II YEAR- III SEMESTER
COURSE CODE: 7BCS3C3

CORE COURSE -VII – MARKETING MANAGEMENT

Unit I

Definition of marketing - Evolution of marketing - Market segmentation - Need for marketing segmentation - Criteria segmentation - Marketing mix E-marketing

Unit II

Functions of marketing - Buying - Assembling selling - Transportation storage and ware housing - Risk bearing - Grading and standardisation financing

Unit III

Product policy - Branding and packaging - Introduction of new product - Product life cycle - Classification of consumer goods

Unit IV

Promotion - Advertising - Advantages - Various media of advertisement - Personal selling and salesmanship - Qualities of a successful salesman - Sales promotion methods

Unit V

Pricing - Objectives - Methods of pricing - Pricing strategies - Factors influencing price decision

7BCS3C3 UNIT-I

- Definition of marketing
- Evolution of marketing
- Market segmentation
- Need for marketing segmentation
- Criteria segmentation
- Marketing mix E-marketing

Definition:

According to AMA "Marketing is concerned with the people and the activities involved in the flow of goods and service from producer to the consumer".

The management process responsible for identifying anticipating and satisfying customer requirements profitably.

Classification of Market:

Marketing may be classified into the following headings.

1. **Retail market:**

It is the market where goods are brought and sold in small quantity and are supplied directly to consumers near to home at retail price.

2. **Whole sale market:**

In this market goods are brought and sold in large scale at wholesale price. Generally wholesalers purchase goods directly from the producer of the goods directly from the producer of the goods and are supplied to retainers. He thus plays the role of middleman between retailers and producers.

3. **Stock exchange market:**

It is an organised market. These shares, bonds and debentures of the bonafide trading unit are regularly transacted. Its dealing are carried on within a particular place in which a person can easily covert his securities into cash. There are large number of buyers and sellers who conduct their activities under strict rules.

4. **Foreign exchange market:**

It denotes that market where foreign currencies are bought and sold.

5. **Capital market:**

In this market loans are given to businessman, industrialists and traders for the object of removing financial difficulties and expansion of business.

6. **Money market:**

    This market is the portion of capital market. It provides the financial facilities to various businessman for short period only.

7. **Commodity market:**

    It refers to an organized market where raw materials are transacted with manufacture who offer the goods to consumers in useful form

Objective of Marketing:

The following aims are sought to be achieved by studying marketing.

1. To develop n intelligent appreciation of modern marketing practices.

2. To provide guiding policies regarding marketing procedures and their implementation.

3. To study marketing problem according to circumstances and to suggest solution.

4. To analyze the shortcomings inthe existing pattern of marketing;

5. To enable successful distribution of agricultural products, mineral wealth, and manufactured goods;

6. Enable managers to asses and decide a particular course of action.

Importance of Marketing:

1. Marketing helps to achieve maintain and raise the standards of living.
2. Marketing increases employment opportunities.
3. Marketing increases national income.
4. Helps maintain economic stability and development.
5. Link between producer and consumer.
6. Removes imbalance of supply and demand by transferring surplus.
7. Helps create utilities of time, place and possession

Evolution of Marketing;

1. **Production orientation Era: (1869-1930)**
   The prevailing attitude and approach of the production orientation era was consumers favour products that are available and highly affordable.

2. **Product orientation era:**
   The attitude changed slowly and approach shifted from production to product and from the quantity to quality.

3. **Sales orientation era: (1930-1950)**
   The increased competition and variety of choices/ option available to customers changed the marketing approach and now the attitude was consumers will buy products only if the company promotes/ sells these products.

4. **Marketing orientation era: (1950-1960)**
   The shift from production to product and from product to customers later manifested in the marketing era which focused on the needs and wants of the customers and the mantra of marketers was the consumer is king.

5. **Relationship marketing orientation era: (1960-Present)**
   The following sentences summarize4 the above evolution of marketing.
   1. Production era: 'Cut costs, profit will take care of themselves'.
   2. Product era: 'A good product will sell itself'
   3. Sales era: 'Selling is laying the bait for the customer'
   4. Marketing era: 'The customer is king'
   5. Relationship marketing area: "Relationship with customers determine our firm's future'.

