

# **Principles of Marketing ( BSCM 56)**

**III B.com  
skill based paper**

**by. : N.Elavarasan**


---

# Marketing :


## Meaning and Classification




# MARKET

- ▶ The word '**Market**' is derived from the **Latin** word '**Marcatus**'
  - ▶ Meaning *merchandise, wares, traffic, trade* or a *place* where business is conducted.
  - ▶ The common uses of market means a place where goods are brought and sold.
- 


## Definition of market

- ▶ Market includes both place and region in which buyers and sellers are in free competition with one another – *Pyle*.
  - ▶ ‘The term market refers not to a place, but to a commodity or commodities and buyers and sellers who are in direct competition with one another’ – *Chapman*.
- 

## Definition of market and marketing


- ▶ **Market:** Market is a place where goods and services are exchanged. Markets consist of buyers and sellers with facilities to communicate each other for transactions of goods and services.
  - ▶ **Marketing:** Marketing is the economic process by which goods and services are exchanged between the producers and the consumers and their value determined in terms of money price.
- 

## According to the definition of market

- ▶ Market may mean a place, where buying and selling take place.
  - ▶ Buyers and sellers are come together for transactions.
  - ▶ An organization through which exchange of goods take place.
  - ▶ The act of buying and selling of goods (to satisfy human wants)
  - ▶ An area of operation of commercial demand for commodities.
- 



## **Need for markets:**

- ▶ For exchange of goods and services.
  - ▶ For adjustment of demand and supply by price mechanism.
  - ▶ For improvement of the quality of life of the society.
  - ▶ For the introduction of new modes of life.
  - ▶ For higher production.
- 

## **Classification of market**

- ▶ Markets have been classified based on different approaches, in various ways.
- ▶ There are 10 different types of marketing systems





# **Markets are classified on the basis of**

- ▶ Number of Commodity
  - ▶ Area/coverage
  - ▶ Location
  - ▶ Time span
  - ▶ Volume of business
  - ▶ Nature of transactions
  - ▶ Degree of competition
  - ▶ Government interventions/Regulations
  - ▶ Nature of commodities
  - ▶ Visibility/vision
- 

### **1) General market:**

- ▶ All type of commodities are sold.
- ▶ Commodities range from food grains to textile

### **2) Specialized market:**

- ▶ It deals with a specific commodity
- ▶ The markets are named after such commodities.

E.g: Markets transacting goods like vegetable, wool, jute etc.,

Vegetable market

Wool market

Jute market



---

## **On the basis of Area Covered**

- ▶ Local market
  - ▶ Regional market
  - ▶ National market
  - ▶ International (world) market
- 

### **Local: (village/primary market)**

The area covered by the market is limited to some group of villages which are nearby or close to each other.

**Perishable** commodities like vegetable, fruits, fish, milk are being transacted

**E.g:** Shandies and fairs

Local markets are held occasionally or on special days  
Cattle market, Sheep market



## Regional market:

- ▶ Area of operation of the market is relatively larger than that of local market.
- ▶ This market covers **4-5 districts**.

**E.g:** Food grain markets/Fruits market at state level

- ▶ These markets are regular in conducting business transactions in notified commodities
- 

### **National market:**

- Area of operation of the market covers the entire country.
- The national markets are found for the commodities which are having demand over entire country.

**E.g:** Textile market

Jute market

Tea market



### **International market:**

The commodities are sold in **all the nations** of the world.

The market area of operation is extended over the **entire globe**.

The involvement of buyers and sellers beyond the boundaries of a nation.

**E.g:** Cashew, Coffee, Tea, Spices, Gold, Silver, Diamond, Machinery





# **Markets according to Location**

- 1) Village market
- 2) Primary wholesale market
- 3) Secondary wholesale market
- 4) Terminal market
- 5) Seaboard market



## 1. Village market:


- ▶ The area of operation is confined to small village or group of villages
- ▶ Major transaction of goods and services take place among the buyer and sellers of these village
- ▶ It may be regular or occasional in nature.

