

Sub: Commercial Applications.

Class - Q

27/5/202

Shot on Y12

Vivo AI camera



2020.05.26 19:45

(b) **Producers' Market** : This is a market where goods are purchased for use in further production.

## II. NON-TRADITIONAL MARKETS

Modern marketing has created several non-traditional markets. The main types of non traditional markets are as follows :

**1. Catalogue Market** : In this type of market, a catalogue and samples of products are kept in the showroom. The catalogue contains details of goods and their prices. Customers select goods by reading the catalogue and examining the samples. They order the goods and orders are sent to the warehouse for supply. Goods are delivered to the customer in the showrooms. A copy of the catalogue may be mailed to the regular customers to enable them to prepare the order at home and pick up the goods from the showroom.

In a catalogue market a broad range of high mark up fast moving and branded goods are sold at discount prices. These include jewellery, watches, cameras, luggage, home appliances, toys, power tools, sports items and so on. Catalogue showrooms cut costs and margins to attract a higher volume of sales.

**2. In-House Market** : Door-to-door sales persons visit the homes of consumers and offer products to them. Before the visit, initial contact may be created through telephone or mailed-in-coupon. This is an effective method and offers great convenience to the customer. In India, Eureka Forbes is selling its water filters and vaccum cleaners through this method. This is, however, a time-consuming and costly method. In some cases, a host invites friends to a party. The salesperson demonstrates the products at the market and takes orders from the invitees. This offers a friendly and social environment for shopping.

**3. Mail Order Market** : In this market, the seller mails price lists and other publicity materials to the prospective buyers. Customers place order after reading advertisements and the

mailed literature. Goods are despatched through V.P.P. or courier.

**4. Automatic Vending Machines** : Well known brands of products of daily use are sold through vending machines. These machines are installed at workplaces, schools and public places. Customers insert coupons/cash in the machine and collect the product. Vending machines are used to sell cold drinks, tea, coffee, candy, snacks, and so on. In Delhi, Mother Dairy sells milk through vending machines.

**5. Telemarket** : The product is advertised and demonstrated on television and in the newspapers. Toll-free telephone numbers are mentioned in the advertisement. Customers place orders on the toll-free number and orders are executed through courier. Television has become a popular medium for direct marketing due to growing satellite network and cable channels. Telephone shopping is very convenient and cost-effective. Such home shopping is available round the clock and payment can easily be made through credit card.

**6. Network Market** : The marketer recruits independent business people who act as distributors. These distributors in turn recruit and sell to sub-distributors who eventually employ persons to sell the product in the homes of customers. Amway pioneered network marketing, which is also known as multi-level marketing. It provides a wide reach and reduces cost. The customer saves the time and cost involved in shopping. Products not available at retail outlets can also be made available to consumers.

### 1.3. DEFINITION AND MEANING OF MARKETING

Some popular definitions of marketing are given below :

"Marketing includes all activities involved in the creation of place, time and possession utilities".

— Converse, Hagey and Mitchell



**8. Marketing is Wider than Market :** Market implies potential buyers and sellers of a product or service. Marketing consists of not only the buyers and sellers but all institutions and activities involved in planning, pricing, promoting and distributing want satisfying products and services.

**9. Marketing is Pervasive :** Marketing is required in business as well as in social and other organisations. In non-business organisations, marketing is necessary for spreading socially useful ideas and programmes of family planning, adult education, communal harmony, national integration, environmental protection, etc. Such marketing is called social marketing.

The main **objectives of marketing** are as follows :

- (a) **Consumer Satisfaction :** The first and foremost objective of marketing is to satisfy human wants. Marketing begins with the identification and understanding of needs of customers. Then products and services which are useful to customers are created and exchanged for money. After the goods are sold, after-sale service is provided wherever necessary to satisfy customers.
- (b) **Organisational Integration :** Marketing integrates all activities and parts of the enterprise to focus on customer needs and preferences. Customer-oriented philosophy is adopted by all departments to build and maintain mutually beneficial relationships with customers.
- (c) **Profitability :** Marketing aims at earning profits by creating and satisfying customers. When an enterprise serves customers better than its competitors it earns more profits.
- (d) **Social Service :** Another objective of marketing is to serve the society by improving standard of living, generating employment, boosting economic growth, etc. Marketing can carry out social change and help by providing environment friendly products and services.