Market segmentation

Market segmentation i the process of taking the total heterogeneous market for a product and dividing it into several submarkets or segments each of which tends to be homogeneous in all significant respects.

Criteria for segmentation:

1. Substantial scope
2. Measurable
3. Accessible to the market
4. Representative nature
5. Growth rate
6. Response rate

Types of segmentation

1. Geographical segmentation
2. Demographic segmentation
3. Product segmentation
4. Economic segmentation
5. Benefit segmentation
6. Socio Volume segmentation
7. Life segmentation

Levels of segmentation

1. Mass marketing
2. Segment marketing
3. Niche marketing
4. Local marketing
5. Individual marketing

Benefits of segmentation

1. Proper choice of target market
2. Tapping a particular market
3. Efficient and economic marketing efforts
4. Benefits to the customer

Need for market segmentation

1. It enables the marketer to have better control over the market
2. It is possible to satisfy the varying needs of the buyers
3. The marketer can adopt the right strategy at right time
4. The resources of the business can be more utilized more efficiently
5. The segment requiring greater attention can be given more weightage

E-marketing

E-marketing (Electronic marketing) are also known as Internet marketing, web marketing, Digital marketing, or Online marketing

Types of E-marketing

1. E-mail marketing
2. Search engine optimization
3. Paid advertising
4. Social media channels

7BCS3C3 UNIT-2

- Functions of marketing
- Buying
- Assembling selling
- Transportation storage and ware housing
- Risk bearing
- Grading and standardisation financing

Following are the main functions of marketing

A)**Function of exchange**

1.Buying
2.Assembling
3.Selling

B)**Function of physical**

1. Transportation
2. Storage
3. Warehousing

C)**Function of facilitating**

1. Financing
2. Risk-tasking
3. Standardizing
4. Grading
5. Market information

A) Function of exchange

1. Buying
2. Assembling
3. Selling

1.Buying

Buying of goods or services is the first and important function of marketing process. Producers, intermediaries, wholesalers and retailers do this function. Producers buy raw materials or semi-finished goods to produce finished and intermediaries buy goods to resell.

Factors to be considered in buying:

1. Quality
2. Quantity
3. Timing
4. Price
5. Source of supply

2.Assembling

Assembling means to purchase necessary component and to fit them together to make a products . Assembly line indicates a production line made up of purely assembly operation. The assembly operation involves the arrival of individual component parts at the work place and issuing of these parts to be fastened together in the form of an assembly or sub-assembly.

Advantage of assembling

1. A manufacture it ensures availability of raw materials and avoids shortage of stock.
2. A trader, who buys from different manufacture, is able to offer choice to his consumed.
3. It results in savings in transportation costs and handing changes for a manufacture as the frequency of buying is reduced.
4. The production of certain goods is seasonal but their consumption is parental.

Disadvantage of assembling

1. Assembling depends much on the avaibility of storage facilities. But proper storage may not allow the performance of assure function.
2. The perishable nature of certain goods may not provide scope for assembling.
3. The certain goods have a tendency to become outdated quickly. The keeping stock of such goods may only result in loss.
4. The quality of certain goods deteriorates with the effetely of time. One their expire date loses.

3.Selling

The process of transferring ownership of goods from the seller to the buyer is called selling. Selling starts after production and the philosophy of selling is profit maximization.

Steps of the selling

1. Finding a buyer
2. An agreement between the seller and the buyer on quality, quantity, price, plant of delivery of goods and also the mode of payment.
3. The contract of sale provides for certain condition and warranties to be fulfilled by the seller.

B) Function of physical supply

The term physical distribution is used, generally to describe a series of interrelated activities. It was described as the other hall of marketing. This function is merely one of a number of sub-system that comprise the total business activities.

1. Transportation
2. Storage
3. Warehousing

1.Transportation

The goods produced in a particular placed are not consumed there itself. From the place of production the goods need to be taken to the various consumption centres.

It creates place, utility transportation is essential from the procurement of raw material to the delivery of finished products to the customer's places. Marketing relies mainly on railroads, trucks, waterways, pipelines and air transport.

Function of transportation

1. It helps the business to carry the goods to the various consumption centres.
2. It makes available goods at the doorstep of the consumer.
3. The market for the goods by catering to buyer in different regions
4. It helps those business are easily perishable goods in nature by carrying these to the market at right time.
5. It creates place utility by bridging the gab between the production and consumption centres.