## 2. Primary wholesale market:

- ▶ These are located in big towns or *taluks* or *mandal* headquarters.
- ▶ All types of agricultural commodities from the village markets are pooled here.
- ▶ Transaction b/w **PRODUCER** and **TRADERS**

### 3. Secondary wholesale market:


These are located in districts headquarters dealing with major agricultural commodities like rice, pulses, oil seeds, chillies. etc.,

- ▶ **Wholesalers** and **village traders** are the main participants
  - ▶ Bulk of the arrivals come from primary wholesale markets or village markets
  - ▶ Transaction of commodities occurs in **large scale**
  - ▶ **Commission agents, brokers, *hamalies* and weighmen** facilitate the process
- 


#### 4) Terminal market:

- ▶ Located in big cities/State capital/Seaports
  - ▶ Well **organized markets** and **controlled by the Government** to see that all modern methods of marketing operations take place
  - ▶ **Processing** and **storage activities** are predominant in these markets
  - ▶ **Consumers, Wholesalers** and **Marketing agents** are seen in these markets with rigorous transaction activities
  - ▶ These markets are generally situated in Big cities like Bengaluru, Mumbai, Chennai and Kolkata
- 

## 5) Seaboard market:

- ▶ Mainly for **export** and **import** of commodities
  - ▶ Scientifically standardized and graded commodities are transacted
  - ▶ Located at **Mumbai, Chennai, Kolkata, Visakapatnam**
- 


## **Markets on the basis of Time span**

- I. Short period market**
  - II. Long period market**
  - III. Secular market**
- 

## Short period market

- ▶ Held for brief period in a day
- ▶ Supply of commodity is fixed
- ▶ Price variation is based on demand for the commodity in a day
- ▶ Supply is **zero elastic**

**E.g:** Fish market  
Vegetable market  
Flower market






## Long period market

- ▶ **Durable commodities** which can be stored for sometime are transacted in these markets
- ▶ Price for the products are governed by supply and demand

**E.g:** Food grain market  
Oilseeds market



# Secular market

- ▶ These are permanent market
  - ▶ **Manufactured** goods and **Machinery** goods are transacted in these markets
  - ▶ **Godown** and **processing** facilities are highly developed
  - ▶ Well organized
  - ▶ Deal with **Export** and **Import** transactions
- 

---

## **Markets on the basis of Volume of Business**

**I. Wholesale Market:**

**II. Retail Market:**



## **I. Wholesale Market:**


When large quantities are brought and sold in the market among the traders

**Producers and Traders** are seen

## **II. Retail Market:**

Retailers sell commodities to the consumers in very small quantities as per their requirements

**Producers, Retailers and Consumers** are seen in these markets



---

## **Markets on the basis of Nature of Transaction**

**I. Cash Market:**

**II. Forward Market:**



---

## **Markets on the basis of Nature of Transaction**


### **I. Cash Market: (Spot market)**

If there are cash transactions in buying and selling of the goods

### **II. Forward Market:**

These are the markets in which future sales and purchase of commodities take place at the current time.

This process also called as **Hedging**




## **On the basis of Competition**

- ▶ **Perfect Competition Market**
- ▶ **Imperfect Competition Market**






# Perfect Competition Market


- ▶ A market is said to be perfectly competitive market when there are many sellers (& buyers) transacting a homogenous product.
    - There are many sellers
    - Homogenous products are sold
    - Sellers do not have control over the price of the commodity
    - Farm commodities
- 

## **Characteristics of Perfect Competition Market**

- Large number of buyers and sellers
  - Homogenous products
  - Free entry and exit of firm
  - Prices should be uniform through out the market.
  - No government regulations
  - Buyers and sellers have a perfect knowledge of market.
  - Goods can be moved from one place to another place without any restriction.
- 

# Imperfect Competition Market

A market is said to be imperfect when:

- 1 Products are similar but not identical.
  2. Prices are not uniform through out the market.
  3. There is lack of communication
  4. There is restriction on movement of goods from one place to another place.
- 