### Distinction between market and marketing

Basis of distinction	Market	Marketing
1. Meaning	It means exchange of a product or service between a buyer and a seller	It means all the activities involved in planning, pricing, promoting and distributing want satisfying products and services
2. Nature	It is an interaction	It is a process
3. Scope	It is a narrow concept	It is a wide concept

### 1.4. STAGES OF MARKETING

From subsistence level and self-sufficiency to modern marketing has been a long journey. With specialisation, self-sufficiency gave way to barter system. Advent of money led to the rise of markets and exchange system. The evolution of modern marketing can be traced through the following stages :

**1. Production-oriented Stage (1869 - 1930) :** In this stage, the motto was to 'sell what can be produced.' There was acute shortage of goods and there was no need to create demand. Product was the focus of attention and communication with the buyer was not needed. Products were manufactured on the assumption that customers would search and buy well-built and reasonably priced products. This was based on Say's Law : 'Supply creates its own demand.' It was believed that customers were capable of selecting products from among the competing brands. The firms that follow the production stage make efforts to make their products expensive and widely available through mass production and mass distribution.

In this stage, production and engineering



departments shaped the company's goals and strategy. Marketing was dependent on production capacity and marketing consisted of mere distribution. There were no marketing departments. There were sales departments to manage and control sales and sales force. The philosophy of this stage was that customers buy products which are low priced and easily available. High production efficiency is required to reduce cost and price and wide distribution coverage would ensure easy availability of a product. This philosophy is used when demand exceeds supply. Production-oriented stage lasted till the Great Depression. Its main drawback is that customers do not always buy products which are inexpensive and easily available.

**2. Sales-oriented Stage (1930 – 1950) :** The Great Depression resulted in a situation that questioned the thinking/strategy of business firms. Drastic changes in buying habits and behaviour of consumers, technological advancements in transportation and communication and growth of corporate form of organisation also changed the thinking. The focus shifted from production to selling. How to sell became a problem and the new motto was to 'get rid of what you have'. Producers began to realise that consumers will not buy enough unless they are approached with substantial selling and promotional efforts. The focus was on increasing sales rather than on consumer satisfaction. Demand outstripped supply and it was still a seller's market. Thus, the sales-

oriented stage was characterised by hard selling. In the process of aggressive selling unscrupulous practices occurred. Salesmanship was the focus of marketing activities because product could not be sold without an effective sales force. Customer's importance was realised but only as a means of disposing off the goods produced. The selling philosophy is still used in insurance, charity fund raising and other unsought products/ideas.

**3. Product-oriented Stage (1950–1960) :** In this stage, marketers believed that customers will buy the product if its quality was good. Therefore, the focus shifted from promotion to product improvement. Firms made efforts to improve product features and performance. However, overemphasis on product quality may overlook other aspects which influence satisfaction of consumers. This has been called marketing myopia which means short sightedness.

**4. Marketing-oriented Stage (1960 . 1980) :** Emergence of keen competition and consumer awareness forced producers to rethink over the philosophy of marketing. They realised that business policies and programmes should be built around the goal of customer satisfaction. Management should think of itself not as producing products but as providing value satisfaction to customers. The aim of marketing should be to know and understand the customer so well that the product or service fits him and sells itself. As a result, marketing became the

**Table 1.1. Comparison of Some Stages**

Points of Comparison	Production-Oriented Stage	Sales-Oriented Stage	Marketing-Oriented Stage
1. Philosophy	Supply creates its own demand.	Customer will not buy without hard selling.	Understand customer's needs and provide him satisfaction.
2. Features	Mass production demand exceeds supply.	Mass production supply exceeds demand.	Customised production keen competition.
3. Focus	Product and distribution.	Sales promotion.	Appropriate marketing mix.
4. Tactics	Push product into market.	Create demand.	Satisfy customers.
5. Goals	Profit through disposal	Profits through aggressive selling.	Profits through consumer



heartbeat of business and marketing considerations the key to business planning and decision-making. Customer satisfaction is the principal reason for corporate existence. The modern concept of marketing recognises the role of marketing as a direct contributor to profits as well as sales volume. In order to survive and grow in this highly competitive world, a company must first determine what consumers want. Then produce that will satisfy consumers.

Consumer is considered as the 'king' in this stage.

**5. Societal Marketing Stage (1980- )** With growing population, poverty, pollution and resource shortages, the marketing concept was expanded to include social welfare. Under the societal marketing concept, firms are expected to ascertain the needs, wants and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the well-being of not only the consumers but of the society as a whole.

The societal marketing concept requires the marketers to build social and ethical considerations into their marketing practices. They must balance company profits, consumer satisfaction and public interest. The stages of marketing given above are also known as concepts or philosophies of marketing.

### 1.5. ROLE OF MARKETING

Marketing is said to be the eye and ear of business because it keeps a business enterprise in touch with the changing needs and preferences of consumers. Marketing is essential for the survival and growth of business. Business aims at profits. To realise profits, a sale has to be made. To make a sale, a customer has to be created. Creating and satisfying customers is the job of marketing.

Marketing is the nerve centre of all business activities and the beating heart of business organisation. According to Drucker, "Marketing is the distinguishing, the unique function of the business. A business is set apart from all other

human organisations by the fact that it markets a product or a service. Neither Church nor Army nor State does that. Any organisation that fulfils through marketing a product or a service, is a business. Any organisation in which marketing is either absent or incidental, is not a business and should never be run as if it were one".

