CHAPTER - III
CHAPTER III

INDIAN MARKETING SYSTEM

BUSINESS AND MARKETING

Literally, the term business connotes a 'state of being busy'. As human wants are repetitive in nature, the business activity had to be carried on endlessly. Naturally, profit becomes the underlying motive for the continuation of business. Gradually business branched out into Industry, commerce and trade. The making final product available for exchange for the Staten faction of human wants. This highly potential and most powerful function is today named "MARKETING".

Historically, activities providing utilities to products were not necessary because early-day households operated as self-sufficient systems. Each household operated independently and provided for its own needs. As skills improved and surplus developed, the early household became interested in trading for other product.

In a most simple and non-technical language, marketing may be explained as a business function entrusted with the creation and satisfaction of customers to achieve the aims of business itself. Thus, the term may be logically broken down as follows.
**Business aims at profit**

To realize profit, a sale has to be made.

To make the sale, a customer has to be created.

To retain the customer, he must be satisfied.

To satisfied customer, his needs have to be met.

To meet his needs, the product should conform to the requirements of the customer. This the process of marketing starts with conceiving of the idea of business itself or sometimes eaten earlier.

**Market from the economic point of view**

In the strict economic sense, market is not any particular place of business where goods and services are exchanged. In other words market means 'the demand for a commodity'. Thus market implies a set of conditions and forces, which determine prices. Market can be grouped and the sum-total of that demand represents the aggregate demand for the product. This forms the basis for modern marketing technique known as 'Market Segmentation'.

On the basis of competition, markets are classified into perfect and imperfect market.

**Market from the management point of view**

From the management point of view, market does not mean either a 'place' or a commodity'. It refers to a social institution per forming the work of middleman, transport agency, warehousing etc. Market is the totality of those who can benefit from the producers product or service and who can afford to buy it.
The American Marketing Association suggested two meanings for the terms market.

- The place or area where buyers and sellers function.
- The center in which certain business activities are undertaken to direct the flow of goods and services from the producer to the consumer or user.

Marketing: the old and new concepts

In the past, the term marketing was used to denote a common medium through which members of the society "effectively satisfy their demand". It is needless to say that this interpretation is an extension of the definition of market given above.

In this ever-changing world, nothing is static. Business is no exception to this. The objective of business also has undergone sophisticated changes.

According to Peter Drucker, "a business must have two elements. Purpose and Innovation. The purpose in fact, is achieved by innovation. The innovation may change the purpose of a business and sometimes, innovation is undertaken to suit the purpose of an organization. The main purpose and object of the business was profit maximization.

A better expression is found in the works of Joel Dean; "Profit can be no more the objective of a business than eating is the objection of living.

The modern concept of marketing is different from its earlier concept, which mainly focused on selling. This change was but natural because of the innovational element involved in today's business. Today it is customer who decides and determines what a business. For it is the customer, and he alone,
who, though being willing to pay for a good or a service, converts economic resources into wealth, things in to goods. Thus today's concept of marketing is nothing but a way of life in which all resources of an organization are mobilized to create, stimulate and satisfy the customers at a profit.

"Let us find out; let us market it; we can then be able sell it". This gradually led to the concept of modern marketing.

MARKETING – Definition

Marketing is the process of determining consumer demand for a product or service, motivating its sales and distributing it into ultimate consumption at a profit.

Philip Kotler

Marketing is specifically concerned with how transactions are created, stimulated, facilitated and valued.

William J. Stanton

Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying products and services to present potential customers.

The American Marketing Association defines

Marketing as the performance of business activities that direct the flow of goods and services from producer to consumer or user.

Marketing must include ascertaining, creating and satisfying the customer wants and doing it at a profit.
Objectives of marketing

To develop an intelligent appreciation of modern marketing practices.

To provide guiding polices regarding marketing procedures and implementation.

To study marketing problems according to circumstances and to suggest solution.

To analyses the shortcoming in the existing pattern of marketing.

To enable managers to assess and decide a particular course of action.

Importance of Marketing

Generally, the national income is composed of goods and services which money can buy. Any increase in the marketing activities really results in a lower cost of distribution. Lower prices to consumers mean real increase in the national income.

Marketing provides new varieties of useful and quality goods to consumers. This raises the standard of living of the people.