# Imperfect Competition Market

**Monopolistic:** Many sellers

**Pure oligopoly:** Few sellers


**Differentiated oligopoly:** Few sellers

**Monopoly:** One seller

**Monopsony:** One buyer but many sellers

**Oligopsony:** only few buyers

**Bilateral monopoly:** single seller faces single buyers



---

# **Markets on the basis of Government Interventions and Regulations**


**I. Regulated market:**

**II. Unregulated market:**




---

## Regulated market:

- ▶ The **statutory market committees** govern regulated markets and the Government from time to time makes marketing acts.
  - ▶ **Marketing costs, Margins and Fees** are standardized.
  - ▶ Price prevailing in different markets are displayed through various mass media
- 

## Unregulated market:

- ▶ Business is conducted without any supervision
  - ▶ Absence of rules and regulations
  - ▶ **Middleman exploit** the producers and consumers to the maximum extent.
  - ▶ Producers are put to loss as middleman exploit them in **weighment, measurement and payments** etc
- 



## **Markets on the basis of Nature of Commodity**

### **I. Commodity market:**

- ▶ It deals with buying and selling of commodity

E.g: Cattle market, cotton market, silk market, bullion market

### **II. Capital market:**

In which shares, securities and bonds etc are being purchased and sold.

E.g: Share market, Money market






# **Markets on the basis of Vision/Visibility**

**I. Black market**


**II. Open market**



## Black market (Invisible)

- ▶ In these markets, goods are not placed in shops but are kept in the godowns.
  - ▶ The goods can not be seen at the time of purchase, on demand the goods are delivered to the buyers on cash transaction.
  - ▶ Any goods which is in **short of supply** and anything which is having **high effective demand** will be sold in black market.
  - ▶ Wars, Droughts, Floods
- 

## **Open market (visible)**

- ▶ These are visible markets and transactions take place between buyers and sellers.
  - ▶ Price is determined by demand and supply
- 



Some of the most important features of marketing are as follows: 1. Customer focus 2. Customer satisfaction 3. Objective-oriented 4. Marketing is both art and science 5. Continuous and regular activity 6. Exchange process 7. Marketing environment 8. Marketing mix 9. Integrated approach 10. Commercial and non-commercial organizations 11. Precedes and follows production.

## **1. Customer focus:**

The marketing function of a business is customer-centred. It makes an attempt to study the customer needs, and goods are produced accordingly. The business existence depends on human needs. In a competitive market, the goods that are best suited to the customer are the ones that are well-accepted. Hence, every activity of a business is customer-oriented.

## **2. Customer satisfaction:**

A customer expects some services or benefits from the product for which payment is made. If this benefit is more

than the amount paid, then the customer is satisfied. In the long run, customer satisfaction helps to retain market demand. It helps achieve organizational objectives. Customer satisfaction can be enhanced by providing value-added services, which includes providing additional facilities at little or no extra cost.

### **3. Objective-oriented:**

ADVERTISEMENTS

All marketing activities are objective-oriented. Different objectives are fixed at different levels, but the main objective is to earn profit from business along with the satisfaction of human wants.

Marketing activities undertaken by sellers make an attempt to find out the weaknesses in the existing system, and measures are taken to improve the shortfalls so that the objectives are achieved.

#### **4. Marketing is both art and science:**

Art refers to a specific skill that is required in marketing activities of any type of



business. Science refers to a systematic body of knowledge, based on facts and principles. The concept of marketing includes a bunch of social sciences such as economics, sociology, psychology and law. It indicates market operations based on some principles. Hence, marketing is an art as well as a science.