6. It is only development of the transportation system that has given the buyers access to international brands of goods.
7. It also offers employment opportunities to many.

Classification of transport:

1. Road transport
2. Rail transport
3. Sea transport
4. Air transport

The type of transportation is chose on several considerations such as suitability, speed and cost. Transportation may be performed either by the buyer or by the seller. The nature and kind of the transportation facilities determine the extend of the marketing area, the regularity in supply uniform price maintenance and easy access to supplier or seller.

Storage

Storage is major marketing function which involves the utilization of substantial manpower and capital resources. The ultimate consumer finds it necessary to purchase some goods in advance of needs and to store them for the future use. The maintenance of stock of raw materials and finished products call for storage.

Functions of storage

1. To preserve goods that is produced only during a particular season, but demand throughout the year (agricultural goods).
2. To preserve goods that is produced throughout the year. The demand during a particular season (crackers, umbrellas)
3. To enable businessmen to make speculative gain and to wait and sell at a higher price.

Warehousing

Goods may be stored in various warehouse situated at different places, which is popularly known as warehousing. Warehouses are required to store the goods for the adjustment of supply to demand.

Different kinds of warehouse:

1. private warehouse (own use)

2. public warehouse (any individual or business units and controlled by the govt.)

3. bonded warehouse (it is located near by ports)

C) Function of facilitating:

There are different facilitating functions of marketing:

1. Financing
2. Risk- talking
3. Standardizing and grading
4. Market information

1. Financing

The whole modern production and marketing mechanism is based on credit and money. No person can think of conducting business without sufficient finance. The business needs finance for various purpose, one such purpose for marketing. There is wide gap between the production of goods and consumption of goods. So the product, distributing and consuming require large funds.

2. Risk – taking (insurance)

When the goods are sent by the seller to the buyer through rail, road and ship, there may be risk of loss. the goods may be lost or damaged or destroyed by sea perils, flood, fire, theft, storm and change in the temperature. So insurance provides safely against any unforeseen circumstances and ways to the business people to cover losses or dangers.

3. Standardizing and grading

A standard provides the basis that credit enables the consumers to make a comparison between goods. Whether a product conforms to the expected quality and the price paid is justified. Standardization is relevant for consumer and industrial goods.

Grading is a reality a part of standardization. It is process which tests the conformity of commodities to standards that have been previously set up. Product of agriculture and the extractive industries are usually graded according to general standard. Grading may be based on shape, size, colour, strength, appearance, specified gravity and chemical contents.

Advantage of standardization and grading

1. Standardization and grading facilitate buying and selling of goods by sample or description. When goods are of standardization quality, customers do not insist on detailed inspection.

2. Standardization goods sell better and fetch a better price to seller because customers have more faith in them.

3. Transportation, storage and advertising expenses can be reduced by handing different grades or lots.

4. Standardization goods enjoy a wider market.

5. Standardization and grading facilitate trading of goods on the commodity exchange. Hedging future trading and price comparisons become easy.

Market information

The marketer requires lot of information about the market. Such information helps him taking certain important decisions, “ information generally requires “.

1. Substitutes available
2. Demand
3. Taste and preference of the customer
4. Positive and negative aspects of the product
5. Views of the retailers.

7BCS3C3 UNIT-III

- Product policy
- Branding and packaging
- Introduction of new product
- Product life cycle
- Classification of consumer goods

Product:

A Product is a bundle of physical service and symbolic particulars expected to yield satisfaction or benefits to a buyer.

New product:

- Products which are really innovative truly unique.
- Imitative products which are new to company but not need to the market
- Adaptive replacement of existing products,

Product policies:

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

Elements of a good product policy:

- Product planning and development.
- Product line
- Product mine
- Product branding
- Product style
- Product positioning
- Product packaging

New product planning:

The act of making out and supervising the research screenings development and commercialisation of new products the modification of existing lines and the discontinuance of marginal or unprofitable item.