According to Harold Barger, the number of people engaged in selling by retail and wholesale activities increased more than twelve times from 1870 to 1950, as against a three fold increase in the number of production workers during the same period.

Marketing converts "yesterday's luxuries in to today's necessaries.

Marketing changes latent demand in to effective demand.
Role of Marketing

According to Peter F. Drucker, "Marketing is the distinguishing, the unique function of business. A business is set apart from all other human organizations by the fact that it markets a product or a service.

Any organization in which marketing is either absent or incidental is not a business and should never be run as if it were one. Marketing is that phase or aspect of an economy that has to do with and results in the changes in the as today of responsibility for, and authority over goods to the end that goods produced by many agencies are made available for the convenience and satisfaction of different cases.

Evaluating of Marketing concept

The traditional objective of marketing function had been to make profits through satisfying human need and wants. As human needs and wants increased and technological progress made possible supply of a variety of goods and services.

The development in the size and pattern of business organization itself added new dimensions to marketing. Thus the concept of marketing underwent changes due to innovations not only in production and business but even in marketing. The traditional ideas on marketing were replaced by modern concepts based on management principles.

The various changes that took place and the way marketing reached to its present stature are explained below.
Self-Sufficient stage.
Exchange-Oriented stage.
Production-Oriented stage.
Sales-Oriented stage.
Marketing-Oriented stage.
Consumer-Oriented stage.
Management-Oriented stage.

Marketing Functions

Operation and services which are concerned with the marketing activities are called marketing function. The marketing functions link the producer and the ultimate consumer. The functions of marketing involve a number of operations, to be performed side by side.

Classification of marketing functions

Pyle has classified the marketing functions into two major groups—concentration and dispersion.

<table>
<thead>
<tr>
<th>Concentration functions</th>
<th>Dispersion functions</th>
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<tbody>
<tr>
<td>1. Buying or assembling</td>
<td>1. Selling</td>
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<td>2. Transporting</td>
<td>2. Transporting</td>
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Clark and clerk divided the marketing functions under their major groups—functions of exchange, functions of physical supply and facilitating functions.

**MARKETING FUNCTIONS**

- **Function of exchange**
  - 1. Selling
  - 2. Assembling (or) buying

- **Functions of physical Supply**
  - 1. Transportation
  - 2. Storage

- **Facilitating functions**
  - 1. Financing
  - 2. Risk –Baring
  - 3. Standardization
  - 4. Market formation
  - 5. Promotion

**Functions of Exchange**

Exchange brings about change in the ownership of products. In the process of exchange i.e. transfer in the ownership the two important functions are buying and selling. The function is sub-divided in to buying and assembling and selling.

(a) Buying

Buying is the first step of marketing functions. It is carried out by all marketers-the manufactures, the wholesales, the retailers etc. Buying and selling inseparable. Buying may be done either directly or through middlemen. Buying implies business.
(b) Assembling

Assembling is concerned with the collection and concentration of goods of the same type from different sources at a place for further movement. Generally goods are bought from many sellers. When they are purchased from different small producer, scattered over a wide area, they are to be assembled together at a central place. The main assembling aims to bring the products at a central place in order to disperse them either for production or consumption purposes the job of assembling is carried out by middlemen manufactures etc.

c) Selling

Selling and buying are complement to each other. Marketing efforts evolve around the buying and selling functions. The primary objective of marketing is to sell the products at a profit. By selling, the ownership is the transferred to the buyer. Sales are concerned with the activities, which convert the desire in to demand. Creation of demand, its maintenance, expansion etc. Selling is a complicated function.

Recent Innovations in Modern Marketing

1. Social Marketing

"Social marketing is the design, implementation and control of programmes seeking to increase the acceptability of a social idea or practice in a target group. It utilizes concepts of market segmentation, consumer research idea configuration, communication, facilitation, Incentives and exchange theory to maximize target group response"- Philip kotler.
Not only the product, but also ideas can also be marketed. Social orientation or social marketing concept is of recent origin. It is aimed that the social marker is primarily acting in the interest of the target society. Social marker participates actively in the organization's planning. Social marketer advises the type of products acceptable to the consumer, distribution system to be adopted etc.

Social marketers may pursue different objectives.

