-Consumer (Three Level Channels):** In this case, manufactures use their own selling agents or brokers who connect them with wholesalers and then the retailers. An agent in each major area is appointed, who in turn contact the wholesalers.
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9.3 Components of Physical Distribution

1. **Order Processing:** In a typical buyer-seller relationship order placement is the first step. Products flow from manufacturers to customers via channel members while orders flow in the reverse direction, from customers to the manufacturers. A good physical distribution system should provide for an accurate and speedy processing of orders, in the absence of which goods would reach the customers late or in wrong quantity or specifications.
2. **Transportation:** It is one of the major elements in the physical distribution of goods. It is important because unless the goods are physically made available, the sale cannot be completed.
3. **Warehousing:** The basic purpose of warehousing activities is to arrange placement of goods and provide facilities to store them. The need for warehousing arises because there may be difference between the time a product is produced and the time it is required for consumption.

The firm has to strike a balance between the cost of warehousing and the level of customer service.

4. **Inventory Control:** A very important decision in respect of inventory is deciding about the level of inventory. Higher the level of inventory, higher will be the level of service to customers but the cost of carrying the inventory will also be high because lot of capital would be tied up in the stock.

The decision regarding level of inventory involves prediction about the demand for the product.

9.4 Functions of Distribution Channels

1. **Sorting**
 2. **Accumulation:** This function involves accumulation of goods into larger homogeneous stocks, which help in maintaining continuous flow of supply.
 3. **Allocation:** Allocation involves breaking homogeneous stock into smaller, marketable lots. For example, once cashew nuts are graded and large quantities are built, these are divided into convenient packs of say 1 kg, 500 gms and 250 gms, to sell them to different types of buyers.
 4. **Assorting:** For example, a cricket player may need a bat, a ball, wickets, gloves, helmet, a T-shirt, and a pair of shoes. Perhaps no one manufacturer produces these products in desired combination. Middlemen procure variety of goods from different sources and deliver them in combinations desired by customers.
 5. **Product Promotion:** Middlemen also participate in certain activities such as demonstrations, special displays, contests, etc., to increase the sale of products.
 6. **Negotiation:** Channels operate with manufacturers on the one hand and customers on the other. Arriving at deals that satisfy both the parties is another important function of the middlemen.
 7. **Risk Taking:** In the process of distribution of goods the merchant middlemen take title of the goods and thereby assume risks on account of price and demand fluctuations, spoilage, destruction, etc.
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10 TOOLS OF PROMOTION MIX

10.1 Meaning of Promotion Mix

Promotion mix refers to combination of promotional tools used by an organisation to achieve its communication objectives.



10.2 Advertising

It is an impersonal form of communication, which is paid for by the marketers (sponsors) to promote some goods or service. The most common modes of advertising are 'newspapers', 'magazines', 'television', and 'radio'.

10.2.1 Features of Advertising

- (i) **Paid Form:** Advertising is a paid form of communication. That is, the sponsor has to bear the cost of communicating with the prospects.
- (ii) **Impersonality:** There is no direct face-to-face contact between the prospect and the advertiser. It is therefore, referred to as impersonal method of promotion. Advertising creates a monologue and not a dialogue.
- (iii) **Identified Sponsor:** some identified individual or company, who makes the advertising efforts and also bears the cost of it, undertakes Advertising.

10.2.2 Merits of Advertising

- (i) **Mass Reach:** advertising is a medium through which a large number of people can be reached over a vast geographical area. For example, an advertisement message placed in a national daily reaches lakhs of its subscribers.
- (ii) **Enhancing Customer Satisfaction and Confidence:** Advertising creates confidence amongst prospective buyers as they feel more comfortable and assured about the product quality and hence feel more satisfied.
- (iii) **Expressiveness:** With the developments in art, computer designs, and graphics, advertising has developed into one of the most forceful medium of communication. With the special effects that can be created, even simple products and messages can look very attractive.
- (iv) **Economy:** Advertising is a very economical mode of communication if large number of people is to be reached.

10.2.3 Limitation of Advertising

- (i) **Less Forceful:** Advertising is an impersonal form of communication. It is less forceful than the personal selling as there is no compulsion on the prospects to pay attention to the message.
- (ii) **Lack of Feedback:** There is no immediate and accurate feedback mechanism of the message that is delivered.
- (iii) **Inflexibility:** Advertising is less flexible as the message is standardised and is not tailor made to the requirements of the different customer groups.
- (iv) **Low Effectiveness:** As the volume of advertising is getting more and more expanded it is becoming difficult to make advertising message heard by the target prospects.

