CHAPTER VIII

MARKETING

The main aim of this chapter is to discuss the important areas of marketing including its functions, significance, segmentation, consumer behaviour, market research, environment and more importantly the marketing mix. Further, it studies various marketing practices adopted by Sangam Dairy for improving its market share.

Today most nations – regardless of their degree of economic development of their political philosophy are recognizing the importance of marketing. Economic growth in developing nations depends greatly upon those nations’ ability to develop effective distribution systems to handle their raw materials and upon their agricultural and industrial output.

Definition of Marketing:

Philip Kotler defines “Marketing as a human activity directed at satisfying needs and wants through exchange process”.

He opines that marketing lies in human needs and wants. Mankind needs food, air, water, clothing and shelter to survive. Beyond this people have strong desire for recreation, education and other services. The existence of human needs and wants gives rise to the concept of products.

The fact that people have needs and wants and the fact that there are products capable of satisfying them are necessary but not sufficient to define marketing. Marketing exists when people decide to satisfy their needs and wants through exchange.
Sometimes marketing is confused with other business terms, especially, merchandising and distribution. Marketing is the comprehensive concept. The others are each only one part – one activity- in the total marketing system.

**Definition of Marketing Management:**

Phillip Kotler defines marketing management as follows:

“Marketing management is the analysis, planning, implementation and control of programmes designed to create, build, and maintain mutually beneficial exchanges and relationship with target markets for the purpose of achieving organizational objectives. It relies on a disciplined analysis of the needs, wants, perception and preferences of target and intermediary markets as the basis for effective product design, pricing, communication and distribution”.

According to him marketing management takes place when at least one party to a potential exchange gives thought to objectives and means of achieving desired responses fro other parties. Marketing management has the task of regulating the level; timing and character of demand in a way that will help the organization achieve its objectives. Similarly put, marketing management is demand management.

**Significance of Marketing:**

Peter F. Drucker has expressed the importance of marketing management as follows:

“It is in marketing that we satisfy individuals and social values, needs and wants, be it through producing goods, supplying services, fostering innovation for creating satisfaction”.
Marketing management has greater importance and significance for the society as a whole than for any of the individual beneficiaries of the marketing process and can be expressed as follows:

1. The nation’s income is really composed, not of money, but of the goods and services which money can buy. Any increase in the efficiency of the marketing process, which results in lower cost of distribution and lower prices to consumers, really brings about an increase in the national income.

2. A reduction in the cost of marketing is a direct benefit to society. The man who makes such a contribution renders a service as important as that of the inventor of a labour-saving device or a new manufacturing process.

3. Marketing process brings new varieties, quality and beneficial goods to consumers. A wealth of merchandise can be purchased at retail stores, which were not available previously. It, thus, provides the connection link between production and consumption.

4. Scientific marketing has a stabilizing effect on the price level. Producers produce what consumers’ want and consumers have a wide choice of products, there are no frequent ups and downs in prices.

5. In a country like India, that is striving to break the age-old bondage of man to misery, want and destitution, marketing is a catalyst for the transmutation of latent resources into actual resources of desires into accomplishments and the development of responsible economic leaders and informed economic citizens.
6. Marketing brings to the very door of the peasants useful implements, tools and fertilizers etc., and the benefits of the use of machines and free after sales services, makes them modern farmers besides improving their productive efficiency.

7. Scientific marketing remedies the imbalance in the supply of goods by making available the surpluses to the deficit areas.

8. Marketing adds value of goods by changing their ownership and by changing their time and place of consumption.

9. It adds value to services, for example business, medical, entertainment and educational services, by performing the services involved.

10. Patterns of consumption are determined both by the structure of the marketing system and by the value added to these goods and services through performance of marketing activities.

11. Marketing is essential for full or near full employment.

12. Marketing helps in increasing the living standards.

13. Marketing further provides these benefits to the nation and the society. a) It can change public opinion and create new norms of behaviour and standards of conduct and new ways of life, b) the tools of marketing can be used to implement national policy and c) it can serve to expand the home market and thus provide a more secure base for export.

Functions of Marketing Management:

Marketing management represents marketing concept in action, i.e., pre-planned demand management under customer-oriented marketing philosophy. It involves planning, implementation and control of marketing programmes included in the process of
marketing. It represents as important functional area of business management efforts under which goods and services flow from the producers to customers.

The following are the functions of marketing management:

1. **Determining Objectives:** A firm’s activity must be goal directed. Since the objectives form the foundation of its marketing management, the marketing management must first determine the goals carefully. Management of its particular need at a given time interprets these goals and places them to guide the company’s progress in future. The main objectives are to attain a certain amount or percentage of profit, over the long run, so that the interests of all could be served and also the increase in the sales. It is necessary that these goals should be set forth clearly in writing and communicated to the persons concerned. The goals should be realistic and relevant. Finally, the planning and operating decisions must be in line with the goals set up by the management.

2. **Planning:** After setting goals, the next step is to determine the manner in which these goals are to be achieved. This activity is known as planning. Without planning, a company’s operations have no meaning and no direction. There can be no orderly procedure in managements’ pursuit a single area or many areas. Planning is concerned with laying plans for a new product or sales forecasts or the product distribution channel and promotional programmes. When an overall plan of action is adopted to achieve a predetermined marketing objective, it is known as a strategy. To implement this strategy, detailed methods and techniques are employed. These are known as tactics.
3. **Organizing:** It is the process of arranging activities and the people engaged in them in such a way as to achieve the maximum output with highest degree of efficiency. The marketing manager must be sure that organizational policies and practices are compatible with marketing plans and that the organization has the necessary capabilities for achieving the marketing goals. Under his direction and guidance, the organization drafts promotional programmes and campaigns, sets up marketing methods and procedures and makes other decisions and takes other actions for executing the policies and implementing the marketing plans.

4. **Coordination:** The marketing concept implies coordination of all company activities, which impinge on the consumer. Within the marketing department, activities in sales, advertising, marketing research, customer service, new product development all require more effective coordination tying these more closely to the overall corporate programme. Marketing can furnish sales estimates so that the production department can help marketing by manufacturing the proper quantity and quality of products at the right time. It can also provide product information for sales training and advertising programmes. Outside the marketing department and the company, coordination is needed with advertising, transportation and other agencies.

5. **Controlling:** The primary purpose of any system of controls is to set the stage for decision and action. Effective control keeps the organization ‘on course’ as marketing management steers towards the company’s set goals. There are four phases of the controlling function, viz., a) establishment of performance standards;
b) measurement and ‘feedback’ of performance results; c) evaluation of actual performance against the standards; and iv) action is indicated by the evaluation.

6. **Staffing:** One of the important functions of marketing management is to assemble the human resources; for proper selection of personnel is the key to elimination or substantial reduction in many management problems. Good selection may bring about successful results even if the original planning is not top in order.

7. **Operating:** No plan is worth much unless it is carried out effectively. This is particularly important in marketing because success depends upon the way the business is operated. This function of operating and directing includes operating a sales force and directing as advertising programme. The results of the company’s activities are analyzed and evaluated to determine whether they have been successful or not. This activity comprises for areas: a) analysis of marketing costs by territories, products or customer groups; b) the performance of the individual salesmen may be evaluated; c) both manufacturers and middlemen may evaluate the effectiveness of other advertising programmes; and d) individual manufacturers may want to evaluate the performance of their middlemen.

8. **Establishment of Marketing Policies:** Establishment of marketing policies is very essential for guiding executives in their decision-making on marketing problems that frequently arise. Such policies afford uniform executive action and uniform treatment to all customers and save the executives from unnecessary botheration. The policies to be adopted are made stable, yet flexible.
Marketing Environment:

Marketing environment visualizes in detail how the very nature of marketing in a particular society will be influenced by the environment in which it is carried on. A host of factors and forces generate change and do have a great influence on the various marketing functions. Every marketing executive should keep these factors in mind while planning product marketing.

According to Kotler, “Marketing environment is the totality of forces and entitles that surround and potentially, affect the marketing of a particular product”. According to him marketing environment is composed of organizational environment, market environment, macro environment and extra environment. The marketing system of a firm operates within the constraints or forces of the environment. These forces are either external or internal to the firm.

External Forces:

The external forces are those, which are generally uncontrollable, and these must be fully given weight when marketing decisions are taken. These forces consist of macro environmental forces and micro environmental forces.

Macro Environmental Forces:

These factors lie outside the firm and generally exist in the surrounding environment. These forces have considerable influence on the company’s marketing system.

1. Demography: It consists of the details about population structure, age, groups, sex distribution, income brackets, occupations etc., and its area distribution without knowing this; the marketer cannot market his product successfully. Because it is the people whose needs have to be satisfied keeping in view their
habit to spend and their willingness to spend. Moreover, different people need different product at particular ages; hence, production has to be geared to meet the specific demand. Demography study offers consumer profile, which is essential in market segmentation and determination of target market.