Two examples are:

Doctors want people to stop smoking in order to safeguard them against cancer.

Government has introduced family planning programmes in order to control the alarming population growth.

The objectives of physical distribution

Physical distribution

Peter F. Drucker has described the physical distribution function as Industry's dark continent. Because this function seldom received attention in strategic marketing planning.

Objective

The main objective of an efficient system of physical distribution to provide the goods and service at a low cost. An efficient service increases the probability for repeat sales, a higher customer retention rate and the addition of new customers.
A second objective is to lower the level of stock and to avoid 'out-of stock' situations. This is possible by devising a constant delivery schedule. This means lower inventory carrying costs and a reduction in the amount of capital tied up in inventory. It is needless to say that inability to make on-time deliveries often end in loss of sales.

According to them the distribution cost was found to be built up of.

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<td>Warehousing</td>
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<tr>
<td>Inventory carrying</td>
<td>1.3%</td>
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<tr>
<td>Administration</td>
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<tr>
<td>Receiving and shipping</td>
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<td>Packaging</td>
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<tr>
<td>Order processing</td>
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<td><strong>Total</strong></td>
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**Transportation**

Transportation means the physical movement of persons and goods from one place to another. Transport industries which undertake nothing more than the mere movement of persons and things from one place to another, have constituted one of the most important activities of men in every stage of advanced civilization.
Functions of Transport

Transport helps the movement of persons and things from one place to another. It reduces the distance between the consumer and the producer. It helps in specialization and large-scale production. The important functions are.

- It encourages large-scale production.
- It increases the mobility of factors of production.
- It encourages specialization and division of labour.
- It helps in stabilizing price.
- It provides employment opportunities.
- It strengthens the defense of a Nation.
- It reduces the danger of shortage.
- It helps in the transformation of the economy.
- It trans from social and cultural structures.
- It increases demand for goods.

Classification of Transport

The means of transport can be classified into three main divisions and they are called the medium of movement or transport. 1. Land transport, 2. Water transport and 3. Air transport.
Land Transport

Land transport is the oldest one and is very important to each and every person. Land transport can be divided into four; they are Pathway, Roadway, Railway and Others.

Pathway

It is used in small villages, hills, forest areas, deserts etc. If there places reads cannot be constructed.

Road Transport

It is the oldest system. It occupies a prominent place, necessary to everyone. It develops with man’s advance; it retrogrades with the break down of the social order. A people with out roads will be a people with out intercourse with the outside world—without the attributes of civilization.

Road Transport is used by non-vehicles and vehicular agencies.
Railway

Railway has been the pioneer or the modern mechanical transport. It is the means to move the goods and passengers by mechanical devices.

Importance

Railways are the cheapest and quickest means of transport. It covers long distances and carries heavier type of goods. It helps in the starting and running of industries throughout the world. It is of great help to agriculturists that the utilities of perishable goods are increased and urban and rural areas are brought close in contact. It strengthens the detente of a nation.

Water Transport

Water transport is cheaper when compared to other modes of transport. It is cheap because there is no need for highways or railway lines. It is the oldest means of transport. It also carries bulky goods over long distances, much longer than railways. It is the water transport, which led to the discovery of several continents. It leads to the development of world trade.

Air Transport

The airway transport passengers, mail and also goods. It is helpful in times of emergency like flood, earthquakes and war. Air travel has gained speed and it is quite safe. Hence it is suitable for passenger and mail. The invention of Jumbo Jet s has revolutionized the air travel all over the world. It is a practicable and economical method for transporting Industrial and commercial goods.

Recent Improvement in Transportation containers:
This new method of transportation adopted sea, Rail and transport. It is a method designed to cut down handling charges and is not exactly a new method of transportation. Increase in the number of ships has created problem of overcrowding at the ports and thus causing delay in transportation.

The containers are specially built boxes, which could be taken and placed in a ship together with its contents. As soon as containers taken out, the ship leaves the port. Containerization involves the use of high-powered cranes and other facilities. This method is adopted in Railways and Roadways also.

**Polletisation**

It is another method used in materials handling and makes physical handling more economical. Packed articles can conveniently be handled with the use of pallets. They are used as an aid in mechanical handling of merchandise, and not exactly a method of transportation.