10.3 Personal Selling

Personal selling involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales. It is a personal form of communication. Companies appoint salespersons to contact prospective buyers and create awareness about the product and develop product preferences with the aim of making sale.

10.3.1 Features of Personal Selling

- (i) **Personal Form:** In personal selling a direct face-to-face dialogue takes place that involves an interactive relationship between the seller and the buyer.
- (ii) **Development of Relationship:** Personal selling allows a salesperson to develop personal relationships with the prospective customers, which may become important in making sale.

10.3.2 Merits of personal selling

- (i) **Flexibility:** There is lot of flexibility in personal selling. The sales presentation can be adjusted to fit the specific needs of the individual customers.
- (ii) **Direct Feedback:** As there is direct face-to-face communication in personal selling, it is possible to take a direct feed back from the customer and to adapt the presentation according to the needs of the prospects.
- (iii) **Minimum Wastage:** Company can decide the target customers before making any contact with them.

10.4 Sales Promotion

Sales promotion refers to short-term incentives, which are designed to encourage the buyers to make immediate purchase of a product or service. These include all promotional efforts other than advertising, personal selling and publicity, used by a company to boost its sales. Sales promotion activities include offering cash discounts, sales contests, free gift offers, and free sample distribution. Sales promotion is usually undertaken to supplement other promotional efforts such as advertising and personal selling.

10.4.1 Merits of sales promotion

- (i) **Attention Value:** Sales promotion activities attract attention of the people because of the use of incentives.
- (ii) **Useful in New Product Launch:** As it induces people to break away from their regular buying behaviour and try the new product.
- (iii) **Synergy in Total Promotional Efforts:** Sales promotion activities are designed to supplement the personal selling and advertising efforts used by a firm and add to the overall effectiveness of the promotional efforts used by a firm and add to the overall effectiveness of the promotional efforts of a firm.

10.4.2 Limitation of sales promotion

- (i) **Reflects Crisis:** If a firm frequently relies on sales promotion, it may give the impression that it is unable to manage its sales or that there are no takers of its product.
- (ii) **Spoils Product Image:** Use of sales promotion tools may affect the image of a product. The buyers may start feeling that the product is not of good quality or is not appropriately priced.

10.4.3 Commonly used sales promotion activities

1. **Rebate:** Offering products at special prices, to clear off excess inventory. Example, a car manufacturer offers to sell a particular brand of car at a discount of Rs 10,000, for a limited period.
 2. **Discount:** Offering products at less than list price. Example, a shoes company's offer of 'Discount Up to 50%' or a shirt marketer's offer of '50+40% Discount'.
 3. **Refunds:** Refunding a part of price paid by customer on some proof of purchase, say on return of empty foils or wrapper. Food product companies, to boost their sales, commonly use this.
 4. **Product Combinations:** Offering another product as gift along with the purchase of a product, say offer of a pack of ½ kg of rice with the purchase of a bag of Aatta (wheat flour), or 'Get 128 KB Memory Card Free with a Digicam' or Buy a TV of 25+ and Get a Vacuum Cleaner Free' or '100 Gm Bottle of Sauce Free With 1 kg Detergent.'
 5. **Quantity Gift:** Offering extra quantity of the product commonly used by marketer of toiletry products. For example, a shaving cream's offer of '40% Extra' or A Hotel's offer of 'Take a 2 Night 3 Days Package At the Hotel and Get an Extra Night Stay At Just Rs 500' or 'Buy 2 Get 1 Free' offer of a marketer of shirts.
 6. **Instant Draws and Assigned Gift:** For example, 'Scratch a Card' or 'Burst a Cracker' and instantly win a Refrigerator, Car, T-shirt, Computer, with the purchase of a TV.
 7. **Lucky Draw:** For example, the offer of a bathing soap to win a gold coin on lucky draw coupon for free petrol on purchase of certain quantity of petrol on purchase of certain quantity of petrol from given petrol pump or lucky draw coupon on purchase of easy undergarment and win a car offer.
 8. **Usable Benefit:** 'Purchase goods worth Rs 3000 and get a holiday package worth Rs 3000 free' or 'Get a Discount Voucher for Accessories on Apparel Purchase of Rs 1000 and above.'
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- 9. Full finance @0%:** Many marketers of consumer durables such as Electronic goods, automobiles etc offer easy financing schemes such as '24 easy instalments, Eight Up Front and 16 To Be Paid as Post Dated Cheques'. However, one should be careful about the file charges, which sometimes is nothing but interest recovered in advance.
- 10. Sampling:** Offer of free sample of a product, say a detergent powder or tooth paste to potential customers at the time of launch of a new brand.
- 11. Contests:** Competitive events involving application of skills or luck, say solving a quiz or answering some questions.