2. Economic Conditions: Economic conditions influence the marketing organization and marketing both directly and indirectly. Directly these conditions affect marketing because such organizations are themselves a part of the market place. In order to produce goods and services they must first buy and consume goods and services and the prices of these are determined by economic conditions. Indirectly, these conditions influence the individual consumers in the market place when they purchase products and services. The consumer habits are affected by economic conditions. Purchasing power and willingness to spend result in effective demand, which in turn, is influenced by economic conditions. Marketing plans and programmes are also influenced by such other economic factors such as interest rates, money supply, price level, consumer credit etc.

3. Social and Cultural Forces: The socio-cultural environment is a broad term, encompassing within its fold the economic, political, legal and technological forces. The people and their values and social patterns – lifestyles, social values, beliefs, desires, knowledge etc – are the fundamental elements that shape the nation’s economy, politico-legal system and the technology used.

The social and cultural forces usually influence the welfare of a business concern in the long run. The society is always dynamic, with changing social norms and values – as a result of whichever increasing new demands are created, whereas the
old ones fade away automatically. To cope with these changes, marketing management is required to make necessary adjustments in its marketing programme and procedures.

4. Legal and Political Forces or Public Policy: The marketing environment contains political, legal and regulatory forces or policies including network of laws and regulations, policy decisions, government bureaucracy, government planning and legislative enactments and processes. All these are referred to as the public policy environment.

Public policy affects the basic structure of marketing organizational system. In some instances, marketing opportunities may be enhanced, in others limited. The main affect of such a policy is to prohibit many practices that had earlier been common regardless of their ethics. However, now unethical activities of marketing area not looked with favour by the society and hence, every marketing action has to be taken in conformity with the public policy.

5. Science and Technology: Science and technology is the knowledge of how to accomplish tasks and goals most effectively. Technological knowledge arises from research and has a great impact on society and on the marketing decisions.

6. Competition: Competition is regarded as essential to a healthy market and a democratic society, for then there are many small firms, which compete for business, rather than only one firm. This situation is known as perfect or pure competition. This type of competition is preferred because concentration of power in one company (monopoly), or only in a few companies (oligopoly) can lead to practices that are harmful to both the economic and the political well-being of a
society. No marketing manager would make major decision without assessing the degree of competition in the market for the product. Therefore, he recognizes the force of competition in the economy, and then frames the strategic plans based on the anticipated move of the opponent. Competitors considerably influence the company’s choice of marketing strategies particularly in relation to its product mix, price mix and promotion mix. Marketing strategies are formulated to fight against competition.

**Macro environment of Sangam Dairy:**

The Sangam dairy covers Guntur district and once it holds monopoly in selling its products throughout the district. The external environment thus was not competitive. But with the entry of Heritage, a private milk dairy in the district created competition to the Sangam Dairy. Further, after the year 2000 three more private dairies called – Tirumala Dairy, Dodla Dairy and Jercy Dairy entered the market. This environment now became high competitive for milk marketing in the district. However, Sangam Dairy holds the leadership and shares the market with 90.4 per cent. The changed external environment instead of creating a threat to the Sangam Dairy alerted the dairy to adopt new and latest technology and serve the existing and new customers better than the past.

**Micro Environmental Factors:**

Micro environmental factors are directly a part of firm’s total marketing system. These are generally controllable and can be influenced to a greater degree than the macro group of forces discussed above.

1. **Marketing Institutions:** These institutions specialize in different kinds of activities. They include several categories that play an important role in affecting
the organization’s operations. A) Producers are the persons engaged in the production of raw materials, including farms, mines, forestry, fisheries etc. b) Manufacturers of finished or semi-finished goods are generally engaged in converting the raw materials into finished or processed goods.

2. **Intermediaries:** Intermediaries help the process of flow of goods from the producer to the consumer. Their function is mainly concerned with transportation, storage of goods, the granting of credit, advertisement and special promotions.

3. **Competitors:** These are the firms who compete with other firms and who sell to satisfy the same market needs through better personal approach, lower prices, offerings of attractive conditions or other inducements.

4. **Facilitating institutions:** Between the company and the markets there are a host of selling facilities and consulting intermediaries who add time, place, form and possession utility to market place. These institutions are transporting agencies, public warehouses, advertising agencies, research and consulting firms, securities markets, freight forwarders and credit and collection agencies.

**Internal Forces:**

The objectives of the marketing company can be achieved through two sets of internal forces Viz., the company resources in non-marketing areas and the components of marketing mix.

1. **Company resources in non-marketing areas:** There are generally four types of resources, which become inputs into the firm capital, raw materials, human resources and information. Without capital or financial resources no land and buildings can be purchased and major equipment and machinery installed. Capital resources are generally not managed by marketing personnel but by financial personnel. Production personnel
use most of the raw materials. However, purchasing of materials is of the domain of the marketing. Hiring, training and supervising of marketing people human resource requires close cooperation between personnel department and marketing management. Information may be internal, research and intelligence. Research information is that which is specially collected through survey and used in marketing programmes.

2. **The marketing mix:** Marketing mix consists of a list of the important elements that make up the marketing programmes and a list of the forces that bear on the marketing operation of a firm and to which the marketing manager must adjust in his search for a mix or programme that can be successful.

**Marketing Research:**

Market research is the constant search for, analysis of, facts. Phillip Kotler says, “Some companies use the term ‘market research’ instead of ‘marketing research’. The former term is accurate for describing research into markets, their size, geographical distribution, incomes and so forth. However, it fails to cover the idea of research into the effects of marketing efforts on market, for which the term marketing research is more accurate. Marketing research is increasingly coming into favour as the term describing both ideas”

**Marketing Research Process:**

In marketing research no two tastes are exactly identical, nor is there any single procedure that can be followed in all investigations. However, the general procedure given here is applicable to most projects. Some of the steps are interrelated; some overlap and some are unnecessary in every project.
1. **Define the objectives and identify the problem:** In order for marketing research to be conducted, marketers must have precise objectives. They must be clear about which information is needed and how it should be used. Usually this means defining a problem.

2. **Conduct situation analysis:** After the problem has been defined, the researcher’s task is to learn as much about it as the time permits. This involves getting acquainted with the company, its business, its products and market environment, advertising, etc., by means of library consultation and extensive interviewing of company’s officials. The researcher tries to get a ‘feel’ for the situation surrounding the problem. He analyses the company, its market, its competitions and the industry in general. This phase of preliminary exploration is known as situation analysis. This analysis enables the researcher to arrive at a hypothesis or a tentative presumption on the basis of which further investigation may be done.

3. **Determining the information needed:** The researcher should then determine the specific information needed to achieve the research objectives. For successful operation of production and sales departments, which information is required depends to a large extent on the nature of product and the method used for placing it in the hands of the consumers. In general, the producer, the wholesaler and the retailer try to find out four things namely, what to sell, when to sell, where to sell, and how to sell, so as to get better prices and to satisfy consumer needs.

4. **Develop the research design:** The heart of the marketing research is the research design. It would include the following elements.
a) Statements of the evident necessary to solve a problem, and the basic schemes whereby the solutions will become revealed or validated.

b) Specification of the evidence- where and how it will be obtained.

c) Anticipation of how the data will be analyzed to produce answers to the problem.

d) Guidelines for the calculation and approval of the feasibility and cost of the project.

A blueprint to guide the ensuing work issues involved in research design is the sample (both primary and secondary), the research setting, the research instrument (questionnaire), the interviewer, the respondent and the data analysis.

5. **Tabulating, analyzing and interpreting data and report writing:** After the necessary have been collected, they are tabulated by way of statistical summary. If the questionnaire has been well planned, tabulation work is very much facilitated. From the tabulated summaries, conclusions may be drawn. This stage is regarded as the end product, till this stage only means to this end had been dealt with. The conclusions and recommendations supported by a detailed analysis of findings should be submitted in a written report, although sometimes-oral reports may also be represented. The report should be written in clear language, properly paragraphed and should be able not only to hold the interest of the reader but also convince him by presenting him with necessary evidences.

6. **Follow up the study:** The researcher in the last stage should follow up his study to find if his recommendations are being implemented and if not why.
Pettem has beautifully summarized the entire task of marketing research as follows:

“Today’s marketing researcher must be a super information specialist. First he must get all facts. Then he has to analyze and interpret them. Then he must summarize them and present only those points that are pertinent to a business decision. And he must do it in terms that we can understand and use”.

**Market Segmentation:**

The total market for most of the products is not homogeneous but too much heterogeneous because people have different needs and values and therefore, marketer cannot derive maximum benefit from an analysis of marketing as a whole. To take advantage of this situation, the marketers may divide the total market into smaller groups of consumers on the basis of significant difference in buyer characteristics, or buyer responses to marketing programmes. By tailoring product designs, pricing policies, promotion and distribution channels to meet the needs of these small groups marketers often gain a competitive advantage. This kind of marketing strategy is also consistent with the market concept, which requires the identification of the consumer wants and needs and development of marketing programmes to satisfy them.