**Storage and warehouses**

Storage can be defined as one of the marketing functions involving preservation of goods between the time of production and the time of consumption. Storage is essential to protect the goods carried over from deterioration in order to use them in the period of scarcity. The development of science and technology has improved the methods, ways and means of storage. As such, storage adds to the depth of market storing of goods is essential for transportation and transportation follows storing this is physical distribution.
Warehouses

The place, where the goods is known as warehouse implies a house for wares, wares means products. A warehouse or a godown is a room or a building for the accumulation of goods, possessing facilities to perform other marketing functions. A warehouse must provide a better view and a clear differentiation chart regarding the articles stored.

Specialty warehouse

Duty-paid warehouse.

Special commodity coare house

Refrigerated warehouse (cold storage)

1. Duty-paid warehouse

This is situated at port-towns and is usually owned by dock Authorities or public authorities. An importer remits the duty of imported goods and then stores them in the duty-paid houses.

2. Special commodity warehouse

Goods, produced to be stored, may require varying types of storage facility. This type of warehouse gives storage facilities only for a particular commodity. For example, fishes perishable are stocked, is not suitable for wool, cotton etc.

3. Refrigerated warehouse (cold storage)

Cold storage is of recent development in the field of warehouse. Perishable goods such as eggs, fruits, meat, milk, apple etc.
Finance

Finance may be defined as the prevision of money. Finance is the study of methods to obtain money and credit. Finance is the lifeblood of economic, commercial and industrial undertaking.

The finance needed to run a business as a whole is known as business finance and the finance needed to market the products is known as marketing finance.

Kinds of Business Finance

Business firm requires two kinds of capital.

Fixed capital (permanent capital)

Current capital (working capital)

(i) Fixed capital

It is the money which is invested in fixed assets to be used over a long period of time fixed assets include building fixtures and fittings, furniture, machinery, equipment etc. It is a long term |Investment and having permanent existence.

(ii) Working capital

Working capital is also known as current capital or liquid capital or circulating capital, working capital is required to purchase raw materials, inventories, spare parts, marketable securities etc. and to meet day to day expenses. It is required for running the business. Only short term loans.

The working capital denotes the capital temporarily needed cash comes in and goes out of business. As such, the fund on working capital is more or less
permanent in nature. The asset under working capital may change its form from one asset to another. For example, debtors to cash, stock to cash or debtors etc. Therefore the fund is known as working capital.

**Types of working capital**

- Regular working capital
- Seasonal working capital
- Emergency working capital

**1. Regular working capital**

Regular working capital is more or less similar to fixed capital. Therefore this type of capital is raised through share capital or long-term loans. A firm needs a certain excess of current assets over current liabilities so as to maintain the circulating capital.

**2. Seasonal working capital**

Certain supply is seasonal but demand is regular or supply is regular but demand is seasonal. The agricultural products are abundant in season time at low price and in off seasons, the price goes up. But demand may be regular. Businessmen, in order to take the full advantage of low price, require capital to bold up the stock for off-season.

**3. Emergency working capital**

There may be unexpected financial needs to meet certain situation arising from fire, flood, clreught etc. This leads to a trust on working capital all of a sudden. Special occasions, such as extensive marketing campaign, emergency contracts of production, severe competitions, changes of trade cycle, special jobs
undertaken, introduction of new products in to the markets etc., call for special working capital.

**Marketing Risk**

Marketing risk may be defined as the danger of less from unforeseen circumstances in future. It implies an element of uncertainty or possibility of loss. The uncertainty or risk is assumed by participants who are in marketing and more particularly by those who take title of goods.

Market operations are based more on future conditions. Exposition of business to the danger of financial losses, termed as marketing risk.

**Time Risk**

Today most business operations are carried on in anticipation of demand. It the manufacturer fails to create demand or if he is unable to sell his product, it is a risk created because of the time factor.

**Place risk**

The price of a product are different in different markets at the same time. The demand and supply pattern differs from one marker to another. This is because of price, which is based on demand and supply of the product. When
traders by articles from one place they hope to sell them elsewhere at higher price. Making goods available in a market requires a time lag during. Which quite opposite conditions may crop up shattering the hopes of the trader. This is the fundamental reason for place risk.

