MASTER OF COMMERCE

M. COM. SEMESTER: II (SESSION: 2019-2021)

BY

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Date: May 19, 2020

Subject: MARKETING MANAGEMENT

UNIT: ONE

Topics for Discussion: Terminology of marketing, classification of market and difference between old concept and modern concept of marketing,

1. **Definition of Market**

The term 'market' originated from Latin word 'marcatus' having a verb 'mercari' implying 'merchandise' 'ware traffic' or 'a place where business is conducted'. For a layman, the word 'market' stands for a place where goods and persons are physically present. For him, 'market' is 'market' who speaks of 'fish market', 'mutton market', 'meat market', 'vegetable market', 'fruit market', 'grain market'. For him, it is a congregation of buyers and sellers to transact a deal.

However, for us as the students of marketing, it means much more. In a broader sense, it is the whole of any region in which buyers and sellers are brought into contact with one another and by means of which the prices of the goods tend to be equalized easily and quickly.

2. **Buyer**: Party which acquires, or agrees to acquire, ownership (in case of goods), or benefit or usage (in case of services), in exchange for money or other consideration under a contract of sale.

3. **Seller**: A party that makes, offers or contracts to make a sale to an actual or potential buyer is called a seller.

4. **Customer:** The person who buys the goods or services from a seller is known as the Customer.
5. **Consumer**: The person who uses the goods or services is known as a Consumer.

The **customer** is also known as buyer or client whereas the Consumer is the ultimate user of the goods.

Who is a Customer?

A customer is a person who buys goods and services regularly from the seller and pays for it to satisfy their need. Many times a customer buys a product is also the consumer, but sometimes it's not.

Customers are divided into two categories:

- **Trade Customer-** These are customers who buy the product, add value and resell it. Like a reseller, *wholesaler, and distributor*, etc.
- **Final Customer**– These are the customers who buy the product for their own need or desire.

Further, according to an analysis of the product satisfaction and relationship with the customers, the customers are divided into three kinds-

- Present Customer
- Former Customer
- Potential Customer

Types of Customer

In business, customers play a vital role. In fact, customers are the actual boss and responsible for a company to make a profit. Few different types of customers are:

- **Loyal Customer-** They are less in numbers but increase more profit and sales as they are completely satisfied with the product or service.
- **Discount Customers-** They also regular visitors but when they are offered discounts or they purchase only low-cost goods.
- **Impulsive Customers-** These types of customers are hard to convince, as they don't go for a specific product, but buy whatever they feel is good and fruitful at that particular point of time.
- **Need-Based Customers-** These customers buy only those products which they are in need of or habituated with.
- **Wandering Customers-** These are the least valuable customers as they themselves don't know what to purchase.

Types of Consumer

A service or product producing firm has to recognise different type of consumers when they target them with its product to gain profits. Some of the different types of consumers are:

- **Commercial Consumer-** They buy goods in large numbers whether they need the product or not and sometimes associate special needs with their purchase orders.
- **Discretionary Spending Consumers-** They have unique buying habits and purchase a lot of clothes and electronic gadgets.
- **Extroverted Consumer-** They prefer brands that are unique and become a loyal consumer once they gain that trust as a customer.
- **Inferior Goods Consumer-** Consumer having low-income buy goods having ow price.

For the convenience, the concepts of marketing may be divided into two parts:

First, the old concept of marketing or product-orientation concept and

Second, the new concept of marketing or consumer-orientation concept.

This new or Product Orientation concept of marketing stresses upon Product only. It does not consider the choice, needs, wants, or behaviour of consumers. According to this concept, marketing is only the physical distribution of goods and services from producer to consumer.

This concept is based on the assumption that a business and industrial enterprise can achieve its objective of maximizing the profits only when it considers the needs and wants of its consumers and it tries for the satisfaction of these needs and wants.

Therefore, according to this concept, marketing starts with the discovery of needs and wants of consumers and ends with the satisfaction of these needs and wants.