William J Stanton defines market segmentation as follows:

“Market segmentation consists of taking the total heterogeneous market for a product and dividing it into several sub markets or segments each of which tends to be homogeneous in all significant aspects”.

From the perspective of marketing manager, market segmentation involves two closely related areas. First, the total markets for any product can be sub divided or
segmented into groups of potential customers who are homogeneous with respect to certain wants or desires. Second, it might be advantageous to the organization to sense one or more of these market segments.

**Criteria for Segmentation:**

For market segmentation worthwhile, for criteria – viz., identify, accessibility, responsiveness and size – must be satisfied.

1. **Identity:** The marketing manager must have some means of identifying the members of the segment – i.e., some basis for classifying an individual as being or not being a member of the segment.

2. **Accessibility:** It must be possible to reach different segments in regard to both promotion and distribution. In other words, organization must be able to focus its marketing efforts on the chosen segment.

3. **Responsiveness:** A clearly defined segment must react to changes in any of the elements of the marketing mix. For example, if a particular segment is defined as being cost conscious, it should react negatively to price rises. If it does not, this is an indication that the segment needs to be redefined.

4. **Size:** The segment must be reasonably large enough to be a profitable target. It depends upon the number of people in it and their purchasing power.

**Segmentation Decisions:**

The concept of market segmentation identifies three strategic options of marketing; viz., concentrated marketing, differentiated marketing, and undifferentiated marketing.
1. **Concentrated marketing:** It is concerned with “focusing all available resources on one segment within the total market”. It means one marketing mix, a rather narrow product line and some unique competence, which is the basis for the firm’s competitive advantage in a chosen segment.

2. **Differentiated marketing:** It attempts to appeal to the entire market by designing different products and marketing programmes for different segments of the market. By so doing marketers hope to achieve additional sales and increased customer identification with brand or company name. Most medium and large sized firms doing business in many markets with a broad product line follow this type of marketing.

3. **Undifferentiated marketing:** It treats the entire market as its target by competing successfully using the same market mix. Such marketing is resorted to when it is found that there are some products that have a broad based appeal and hence, there is no need for their segmentation. Such marketing proves weak in every segment because there is specialized competition in each segment.

**Consumer Behaviour:**

To understand marketing one must understand buyer behaviour for marketing success or failure depends on target consumers’ individual and group reactions expressed in the form of buying patterns. Therefore, in order to undertake the marketing programme among different segments, the marketing management must find out as to: who influences the buying decision? Who makes the buying decision? Who makes the actual purchase? And who ultimately uses the product? It may be stated that in the process of buying different individuals may be involved or only one member may do all the four tasks, or the
user of the product may be influencer, decider and the purchaser. In India excepting the sophisticated so called higher class, men even now take decisions and purchases. It is only in the educated elites that husband and wife may jointly decide what to buy, from where to buy and when to buy.

Walter and Paul say that, “Consumer behaviour is the process whereby individuals decide what, when, where, how and from whom to purchase goods and services”.

Buyer behaviour may be viewed as an orderly process whereby the individual interacts with his environment for the purpose of making market decisions on products and services.

**Determinants of Consumer buying behaviour:**

Buying behaviour is generally determined by factors which are related to behavioral sciences particularly psychology, economics, sociology and anthropology. The individual consumer can be thought of as embedded in the centre of a series of influences from other people and non-interactive influences of social class, reference groups and culture. Marketing action must reach the individual through these filters that extend, modify and in many cases nullify the original intent of the marketer.
At the centre of the buying behaviour process is the ‘buyer’ who is motivated by certain needs and goals. He gathers information from environment and responds to the information according to his predispositions and the influences of the physical, economic, psychological, social and cultural factors.

Marketing Mix:

Marketing mix is generally used to denote a particular combination of marketing variables which are controllable by an enterprise and which are used to appeal to a
particular market segment. According to Phillip Kotler, it is the set of controllable variables that the firm can use to influence the buyer’s responses.

Generally marketing mix consists of product mix, price mix, promotion mix and placement (distribution) mix. These four ingredients of marketing mix are interrelated, as the decisions taken in one area usually affect the other.

A company’s marketing effort should start and end with the customers. Management should select its market targets, analyze them carefully and then develop a programme to reach those markets. In order to design a marketing programme, it is necessary to have an understanding of the changing nature of consumer demand. This can best be done by using ‘life cycle’ patterns which begins with early development which in turn develops into growth, then to maturity, and finally into decline.

The success of a given marketing mix is in part determined by the degrees to which it succeeds in winning consumers and fighting out the competitors. When one company achieves these twin objectives, it is said to have differential advantage over its rival. This advantage is the result of manipulation done in the four elements of marketing mix.

**Product Mix:**

A product is central to the marketing operation in any organization. The term ‘product’ has been defined in narrow as well as broad sense. In a narrow sense, it is simply a set of tangible physical and chemical attributes assembled in an identifiable and readily recognizable form. In a broader sense, it recognizes each separate brand as a separate product. William J. Stanton says, “A product is a complex of tangible and intangible attributes, including packaging, colour, price, manufacturer’s prestige, retailer’s
prestige and manufacturer’s and retailer’s services which buyer may accept as offering satisfaction of wants or needs”.

The product concept has three dimensions:

1. **Managerial Dimensions**: These include the total product that the marketer puts in the market – a) **the core product** or service, which has certain identifiable characteristics and functions that distinguish it from other products or services; b) **the related product features**, such as brand name, package type, safety components, etc; and c) **the related product services**, such as delivery, installation, maintenance and repair, and warranty etc. Since in marketing operation, the product plays an important part, the marketing management is involved in formulating product strategy – which sets down the objective of offering the product that balances or satisfies the needs of the consumers.

2. **Consumer dimension**: Consumers buy a product in the hope that it will satisfy his needs and expectations. A product conveys a message indicating a bundle of expectations to a buyer, as in the case of toothpaste. If the expectations are fulfilled, its repeat demand is the result. The idea is that to the consumer, the total benefits received from the products are important. These may take a tangible form or an intangible form.

3. **Social dimensions**: These presume that the society too is offered desirable or salutary product which brings not only an immediate satisfaction but also yields long-run consumer welfare, such as tasty, nutritious eatables, ready made products, conservation and best use of scanty resources, safety to users quality of life, concern for a cleaner and better environment, etc.
Product Mix strategy:

Most companies irrespective of their size and nature of production generally handle a multitude of products and product varieties. In course of time, the companies may expand new lines or contract the old lines, after the existing product or develop new uses for the existing products. These activities involve managerial strategies and policy making with respects to the company’s line of products and services.

The proliferation of products within the company means that product policy decisions are made at three different levels of product aggregation, viz., product item, product line and product mix.

1. **Product Item** is a specific version of a product that has a separate designation in the seller’s list. For example, Hero Honda’s Splendor plus is a product item.

2. **Product Lines** are the group of products that are closely related either because they satisfy a class of need, or used together, are sold to the same customer group, are marketed through the same types of outlets, or fall within given price ranges or that are considered a unit because of marketing, technical, or end-use considerations. For example, Kodak Camera, or wearing apparel is a product line.

3. **Product Mix**: Products offered for sale by a firm or a business unit. In other words, product mix is the full list of all products of a company. For example, Tata’s hair oil, cosmetics, locomotives, textiles, iron and steel goods, Mercedes trucks, mobile phones, etc., are product mix.
The Product Life cycle:

Product, like people, has a certain length life, during which they pass through different stages. For some the life cycle may be as short as a month, while for others it may last for quite a sufficiently long period. The examples may be of fashionable dress or an electrical appliance. From the time the product idea is born, during its development and up to the time it is launched in the market, a product goes through the various phases of its development. Its life begins with its market introduction; next it goes through a period during which its market grows rapidly. Ultimately it reaches marketing maturity after which its market declines and finally the product dies. It is worth nothing that the duration of each stage is different among products. Some takes years to pass through introductory stage, while others may be accepted in a weeks. Further, not all products go through all stages, some fail in the initial stages, other may reach the maturity stage after a long time. In virtually all cases decline and possible abandonment are inevitable because, a) the need for the product disappears) a better or less expensive product is developed to fill the same need, or c) a competitor does a superior marketing job.