10.5 Publicity

Publicity is similar to advertising, in the sense that it is a non-personal form of communication. However, as against advertising it is a non-paid form of communication. Publicity generally takes place when favourable news is presented in the mass media about a product or service. For example, if a manufacturer achieves a breakthrough by developing a car engine, which runs on water instead of petrol, and this news is covered by television radio or newspapers in the form of a news item. It would be termed as publicity because the engine manufacturers would benefit from such dissemination of information about its achievement by the media but would not bear any cost for the same. Thus, the two important features of publicity are that:

- (i) Publicity is an unpaid form of communication. It does not involve any direct expenditure by the marketing firm; and
- (ii) There is no identified sponsor for the communication as the message goes as a news item.

In publicity, as the information is disseminated by an independent source, e.g., the press in the form of news stories and features, the message has more credibility than if that comes as a sponsored message in advertising.

An important Limitation of publicity is that as a medium of promotion, it is not within the control of a marketing firm. The media would cover only those pieces of information, which are news worthy and which symbolise some achievement in the field. A firm can't use publicity to actively promote its products.

11 POINTS TO REMEMBER

- **Activity-based cost (ABC) accounting** procedures that can quantify the true profitability of different activities by identifying their actual costs.
 - **Anchoring and adjustment heuristic** when consumers arrive at an initial judgment and then make adjustments of their first impressions based on additional information.
 - **Arm's-length price** the price charged by other competitors for the same or a similar product.
 - **Aspirational groups** groups a person hopes or would like to join.
 - **Associative network memory model** a conceptual representation that views memory as consisting of a set of nodes and interconnecting links where nodes represent stored information or concepts and links represent the strength of association between this information or concepts.
 - **Attitude** a person's enduring favourable or unfavourable evaluation, emotional feeling, and action tendencies toward some object or idea.
 - **Augmented product** a product that includes features that go beyond consumer expectations and differentiate the product from competitors.
 - **Available market** the set of consumers who have interest, income, and access to a particular offer.
 - **Availability heuristic** when consumers base their predictions on the quickness and ease with which a particular example of an outcome comes to mind.
 - **Average cost** the cost per unit at a given level of production; it is equal to total cost divided by production.
 - **Backward invention** reintroducing earlier product forms that can be well adapted to a foreign country's needs.
 - **Brand development index (BDI)** the index of brand sales to category sales.
 - **Brand dilution** when consumers no longer associate a brand with a specific product or highly similar products or start thinking less favourably about the brand.
 - **Brand image** the perceptions and beliefs held by consumers, as reflected in the association held in consumer memory.
 - **Brand line** all products, original as well as line and category extensions, sold under a particular brand name.
 - **Brands mix** the set of all brand lines that a particular seller makes available to buyers.
 - **Breakeven analysis** a means by which management estimates how many units of the product the company would have to sell to break even with the given price and cost structure.
 - **Brick-and-click** existing companies that have added an online site for information and / or e-commerce.
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- **Business database** complete information about business customers' past purchases; past volumes, prices, and profits.
 - **Business market** all the organizations that acquire goods and services used in the production of other products or services that are sold, rented, or supplied to others.
 - **Cause-related marketing** marketing that links a firm's contributions to a designated cause to customers' engaging directly or indirectly in revenue-producing transactions with the firm.
 - **Convenience goods**- goods the consumer purchases frequently, immediately, and with a minimum of effort.
 - **Customer lifetime value (CLV)** the net present value of the stream of future profits expected over the customer's lifetime purchases.
 - **Customer perceived value (CPV)** the difference between the prospective customer's evaluations of all the benefits and all the costs of an offering and the perceived alternatives.
 - **Customer profitability analysis (CPA)** a means of assessing and ranking customer profitability through accounting techniques such as Activity-Based Costing (ABC).
 - **Database marketing** the process of building, maintaining, and using customer databases and other databases for the purpose of contacting, transacting, and building customer relationships.
 - **Demand chain planning** the process of designing the supply chain based on adopting a target market perspective and working backward.
 - **Direct product profitability (DPP)** a way of measuring a product's handling costs from the time it reaches the warehouse until a customer buys it in the retail store.
 - **Discrimination** the process of recognizing differences in sets of similar stimuli and adjusting responses accordingly.
 - **Dumping** situation in which a company charges either less than its costs or less than it charges in its home market, in order to enter or win a market.