**Competition Risk**

Competition is the greatest risk in marketing unless the marketer is so dynamic and alert to the actions of his competitors and their effect upon his marketing strategy or production he will lose his place. A competitor may improve the quality of his product or lower the price or he may employ new channels. The competition may also take the form of new materials and new processes.

**Natural Risk**

Risks due to natural calluses are beyond the control of people. This category of causes include the following rain, storm, earth quakes, vermin, heat, cold, seasonal change in demand, deterioration of product in transit or in storage and change in style, fashion and behaviour of people.

**Standardization and grading**

Daddy and Revzon define

"Standardization is the process of determining of classes or grades of a product or service that have fixed limits.

**International organization defines**

"Standardization is the process of formulating and applying roles for an orderly approach to a specific activity for the benefit and with the co-operation of
all concerned and in particular for the promotion of optimum overall economy, taking due account of functional conditions and safety requirements.

Types of standards

- Quantity standard
- Standards of size and measurement
- Quality standard

Grading

Grading means the division of products into classes made up of units processing similar characteristics of size and quality. It is the task of separating the products on the basis of predetermined norms on standards. Determination of standards to be established is known as the process of standardization.

Need of Grading

Generally farm products are of different qualities. For example, raw cotton and jute, coal, iron, ore, milk, ghee etc. producer want to manufacture products of uniform quality and for this, they want the raw materials in uniform quality.

ISI Certification Marks Act 1952

Any product manufactured as per the standard laid down by ISI may by certified under the ISI certification Act under this Act. ISI has been authorized by the central Government to issue conches for the use of ISI marks to firms producing goods.

ISI Marks Indicate

- That the goods are subjected to quality control
- That the goods are well safeguarded against sub-standard goods
That they have more than a claim by the manufactures.

That they earn the buyer’s confidence.

That they will act as a third party guarantee.

**Marketing Management**

Marketing management is defined as the task of regulating the level timing and character of demand in a way that will help the Organization achieve its objectives. It involves planning, Organization, staffing, motivating and controlling marketing factors to achieve clearly defined company objectives.

**Systems Approach and Marketing**

The present marketing management concept includes recognition of the interrelation and interconnection between marketing and other business elements. This approach recognizes two levels of marketing systems. First marketing is viewed as one significant element in the total complex of the business system secondly, marketing is viewed as a component sub-system operating with in the business. In short marketing system is concerned with interrelating and coordinating the activities of manufactures and their distributors with the wants and needs of consumers.

**Marketing Planning**

Plan is an intellectual process. All types of organization prepare plans. Even individual formulate plans. In its simplest form, planning is the process of establishing individual or organizational goals and the ways to achieve the goals.
Marketing Planning

Marketing planning defines the role and responsibilities of marketing executives in such a way as to achieve the goals of the firm. Marketing planning involves the preparation of policies, programmes, budgets etc.

Marketing planning is the work of setting up objectives for marketing activity and of determining and scheduling the steps necessary to achieve such objective.

Marketing strategy

The marketing logic by which the business unit hopes to achieve its marketing objective.

Objectives of Marketing Planning

Marketing planning promotes successful marketing operations.

It forces management to reflect upon the future in a systematic way.

Marketing planning helps to appraise performance, capitalize on strength, minimize weaknesses and threats and finally open up new opportunities.

Planning can be advocated to minimize the risk of failure.

Strategic Marketing Planning

The goal of planning is to help marketing managers to have better decisions. Accordingly planning is divided into two categories strategic planning and tactical planning. The longer the planning time period the more likely that the plan is to be strategic.

Usually strategic planning is adopted for new product and tactical planning for revising existing products.
Sales Forecast

“Sales forecast is an estimate of sales, in monetary or physical units, for a specified future period under a proposed business plan or programmer and under an assumed set of economic and other forces outside the unit for which the forecast is made”.

Uses of sales forecast

1. Reduces selling costs

   Second to the production cost, selling cost occupies a prominent place in the price structure of a product.

2. Helps in the proper pricing of the product

   The initial price fixed for a product has to be altered on account of changing market conditions. Helps in sales budget anticipating and making necessary price change at the appropriate time.