Stages of Life Cycle:

The product life cycle may move through the following five stages:

1. **Introductory, pioneering or development stage:** During this stage of product’s life cycle it is put in the market with full-scale production and marketing programme. The company is an innovator – may be the whole industry. The product has gone through the embryonic stages of idea screening, pilot models and test marketing. The entire product may be new or the basic product may be well known but a new feature or accessory is in the introductory stage.
2. **Growth or the market acceptance stage:** In this stage, the product is produced in sufficient quantity and put in the market, without delay. The demand generally continues to outplace the supply. The sales and profit curves rise, often to a rapid rate. Competitors enter in the market in large number if the product outlook appears to be very attractive. The number of distribution outlets increase, economies of scale are introduced and prices may come down slightly. Sellers shift to “buy my brand” rather than “to buy product” promotional strategy.

3. **Market maturity stage:** During this stage, sales continue to increase but at a decreasing rate, while the sales curve is leveling off, the profits of both the manufacturer and the retailers are starting to decline because of rising expenditure and lowering of prices. Marginal producers, therefore, are forced to drop out of the market. Price competition becomes increasingly severe and the producer assumes a greater share of the total promotional efforts in order to retain his dealers. New models are also introduced as manufacturers broaden their lines. Supply exceeds demand for the first time, making demand stimulation essential, through advertisement and salesmen’s efforts.

4. **Saturation stage:** During this stage, each of the characteristics mentioned under different stages is intensified. Replacement sales dominate the market. The sales curve react to changes in economic conditions. Owners of durables are bombarded with pleas to trade in their present possession for new and improved models, while users of non durable goods are remained constantly to keep on buying favourite brands.
5. **The Decline stage**: This stage is characterized by either the product’s gradual replacement by some new innovation or by an evolving change in consumer buying behaviour. For example, paper napkins replace linen napkins for being more convenient. The buyers do not buy as much as they did before. New and superior products are being introduced to the market many of which meet the consumer’s demand and needs more closely. The sales drop off and many of the competitors withdraw from the market.
The product life cycle can be seen in the following diagram.

Despite the variation in the life span of products the concept of product life cycle is useful in deciding the marketing strategy (in the pioneering stage) would need heavy advertising, extensive selling and introductory inducements. The sales then pick up in the “growth stage”. Subsequently with the gaining of greater acceptance by the consumer of the product, a large number of producers enter the market. So that marketing strategy is
shifted to emphasis on price appeals and product improvement. Finally, when the sales begin to level off, the management may only try to recover costs. In the mean time, through research, new product may have been placed in the market.

**Reasons for Failure of New Product:**

When a new product does not bring in adequate profits as expected, the product is set to fail. Symptoms of product failure include the following:

1. Declining sales volume.
2. Declining profit margins.
3. Higher than expected costs.
4. Higher than expected investment costs.

A failure of a product may be traced to the management’s neglect or mishandling of the product innovation or the faulty management of the product life cycle. The National Industrial Conference Board, after surveying 87 companies, attributed eight factors for failure of products.

1. Inadequate market analysis.
2. Product deficiency.
3. Higher costs than anticipated.
4. Poor timing of introduction of a new product.
5. Competition
6. Insufficient marketing efforts.
7. Inadequate sales force.
8. Weakness in distribution.

The study brought out two important conclusions. First, the principal factors that caused failure were within control. Second, about two-thirds of causes of failures were
marketing shortcomings, while all other functions of business combined (production, finance, purchasing etc.) accounted for only one-third.

Reasons:

Cundiff and Still classify the causes of product failure into six categories, as below:

1. **Product Problems:** Neglect of market needs for ignorance of market preferences, defects in product function, poor technical design or external appearance, poor packaging or inappropriate sizes, undependable performance or too high a variation in quality.

2. **Distribution and channel problem:** Inappropriate channels of outlets; necessary middlemen, cooperation not obtained, faulty distribution, poor system of physical distribution.

3. **Promotional Problems:** Inadequate and ineffective promotion, advertising directed towards wrong market segments, use of wrong appeals, failure to coordinate adequately with distribution system; sales force; inadequacies in training, motivation or supervision.

4. **Pricing Problems:** Bad forecast of price buyers would pay; price out of line with product quality, poor cost estimates caused asking price to be too high; inadequate margins for the middlemen.

5. **Timing Problems:** Product introduced too soon too late is at inappropriate time.

6. **Failure to estimate the strength of competitors:** This causes many products enter the market.

The variety of reasons for product failure suggests that new product can be successful in the market if the management possesses high order skills not only in
product innovation but also in formulating and implementing marketing strategy. He should first know the “customer” and then know his products. It is the products or the services sold primarily determine the firm’s rate of growth or rate of profit and total marketing programme.

Steps to avoid failure:

The failure of new products may be avoided by:

1. Improved screening and evaluation of ideas and products.
2. Organizational changes.
3. Changes in procedures and communications.
4. Strengthening research and development efforts.
5. Improvement in production and quality control.
6. Improving caliber of personnel working on new product programmes.
7. Guarding against “over-engineering” an item to the point where its cost makes the product non-competitive.

Product modification: Product modification involves either changing the product itself or repositioning it by changing its promotional focus. The purpose is either to stimulate new sales or attract new users. A product may be modified in various ways through bringing about functional changes, quality changes, style changes and environmental impact changes.

Product withdrawal: Like adding of new lines of products or their improvements, sometimes it also becomes necessary to drop certain product lines. Hence, the product manager must constantly be looking at the entire product line, evaluating the results shown by various products, appraising the opportunities for future profit from each of the
line, gathering information and setting yardsticks for the appraisal process, deciding whether or not to change or eliminate products from the line.

**Branding:**

One of the most significant product policy decisions as an organization faces is how to identify its products. In general, branding is a way for an organization to identify its offerings and distinguish them from those of competitors.

A brand is a name, term, symbol or design or a combination of them which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of the competitors.

A brand name consists of words, marks, symbols or some combinations of these that can be communicated orally.

The basic purpose of branding is to fix the identity of the producer of a given product. In practice every civilized country, hardly any product remains unbranded – be it raw foodstuffs – oranges, apples and bananas; extracted materials such as coal, steel, petroleum or manufactured product – a machinery appliance.

The continued use of brands to present times in business has been largely due to a) growth in competition; b) growth of national and local advertising; c) growth of packaging; and d) the development.

**Reasons for Brands:**

The organization brands its production for three particular reasons. They are as follows:
1. **The physical identification** of individual products and product lines are important in shipping, sorting, grading, labeling and managing the inventory of various products.

2. **Legal protection** is vested in the trade mark/the brand over which the organization has an exclusive right.

3. **Marketing effort** is the most important reason for branding. The purpose of marketing programmes is to convince the consumer that the organization’s product will satisfy his wants and desires. For achieving this purpose, the consumer is first acquainted with the brand and recognizes if he would want it. It is through the brand that this recognition is sought.

   In brief, branding is done to gain recognition for their products, to bring about a certain amount of consumer’s preference and to firmly fix the product in the mind of the buyer that he will believe that it is the only one, which will satisfy his wants and as a result will refuse to accept a substitute.

**Importance of Branding:**

   It should not be forgotten that branded goods, to be useful, must be distinctive. Its name must only be used in connection with one grade, quality and style of product. Unless strict similarity in these is maintained, the buying public will soon find out that the brand name or trademark has no particular meaning and will always be suspicious in future. A brand, therefore, has got some value. Its value must come from the article. Advertising simply makes it popular and gives it permanent value.

   In marketing any product brand or trademark, renders the following valuable services:
1. To the seller, it works as a vehicle by which the goodwill of the public for the article presented for sale may be organized and made effective as a cumulative force in selling.

2. The seller achieves greater stability of sales volume and greater stability of price through transforming his product, to the maximum possible degree in specialty goods.

3. Consumers used trademarks originally to identify the maker or the source of specific goods; today they are almost exclusively interested in the identifications of products rather than the makers of those products.

4. Consumers look upon the brand name as a symbol of product quality of a product’s characteristics and features and as a symbol of the satisfaction products supply.

5. Branding is an insurance of merchandise comparability when the buyer uses more than one source of supply.

6. Branded products tend to improve in quality over the years. Competition forces this improvement, for brand owners constantly seek new ways to differentiate their products in order to secure a stronger market position.

7. The brand is often of greater help in demand stimulation than the company name or the technical aspects of the product.

Packaging:

Packaging is the general group of activities, which concentrate in formulating the design of a package and producing an appropriate and attractive container or wrapper for
Packaging means the wrapping and crating of goods before they are transported or stored.

‘Packaging’ is the sub-division of the packing function of marketing. It involves more than simply placing products in containers or covering them with wrappers.

The Indian Institute of packaging has defined packaging as, “the embracing functions of package, selection, manufacture, filling and handling”.

Packaging obviously is closely related to labeling and branding because the label often appears on the package and the brand is typically on the label.

Packaging may be ‘primary’ which refers to the products immediate container such as can or a box; or ‘secondary’ which refers to additional layers of protection that are removed once the produce is ready for use, such as the tube of tooth paste, which comes in a card board box.