6. **Buyer's Market**

A buyer’s market occurs when the supply exceeds demand. A buyer's market refers to a situation in which supply exceeds demand, giving purchasers an advantage over sellers in price negotiations.

- A buyer's market refers to a situation in which supply exceeds demand, giving purchasers an advantage over sellers in price negotiations.
- Buyer's market is commonly used to describe condition in real estate markets, but it can apply to any type of market where supply exceeds demand.
- The opposite of a buyer's market is a seller's market, a situation in which demand exceeds supply.

A market will swing from a buyer's to a seller's market, or vice versa, when the level of supply or demand moves without a similar change in the other, or when the two move in opposite directions.

7. **Seller's Market**

The opposite of a buyer's market is a seller's market, a situation in which demand exceeds supply and owners have an advantage over buyers in price negotiations.

8. **Stimulational Marketing**

This applies where there is no demand for a product or service. People are not interested in purchasing a particular product. It may be due to lack of knowledge of the product. Under stimulational marketing, the marketing manager generally follows the following methods : (i) He tries to connect the product or service with the need that exists in the market. (ii) He alters the environment in such that altered environment. (iii) He indulges in educational advertising.

9. **Conversional Marketing**

The conversional marketing is the situation arises only when there is a negative demand of a product or service. Under the negative demand people dislike the product or service.

10. **Developmental Marketing:** A latent demand exists when a substantial number of people share a strong need for something that does not exist in the *form of an actual product.* According to *Philip Kotler the task* is to convert the latent demand into actual demand and this is called development marketing.

11. **Maintenance Marketing:** Under maintenance marketing, is to maintain the full demand of the product. The market demand is generally subject to two forces. *The first* force is related to changing needs and tastes of the customers. The *second* force is related to competition. These two forces will have a direct impact on demand. Under maintenance marketing, the efficiency in carrying out day to day marketing activities must be maintained at all costs. The cost of production should also be maintained at the minimum level.

12. **Demarketing:** Demarketing is also called countermarketing. Under demarketing the main task is to reduce the demand of the product but the

demand far exceeds the supply. Customers are discouraged through heavy prices or temporary shortage of the product. This step is taken when it is found that the product or service is socially undesirable.

13. **Aggressive Marketing:** Aggressive marketing is the efforts made to increase the sales of a product, maintained production continuously and product must be sold continuously. The technique of aggressive marketing is also *applied* to capture the new markets mostly in foreign countries.

14. **Macro Marketing:** Macro marketing is used to refer to "the study of marketing within the context of the entire economic system with special emphasis on its aggregate performance. This marketing interact with the socio-economic life of a society, such as, the role of cooperative societies operating in the public distribution system or the role of firms engaged in the production and marketing goods meant for the weaker sections of society.

15. **Micro Marketing:** It refers to the smaller size or unit level. Micro marketing management *can* be explained as a management at the level of the unit or individual firm effectuating its marketing activities or developing its strategies for the optimum marketing-mix that is, the product, price, promotion and physical distribution policies.

16. **Meta Marketing:** The literal meaning of 'meta' is more comprehensive. Meta marketing concept offers a broad outlook of marketing activities which are applicable both in business and non-business organisations. In marketing, this term was originally Meta marketing coined by *E. J. Kelly* 'Is to designate a new concept which deals critically with marketing as a discipline'.

17. **Relationship Marketing:** Relationship marketing refers to understanding and responding to customer needs and preferences to build more meaningful and long-term connections with customers.

18. **Brand**: A brand is a ‘name, term, symbol or design’ to identify the goods or services and to differentiate them from those of the competitors

19. **Branding**: It is a process by which a product is branded.

20. **Brand Loyalty**: Brand loyalty is a customer choice of purchasing one brand from among a set of alternatives consistently over a period of time.

21. **Trade Mark**: When a brand name or brand mark is registered and legalised, it become trade mark. All trademarks are brands, but all brands are not trade marks.