Development of a new product:

- Idea generation
- Screening of ideas
- Business analysis
- Product development
- Test marketing
- Commercialisation

Product image:

- Needs
- Wants
- Personality
- Prestige
- Income
- Education

Level of a product:

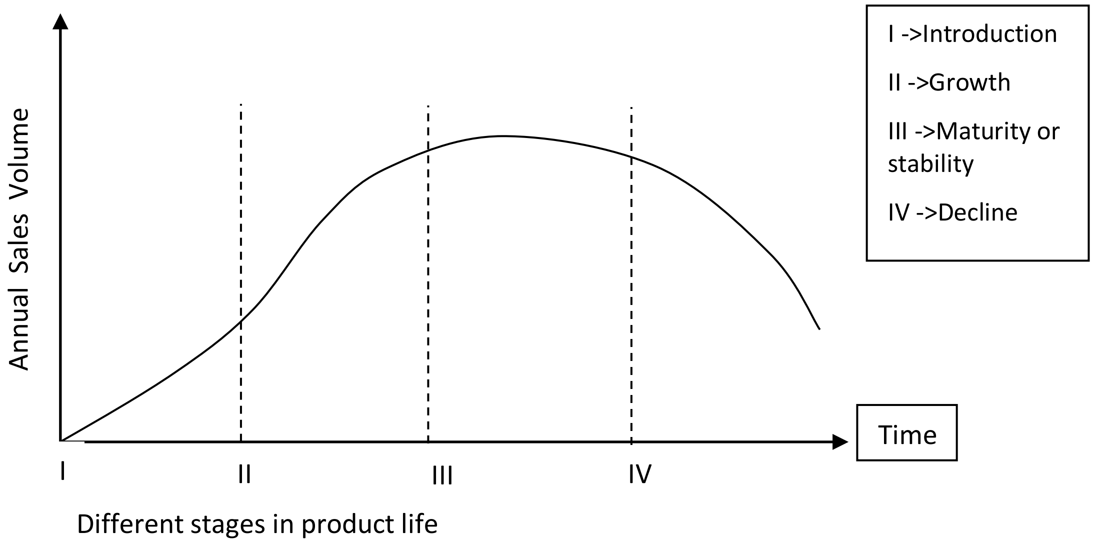
- Potential product
- Augment product
- Expected product
- Basic product
- Core benefit

Product concept:

TANGIBLE PRODUCT	EXTENDED PRODUCT
Colour	Image
Design	Status
Quality	Guarantee or warranty
Size	Delivery
Weight	Insatallation
Features	Credit
Materials	After sales service
Branded name	Spares

Product life cycle (PLC):

A product passes through different stages in the life. That stages collectively known as product life cycle. Products have length of life. This length of life to product is known as product life cycle.



Consumer goods:

Those goods which are directly consumed or use by the buyers without any commercial processing are known as consumer of goods.

Classification:

- Convenience goods
- Shopping goods
- Speciality goods
- Impulse goods

i)Durable goods:

Motor car, Furniture, Clothing

ii)Non durable goods:

Medicines, Toiletries

Features of a product (or) Characteristics of a product:

- Tangibility
- Intangibility attributes
- Buyers buy the benefits
- Exchange value
- Consumer statisfaction

Product branding:

- Branding is the practise of giving a specified name to a product of one seller. Branding is the process of finding an fixing the means identification. The essence of branding is identification of particular products from among rival products.
- Branding is a general name describing the establishment of a brand mark or trade mark for a product.

Function of branding:

- It is helps to identify a product.
- It helps to identify the manufacturer also.
- It helps to distinguish between competing products in the markets.
- It enables the buyers to buy quality goods.
- It gives legal protection to the manufacturers.
- It helps in packing, labelling, advertisement and in all sales promotional activities.

Advantages of branding:

- It gives item to legal protection.
- It helps to secure goodwill for their business.
- Can easily find out the fast moving brands.
- The buyer can buy with confidence.
- The buyer can buy a brands product from any shop.

Disadvantage of branding:

- The product price tends to go up.
- It involves heavy expenditure and sustained effort to establish a brand.
- It imports a sort of rigidity to the product.
- The selection of a proper brand name also creates problem.

Characteristics of a good brand:

- It should be just appropriate for the product (for example – All out).
- It should be easily to remember.
- It should be suggestive. (For example- Fair and lovely face cream)
- It shoud be aeasy to pronounce. (Illiterate person).
- It should be cabable of being registered and protected legally.