3. Sales forecasting is inevitable for budgeting and budgetary controls.

Methods of sales forecasting

1. Jury of executive opinion method

   This is the historical and the simplest method of making sales forecasts. Under this method, the views and opinions expressed by the executives are combined. It lays emphasis on the use of judgment. In most cases, the final estimate is the opinion of the top-level managers.
2. Sales composite Method

The method tries to collect the details from the actual marketing field for the preparation of expected sales. This method based on the belief that these closest to the sales function have the best knowledge of the market.

3. Users Expectation Method

This method is adopted for industrial marketing. The advantage here is that the customers comprise only a small group. Clearly, if a company can obtain an adequate and reliable information sample of what customers will buy, even though the actual orders are not in hand, it will have a goods basis up on which to develop a sales forecast.

Limitations of sales forecast

- Change in fashion.
- Non-availability of past history of a product.
- Technological developments.
- Government intervention.
- Changes in the patterns of consumer behaviour.

Product

Alderson defines: "A product is a bundle of utilities consisting of various product features and accompanying services.

Stanton defines: A product is a set of tangible and intangible attributes, including packaging, colour, price, manufacturer's prestige, retailer prestige etc.
Product policies

Product policy is concerned with defining the type, volume and timing of the products a company offers for sales.

Charles revs on define: In the factory we make cosmetics, and is the drug store we call hope.

A product policy generally covers the following

1. Product planning and development.
2. Product line.
3. Product mix.
4. Product branding.
5. Product style.
7. Product packaging.

1. Product planning and development

The product planning means an attempt to establish the product in line with market needs. It is defined "The act of making out and supervising the search, screening, development, and commercialization of new products, the modification of existing lines and the discontinuance of marginal or unprofitable items.

Product planning is the initial stage for the entire marketing programmer of a concern. Product planning embraces all activities, which enable producers, and middlemen to determine what should constitute a company’s line products.
Product development, a more limited term embraces the technical activities of product research engineering and design. The effort of developing products.

2. Product line

According to Stanton "A broad group of products, intended for essentially similar uses and possessing reasonably similar physical characteristics, constitute a product line.

3. Product mix

A product mix is the set of all product lines and items that a particular seller offers for sale to buyers. An Organization with several product lines has a product mix. Product mix need not consist of related products. In other words, product mix is the composite of products offered for sale by firm.

4. Product Branding

Branding is the practice of giving a specified name to a product or group of products of one seller. Branding is the process of finding and fixing the means of identification.

In other word's naming a product, like naming a baby, is known as branding.

5. Product style

A certain products are bought by consumers' instaneously. They reject some products spontaneously. Why is this so? It was explicitly shown earlier that the quality of a product alone is not the criterion for its acceptance. In fact blind product tests have proved that consumers are unable to distinguish one brand
from another by mere taste. Most of the products are bought to meet the psychological needs only.

6. Product Packaging

Packing means wrapping of goods before they are transported or stored or delivered to a consumer. On the other hand packaging is the sub-division of the packing function of marketing.

"Packaging has been defined as "an activity, which is concerned with protection, economy, convenience and promotional consideration."

Brand

A brand is a "name, term, symbol or design to identify the goods or service and to differentiate them from those of the competitors."

Brand Name

That part of a brand, which can be vocalized-, utter able. For examples:

Fiat car, Sony T.V., etc.

Branding

It is a process by which a product is branded.

Brand Mark

That part of brand which can be recognized but not utter able, such as a symbol, design or distinctive colouring or lettering.
Types of brands

Individual brand

A firm may decide upon a policy of adopting distinctive brands for each of its products.

2. Family Brand

Family name is limited to one line of products. The term family brand refers to one brand name, which a firm adopts for a variety of its products.

3. Company Brand

We may have for all products the name of the company or the producer.

4. Combination Device

Products have individual names and company brands to indicate the firm producing them.

Kinds of Brand Name

1. Descriptive Name

It includes all words that describe the products. For instance, glucose, biscuit, colgate etc.

2. Suggestive Name

The name suggest something about the function of the product. For instance, Band and sticking plaster etc.

3. Arbitrary Name

It is a name, which neither relates to the product nor to the producer.

4. Coined Name

Importance is given to the producer's identity for example, viral.
Functions

Brand facilities distinctiveness from the rival products in the market

Branded products possess individual identification.

Branded goods create a satisfactory or standard quality in the mind of the consumers.