22. **Direct Marketing**: Direct Marketing is the process by which a firm approaches its customer’s one-to-one basis and markets its product directly to them

23. **Mass Marketing**: Mass Marketing is typical process through which marketers tried to reach millions of buyers with a single product and standard message communicated via the mass media on one way rather than two way with customers.

24. **Telemarketing**: Direct marketing through telephone is called Telemarketing.

25. Teleshopping: Teleshopping, alternatively known as ‘home-shopping’ is a big alternative of direct marketing.

26. **E-Bisiness**: E-business describes the use of electronic means and platforms to conduct company’s business.

27. **E-Commerce**: E-commerce (electronic commerce) is the buying and selling of goods and services via the communications capabilities of private and public computer networks including the Internet.

Classification of Market

Market can be classified on different basis. There are different types of markets on the basis of geographical area, time, business volume, nature of products, consumption, competition, seller's situation, nature of transaction etc. as follows:

1. Classification Of Market On The Basis Of Geographical Area

Market can be classified in local, regional, national and international level on the basis of geographical area:

i. Local Market

The market limited to a certain place of a country is called local market. This type of market locates in certain place of city or any area and supplies needs and wants of the local people. Perishable consumer products such as milk, vegetables, fruits, etc are sold and bought in local markets.

ii. Regional Market

The market which is not limited to a certain place but expanded in regional level is called regional market. Mostly, food grains such as wheat, paddy, maize, millet, sugar, oil etc are bought and sold in such regional market.

iii. National Market

If buying and selling of some products is done in the whole nation, this is called national market. The products such as clothes, steel, cement, iron, tea, coffee, soap, cigarette, etc are bought and sold nationwide.

iv. International Or Global Market

Market cannot be limited to any geographical border of any country. If the goods produced in a country are sold in different countries, this is called international market. today, not any country of the world is self-dependent. All the countries are exporting the goods produced in other countries. The market of some goods such as gold, silver, tea, clothes, machines and machinery, medicines etc. has spread the world over.

2. Classification Of Market On The Basis Of time

On the basis of time, market can be divided in very short-term, short-term, long term and very long-term market.

i. Very Short-term Market

The market where shortly perishable goods are sold is called very short-term market. The market of milk, fish, meat, fruits and other perishable goods is called very short-term market. The price of short goods is determined according to the pressure of demand. When the demand for such goods is high, price rises and when demand declines, the price falls down. If the supply is low and the demand is high, the price rises higher. In such market supply cannot be increased.

ii. Short-term Market

In the short term market, supply of products can be increased using the maximum capacity of installed machines of the firm. The goods cannot be produced according to the demand for adjustment of supply by expanding or changing the existing machines and equipment. In short-term market, price of the goods is determined on the basis of interaction between demand and supply. But, as the supply cannot meet the demand, demand affects price determination in short-term market.

iii. Long-term Market

In long-term market, adequate time can be found for supply of products according to demand. New machines and equipment can be installed for additional production to meet demand. As supply can be decreased or increased according to demand situation, price is determined by interaction between demand and supply in long-term market. Market of durable products is long-term market.

iv. Very Long-term Market Or Secular Market

In secular market, produces can get adequate time to use new technology in production process and bring new changes in products. They become able to produce and supply goods according to changed needs, interest, fashion etc. of customers. Market research becomes helpful in doing so.

3**. *Classification Of Market On The Basis Of Volume Of Business***

On the basis of volume of business, type and size, market can be classified in wholesale market and retail market.

i. Wholesale Market

If a large quantity of products are purchased from producers and sold to different retailers, this is called wholesale market. In wholesale market, the products are not sold directly to ultimate consumers. But, if consumers want to buy in large quantity, they can buy from wholesaler.

ii. Retail Market

The market that sells small quantity of products directly to ultimate consumers is called retail market.