Product packaging:

- Packaging means wrapping of goods before they are transported or stored or delivered to a consumer. Packaging is the sub division of the packing function of marketing
- Packing has been defined and activity which is concerned with protection, economy, convenience and promotional consideration .

Function of package:

- To protect the contents from getting spoiled or Damaged.
- To allow easy handling of certain bulky goods like rice , wheat,sugar etc.,
- To facilitate transportation of goods to different Places.
    - To allow space also for pasting label .
    - To facilitate self service .
    - To scope for reuse

Characteristics of good package:

- Attract attention
- Clean and sanitary
- Establish idendity
- Develop and sustained interest
- Convenient to handle
- Enhance the image of the product

Kinds of package:

1. **Consumer package;**
   It refers to the package which holds the required volume of product for house hold consumption for example ; tooth paste

2. **Family package;**
   The different products of a particular company are packed in a uniform way. Application of the same materials and method of packaging for all products is called Family packaging for example ; Tata oil, shampoo.

3. **Dual use package;**
   It is also known as reuse package. It refers to package that could be reused after its contents are fully consumed. For example; glass jars, plastic containers, and cotton bags.

4. **Multiple packages;**
   The method of placing several units in one container is known as multiple packaging. For example; baby's care set, cosmetics and perfumes set.
5. **Bulk package;**
   Bulk package is useful for supplying the product to the industrial consumers in large quantities, similarly, bulk package is used for loose dispending by the dealers.

Object / important of packaging :

- To protect the product during transportation from the producer to the final customer.
- To prevent persons from tampering the products.
- To ensure that the packaged goods are convenient in handling.
- To differentiate the product from that of competitors.
- To appeal to the buying motives of the purchases.

Criticism of packaging:

- Packaging depletes the natural resources realising this criticism against packaging, modern manufacturers use recycled materials for packaging their products.
- Packaging is an expensive process. It adds to the cost of the product.
- Some form of plastic packaging poses health hazards to users. Sometimes, packaging is deceptive and misleads the buyers.

Packaged product regulation, 1975 came in to force on 28th july 1975. The following are some important provisions of the act.

- Identification of packaged item.
- Measure of the packaged product.
- Date of packaging with month and year.
- Selling price of the packet
- Each packet would contain the manufacturer's full name and address.
- The weight mentioned on the packet would not be conditional.
- The price of the packet would not include local taxes.

7BCS3C3 UNIT-4

- Promotion
- Advertising
- Advantages
- Various media of advertisement
- Personal selling and salesmanship
- Qualities of a successful salesman
- Sales promotion methods

Promotion policy

Physical distribution involves planning, implementing and controlling the physical flow of material and finished goods from points of origin to points of use to meet customer needs at a profit.

Physical distribution as a part of the marketing mix

Channel of distribution

1. Retailers
2. Wholesalers
3. Middlemen

Promotion mix

1. Advertising
2. Sales promotion
3. Personal selling
4. Publicity

Promotion mix

According to the American marketing association, promotion is "the personal or impersonal process of assisting and/ or persuading a prospective customer to buy a product or service or to act favourably upon the idea that idea that has commercial significance to the seller".

Elements of promotional mix:

There are various tools and elements available for promotion. These are adopted by firms to carry on its promotional activities. The market generally choose a combination of these promotional tools.

Following are the tools or elements of promotion They are called elements of promotional mix.

A. Advertising
B. Sales promotion
C. Personal selling
D. Publicity
E. Public relation

Objectives of advertisement

1. Effect of advertisement on values, materialism and life styles.
2. Advertising encourages sae of inferior and dubious products.
3. Advertising confuses rather than helps.
4. Some advertisements are in bad taste.

Feature of advertising

1. Paid form: The sponsor has to pay for advertising he has to bear a cost to communicate with customers.
2. Impersonality: There is no face to face contact between customers and advertiser. It creates a monologue and not a dialogue.
3. Identified sponsor: Advertisement is given by an identified company or firm of individual.