Branding reduces the price comparison, because tow similar items with two different brands may bat be compared.

Brands help or facilities consumers shopping.

Repeated sales are facilitated with minimum effort through brands.

Positioning the product

The products position is the image, which that product projects in relation to rival products. A product’s features will attract the customers or prove attractive to the customers.

The positioning of the product is attained by.

(i). Product differentiation

(ii). Market segmentation and

(iii). Market aggregation.

Product planning for existing products

Such a huge investment is necessary as the new products are at present the only means of survival for a firm. At a very out it was stated that a business must have two elements (i) innovation and (ii) purpose.

The need for innovation is created by the dynamic nature of culture. We have also seen that product planning is the activity charged with the
responsibility of providing new and profitable products for management to evaluate is also charged with the responsibility of reviewing the profitability of current items in the product mix.

**New product**

According to Stanton: Three recognizable categories of new products are:

- Products that are really innovative—tally unique.
- Replacements for existing products that are significantly different from the existing goods.
- Imitative products that is new to a company but not new to the market.

**New product planning**

A new product must be suitable to meet the changing needs of the customers. The life of the firm is closely related to the development of new products through technological innovation. Businessman must make a detailed study of the market in venation to the market. New products mean new profit.

The act of making out and supervision the research, screening, development and commercialization of new product.

**Consumer Behaviour**

**Kinds of Market**

The first idea a marketer should obtain is about the kinds of markets he has to reach. This forms the cornerstone in his study about the consumer behaviour.

On the basis of institutional characteristics, there are at least five kinds of markets.
The behaviour of participants in these markets may show some identical patterns but that need not be the case always. Product characteristics are always static but the consumer behavior is not. Moreover, markets are complex and over and above the consumer behaviour, changes, keep on taking place due to economic factors. In spite of this operating characteristics of these markets could be analyzed in terms of four O'S.

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<thead>
<tr>
<th>Objectives</th>
<th>Price</th>
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<tr>
<td></td>
<td>▶️ Allowances</td>
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<tr>
<td></td>
<td>▶️ Credit terms</td>
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<td></td>
<td>▶️ Discounts</td>
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<thead>
<tr>
<th>Organization</th>
<th>Channels</th>
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<td></td>
<td>▶️ Intermediaries</td>
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<td></td>
<td>▶️ Transport</td>
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<td>▶️ Location</td>
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<td></td>
<td>▶️ Territories</td>
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<thead>
<tr>
<th>Operation</th>
<th>Advertising</th>
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<tbody>
<tr>
<td></td>
<td>▶️ Personal selling</td>
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<tr>
<td></td>
<td>▶️ Sales promotion</td>
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<td></td>
<td>▶️ Publicity</td>
</tr>
</tbody>
</table>

|                     | Physical | Promotion |
|                     | ▶️ Distribution |
|                     | ▶️ |

- Industrial Market.
- Consumer Market.
- Reseller Market.
- Government Market.
- International Market.
Buyer Behaviour

The wealth of products and services produced in a country make our economy strong. Almost all the products, which are available to buyers, have a number of alternative supplies.

I.e. substitute products are available to consumers, who make a decision to buy products.

A buyer makes a purchase of a particular product or a particular brand and this can be termed “Product buying motives.” And the reason behind the purchase from a particular seller is "patronage motives.

All the behavior of human beings during the purchase may be termed as “buyer behavior”. The process where by individual decide whether, what, when how and from whom to purchase goods and services can be termed as the customer’s or the buyer's behavior.

Buying Motives

Motives rebar to thought, urge, strong feelings, emotion, drive etc. They make a buyer to react in the form of a decision. Motivation explains the behaviour of a buyer. Motives include a consumer to purchase a particular product. The motives may be generally controlled by economic, social, psychological influences etc.

People purchase products urged by mental and economic forces, which create a desire and articles displayed for sale satisfy this desire. Motive is an
inner urge that prompts one to action; it is not a more desire. The stimulated desire is called a motive.

**Determinants of consumer buying behaviour**

A marketer is always interested to know how consumers respond to various marketing stimuli-product, price, place and promotion and other stimuli ie., buyer’s environments-economic, technological, political and cultural.