Marketing is equally important at the macro level. It contributes to the economic and social development of a nation in the following ways :

1. A nation's income is composed of goods and services which money can buy. Any increase in the efficiency of marketing reduces the cost of distribution and lesser prices to consumers. These in turn help to improve the real income of the people.

2. Marketing contributes to national income and wealth. Business firms create and sell new products and services to satisfy human wants. In order to do so, they make productive use of the country's latent resources. Fuller exploitation of national resources generates income and wealth. Marketing in developed countries is more advanced than in developing countries. Marketing also helps to increase exports and foreign exchange earnings of a nation.

3. Marketing generates employment. A large number of people are gainfully employed in the distribution and marketing of products and services. In addition, marketing generates employment by increasing production and trade volumes.

4. Marketing helps to improve the standard of living of the people. By increasing per capita income and by bringing new and better products and services to consumers, marketing raises the quality of life in society. It is marketing which has converted "yesterday's luxuries into today's necessities".

5. In a developing country like India, marketing is all the more important. It helps to make fuller utilisation of untapped assets and energies. Marketing contributes to the development of entrepreneurial and managerial talent. Development of marketing leads to the



integration of agriculture, industry and other sectors of the economy.

6. Marketing enables the government and non-government organisations to eliminate social evils like insanitation, illiteracy, drinking, gambling, dowry system, racism, etc. It is through social marketing that family planning, pollution control, AIDS awareness and other socially useful programmes have achieved a reasonable degree of success.

### 1.6. MEANING AND NATURE OF PRODUCT

A product means anything tangible that can be offered to a market for attention, acquisition, use or consumption that can satisfy a want or need. It consists of physical objects and tangible attributes such as colour, package, manufacturer's name, retailer's prestige, etc. A product is both what a seller sells and what a buyer buys. A product is a physical object that can be seen, touched and felt. A ball pen, a car, a refrigerator, a house, all are examples of products.

The features of a product are given below :

1. **Tangibility** : A product is tangible. It is made of certain physical attributes such as shape, size, etc. It can be seen, touched and felt.

2. **Associated Attributes** : In addition to physical features, a product has certain attributes which help customers to distinguish it from other products. Package, brand name, warranty, etc., are such associated attributes.

3. **Life Cycle** : Every product has its life cycle which consists of introduction, growth, maturity and decline stages.

4. **Exchange Value** : A product has some value which can be measured in terms of money.

5. **Need Satisfaction** : Every product is meant to satisfy some human need.

Products may be classified as follows :

1. **Consumer Products** : These products are meant for final consumption and are not for further use or sale. Consumer products are of three

(a) **Convenience Products** : These products are purchased frequently and with minimum of efforts. They are meant for personal convenience. Newspapers, cigarettes, toothpastes, soaps, tea, etc., are examples of convenience products.

(b) **Shopping Products** : These products are purchased after a comparative analysis of quality, price, warranty, etc. of competitive brands. Furniture, cloth, TV, fridge, washing machine, scooters, cars are examples of such products.

(c) **Speciality Products** : These products are purchased with special efforts. Jewellery, fancy items, computers are examples of these products.

2. **Industrial Products** : These products are purchased for use in the production of other goods. Raw materials, components and machinery are industrial products. Industrial products are of the following types :

(a) **Raw Materials** : These include natural and farm products such as wheat, cotton, milk, coal, etc.

(b) **Supplies** : These include nuts, bolts, lubricating oil, heating fuel, typewriter ribbons, etc.

(c) **Accessory Equipment** : These include typewriters, calculators, small lathes, portable drills etc.

(d) **Installations** : These include heavy machinery, factory sites, trucks, etc.

### 1.7. MEANING AND NATURE OF SERVICE

Service means an intangible act or performance that can satisfy some human need and can be offered for sale. Beauty parlour, dry cleaning, nursing home, courier firm, cinema theatre, auto repair workshop all provide services. The functions performed by teachers, doctors and lawyers are also services.

The main features of services are as follows :

1. **Intangibility** : Services are intangible as



they cannot be seen or touched. They have no physical shape. They are invisible.

**2. Perishability :** Services cannot be stored for future use. For example, if a bus having 45 seats is carrying 35 passengers, the 10 vacant seats cannot be utilised in future.

**3. Inseparability :** Services are produced and consumed at the same time. The service cannot be separated from the service provider. For example, the driver and conductor of the bus have to be in the bus whenever the bus provides service to passengers.

**4. Variability :** Services can rarely be standardised or made uniform. For example, the quality of service which a waiter provides in a hotel or restaurant may differ from customer to customer or from one time period to another.