Kinds of Advertising

Advertising may be classified into following categories

1. **Product Advertising**
   Normal characteristic of advertising is to create primary demand for a product category rather than for a specific brand (e.g. dalda, Dettol, Horlicks). In short, where the company tries to sell its product or services through advertising, it may be referred to as product advertising.
2. **Institutional advertising**
   Where the objective of advertising is to the project the image of a company or its services, it is called institutional advertising. These, advertisements are not always directed only to customers.
3. **Primary demand Advertising**
   It is intended to stimulate primary demand for a new product or a product category. It is heavy utilized during the introduction stage of the product life cycle.
4. **Selective or competitive advertising**
   When a product enters growth stage of the life cycle and when completion begins, advertising becomes competitive or selective.

5. **Comparative advertising**

This is a highly controversial trend in competitive market that is recently noted. Such type of advertising stress on comparative features of two or more specific brands in terms of productive / services attributes.

6. **Co-operative advertising**

The certain products are jointly advertised by the manufactures and dealers together. Such advertising is what is known as collective or co-operative advertising. The manufactures of car, motorcycle are TV also.

7. **Non-commercial advertising**

Such advertisements are brought out by charitable organization mainly to secure financial help from philanthropists.

Benefits of advertising (significance)

Benefits to the manufactures

1. It helps to introduce a product in to the market.
2. It helps to create primary demand for a product.
3. It includes buyers to buy and there by increase the sales volume.
4. It is vital to maximize sales during festive times.
5. It is required to inform the buyers about product modification and alternative.

Benefits to the dealers

1. It facilitates selling
2. It helps to achier a higher turnover of inventory.
3. It supplements the selling efforts of dealers
4. It helps them to get product information from the manufacture and pass itself on to the customers.
5. It helps to enhance the prestige of the dealers.

Benefits to the consumers

1. It gives product information to the buyers.
2. It indirectly assures quality of goods.
3. When and from whom they can buy the goods and at what price.
4. It helps them to compare the relative merits of the substitutes available in the market.

Benefits to the salesman

1. It prepares the necessary ground for the salesmen to start their work.
2. It reduces selling efforts as advertisements has already made the products popular.
3. The contacts established with the customer by a salesman is made permanent through advertising.
4. The salesman can weight the effectiveness of advertising when he makes a direct contact with the customer.

Different media of advertising

There is no dearth of media today. The media are broadly classified into direct and Indirect. Direct method of advertising refers to such method used by the advertiser with which he could establish a direct contact with the prospects, e.g., Direct mail.

Indirect method, o the other hand, involves the use of a hired agency for spreading the information. Most of the media are direct in nature, e.g., press publicity, cinema etc.

The various media that are commonly used are:

1. Press publicity
2. Direct mail
3. Outdoor publicity
4. Audio-visual methods
5. Point of purchase advertising
6. Speciality advertising

1. **Press publicity**

This remains the most popular method of publicity today. Newspaper and magazines have become a part of the cultural and political life of people now. Press publicity takes two forms

   a. Newspaper
   b. Magazines

2. **Direct mail**
   1. Directness- The message is directly addressed to the prospective customers.
   2. Flexibility- The message could be changed or altered to suit different conditions.
   3. Time lines- Advertising could be timed according to the wishes of the advertiser.
   4. Economical- cheap compared to other forms of advertising.
   5. Personal appeal- The greatest attraction of this method is its capacity to create and maintain personal contact.

3. **Outdoor advertising**

It is oldest form of advertising and remains the most common medium even today. Press publicity is basically 'indoor advertising', as papers are generally read indoors. Outdoor advertising projects the message to a large number of people of heterogeneous interests. The products that need a wide appeal use this method.

4. **Audio-visual methods**

Advertising could be effectively carried out through the use of motion pictures or cinema. Though it is comparatively a new medium, it has become one of the popular ones.

5. **Point of purchase advertising (P.O.P)**

This is a direct method because the advertising process is undertaken by the dealer. There are various forms commonly known as 'store display'. It is also powerful medium. It is observed that the point of purchase is the exact where the prospects are reminded finally about a product.

Sales promotion

a) Short and immediate effect on sale.
b) Stock clearance is possible with sales promotion.
c) Sales promotion techniques induce customers as well as distribution channels.
d) Sales promotion techniques helps to win over the competitor.

7BCS3C3 UNIT-5

- Pricing
- Objectives
- Methods of pricing
- Pricing strategies
- Factors influencing price decision

PRICING POLICY

Prices is the exchange value goods and services in terms of money. It us the amount paid for the value and utility received by the buyers in the form of a product or service.