 - **E-business** the use of electronic means and platforms to conduct a company business.
 - **E-commerce** a company or site offers to transact or facilitate the selling of products and services online.
 - **E-marketing** company efforts to inform buyers, communicate, promote, and sell its products and services over the Internet.
 - **E-purchasing** purchase of goods, services, and information from various online suppliers.
 - **Everyday low pricing (EDLP)** in retailing, a constant low price with few or no price promotion and special sales.
 - **Forward invention** creating a new product to meet a need in another country.
 - **Frequency programs (FPs)** designed to provide rewards to customers who buy frequently and in substantial amounts.
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- **Global firm** a firm that operates in more than one country and captures R&D, production, logistical, marketing, and financial advantages in its costs and reputation that are not available to purely domestic competitors.
 - **Global industry** an industry in which the strategic position of competitors in major geographic or national markets are fundamentally affected by their overall global positions.
 - **Gray market** branded products diverted from normal or authorized distributions channel in the country of product origin or across international borders.
 - **Holistic marketing** a concept based on the development, design, and implementation of marketing programs, processes, and activities that recognizes their breadth and interdependencies.
 - **Horizontal marketing system** two or more unrelated companies put together resources or programs to exploit an emerging market opportunity.
 - **Hybrid channels** use of multiple channels of distribution to reach customers in a defined market.
 - **Institutional market** schools, hospitals, nursing homes, prisons, and other institutions that must provide goods and services to people in their care.
 - **Integrated logistics systems (IMC)** a concept of marketing communications planning that recognizes the added value of a comprehensive plan.
 - **Life cycle cost** the product's purchase cost plus the discounted cost of maintenance and repair less the discounted salvage value.
 - **Line extension** the parent brand is used to brand a new product that target a new market segment within a product category currently served by the parent brand.
 - **Long-term memory (LTM)** a permanent repository of information.
 - **Market-build-up method** identifying all the potential buyers in each market and estimating their potential purchases.
 - **Market demand** the total volume of a product that would be bought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program.
 - **Market forecast** the market demand corresponding to the level of industry marketing expenditure.
 - **Market logistics** planning the infrastructure to meet demand, then implementing and controlling the physical flows or materials and final goods from points of origin to points of use, to meet customer requirements at a profit.
 - **Market opportunity analysis (MOA)** system used to determine the attractiveness and probability of success.
 - **Market partitioning** the process of investigating the hierarchy of attributes consumers examine in choosing a brand if they use phased decision strategies.
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- **Market penetrations index** a comparison of the current level of market demand to the potential demand level.
 - **Market-penetration pricing:** pricing strategy where prices start low to drive higher sales volume from price-sensitive customers and produce productivity gains.
 - **Market potential** the upper limit to market demand whereby increased marketing expenditures would not be expected to stimulate further demand.
 - **Market-skimming pricing:** pricing strategy where prices start high and are slowly lowered over time to maximize profits from less price-sensitive customers.
 - **Marketing** someone who seeks a response (attention, a purchase, a vote, a donation) from another party, called the prospect.
 - **Marketing** process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.
 - **Marketing audit** a comprehensive, systematic, independent, and periodic examination of a company's or business unit's marketing environment, objectives, strategies, and activities.
 - **Marketing channel system** the particular set of marketing channels employed by a firm.
 - **Marketing channels** sets of interdependent organizations involved in the process of marketing a product or service available for use or consumption.
 - **Marketing communications** the means by which firms attempt to inform, persuade, and remind consumers-directly or indirectly about products and brands that they sell.
 - **Marketing communication mix** advertising, sales promotion, events and experiences, public relations and publicity, direct marketing, and personal selling.
 - **Marketing decision support system (MDSS)** a coordinated collection of data, systems, tools, and techniques with supporting software and hardware by which an organization gathers and interprets relevant information from business and the environment and turns it into a basis for marketing action.
 - **Marketing implementation** the process that turns marketing plans into action assignments and ensures that such assignments are executed in a manner the accomplishes the plan's stated objectives.
 - **Marketing information system (MIS)** people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute information to marketing decision makers.
 - **Marketing intelligence system** a set of procedures and sources managers use to obtain everyday information about developments in the marketing environment.
