Chapter- 5

Concept of Market

MARKET

- The word market is derived from the Latin word 'Mercatus' meaning merchandise ware traffic trade or a place where the business is conducted.
- So a market involves:
- Buying or selling of the products or services.
- Buyers and sellers meet face to face or go through any other means of communication.
- Buyers and sellers may be involved during the transaction however in the case of e-commerce the buyers and sellers need not be involved.
- Demand and supply reach an equilibrium state and the prices are competitive.
  The market is an old concept.
- Markets make the economy powerful and protect them from fluctuations.

TRADITIONAL MARKET

- Barter system was in place.
- Agriculture cum handicraft economy.
- Confined to limited areas.
- American market association: At every point where a specific commodity is concentrated for sale a market is found.
- So a traditional market comprised of:
- ❖ Place goods were accumulated at specific place buyers and sellers would gather at this place to conduct the transaction.
- ❖ There were different markets for different commodities.

MARKET OF the SEVENTIES/ EIGHTIES

- Size and character of the market in many countries of the world changed enormously
- Industrial activity intensified in terms of quality quantity variety competition emerging laws
- Manufacturers produced what the consumer wanted.

- The market was no longer a geographical place but was meeting of:
- Buyers and sellers for a given commodity.
- Who remain in close contact through phones, e-mails.
- The place could be regional, national, or international.
- Competition increased further.

NEWMARKET

- The market is not restricted to a particular place but a region
- Free access
- This accessibility enables the forces of demand and supply to operate and determine competitive prices
- The whole region was a market now.

E-BUSINESS

- E-business refers to carrying on business activities both industrial and commercial through a computer network. E-Business involves not only buying and selling but through the strategic use of electronic information, it enables an organization to achieve objectives like creating new products and services, reaching new markets, enhancing organizational competitiveness, building new relationships between organizations and customers, etc.

ROLE OF E-BUSINESS

- The quick solution to doubts: E-business allows quick response to the queries and outs of customers and other business houses that facilitating sales by increasing customer satisfaction.
- Updated information: A company's website which can be accessed from anywhere in the world provides the first-hand latest information about the price of the product discount offered quality features range available to the customers nearly at the click of the mouse.
- Extending markets: Because of e-business the markets have become global sales can be made to customers spread all over the world.

- Shortening of distribution channels: With the advent of e-business producers have started having direct contact with the consumers, resulting in the reduction of middlemen and related costs. This shortening of distribution channels has benefited both the consumers as well as the producers.
- Saving of time and cost: Customers now do not have to physically visit the market to purchase goods. They can now purchase the goods online because of e-commerce the savings time cost and energy.
- Less risk in payments: Under e-business, payment can be made on the internet through the medium of credit cards and debit cards issued by the bank.
- Easy to launch new products: Any company can launch its new product in the market through the medium of e-business much more easily.
- Lower personnel cost: The number of personnel required decreases with the help of e-business because a single computer is good enough to do the job of many employees more quickly and correctly. This helps the entrepreneur in lowering the cost of production and raise sales.

MARKET ENVIRONMENT

- It refers to the factors and forces that affect a firm's ability to build and maintain successful relationships with customers. A variety of environmental forces influence a company's marketing system.
- Some of them are controllable while some others are uncontrollable.
- It is the responsibility of the marketing manager to change the company's policies along with the changing environment, or else be left behind in the market.

CLASSIFICATION OF MARKET ENVIRONMENT

- Microenvironment
- Internal environment
- External environment
- Macro-environment

MICRO ENVIRONMENT

- This environment is made up of factors that are close to the firm and affect it on a day to day basis. Usually, these factors interact with the firm or are involved in the same industry.
- The microenvironment is further classified as:
  - Internal environment
  - External environment

INTERNAL ENVIRONMENT

- This environment is made up of factors within the firm itself.
- The internal environment comprises of:
  - Value system
  - Vision, mission, and objectives
  - Management structure and nature
  - Company image and brand equity
  - Internal power relationship

EXTERNAL ENVIRONMENT

- This environment at the micro-level is made up of individuals and organizations that are close to the business and directly impact the customer experience.
- It comprises of
  - PRODUCERS/ SELLERS: Successful companies are those that can recognize and respond profitably to unmet needs and trends. The producers, who keep themselves aware of market needs and trends, give a solution for the unmet needs, identify opportunities and threats in the environment, and are capable of ruling the market.
  - CUSTOMERS: The consumer is the king. He is the most influential force which rules the market. A business exists only because of its customers. Demand from the consumer directly affects an enterprise's profitability, reputation, and goodwill, expansion plans.
  - COMPETITORS: They are such factors in the external microenvironment that provide similar offerings for goods and services. To remain competitive, an enterprise must consider who their biggest competitors are.

- SUPPLIERS: A business is essentially a resource conversion machine that converts material, machines, labor, funds into useful products and these resources are obtained from the suppliers. So suppliers are also the key components in the environment.
- MARKETING INTERMEDIARIES: These intermediaries aid a business in promoting, selling, and distributing its goods to final buyers.