Importance of price

The market price of a product influences wages, rent, interest and profits. The price is a matter of vital important to the buyer and the seller. The price of a product influence the price paid for the factor of production .

Objectives

1. Profit maximization in the short-term
2. Profit optimization in the long-run
3. A minimum return on investment
4. A minimum return on investment
5. Target sales volume
6. Deeper penetration of the market
7. Entering new markets
8. Target profits on entire product line
9. Checking competition
10. Economic development etc.,

Factors affecting pricing decisions

A. Internal factors

Those factors, which are well within the control of the business (organization), are called internal factors.

1. cost

2. pricing objectives

1. cost:

A conventional approach to the determination of price for a product is based on its cost of production and distribution. All that us done here is to add up the cost incurred (materials cost, labour cost, administration overhead, selling and distribution overhead) and divide the same by the number of units produced. This will give us the cost per unit of output.

2. pricing objectives or strategies

(a) skim the cream policy

This policy of fixing a very high initial price that skims the cream of demand at the outset. This result in enormous profits to the marketers at the initial period.

(b) market penetration

This method is the opposite of the skim the cream technique. Here low price is used as the major tool for rapid penetration of a mass market and is based on a long – term view point.

(c) Return on investment

Every business expects a certain rate of return on the investment made very year. The rate of return is expressed in percentage terms.

For example, a business may expects 20% or 30% return on its investment every year, it the capital investment 10 lakhs.

(d) market share:

A business is aiming only for a small share of the market i.e. catering to the needs of a certain category of buyers only. The price of its product has to be naturally high.

For example, the price of certain luxury models of cars “ford icon” very high not only due to higher produvtion and distribution costs.

(e) preventing competition:

The goal of a business is to prevent its competitiors from gaining upper hand. It will probably keep the price of its product low. Such strategy will certainly work if the market consist mainly of middle and lower income buyers and the business is able to offer the product at a price lower than that of the competitors.

(f) meeting competition:

The aim of the marketer is just to meet competition his price, his price will fall in line with that of the competitors.

For example, the market for "soft drinks" one can find uniform price for the various brands.

(g) stability in price:

A marketer, who is aiming for a stable price for his product, will keep it unchanged over a fairy longer period of time. It ignores all other factors like, demand, competition etc, and is determined to keep his price stable.

(h) maximizing profits:

(i) large scale production

(ii) curtailing the cost of production and distribution

(iii) maximizing sales

(iv) increasing the market share

The price mechanism may be used as a tool to maximize profits. By fixing the price low, the marketer can attract more buyers and make more profits.

B. External factors

1. **Demand:**

   The demand for a product is nothing but a buyer desire to have a product backed by his ability and willingness to pay for it. The law of demand says that the quantity demand of a commodity will be less its price increase, it will be more when the price decreases, other things (tastes and preferences of the consumer's competitive pressures etc..). There is an inverse relationship demand and price.

2. **Competition:**

   Another factor that influences pricing is competition. No manufacture is free to fix his price without considering competition, unless he has a monopoly. A monopolistic market (market for most consumer products like soaps, toothpaste, etc, and also durable like tv, fridge etc) allow price difference. An oligopoly market ensures uniform price throughout the market. Oligopoly markets there are only a few sellers.

3. **Middlemen:**

   The goods produced by a manufactures are not directly marketed by him. The wholesalers buy in bulk from the producers and sell in small quantities to the retailers. It is only from the retailers that the consumer buys. There are also other intermediaries in the market like, brokers, commission agents. All the intermediaries have to be paid for their services. All these charges come to be include in the price and it is only the ultimate consumer who finally bears the burden.

4. **Government regulation:**

   The government does regulate business activities. The excise and customs duties payable by the producers to the government. The producers usually shift their burden on the consumers by increasing the price. The sales tax is increased by the government the burden will again fall only on the consumer.

5. **Political condition:**

The political condition, prevailing both the national and international level, influencing price. The share market is particular reduce to political changes. The changes in the portfolios f ministers may influence share price.