 - **Marketing management** the art and science of choosing target markets and getting keeping, and growing customers through creating, delivering, and communicating superior customer value.
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- **Marketing metrics** the set of measures that helps firms to quantify, compare, and interpret their marketing performance.
 - **Marketing network** the company and its supporting stakeholders; with whom it has built mutually profitably satisfy that need.
 - **Marketing plan** written document that summarizes what the marketer has learned about the marketplace, indicate how the firm plans to reach its marketing object and helps direct and coordinate the marketing effort.
 - **Marketing public relations (MPR)** publicity and other activities that build corporate or product image to facilitate marketing goals.
 - **Marketing research** the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company.
 - **Mega marketing** the strategic coordination of economic, psychological, political, and public relations skills, to gain the cooperation of a number of parties in order to enter or operate in a given market.
 - **Micro sales analysis** examination of specific products and territories that fail to produce expected sales.
 - **Partner relationship management (PRM)** activities the firm undertakes to build mutually satisfying long-term relations with key partners such as suppliers, distributors, ad agencies, and marketing research suppliers.
 - **Penetrated market** the set of consumers who are buying a company's product.
 - **Point-or-purchase (P-O-P)** the location where a purchase is made, typically thought of in terms of a retail setting.
 - **Potential product** all the possible augmentations and transformation the product or offering might undergo in the future.
 - **Principle of congruity** psychological mechanism that states that consumers like to see seemingly related objects as being as similar as possible in their favourability.
 - **Reference groups** all the groups that have a direct or indirect influence on a person's attitudes or behaviour.
 - **Reference prices** pricing information a consumer retains in memory which is use to interpret and evaluate a new price.
 - **Relationship marketing** building mutually satisfying long-term relationships with key parties, in order to earn and retain their business.
 - **Relative market share** market share in relation to a company's largest competitor.
 - **Risk analysis** a method by which possible rates of returns and their probabilities are calculated by obtaining estimates for uncertain variables affecting profitability.
 - **Sales analysis** measuring and evaluating actual sales in relation to goals.
 - **Sales budget** a conservative estimated of the expected volume of sales, used for making current purchasing, production, and cash flow decisions.
 - **Sales promotion** a collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade.
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- **Secondary groups** groups, which tend to be more formal and require less interaction than primary groups, such as religious, professional, and trade union groups.
 - **Share penetrations index** a comparison of a company's current market share to its potential market share.
 - **Short-term memory (STM)** a temporary repository of information.
 - **Strategic business units (SBUs)** a single business or collection of related businesses that can be planned separately from the rest of the company, with its own set of competitors and a manager who is responsible for strategic planning and profit performance.
 - **Strategic marketing plan:** laying out the target markets and the value proposition that will be offered based on analysis of the best market opportunities.
 - **Supply chain management (SCM)** procuring the right inputs (raw materials, components, and capital equipment); converting them efficiently into finished products; and dispatching them to the final destinations.
 - **Tactical marketing plan** marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and service.
 - **Target costing** deduction the desired profit margin from the price at which a product will sell, given its appeal and competitors' prices.
 - **Target market** the part of the qualified available market the company decides to pursue.
 - **Target-return pricing** determining the price that would yield the firm's target rate of return on investment (ROI).
 - **Telemarketing** the use off telephone and call centres to attract prospects, sell to existing, customers, and provide service by taking orders and answering questions.
 - **Total quality management (TQM)** an organization wide approach to continuously improving the quality of all the organization's processes, products, and services.
 - **Tying agreements** agreement in which producers of strong brands sell their products to dealers only if dealers purchase related products or services, such as other products in the brand line.
 - **Unsought goods** those the consumer does not know about or does not normally think of buying, like smoke detectors.
 - **Value pricing** winning loyal customers by charging a fairly low price for a high-quality offering.
 - **Vertical marketing system (VMS)** producer, wholesaler(s), and retailer(s) acting as a unified system.
 - **Viral marketing** using the Internet to create word of mouth effects to support marketing efforts and goals.
 - **Yield pricing** situation in which companies offer (1) discounted but limited early purchases, (2) higher-priced late purchases, and (3) the lowest rates on unsold inventory just before it expires.
 - **Zero-level channel: (direct-marketing channel)** a manufacturer selling directly to the final customers.
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