**Buyer Behaviour Model**

<table>
<thead>
<tr>
<th>Outside stimuli</th>
<th>Buyers Black Box</th>
<th>Buyer's Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>Other Buyer</td>
<td>Buyer Product</td>
</tr>
<tr>
<td>Product</td>
<td>Economic</td>
<td>Characteristics</td>
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<tr>
<td>Price</td>
<td>Technological</td>
<td>Decision Dealer</td>
</tr>
<tr>
<td>Place</td>
<td>Political</td>
<td>Purchase Dealer</td>
</tr>
<tr>
<td>Promotion</td>
<td>Cultural</td>
<td>Purchase Timing</td>
</tr>
</tbody>
</table>

The buyer is considered as a black box, because his mind can’t be imagined, as to his buying decision. The buying decision depends on his attitude, preferences, feelings etc.

Factors influencing the consumer behaviour are internal needs, motives, perception and attitude as well as external family, social groups, culture, economics, business influences etc.
The study of the buyer behaviour is essential to understand what Marketing is. The success or failure in marketing depends upon the individual's reactions, expressed in the form of buying pattern. Mainly, the buyer behaviour has many approaches the economic. The psychological, the social – cultural etc.

The following important economic factors affect the buyer's behaviour.

1. Disposable personal Income

Disposable personal income represents potential purchasing power that a buyer has. The change in incomes has a direct relation on buying habits. Personal consumption spending tends both to rise and fall at a slower rate than what disposable personal income does.
2. Size of family Income

   The size of family and the size of family income affect the spending and saving patterns.

3. Income expectation

   The expected income to receive in future has a direct relation with the buying behaviour. The expectation of higher of lower income has direct effect on spending plans.

4. Propensity to consume and to save

   This goes to the habit of spending or saving with the disposable income of buyers. If the buyers give importance to present needs, the they dispose of their income.

5. Liquidity of funds

   The present buying plans are influenced greatly by liquidity of assets. I.e., cash and assets readily convertible in to cash for example, readily marketable shares and bonds, bank balance etc.

6. Consumer credit

   Facility of consumer credit system-hire purchase, installment purchase etc., A buyer can command more purchasing power.

**Economic model suggests behavioral hypothesis**

   Lower the price of the product, higher the sales.
   Lower the price of substitute products; lower the sales of this product.
   Higher the real income, higher the sales of this product.
   Higher the promotional expenses, higher the sales.
Psychological Theories

Psychology has contributed much to the marketers to understand the buyers. Psychology explains how consumers learn a product and how they can recall from the memory. This theory of learning is explained as process of “repetition motivation, conditioning and relationship-repetition improves learning.

According to stimulus-response theory, learning is dependent on drive, cue, response and reinforcement. Drive is a strong stimulus. Drives may be primary thirst hunger etc., and secondary-desire for money, pride etc., Psychological motives of buying relate to personal feelings and emotions. The psychological factors play a move important role in motivating the consumer behaviour than economic factors.

Mallow Hierarchy of human needs

- Physical needs: Hunger, thirst, shelter etc.
- Safety needs: Security protection etc.
- Belongingness and love needs: Affection, companionship, social, discourses etc.
- Needs for self-actualization: Achievement in life.
- Desire to know: Quest for knowledge and understanding.
- Aesthetic needs: Love for beauty etc.

Social Psychological Theories

Veblen was an economist, but evolved into a social thinker greatly influenced by the new science and social anthropology. The family and the society quite often influence the individual decision and behaviour. He was the
man as a social animal. The group in which he is a member largely influences his wants and behaviour.

Most of the luxury goods bought by us is mainly because people of the same status have bought them. As such, culture, social attitude, family are the different factor groups that influence buyer behaviour.

The following are some of the important motives influencing the ultimate buying behaviour of customers.

1. Fear  : To overcome theft you may purchase a burglar Alarm
2. Desire for money  : Purchasing when the price falls down.
3. Vanity  : Getting costly items, to be admired by others.
5. Love and affection  : When you purchase toys, dresses for your sister, it is out of affection.
6. Sex and romance  : Spending much on dresses, ornaments etc.
8. Possession  : This refers to collection of stamps, coins etc.
9. Health and physical well-being  : Purchasing health foods, vitamins etc.
10. Comfort and Convenience  : Purchasing equipments like refrigerator, pressure cooker, miry etc.