Functions of Packaging:

Basically, packaging fulfils three functions, viz., containment, protection and identification. The other functions include convenience, attractiveness, promotional appeal and economy.

1. **Containment:** Packaging provides space in which a product is contained, for example, beer cans can be made easy to open and salt and spices are packed for table use or for convenient use in the kitchen.

2. **Protection:** Packaging protects its contents on its route from the manufacturer to the consumer, and even during its life with the consumers. Products, if kept in open, may be adversely affected by weather, too hot or too cold; temperature; shock, light, water or dampness; passage of time or by insects, pests- as may be the
case with sugar, gur, honey, tea, salt etc. They may spoil, discolour or lose flavour, damage, break or contaminate, or lead to physical deterioration of the product. The idea of protection is that the product will reach its ultimate consumer in sound condition and may be kept so till it is used up.

3. **Identification:** When goods are stored in warehouses or in godowns, till they are transported elsewhere or used, they need to be identified as to type and make, and be clearly distinguished from one brand to another. Most packages, therefore, bear the name of the product, its maker, and its ingredients instructions for use, safety warnings or limitations on use.

4. **Convenience:** All people-wholesalers, retailers, middlemen, warehouse keepers and consumers demand convenience in package i.e., they should be light enough to be hand carried, easy to open and close and easy to dispose off or reuse.

5. **Attractiveness:** Packaging enhances the appearance of the product. The design and the label on the package, printed matter, picture, layout or get up of the package, colour combination all are special means of attracting consumers. Colours are often used to improve the appearance and appeal of a product.

6. **Promotional appeal:** Products must sell themselves. This is possible if they are placed in more attractive and eye-appealing packages. Several factors contribute to a package’s promotional appeal. The package must be of a suitable size, shape, texture or a startling colour. It should be large enough to hold the product.

7. **Economy:** Packaging costs range from, 3 per cent to 80 per cent of the ‘total product’-selling selling price. Representative of 80 per cent would be aerosol toothpaste, and that of 3 per cent would be men’s hosiery. Other illustrative
packaging costs within the range are: Lamp shades 6 per cent, cereals 13 per cent, bar soap 50 per cent. Naturally, the consumers would prefer economical packages.

Product Mix of Sangam Dairy:

Sangam Dairy has been a pioneer in milk procurement and manufacturing of various milk products in Guntur district since its inception. The following table gives the details of dairy plant capacity and other related aspects.
Table VIII.1: Sangam Dairy plant capacity and General information

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<table>
<thead>
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<tbody>
<tr>
<td>1. Year of Registration</td>
<td>:</td>
<td>23-2-1977</td>
</tr>
<tr>
<td>2. Area of Operation</td>
<td>:</td>
<td>Guntur District</td>
</tr>
<tr>
<td>3. Membership as on 31-3-2003</td>
<td>:</td>
<td>1,33,913</td>
</tr>
<tr>
<td>4. Dairy Plant Capacity</td>
<td>:</td>
<td></td>
</tr>
<tr>
<td>a) Milk handling</td>
<td>:</td>
<td>2.5 Lakh Litres per day</td>
</tr>
<tr>
<td>b) Skim milk powder</td>
<td>:</td>
<td>22 Metric Tons per day</td>
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<tr>
<td>c) Ghee</td>
<td>:</td>
<td>10 Metric Tons per day</td>
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<tr>
<td>d) White Butter</td>
<td>:</td>
<td>14 Metric Tons per day</td>
</tr>
<tr>
<td>e) Table Butter</td>
<td>:</td>
<td>8 Metric Tons per day</td>
</tr>
<tr>
<td>f) U H T Milk</td>
<td>:</td>
<td>50,000 Litres per day</td>
</tr>
<tr>
<td>g) Storage Capacity of Butter in deep-freeze</td>
<td>:</td>
<td>700 Metric Tons</td>
</tr>
<tr>
<td>h) Refrigeration Capacity</td>
<td>:</td>
<td>350 Metric Tons</td>
</tr>
<tr>
<td>5. Gurazala Plant (Milk Chilling)</td>
<td>:</td>
<td>500 Litres per day</td>
</tr>
<tr>
<td>6. Narasaraopet Plant (Milk Chilling):</td>
<td>:</td>
<td>500 Litres per day</td>
</tr>
<tr>
<td>7. Vinukonda Plant (Milk Chilling)</td>
<td>:</td>
<td>500 Litres per day</td>
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<tr>
<td>8. Bhattiprolu Plant (Milk Chilling)</td>
<td>:</td>
<td>500 Litres per day</td>
</tr>
<tr>
<td>9. Cattle Feed Plant</td>
<td>:</td>
<td>100 Metric Tons per day</td>
</tr>
<tr>
<td>10. Aseptic Packaging Station</td>
<td>:</td>
<td>1 Lakh Litres per day</td>
</tr>
<tr>
<td>11. Seed Processing Plant</td>
<td>:</td>
<td>2 Metric Tons per hour</td>
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</table>
Product Line of the Sangam Dairy:

A product line constitutes a broad group of products, intended for essentially similar uses and processing reasonably similar physical characteristics. In other words, a group of products that are closely related either because they satisfy a class of need, or used together are sold to the same customer group, are marketed through the same types of outlets, or fall within given price ranges or that are considered a unit because of marketing, technical, or end – use considerations.

The Sangam Dairy has a product line consisting of various milk products manufactured while the milk processing is going on. The dairy procures milk from various primary milk cooperative societies and distributes processed milk and milk products that came out as bye products while the processing is going on.
III.1 Products of Sangam Dairy
The following table gives full details about milk procurement and different milk products manufactured by the dairy from 1993-94 to 2002-03.

**Table VIII.2: Milk Procurement and Manufacture of Milk Products of Sangam Dairy from 1993-94 to 2002-03.**

<table>
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</thead>
<tbody>
<tr>
<td>Procurement of Milk</td>
<td>518</td>
<td>519</td>
<td>433</td>
<td>469</td>
<td>516</td>
<td>529</td>
<td>625</td>
<td>702</td>
<td>762</td>
<td>666</td>
</tr>
<tr>
<td>Production-SMP(tons)</td>
<td>2551</td>
<td>1751</td>
<td>1050</td>
<td>1137</td>
<td>1450</td>
<td>1032</td>
<td>1168</td>
<td>1828</td>
<td>2548</td>
<td>2473</td>
</tr>
<tr>
<td>TB (tons)</td>
<td>910</td>
<td>1802</td>
<td>1197</td>
<td>727</td>
<td>692</td>
<td>842</td>
<td>906</td>
<td>477</td>
<td>396</td>
<td>305</td>
</tr>
<tr>
<td>WB (tons)</td>
<td>3326</td>
<td>1728</td>
<td>1195</td>
<td>2070</td>
<td>2493</td>
<td>2308</td>
<td>2789</td>
<td>3054</td>
<td>3684</td>
<td>2418</td>
</tr>
<tr>
<td>Cooking butter</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Ghee (tons)</td>
<td>2268</td>
<td>1040</td>
<td>970</td>
<td>1111</td>
<td>1023</td>
<td>718</td>
<td>679</td>
<td>827</td>
<td>871</td>
<td>356</td>
</tr>
<tr>
<td>Doodh Pada (tons)</td>
<td>10</td>
<td>10</td>
<td>12</td>
<td>15</td>
<td>15</td>
<td>16</td>
<td>18</td>
<td>21</td>
<td>38</td>
<td>19</td>
</tr>
<tr>
<td>S.F. Milk (Bottles)</td>
<td>185</td>
<td>185</td>
<td>201</td>
<td>308</td>
<td>251</td>
<td>200</td>
<td>133</td>
<td>279</td>
<td>391</td>
<td>446</td>
</tr>
<tr>
<td>Butter Milk (packets)</td>
<td>798</td>
<td>799</td>
<td>1534</td>
<td>1622</td>
<td>2050</td>
<td>2165</td>
<td>1299</td>
<td>1737</td>
<td>2118</td>
<td>2534</td>
</tr>
<tr>
<td>Basanthi (in K.G.)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>Kalakhan (in K.G.)</td>
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<td></td>
<td></td>
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<tr>
<td>Curd (in Litres)</td>
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</tbody>
</table>

Source: Records of Sangam Dairy
VIII.1 Procurement of Milk

![Procurement of Milk Graph](image)
VIII.2 Production-SMP (tons)

Production-SMP (tons)

VIII.3 Table Butter (tons)

TB (tons)
VIII.4 White Butter (tons)

VIII.5 Ghee (tons)
VIII.9 Liquid Milk Sales (litres)

VIII.10 Cattle Feed Sales (Mts)
**VIII.11 Qty. of Fodder Seeds Packed & Sold (Mts)**

![Bar chart showing quantity of fodder seeds packed and sold in Mts](chart1)

- Qty. of Fodder Seeds
- Packed & Sold in Mts

**VIII.12 No. of Artificial Insemination Centers**

![Bar chart showing number of artificial insemination centers](chart2)

- No. of A.I Centres

![Bar chart showing number of artificial insemination centers](chart3)
From the above table it can be said that the milk procurement faced some trouble in the years 1994-95 and 1995-96. However, it recovered and increased procurement continuously with an exception of 2002-03. In the year 1994 there was a procurement of 581 lakh litres of milk. But in the following five years i.e. from 1994-95 to 1998-99 the procurement came down ranging from 433 to 529 lakh litres. However, from 1999-2000 it increased and was 625 lakh litres in that year and followed by 702 and 762 lakh litres in the next two years. Due to the impact of private dairies, the procurement during the year 2002-03 came down to 666 lakh litres that was a marginal decrease over the previous year.