## **5. Continuous and regular activity:**

Marketing is an activity designed to plan, price, promote and distribute products. At the same time, it also addresses both the current and future consumers. Thus, it is a continuous process. A



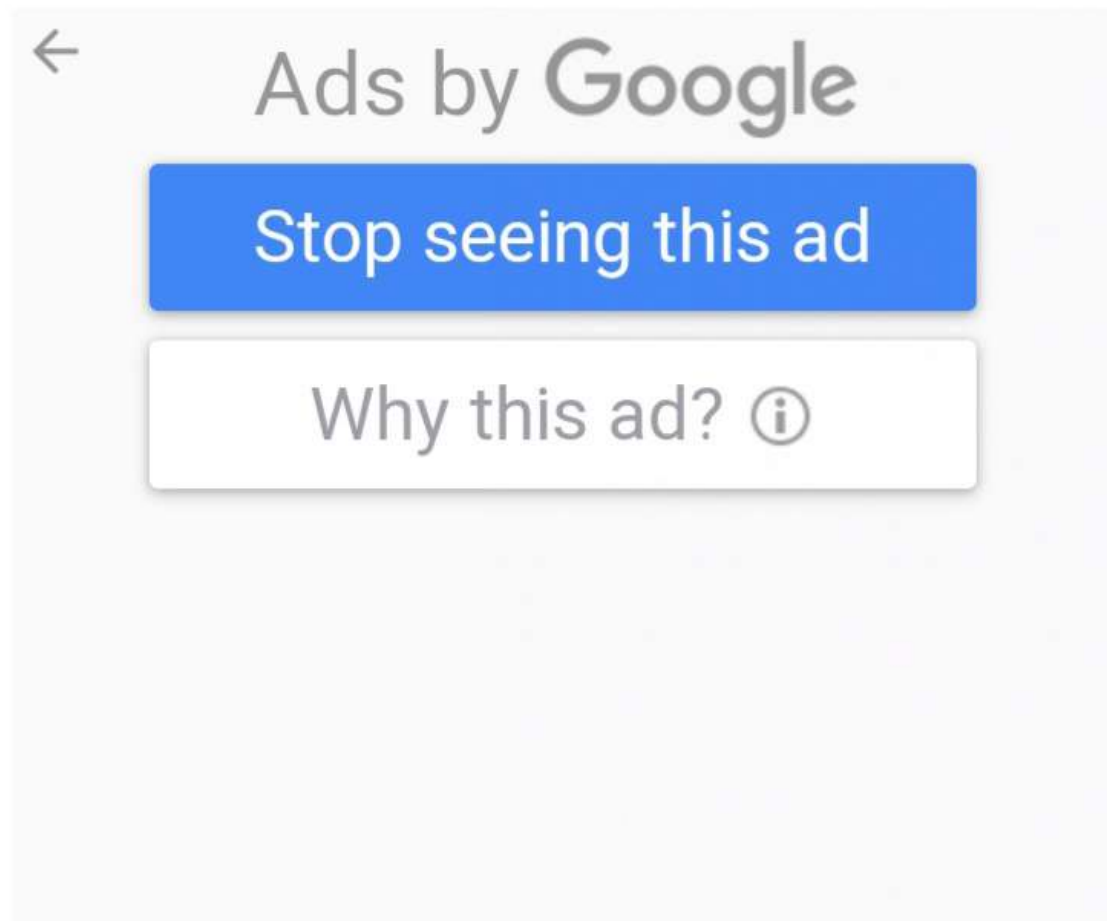
marketer has to consistently monitor environment. This helps in coming up with new products.

## **6. Exchange process:**

Marketing involves exchange of goods, services and ideas with the medium of money. Exchange takes place between sellers and buyers. Most of marketing activities are concerned with the exchange of goods. Functions such as distribution, after-sale services and packaging help in the exchange process. Channels of distribution and physical distribution play an important role in the exchange process by creating place utility.

## 7. Marketing environment:

ADVERTISEMENTS:



Economic policies, market conditions, and environmental factors, such as political, technological, demographic and international, influence marketing activities.

Marketing activities are inseparable from such environmental factors. A successful marketer needs to adapt to these changing factors and adjust marketing strategies to suit new market developments.

## **8. Marketing mix:**

A combination of four inputs constitutes the core of a company's marketing system—product, price, place, and promotion. Marketing mix is a flexible combination of variables. They are influenced by consumer behaviour, trade factors, competition and government regulatory measures.