Kinds of pricing

1. **Odd pricing**

The term ‘odd prices’ is used in two ways. It may be a price ending in an odd number or a price just under a round number. Such a pricing is adopted generally by the seller of speciality or convenience goods.

For example, a shoe manufacturer pricing one of his products at,say,Rs449.95.

2. **Psychological pricing**

The price under this method is fixed at a full number. The price-setters feel that such a price has an apparent psychological significance from the viewpoint of buyers.

For example, it is stated that there are certain points at prices such as 1,5 and 10.

3. **Customary pricing**

Customers expect a particular price to be changed for certain products the prices are fixed to suit local condition. The customers are familiar with the rates and market conditions.

For example, soft drinks are also priced in the same manner. Such a pricing is usually adopted by chain stores.

4. **Skimming pricing**

It involves a high introductory price in the initial stage to skim the cream of demand and to reduce the price gradually as competitors enter the market. This has been explained by William J. Stanton as 'Skim-the-cream-pricing'.

5. **Penetration pricing**

This method is opposite to the skimming method. A low price is designed in the initial stage with view to capture greater market share. In the case of penetration pricing, although, profits are sacrificed in the initial years, profits are expected to accrue in the long run.

6. **Geographical pricing**

The distance between the seller and the buyer is considered in geographical pricing.

7. **Administered pricing**

Administered price is defined as the price resulting from managerial decision and not on the basis of cost, competition, demand etc.,

8. **Dual pricing**

It refers to the practice of some marketers who quote two different prices for the same product; one may be for bulk buyers and one for small quantity buyers. In other words, a producer is required compulsorily to sell a part of his production to the government.

9. Mark-up pricing

This method is also known as cost plus pricing. This method is generally adopted by wholesalers and retailers.
For example, an item that costs Rs.75 is sold for Rs.100; the mark-up is Rs.25 or 25%.

10.Price lining

This method of pricing is generally followed by the retailers than wholesalers. Pricing decision are made initially and remain constant for a long period.

11.Negotiated pricing

This method is invariably adopted by industrial suppliers. It is also known as variable pricing. The price is not fixed and the price to be paid on sale depends upon bargaining.

12.Monopoly pricing

The price fixed by a marketer who has no competition in the market is known as monopoly pricing. Monopolistic conditions exist where a product is sold exclusively by one producer or seller.

13.Oligopolistic pricing

Oligopoly is a competitive market situation and the presence of a few large sellers, who compete for larger market share.

14.Expected pricing

The price fixed for a product based on the expectations of the consumers is known as expected pricing.

15.Free on board

Such a pricing has relevance when goods are to be transported to the buyer's place. In case of FOB origin, the transit charges will be born by the buyer himself and in the case if FOB destination, he need not pay the transit charges.

Distinguish between skimming pricing and penetration pricing

SKIMMING PRICING	PENETRATION PRICING
1.Setting a high initial price	Setting a low initial price
2.Suitable for the market which is not sensitive to price.	Suitable for the market which is very sensitive to price.
3.It is preferred when the marketer is doubtful about the correct price.	It is preferred when the marketer faces constant threat from competition.
4.It has to take the cream of the market.	It helps the marketer to find a pace in the market.
5.It will certainly after scope for price reduction when necessary.	As the initial price itself is low, the question of price reduction does not arise.

Pricing policies;

Pricing policies are more specific than the objectives and dea with the situations in the foreseeable futures that generally recur. Pricing policies provide the framework and consistency needed by the firm to make reasonable, practicable and effective pricing decision.

The following are policies recognized for pricing.

1. Cost-oriented pricing policy
2. Demand-oriented pricing policy
3. Competition-oriented pricing policy

1. Cost-oriented pricing policy;

It is also referred to as ‘Cost-plus’ pricing. This pricing method assures that no product is sold at a loss, since the price covers the full cost incurred.

2. Demand-oriented pricing policy

Under this method of pricing, the demand is the pivotal factor. Price is fixed by simply adjusting it to be market conditions. A high price is charged when or where the demand is intense, and a low price is charged when the demand is low.

3. **Competition-oriented pricing policy**

Most companies set prices after a careful consideration pf the competitive price structure. Deliberate policies may be formulated to sell above, below, or generally in line, with competition. One important feature of this method is that there cannot by any rigid relation between the price of a product and the firm's own cost or demand.