4. Classification Of Market On The Basis Of Nature Of Product

On the basis of nature of product, market can be classified in two types as follows:

i. Commodity Market

The market where consumer and industrial commodities like clothes, rice, machines, equipment, tea, soap, fruits, vegetables etc. are bought or sold is called commodity market. In some market only certain special commodities are bought and sold and in some other different consumer commodities are bought and sold.

ii. Financial Market

The market and financial instruments is called financial market. In such market, money, shares, debentures, treasury bills, commercial papers, security exchanges, loan giving or taking etc are dealt. Dealing of short term fund is called money market and dealing of long-term fund is called capital market.

5. Classification Of Market On The Basis Of Consumption

On the basis of consumption of products, market can be divided as follows:

i. Consumer Market

The market of products, which the people buy for consumption is called consumer market. The customers buy consumer goods, luxury goods etc. for daily consumption or meeting their daily needs from such market.

ii. Industrial Market

Generally, raw materials, machines and equipment, machine parts are dealt in industrial market. Domestic consumer goods are produced using them.

6. Classification Of Market On The Basis Of Competition

On the basis of competition, market can be classified into monopoly market, perfect market and imperfect market.

i. Monopoly Market

If there is full control of producer over market, then such market is called monopoly market. In such market, the producer determines price of his products in his own will. In such market, only one producer or seller controls market. In practice, the producer or seller can supply products or achieve monopoly on price only in small or limited area, but in wide area it becomes impossible.

ii. Perfect Market

The market where the number of buyers and sellers is large, homogeneous of products are bought and sold, same price of similar type products is determined from free interaction between demand and supply is called perfect market. Perfect competition takes between consumers and producers or buyers and sellers, but in practice perfect market can be rarely found.

iii. Imperfect Market

The market where there is no perfect competition between buyers and seller is called imperfect market. In this type of market, customers are affected by product discrimination. Post-sale services, packaging, price, nearness of market, credit facility, discount etc make product discrimination. Customers can buy same types of products from different sellers according to their desires and comfort. In practice, mostly products are bought and sold in imperfect market.

7. Classification Of Market On The Basis Of Seller's Position

On the basis of seller's position, market can be divided into primary market, secondary market and terminal market.

i. Primary Market

In primary market, primary goods are bought and sold. Producers sell primary goods such as agricultural products, food grains, livestock, raw materials etc. to wholesalers or commission agents in such market.

ii. Secondary Market

Primary goods are bought from producers and sold to retailers in secondary market. Generally, wholesalers buy secondary products and sell them to retailers.

iii. Terminal Market

In this type of market, retailers sell products to final consumers.

8. Classification Of Market On The Basis Of Nature Of Transaction

On the basis of nature of transaction, market can be classified into spot market and future market.

i. Spot Market

The market where delivery or handling over of the good is made immediately after sales is called spot market. In such market, price of product is paid immediately at the spot and ownership of the product is transferred to buyer at the same time.

ii. Future Market

In this type of market contract is signed for sale of products in future, but no delivery of product is made. In this market, buyer and seller sign a contract for buying and selling products at certain rate of price or on condition to determine the price in future.

9. Classification Of Market On The Basis Of Control

On the basis of control, law, rules and regulations, market can be classified into regulated market and Non-regulated market.

i. Regulated Market

If trade association, municipality or government controls buying, selling, price of products etc. it is called regulated market. Such market must follow the established rules, regulations and legal process and provisions. Otherwise, the businessmen are fined or punished.

ii. Non-regulated Market

If a market is freely functioning and is not under control of any government body or any organization, it is called non-regulated market. In such market, price is determined through interaction between demand and supply of products and buying and selling takes place. This market has not to follow any rules, regulations and legal provisions.

Classification of Markets—Modern:

The modern classification is based on the consumer orientation because in modern economic system consumer is the king-pin and a decisive driving force.

Accordingly, the marketing experts have identified markets based on such broad-based classification namely, consumer, business, global and, non-profit and government markets.