## **9. Integrated approach:**

The marketing activities must be co-ordinated with other functional areas of an organization. Functions such as production, finance, research, purchasing, storekeeping and public relations (PR) are to be integrated with marketing. This will help in achieving organizational objectives. Otherwise, it will result in organizational conflicts.

## **10. Commercial and non-commercial organizations:**

With the societal marketing concept gaining importance, social marketers are finding useful new ways of applying marketing principles. Commercial organizations are also adopting cause-related marketing to strike long-term relations with consumers.

# IMPORTANCE OF MARKETING

- Getting Word Out
- Higher Sales
- Company Reputation
- Healthy Competition



## GETTING WORD OUT

- For a business to succeed, the product or service it provides must be known to potential buyers
- Without marketing, your potential customers may never be aware of your business offerings and your business may not be given the opportunity to progress and succeed



## HIGHER SALES

- As awareness becomes a reality, it is also the point where new customers start to spread the word, telling friends and family about this amazing new product they discovered
- Your sales will steadily increase as the word spreads
- Without employing marketing strategies, these sales may not have ever happened; without sales, a company cannot succeed

The word "SALES" is rendered in large, bold, 3D red letters. A red arrow is positioned behind the letter 'A', pointing upwards and slightly to the right, symbolizing growth and increasing sales.



# COMPANY REPUTATION

- The success of a company often rests on a solid reputation
- Marketing builds brand name recognition or product recall with a company
- As your reputation grows, the business expands and sales increase



# HEALTHY COMPETITION

- Without competition, well known companies would continue to sell while lesser known companies or new companies would stand little chance of ever becoming successful
- Marketing facilitates the healthy competition that allows small businesses and new businesses to be successful enter and grow in the marketplace

## Difference b/w Marketing and Sales

Marketing Concept	Selling Concept
Emphasis is on market needs	Emphasis is on company needs
Marketing is consumer- oriented	Selling is product-oriented
Marketing believes that the consumer is the king and the goods should meet his wants and preference	Selling assumes that the goods can be easily sold
All marketing starts with consumer and ends with consumer	In selling once the goods are sold, the seller does not think about the consumer
Marketing believes in profitable sales through customer satisfaction	Selling aims at profit maximization by increasing sales volumes and profit is the primary aspect in selling

## Difference b/w Marketing and Sales

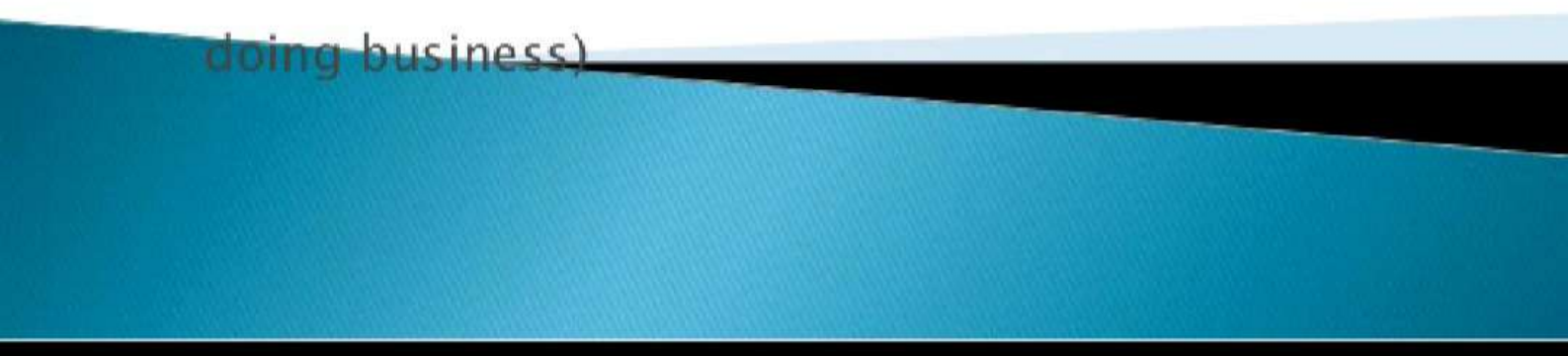
Marketing Concept	Selling Concept
Marketing Involves – (a) Finding out what the consumer want (b) Planning & developing a product or service that will satisfy those wants (c) determining the best way to price, promote and distribute the product or service	Selling involves planning, direction and control of the personal selling activities of a business unit including recruitment, selection, training, motivation, compensation of sales force.
Emphasis is on consumer wants	Emphasis is on product.
Company first finds out what the consumer wants and then develops and supplies the product to satisfy those wants.	Company makes a product and then finds out how to sell it