The skim milk powder production of the dairy is same in the pattern of milk procurement. In the year 1993-94, there was 2,507 tons of skim milk powder manufactured in the dairy. Later, from 1994-95 to 1998-99 the powder manufacturing came down as the milk procurement comes down which ranges from 1,032 tons to 1,751 tons. From 1999-2000 the production of the milk powder started increasing from 1,168 tons and reached to a maximum of 2,548 tons in the year 2001-02. However, during the
year 2002-03, it was recorded 2,473 tons, a marginal reduction compared to the previous year.

While milk processing was going on, there comes some bye products that also contribute reasonably to the revenue of the dairy. Table butter, while butter, cooking butter, Ghee, Doodh peda, Sterilized flavoured milk, Butter milk, Basanthi, Kalakan and Curd are the bye products of the dairy.

The above table depicts that the Table butter production of the dairy in the year 1993-94 was 910 tons. It almost doubled by the next year i.e. in 1994-95. But later on, the production of this product started downfall and reached to a minimum to 305 tons in the year 2003-04. During the years 1996-97, 1997-98, 1998-99 and 1999-2000 the production of the product was above 690 tons per year. The downfall of table butter does not mean the slow growth of the dairy. When the butter contended milk sales are more, the butter production comes down. The white Butter on the other hand recorded high production during the study period. In the year 1993-94, the production of White Butter was 3,326 tons. Though the production in the later years came down i.e. in 1994-95 and 1995-96, it started increasing from 1996-97 and reached to a maximum of 3,684 tons during the year 2001-02. In the last year of the study i.e. in 2002-03, the production was 2,418 tons, which is a marginal decrease to that of the previous year.

The table also shows that the ghee production during the year 1993-94 was 2,268 tons. Following the routine pattern, its production also came down to 1,040 tons in the following year. However, in the year 1996-97 the ghee production increased to 1,111 tons. Thereafter, the production gradually decreased and reached to a minimum of 979
ton during the year 1999-2000. Though the production in the following years recorded an increase of 827 tons in 2000-01 and 871 tons in 2001-02, it came down to 356 tons.

Doodh peda is also another bye product of Sangam Dairy. Contrary to the above pattern, the production of doodh peda increased constantly from 10 tons in the year 1993-94 to a maximum of 38 tons in 2001-02. However, it came down to 19 tons in the last year i.e. 2002-03.

Similar to that of doodh peda, the sterilized flavoured milk production starting from 1,85,000 bottles during 1993-94 reached to a maximum of 4,46,000 bottles during the year 2002-03 with some slight ups and downs in between these years. The buttermilk production of the dairy also follows almost similar pattern. The dairy produced 7,98,000 packets/bottles of buttermilk during 1993-94 and this number reached to a maximum of 25,34,000 packets/bottles by the year 2002-03. The dairy supplies buttermilk both in packets and bottles.

Besides the above, the dairy started producing basanthi, kalakan and curd from the year 2002-03 and they are 4,592 kgs, 3,665kgs, and 1,71,182 litres respectively.

From the above analysis, it is clear that the dairy is not only supplying milk to the public but also supplies different varieties of milk products. Further, on the whole, the procurement and the production of various milk products have been increasing year after year with some exceptions.

**Branding in Sangam Dairy:**

All the products of the dairy are named as “Vijaya Sangam”. Vijaya denotes ‘victory’. Irrespective of the products quantity and nature, all of them are branded with
the years, several developments in packaging media have taken place. In the early 80's, plastic pouches replaced the bottles. Plastic pouches made transportation and storage very convenient, besides reducing costs. Milk packed in plastic pouches/bottles have a shelf life of just 1-2 days, that too only if refrigerated. In 1986, Tetra Packs were introduced in India. Tetra Packs are aseptic laminate packs made of aluminum, paper, board and plastic. Milk stored in tetra packs and treated under Ultra High Temperature (UHT) technique can be stored for 15 days without refrigeration.

The packaging system in Sangam dairy is of unique in nature. Depending on the nature of the product and convenience for distribution, the dairy has adopted different packaging methods. They are as follows:

1. **Polythene packaging:** The procured and chilled milk supplied to the regular consumption of public is packed in polythene covers. These packages stores milk with freshness for a minimum of 6 to 8 hours. Most of the milk is distributed to the public in this mode only. The dairy supplies buttermilk, ghee, curd and butter in polythene packages only.

2. **Bottle Packaging:** The dairy supplies flavoured milk and buttermilk in attractive bottles.

3. **Aseptic Tetra Packaging:** This type of packaging was first introduced in 1913 in Sweden. By 1968 this packaging spread all over the world. It is a diplex paper with polythese packages. On these packages, depending on the interest of the manufacturer, they can use different designs for attraction. In 1986, Sangam Dairy has installed this aseptic milk packaging station with a capital outlay of Rs.2.5 crores. This is the first such type of plant introduced in south India. There are
three other such plants in India (Surat, Jaipur and Indore). This plant was imported from Star Mark Company of Netherlands. This plant has a capacity of 4,000 litres per hour. At present Sangam Dairy have two such plants with a processing capacity of 8,000 litres. The plants process milk in different stages and bring this package finally. The milk package will be in triangle shape and before releasing into the market they will be kept in the dairy for three days for examination. The life of this package will be for 15 days without any refrigeration. This is the specialty of this package.

VIII.2(A) Aseptic Packaging Station (inside view-processing view)
VIII.2(B) Aseptic Packaging Station (inside view-finished view)
VIII.3 Aseptic Milk Packet

VIII.4 Aseptic Milk Packaging Station (Outer view)

Aseptic Milk Packaging Station, Sangam Dairy.
Price Mix:

Prices and price policies are of great importance to the manufacturer, wholesaler, retailer and the consumer in general and considerable attention is given to their determination. Market prices are prices at which goods exchange hands. It is the price at which one person to another for the purchase of the same offers goods for sale. A low or a high price may mean success or failure depending somewhat upon the scale of production. Low money price does not matter much. If the quality is also low, the price may be high in comparison to the service, which will be received from the use of the product. On the other hand, if the money price is seemingly high and the quality is also high, the real price may be low. Hence, it is not possible to say that individual prices are high or low without taking into consideration the quality of the merchandise to be purchased and the service to be expected from the use of such merchandise.

From an economic point of view, the price of a product or service can only be measured in terms of what people will pay for the offering. “Pricing”, on the other hand, is the art of translating into quantitative terms the value of the product to customers at a point in time.

Normal Price: A normal price is that price at which goods and services would change ownership if free and unrestricted competition prevailed, if accurate market information were distributed promptly and uniformly among both buyers and sellers and if all buyers and sellers were equally aggressive.

Market price: Market price is represented by the amount of money necessary for a person to give in exchange for goods and services which he desires to purchase.
Pricing also has impact on society, in so far as the demand and supply of a product is concerned. For example when there is an over supply of goods the prices may be slashed to make products competitive. Conversely, when there is an increase in demand by shortage of supply, prices are raised. In free market, the price mechanism regulates the flow of supply and demand, but in actual practice, other elements affect and upset the equilibrium of the market, such as government subsidies, artificial price supports, price war between competitors etc.

**Pricing Objectives:** The duty of the marketing manager is to decide the objectives of pricing before he determines the price itself. Pricing objectives of overall goals that describe the role of price in an organization’s long range plans. Pricing objectives provide guidance to decision makers in formulating price policies, planning, pricing strategies and setting actual prices. The most important objective of the companies is to have maximum profits. The following are the pricing objectives:

1. **To achieve target return of investment:** An adequate return on investment or net sales is one of the main objectives of pricing. The target return may be a fixed percentage of sales, a return on investment, or fixed rupee amount. The idea is to secure a sufficient return on capital used for specific products or divisions so that the sales revenues will ultimately yield a predetermined average return for the whole company. This is generally a long-range goal. Achieving a target rate of return requires an annual cash flow large enough to cover production costs and provide a specific point.

2. **To stabilize price:** The objective of stabilizing prices is to even out or, if possible, eliminate cyclical price fluctuations. During periods of depressed...
goods. A retailer may sell goods at a very small profit but he attracts a large number of customers so that the overall profit is enhanced considerably.