Consumer Markets:

These markets specialize in selling mass consumer durable and nondurable products and services devote good deal of time in an attempt to establish a superior brand image. These items may be shoes, apparels, clothing, household items like television, sound system, washing machines, fans, on one hand and tea, coffee, tea powder, coffee powder, biscuits, bread spreads, dental cream, personal care beauty-aids, rice, wheat, oat, gourmet mixes and so on the other.

Business Markets:

This is a market of business buyers and sellers. Business buyers buy goods with a view to make or resell a product to others at a profit. Therefore, business marketers are to effectively

demonstrate as to how their products will help the buyers in getting higher revenue or lower costs.
These markets deal in raw-materials, fabricated-parts, appliances, equipments, supplies and services that become the part of end products of the business consumers. Advertising plays its due role.

However, personal selling has the upper hand. Product price, quality and business suppliers' reputation have significant role.

Global Markets:

Global markets consist of buyers and sellers all over the world. The companies selling goods and services in the global market place play global gain involving decisions and challenges.

Non-profit and Government Markets:

Companies do sell their products and services to non-profit organizations like temples, churches, universities, charitable institutions and to governmental departments at local, state and central level. The companies that market their products and services have to consider the price aspect because these buyers have limited purchasing power.
Again, lower prices badly affect the features and quality of products and services if an attempt is made to design such an offering.

Difference between New and Old Concept of Marketing

The old concept of marketing gives emphasis to production of products, whereas the new or modern concept of marketing lays emphasis on the satisfaction of the needs of customers. The main difference between old concept of marketing and the new concept of marketing is as follows:

(I) *Orientation:* The old marketing concept is production-oriented because it lays emphasis on production of products. If the products are good and reasonably priced, it will be sold automatically. On the contrary, the modern or new concept of marketing is customer-oriented because it lays emphasis on the satisfaction of the customers/ consumers.

(2) *Targets:* In the old marketing concept, the main target of the firm **is** to earn profits through more production and higher sales. On the contrary, in modern marketing concept, the main target of the firm is to earn profit through customer's satisfaction.

(3) *Scope:* The scope of old concept of marketing is quite narrow and limited. Preproduction and post-sales problems are out of its scope. On the contrary, the scope of new marketing concept is wide because it includes the preproduction and post-sales problems also.

(4) *Consumer Satisfaction:* The object of new concept of marketing is to provide maximum satisfaction to the customers/consumers, On the contrary, there is no place of customers'/consumers' satisfaction in the old marketing concept.

(5) Interdepartmental Integration: Under the old marketing concept, different departments of the firm were independent and had no integration with the marketing department. On the contrary, under the new concept of marketing, the activities of each department are directed by the marketing department and there is close integration between all the departments of the firm.

(6) *Consumer Welfare:* In the old marketing concept, there is no place for consumer welfare. On the contrary, the new marketing concept is fully dedicated to the consumer welfare. It is the responsibility of the modern marketing to raise the standard of living of the society through consumer satisfaction and consumer welfare.

Marketing Function

Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user. These activities are called marketing functions. According to *Clark* and *Clark,* "A marketing function is a major specialised activity performed in marketing." According to *Converse, Huegy and Mitchel,* A marketing function is an act, operation, or service performed in the process of distributing, goods and services." Marketing activities are performed by all whether it is a manufacturer, producer, wholesaler or retailer.

Classification of Marketing Functions

There is *no unanimity* amongst the authors about the classification of marketing functions. For instance McGarry has given the list of six marketing functions i)

Contractual ii) Merchandising iii) Pricing iv) Propaganda v) Physical Distribution and vi) Terminators. Clark and Clark, has given the following eight functions of marketing:(1) Selling, (2) Buying, (3) Transportation,(4) Storage, (5) Financing. (6) Risk Taking, (7) Marketing Information, and (8) Standardization. Others have given as many as twenty or thirty such functions._ *Cundiff* and *Stills* has given the most appropriate classification marketing functions. He has classified the marketing functions under the following three major heads:

(i) Merchandising Functions

(ii) Physical Distribution Functions

(iii) Auxiliary Functions

(I) Merchandising Functions

It includes all those activities which are conducted for creating market demand and making the product available in the market. The marketing functions are included in it :

(1) *Product Planning and Development:* The object of modern marketing is to provide maximum satisfaction to the consumer. For purpose it is essential not only to make necessary changes in the quality of the products but also to make available new products in the market. It requires product planning and development. Thus, product planning and development is an important function of marketing. It includes brand, trade mark, packaging etc.