## Difference b/w Marketing and Sales

Marketing Concept	Selling Concept
Marketing has long range objectives such as customer satisfaction, growth and market share	Selling aims at converting goods into cash and has narrow perspective
Marketing concept is modern and accepted universally	Selling concept is traditional and outdated

# EVOLUTION OF MARKETING CONCEPT


- ❑ Evolved from the basic consideration of producing goods and services in the most cost-efficient way
  - ❑ Based on five concepts of philosophies (way of doing business)
- 

# Marketing Concept or Philosophies Concept



---

## Production Concept

- ▶ Believed that consumers favour products that are easily available and highly affordable.
  - ▶ Focuses on improving production
- 



# Product Concept

- ❑ The best quality performance and innovative features
- ❑ Focus on continuous product improvement




# Selling Concept

- ❑ Do heavy promotion.
- ❑ Producing and selling products based on offering what the market wants.



# Marketing Concept

- ❑ Identify the **needs** and **wants** of target customers.
  - ❑ **Deliver** the products to the consumers **better than competitor**.
  - ❑ Find the **right products** for the customers.
- 


# Differences Between the Selling Concept and the Marketing Concept



# Societal Marketing Concept



# Marketing Functions

- ▶ Marketing Functions: All activities that allow companies to bring products to the market for exchange
    1. Pricing
    2. Selling
    3. Distributing
    4. Promoting
    5. Marketing information management
    6. Product/service management
- 

# Pricing

- ▶ Pricing: “means deciding how much to charge for goods & services”
- ▶ **EXAMPLE**: a snickers bar is \$1 in the School Store
- ▶ Student writes 2 more examples in notes





# Selling

- ▶ Selling: “providing customers with goods & services they want to buy”
- ▶ **EXAMPLE**: The Nike store sells Nike Air Pegasus shoes.
- ▶ Student writes 2 more examples in notes



# Distributing



- ▶ Distributing: “involves making decisions about where to sell your product and method of transportation to use (i.e. train, plane, automobile)”
- ▶ **EXAMPLE**: Surfboards arrive via plane from Hawaii and are sold on 17<sup>th</sup> street in VA Beach.
- ▶ Student writes 2 more examples in notes

# Promoting



- ▶ Promoting: “any form of communication used to inform, persuade, or remind people about a business’s products”
- ▶ **EXAMPLE:** Come out Monday night to see your undefeated Freshman football team play Dominion. Our football team has beat their previous opponents by a combine score of 133–0. Let’s Go Falcons – show your support next week!
- ▶ Student writes 2 more examples in notes

# Marketing Information Management

- ▶ Marketing Information Management: “is the process of getting the marketing information needed to make sound business decisions”
  - SURVEYS ARE USED!!!



- ▶ **EXAMPLE:** sweetFrog hands out surveys for customers to complete online based on potential flavors. These results are used to make decisions on what new flavors to add. Yummy!
- ▶ Student writes 2 more examples in notes

# Product/Service Management

- ▶ Product/service management: “obtaining, developing, maintaining, and improving a product or product mix in response to market opportunities”
  - Product changes overtime to meet the need of customers
- ▶ **EXAMPLE:** The iPod has changed over the last 7 years. It was originally bulky and only black/white; next a smaller/color version called the Nano; next a video iPod; next a smaller Nano; finally iPhone.
- ▶ Student writes 2 more examples in notes