6. **Survival:** The fundamental pricing objective is to survive. Most organizations will tolerate short-run losses, internal upheaval, and many other difficulties if these are necessary to continue existence. Price is used to increase sales volume to levels that match the organization's expenses.

7. **To maintain an image:** A company’s image is important to its success. This is largely influenced by the company’s practice or policy of pricing strategy. A firm with an established reputation based on existing price lines may introduce a new line at either higher or lower prices to appeal to a different market segment. If this segment has not earlier brought any of the company’s product but who is aware of its prestige, might desire to purchase its products because price is no larger a deterrent factor.

**Factors affecting Pricing:**

Pricing decisions are influenced by numerous factors. Such decisions must be consistent with company’s desired public image, i.e., they should derive directly from company’s objectives, and they should be consistent with pricing objectives and pricing strategies. They should be in conformity with both pricing policies and pricing objectives and the pricing decisions also require knowledge of the company’s overall marketing environment. This overall environment includes internal factors – such as company objectives, company brand image, nature and objectives of promotional effort, marketing channels and the physical distribution system; and the external factors- such as
competition, economic climate and government controls or regulations etc. The following are the internal and external factors that affect pricing decisions:

**Internal Factors:**

1. **Organizational Factors:** It is the top management who generally has full authority over pricing. The marketing manager’s role is to administer the pricing programme within guidelines laid down by top management. Pricing activities have such direct affect on sales volume and profit that the marketing manager cannot keep himself aloof from pricing policy making and strategy formulation.

2. **Marketing Mix:** Price is the one of the important elements of the marketing mix and therefore, must be coordinated with the other three elements viz., production, promotion and distribution. In some industries, a firm may use price reduction as a marketing technique; other may raise prices as a deliberate strategy to build a high prestige product line. In either case, the effort will fail if the price change is not commensurate with the total marketing strategy that it supports.

3. **Product Differentiation:** Generally, the more differentiated a product is from competitive products, the firm has more in setting prices. When a firm’s product is basically the same as that of its competitors, the firm can differentiate its own image by building a solid reputation among customers, by charging different prices.

4. **Costs:** Often cost play an important part in influencing through enabling the marketer to decide what prices is realistic in view of the demand and competition.
External Factors:

1. **Demand**: Demand has a large impact on pricing. Demand is affected by factors such as the number and size of competitors, what they are charging for similar products, the perspective buyers, their capacity and willingness to pay and their preferences. Therefore, these factors need be taken into consideration while fixing the price.

2. **Competition**: The knowledge what price the competitors are charging for similar product and what possibilities lay ahead for raising or lowering prices also affect pricing.

3. **Suppliers**: The price of finished product is intimately linked up with the price of the raw material etc. Hence, if the suppliers raise the price, the inevitable result is a raise in price by the manufacturer, who ultimately passes it on the consumers. Scarcity or abundance of raw material also determines pricing.

4. **Buyers**: The nature and behaviour of the consumers and users for the purchase of a particular product, brand, or service, do affect pricing, particularly if their number is large.

5. **Economic Conditions**: This is a very important factor in as much as prosperity or depressions influence the demand to a very great extent. The inflationary or deflationary tendency also affects pricing. To meet shortages arising prices and decreased demands, several pricing decisions are available such as; a) prices can be boosted to protect profit against rising costs) price protection systems can be linked with the price on delivery to current costs; or c) the emphasis can be shifted from sales volume to profit margin and cost reduction.
6. **Government regulations etc:** The regulatory pressure, anti-price rise and control measures effectively discourage companies from cornering too large a share of the market and controlling prices.

**Pricing of Dairy Products:**

The pricing method of milk procurement and sales is mainly influenced by the decision of the state government. All the cooperative milk societies in the state of Andhra Pradesh generally follow this procedure. Thus, it can be said the dairy does not have any say in fixing the price of its product. However, it can express its opinion to the government before taking a final decision on the fixation of the prices. As for as the prices of bye products are concerned, the dairy decides according to the supply and demand basis, and also takes into consideration, the prices of other competitors’ products.

**Promotion Mix:**

A modern company manages a complex marketing communications system. The company communicates with its middlemen, consumers and various publics. In turn, middlemen communicate with their consumers and publics. Consumers have word-of-mouth communication with each other and with other publics. Meanwhile, each group provides feedback to every other group.

A company’s total marketing communications programme – called its promotion mix- consists of the specific blend of advertising, personal selling, sales promotion, and public relations tools that the company uses to pursue its advertising and marketing objectives.
Advertising:

The word advertising is derived from the Latin word *advertero ad* meaning towards verto meaning I turn. Literally, it means ‘to turn people’s attention to a specific thing’.

According to Green, “advertising is a general term for any and all forms of publicity, from the cry of the street boy selling newspapers to the most elaborate attention attracting device. The object always is to bring to public notice some article or service; to create a demand to stimulate buying; and in general to bring together the man with something to sell and the man who has means or desire to buy”.

According to Phillip Kotler advertising is, “any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor”.

**Basic Features of Advertising:**

On the basis of various definitions, it may be stated that advertising possesses certain basic features:

1. It is a mass non-personal communication, reaching large groups of buyers. An actual person does not deliver it, nor is it addressed to a specified person. The communication is speedy, permitting an advertiser to speak to the millions of buyers in a very short time.

2. It is a matter of record giving information for the benefit of buyers. It guides them to a more satisfactory expenditure of their hard earned money. The contents of an advertisement are what the advertiser wants.
3. It persuades buyers to purchase the goods advertised, which means that advertising devoid of persuasion is ineffective, to persuade the buyers the advertiser makes his products buyer satisfying.

4. It is a mass paid communication, the ultimate purpose of which is too important information, develop attitudes and induce action beneficial to the advertiser.

5. The communication media is diverse such as print (News papers and magazines), broadcast (radio and television), and direct (mail, billboards, motion pictures).

6. It is also called printed salesmanship, because information is spread by means of written and printed words and pictures so that people may be induced to act upon it.

Objectives of Advertising:

The long-term objectives of advertising are broad and general. Advertising should be made to the achievement of overall company objectives. Most companies regard advertising’s main objectives as that of proving support to personal selling and other forms of promotion. But advertising is highly versatile communication tool and may therefore, be used for achieving various short and long-term objectives.

The following are the objectives of advertising:

1. To do the entire selling job (as in mail order marketing).

2. To introduce a new product (by building brand awareness among potential buyers).

3. To force middlemen to handle the product (pull strategy).

4. To build brand preference (by making it more difficult for middlemen to sell substitutes).
5. To remind users to buy the product (retentive strategy).

6. To publicize some change in marketing strategy (ex: a price change, a new model or an improvement in the product).

7. To provide rationalization (i.e.: socially acceptable excuses).

8. To comeback or neutralize competitor’s advertising.

9. To improve the morale dealers and/or sales people (by showing that the company is doing its share of promotion).

10. To acquaint and prospects with the new uses of the product (to extend the product’s life cycle).

**Personal Selling:**

According to Phillip Kotler personal selling is the, “Personal presentation by the firm’s sales force for the purpose of making sales and building customer relationships”.

Selling means the transfer of ownership of goods or services to a buyer in exchange for money. Salesmanship is the process of persuading a person to buy goods or services. It is the method of arriving at a common point of view with the prospective in regard to the desirability of some article, service of idea. The act of salesmanship consists of *one human mind influencing another human mind.*

**Features of salesmanship:**

The following are the features of salesmanship.

1. It relates to the establishment of sound and lasting relations between the salesman and his consumer because it not only contributes to the satisfaction and profit of the customer economy but also to the salesman, his organization, industry as a whole.
2. It is a creative art on the sense that it creates wants that never existed before by showing the prospective buyers how particular good or service satisfies their demand.

3. It is an activity of one human mind influencing another human mind. In this sense every one of us is a salesman in his own walk of line. A salesman sells his point of view but he starts with the point of view of the prospect and leads his mind to the mind where he will accept the salesman’s theory.

4. Salesmanship involves not only in selling the products and services that also provide the knowledge technical assistance and the counsel of the salesman, which satisfies the needs of the buyers.

**Role of Salesmen:**

Personal selling is a process of informing customers and persuading them to purchase products through personal communication in an exchange situation. It provides the marketers with ample opportunity to adjust a message to satisfy consumers’ information needs.