(2) *Standardisation and Grading:* Standardisation means setting standard of quality. It assures quality and promotes uniformity of products. It also widens the market for commodities. They are determined on the basis of quality, size, colour, shape, weight etc. Grading means separating products according to established standards. Each grade has uniformity in all attributes. It also enhances marketing efficiency. In this way, standardisation and grading is also a major function of marketing.

(3) *Buying and Assembling:* Buying is also an important function of marketing. For instance, a manufacturer has to buy raw materials for production, a wholesaler has to buy goods to sell them to the retailers; a retailer has to buy goods to sell them to consumers. Thus buying involves transfer of ownership. Assembling means procurement of goods in the right quality

and quantity, at the right place and time, and at the right price. This is generally done by middlemen. Thus, buying and assembling is also an important function of marketing.

(4) *Selling:* Selling is the most important function of marketing. Selling creates demand for a product. Selling function includes :(i) finding or locating buyers; (ii) creating of demand; (iii) negotiation of terms of sale, such as price, quality, quantity, delivery; (iv) market research ; (v) selection of channel for distribution etc.

(II) Physical Distribution Functions

It is also an important function of marketing. This function relates to the process of transporting the goods from the place of seller to the place of buyer. It includes the following:

(1) *Storage and Warehousing:* Goods are not sold immediately after production. They are to be stored until their demand is created. Thus storage involves holding and preserving goods between the time of their production and the time of their demand by the consumers. Warehousing is a place where the goods can be stored safely. In this way, storage and warehousing is also an important function of marketing.

(2) *Transportation:* The function of transportation is to transport the goods from the centre of production to the centre of consumption. There are different means of transportation, such as land transport (train, trucks etc.), air transport (aeroplane, air bus etc.), and water transport (ship, steamer etc.). A good system of transportation increases the value of goods by the creation of place utility. Large-scale production, specialisation and the existence of national and international markets, *mandis etc.,* is possible due to transportation facilities only. Hence, transportation is also an important function of marketing.

(III) Auxiliary Functions

Those activities which make the marketing process easy and convenient are included in auxiliary functions of marketing. They are as follows :

(1) *Marketing Finance:* Finance is life-blood of all economic activities and

thus of modern commerce. We have monetary exchange. Credit is the soul of business and thus is necessary in marketing. It plays an important role whether it is manufacturing business, wholesale or retail business. All of them take finance from different agencies as it is very difficult to carry out marketing activities smoothly without adequate and cheap finance. Hence, it is also an important marketing function because marketing is almost an impossibility without adequate and cheap finance.

(2) *Risk Bearing:* Risk arises on account of uncertainty. Marketing of goods involves innumerable risks, such as fluctuations in prices, change in fashion, existence of competition, change in the habits of consumers, theft deterioration, accidents and other natural calamities. However, there are certain risks which can be insured, such as the risk of theft. But other risks such as price fluctuations, change in fashion etc., are to be borne by the businessmen. That is why it is that marketing is a risk-bearing activity. Thus, risk bearing is also an important function of marketing.

(3) Market Information: Since marketing conditions are dynamic and may affect industry in any way and to any degree, hence producers, wholesalers and even retailers (mainly large-scale retailers) are interested in securing update information on changing conditions of demand, supply and prices ruling in the market. Thereby, it is also an important function of marketing. Equipped with latest market information, risk of loss can be reduced to a great extent; it helps us in decision making.

THE END