**Services may be classified into the following categories :**

- ✓ **(a) Financial Services :** Banks and financial institutions provide various financial services to their customers. Accepting deposits, granting loans and advances, agency and utility functions are examples of financial services.
- ✓ **(b) Insurance Services :** Insurance companies provide life insurance, fire insurance, marine insurance, motor insurance, medical insurance and all types of insurance services.
- ✓ **(c) Transport Services :** Railways, roadways, shipping and airways provide transport services for passengers and goods.
- ✓ **(d) Warehousing Services :** Warehouses and cold storages provide services to businessmen for storage of goods. Businessmen can keep their goods in public warehouses for a charge.
- ✓ **(e) Communication Services :** Postal services, courier services, telephone services, All India Radio, Doordarshan, internet services, etc. are examples of communication services.

✓ **(f) Food and Lodging Services :** Hotels, guest houses and restaurants provide food, drink and accommodation.

✓ **(g) Entertainment Services :** Cinema, theatres, clubs, amusement parks, circus, magic shows, dance shows provide amusement to people.

✓ **(h) Personal Services :** Tailoring, dry cleaning, beauty parlours, laundry, shoe repair are examples of personal services.

✓ **(i) Repair Services :** These services are rendered for repair of buses, cars, computers, televisions, radios, etc.

## 1.8. DIFFERENCE BETWEEN PRODUCT AND SERVICE

A product can be differentiated from a service on the following grounds.

**1. Tangibility :** A product is tangible as it can be seen, tasted and touched. On the other hand, a service is intangible because it cannot be seen, tasted or touched. Therefore, a product can be checked before purchase while a service cannot be checked before purchase.

**2. Perishability :** A product is durable and it can be stored. For example, a showroom can store twenty cars which could not be sold this year. But a service is perishable and cannot be stored. If a bus which can carry forty passengers has only thirty passengers, then the service meant for ten seats perishes.

**3. Ownership :** When one buys a product one becomes its owner. For example, when you buy a car the ownership of the car is transferred from the seller to you. But when one buys a service one does not become its owner. For instance, if you hire a taxi there is no transfer of ownership from the seller to you.

**4. Inseparability :** A product can be separated from its producer. For example, the producer of a car need not be present when the car is sold to a customer. But a service cannot be separated from the service provider. For example, when you travel by a taxi, the taxi driver has to be present.



Table 1.2. Distinction between Product and Service

Basis of Distinction	Product	Service
1. Tangibility	Fully tangible (a) Can be felt and touched. (a) Can be fully standardised.	Intangible, may have physical evidence. (a) Cannot be touched. (a) Cannot be standardised.
2. Inseparability of buyer and seller	Fully separable, remote transactions are possible.	Not separable, remote transactions not possible.
3. Quality	Can be measured and controlled.	Difficult to control and measure.
4. Inventory	Can be stored.	Cannot be stored.
5. Sensitivity to time	Low sensitivity, e.g., a soap can be bought in advance of need.	Highly sensitive, e.g., doctor's services are needed when there is a patient.
6. Risk	Product can be replaced.	Service delivered cannot be replaced.
7. Customisation	Increases costs and restricts sales.	Increases customer delight.
8. Market relationship	Product and brand are the focus of transaction.	A very important link.
9. Brand	Main strategy in product marketing.	People are equally important.
10. Perishability	Usually durable.	Usually perishable.
11. Ownership	Transferable	Not transferable.

**5. Homogeneity :** In case of a standardised product, each unit of the product is a perfect substitute for another. It is impossible to differentiate one unit from other units. For example, when you buy a Maruti car you will get the same quality irrespective of the place of purchase. But services are not homogeneous. For example, you may not get the same service quality each time you hire a taxi. Services are highly variable. A patient may not get the same treatment in a village hospital which he can get in a metro hospital.

**6. Technology :** A product is technology based whereas a service is person-based. For example, the quality of a car is dependent largely on production technology but the quality of its repair is dependent largely on the skill of the mechanic.

**7. After-Sale Service :** Consumer durable products such as cars, scooters, air conditioners, TV sets, refrigerators, etc., require repair and maintenance facilities after their sale. But no such facilities are required in case of services.

**8. Participation :** Customers do not

participate in the process of manufacturing products. But customers participate in the production of services. For example, when a car is manufactured the customer need not be present. But when he hires a taxi he has to be present.

**9. Marketing Mix :** In case of products, marketing mix consists of four elements — product, price, place (distribution) and promotion. But in case of services, marketing mix consists of three additional elements — people (who provide service), physical evidence (the tangible aspects of the environment in which a service is provided, i.e., furniture, interior decoration, and crockery used in a restaurant) and process (a series of steps involved in providing a service).

## 1.9. REASONS FOR INCREASING IMPORTANCE OF SERVICES

(i) **Economic Planning :** Government of India launched five year plans in 1951 to achieve rapid growth of the country. Industrialisation requires industrial infrastructure (transport,