The salesman is the key figure in an economy, which relies upon individual initiative and competitive forces of the market place to stimulate full employment and achieve an orderly and efficient distribution of goods and services. He is the key man in the marketing team. Salesman, being the breadwinner, is a pet earning son of the family of trade and industry. Profitability and prosperity of a company depends upon its salesman and as such, he is the pivot around whom planning, performance, and results revolve.
Objectives of Personal Selling:

Personal selling has both long-term and short-term objectives. The long-term objectives are broad and general and concern the contributions. Management expects personal selling to make to the achievement of overall company objectives. The short term objectives are specific and relates to the role of management assigns to personal selling a part of both promotional programme and the overall marketing strategy. These objectives are as follows:

1. To enter the selling job.
2. To serve present customers.
3. To search at and obtain new customers.
4. To secure and maintain customers’ cooperation in stocking and promoting the product line.
5. To keep customers, informed on changes in the product time and other aspects of marketing strategy.
6. To assist customer in selling the product line.
7. To provide technical advice and assistance to customers.
8. To assist with or handle the training of middlemen.
9. To provide advice and assistance to middlemen or various management problems.
10. To collect and report market information of interest and use to company management.
11. To obtain sales volume in ways that contribute to profit objectives, for example by selling the proper mix of products.
12. To secure and retain a specified share of the market.

**Services of Salesman:**

The salesman provides the following services:

1. **To find prospects** i.e. who are interested in the company products before it can attempt to sell them for this purpose, sales personnel must possess a thorough understanding of the people’s needs for the product so that prospects could be located and identified.

2. **To convince the prospects to buy** i.e. to transform the prospects to buyers. To achieve this purpose, sales personnel must be well trained regarding their products and selling process in general.

3. **To keep customers satisfied** i.e. the company must obtain repeat purchases. To accomplish this purpose, sales efforts are often directed towards providing buyers with information and service after sale.

   Personal selling is directly or indirectly related to all phases of business world. As a matter of fact, volume of sales and goodwill largely depend upon the character of salesmanship offered. As regards retail selling, Hayward commented that the, "advertising policy may be excellent and the price and quality of the merchandise beyond criticism but if the manner of effecting the direct contact between the store and consumer is poor, the store will never attain the measure of success to which other factors entitle it".
Promotion Mix of Sangam Dairy:

Advertising and Publicity:

Though Sangam dairy is enjoying almost monopoly with more than 90 per cent of market share in Guntur district, it spends nominal amount for advertising and publicity of its products. For example, during the year 2002-03, it spent about Rs. 8 lakhs on advertising and publicity. Often it gives advertisements in local Telugu newspapers, and TV channels. It also publicizes through hoardings, brochures, and transport vehicles like buses, vans and lorries. Further, it puts wall posters, wall paintings and flexy banners near the outlets of its products. It also uses neon signboards at important centers of big towns in the district. The dairy used to exhibit and campaign through films in villages particularly at primary cooperatives about the products, necessary precautions that the farmer has to take to feed the cattle. To take care of the animals, Sangam Dairy advises the farmers on various health hazards like artificial insemination, medical aid etc through films and pamphlets. The dairy launched an insurance scheme to cover the life of cattle and it prorogates about the scheme through its advertising campaign.

Selling process of Dairy Products:

As milk products are daily-required items to all the public, the dairy opened many sales outlets at different towns and cities. Some of these outlets work throughout the day. To cover the whole district, the dairy allows private agents to sell its products on commission basis at nook and corners of villages and towns. This makes it possible to get dairy products wherever the customer requires. As the milk products of the dairy are
available everywhere in the district, there arises no necessity for sales agents or sales personnel to sell these products.

Placement Mix:

Most producers use intermediaries to bring their products to market. They try to forge a distribution channel or placement mix – a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user.

Choosing a marketing channel is a decision that should be made with care. There are at least two reasons for exploring alternatives and choosing among them carefully.

1. The marketing channel chosen usually a critically important factor in the success or failure of the product or service. A poorly chosen channel can result in ineffective presentation of the product and its features, limited purchase opportunities by customers, inappropriate pricing, poor customer service, inadequate customer financing, loss of control by the producer, and high channel maintenance costs. A good choice, on the other hand, can reverse these unwanted consequences.

2. Changing marketing channel is time consuming, disruptive and expensive. Unlike prices and advertising, campaigns, distribution channels cannot be changed quickly and at low cost.

Choosing a marketing channel results in an economic tug or war between selling directly to the buyer and selling through intermediaries at a low cost. The choice of a channel is affected by characteristics of the product or market, the company, and the available channel members. Although there is no formula that can
be used for choosing, a careful analysis can point to the channel that will serve the needs of the company best. The considerations that need to be included in the choice of a channel are summarized as follows.

1. **Number of customers and frequency of purchases**: Consumer products, which have large number of purchasers who tend buy them frequently such as cigarettes, canned foods, magazines etc., are to be distributed widely through retail outlets. Industrial supplies such as small hand tools, paints etc, have to be distributed in the same manner. For the distribution of these products, there must be one wholesaler in the channel. Using wholesalers is usually the most economical way to call on and supply a large number of retailers or industrial distributors.

2. **Cost of the product**: If the cost of a product per unit is low and the number of units sold is large, the producer can directly deliver products to the retailers avoiding agents and wholesalers. For example, Thumps up, Pepsi, Coca Cola etc., soft drinks are being delivered directly to the retailers.

3. **Level of service required**: When competent service is required, for the continued satisfactory performance of a product, the manufacturer should provide it either by the manufacturer or by the final seller of the product under authorization. When high quality local servicing is required, generally the manufacturer may go for either direct sale or sale through a single intermediary.

4. **Technical level of the product**: the manufacturer may sell highly technical products like computers, to the buyer directly. Because in such cases engineering service is often an integral part of the sale and the manufacturer may provide competent advice most economically.
5. **Length of life of the product:** If the product life is short, it may be distributed through a marketing channel with few days for inventory and sale, i.e. a short marketing channel.

6. **Weight or bulk of the product:** For bulky products the distribution channels should be as short as possible. A manufacturer of air conditioners, for example, would be well advised to consider selling direct or else using an agent, a middleman who sells but usually does not keep an inventory of the product.

7. **Geographic concentration of the market:** Geographically concentrated market permits marketing channels with fewer intermediaries than those that are geographically dispersed. For example, if it is economically feasible to manufacturers to bypass wholesalers and sell fishing nets directly to fishing cooperatives and marine supply stores along the coastal belt of India because of small area in which the market is concentrated.

8. **Degree of channel control desired:** It is a generally acceptable principle, if the number of middlemen is less their control is easy. More number of middlemen may create problems of control.

9. **Financial situation:** If a company’s financial shape is not good, it can use wholesalers. A financially strong company can establish its own sales force; provide warehousing for its products, and grant credit to buyers, whereas a financially weak company may be dependent on middlemen to provide these services.

10. **Degree of potential internal multiple – line selling:** Companies that have several product lines that can be sold on the same sales can have a greater potential for
avoiding the wholesaler than those with a single product. The Proctor and Gamble company, for example, sells its many lines of products (grocery, paper, soaps, detergents etc.) to supermarkets through its own sales force rather than using wholesalers.

11. Propensity to assume risk: If a company has a greater desire to reduce financial risk, it may not go for direct selling. Many companies while introducing a new product line do so using wholesalers rather than establishing a sales force to sell directly to retailers or industrial distributors.

12. Intermediaries available: The wholesalers and retailers that one might want are not always available. Then it may be necessary for the company establishing the channel to set up its own intermediaries.

Functions of Middlemen:

Middlemen perform a number of important functions in the distribution of products. They are as follows:

1. Middlemen conduct research on markets to locate and determine the requirements of potential customers.

2. They promote the products through catalogues, trade shows, and advertising.

3. They match quantities of goods desired by customers with those available from the channel member.

4. They sell the product through personal sales or by telephone.

5. They finance the producer indirectly by reducing inventory requirements, and finance the customer directly by extending credit when required.
6. They standardize and grade some products (like agricultural products) when required.

7. They physically distribute the product through storing and transporting it.

8. They service products and provide advice on their use as required.

9. They assume risks associated with owning, storing, selling, financing, transporting, and servicing of products.

Each of these functions has to be performed by some one in the channel – if not by an intermediary, then by the producer or the user. None of the functions can be performed without cost. Therefore, it can be said that middlemen can be eliminated but not their functions.

Channels of Distribution at Sangam Dairy:

The dairy distributes its products directly to the retail outlets and to various selling agents. No wholesaler or distributor or any other types of middlemen are engaged in distributing its products. It takes vans and lorries on lease basis and supplies milk and milk products to the outlets regularly. All the vehicles start from the manufacturing site of the dairy regularly at about 12 in the midnight and reach all towns of the district around 3.30 a.m. without fail. The dairy also supplies milk and milk products again in the afternoon and the vehicles reach the outlets at around 3.30 p.m. Thus, it supplies its products to the public two times a day. It can be said that the success of the dairy mainly lies in its regular and sincere supply of the products. The dairy takes all steps to maintain this uninterrupted supply even in adverse atmosphere. That is why the people of Andhra Pradesh are confident of getting milk from the dairy regularly at the specified time.