MACRO ENVIRONMENT

- It is also known as the general and remote environment and refers to factors that affect a business in general.
- The macro forces are uncontrollable factors and therefore, the success of a business depends on its adaptability to this environment with the help of microenvironment forces. Different forces are working in this environment.
- DEMOGRAPHIC FORCES: These forces refer to the human population in terms of size, density, location, age, gender, etc. The demand for a product or service depends on the people and their characteristics. Therefore, demographic forces are important factors of the macro environment.
- ECONOMIC FORCES: These factors are important as they affect the purchasing power of the customers and how they spend their income. These factors include the structure and nature of the economy, the stage of development of the economy, economic resources, the level of income, the distribution of income and assets, economic policies of the government, etc.
- TECHNOLOGICAL FORCES: Technology is one of the important determinants of the success of a firm as well as the factor affecting the economic and social development of a nation. These factors help a business to gain a competitive edge over its competitors.
- POLITICAL FORCES: This factor is very important as the fate of the business and markets depends to a large extent upon the political conditions of areas where they are situated. As laws and regulations change often, this is a very important aspect for a marketer to monitor.
- NATURAL FACTORS: These factors include the natural resources that a company uses as inputs and affects their marketing activities.

- CULTURAL FACTORS: The cultural environment consists of institutions and basic values and beliefs of a group of people. The market reflects the values of the target audience; therefore, a marketing manager must study the society in which he operates.

MARKET RESEARCH

- Marketing research is the process of collecting valuable information to help a business to find out, if there is a market for its proposed product/ service or not.
- The information gathered from market research helps potential entrepreneurs to make wise and profitable business decisions.
- It is a wide term. It includes:
- ➢ Market research
- ➢ Product research
- ➢ Consumer research
- Marketing research is a tool for accurate decision making as regards the marketing of goods and services, and is used to:
- ➢ Identify and define marketing opportunities and problems.
- ➢ Generate, define, and evaluate marketing actions.
- ➢ Monitor marketing performance.
- ➢ Improve understanding of the market as a process.

IMPORTANT ROLE OF MARKETING RESEARCH

- Planning and execution of marketing plan: Business can plan and execute all activities on time with accuracy is because of the information made available through marketing research.
- Quick and correct decision making: Marketing research facilitates quick and correct decision making by providing marketing managers with accurate and relevant information about the market.
- Effective solution of marketing problems: Marketing research diagnoses the business ailments and suggests a remedy to remove them.
- Social significance: It acts as a means by which the ultimate consumers become the king of the market place.

MARKETING RESEARCH PROCESS

- Identifying and defining a marketing problem
- Specifying the information requirement
- Developing the research design and research productivity.
- Select the research instrument, sample type and size to be used
- Analyzing and interpreting the information
- Summarize the findings
- Preparing a research report

CHARACTERISTICS OF GOOD MARKETING INFORMATION

- Relevant: The information should be relevant for the purpose for which it is required.
- Clarity: The information presented should be clear and precise.
- Completeness: Information should contain all the details required by the user; otherwise it may not be useful as a basis for decision making.
- Precision and accuracy: information needed should be precise and accurate.
- Objective: Information should be collected, keeping in mind a well-defined objective. Information collected without an objective is irrelevant.
- Confidentiality: Information should be kept confidential, otherwise it could be used by competitors and the desired result could not be achieved.
- Strategic value: The relative value of information for decision making can increase or decrease its value to an organization.
- Reliability and authenticity: Reliability deals with the truth of the information.
- Punctuality: Information should be made available on time for the purpose for which it is required.
- Economy: Information should be made available within set cost levels that may depend on individual situations.

RESEARCH INSTRUMENTS

- Market survey
- Observation
- Experimental research

- Organizational analysis
- Case studies
- Interviewing
- Content analysis

MARKET SURVEY

- Market survey is an organized and in-depth approach, which includes all the research activities involved with extracting out carefully the information for not only the first time but directly from the sources.
- Market survey is just one method/technique of collecting information required for carrying out a given marketing research task. It is used if the required data is not available either from:
  - The company's internal records, or
  - The external published resources.

COMMON METHODS USED FOR SURVEYING

(i) Personal interviews

(ii) Telephonic interviews

(iii) Direct mail interviews

(iv) Fax/E-mail interviews

(v) Online interviews

(vi) Questionnaire Development

(vii) Fieldwork

STEPS IN A MARKET SURVEY

Step 1 - Planning the Survey:

- The entrepreneur must, first of all, decide what is it, he/she wants, or needs to know about the market.

Step 2: Field Work

- Fieldwork calls for a lot of managerial and administrative skills apart from research skills.

Step 3: Analysis and Interpretation of Data:

- The raw data serves no purpose. The entrepreneur either by using a software program or by hand, tabulate the collected data. Carefully he should analyze the data.

Step 4: Report Making:

- In this step, the findings are summarized and recommendations are made.

IMPORTANCE OF MARKET SURVEY

(i) Customer is the King:

- To know accurately the customer's needs, nature of demand likes and dislikes so that goods are produced according to their aspiration and this information is provided by market survey.

(ii) Risk reduction:

- The systematic and intelligent use of a market survey can reduce/minimize the risk of decision making under the conditions of uncertainty as results are analyzed to finalize a business plan.

(iii) Helps to attain objectives:

- As a market survey starts with a customized design created to meet the entrepreneur's and his enterprise's specific needs and strategic objectives, the attainment of goals happen smoothly and timely.

(iv) Market Overview:

- A market survey is a systematic collection, recording, analysis, and interpretation of data, relating to the existing or potential market and various forces of the market based on the information composed from the survey.

(v) Forecast:

- The market survey provides an accurate effective and timely sales forecast and promotes the soundness of marketing decisions which is key for the success of any enterprise.

(vi) Facilitates Decision – Making:

- Helps in Short and long term forecasting, Comparative effectiveness studies, Packaging research, pricing studies, Distribution channel strategies, etc.

TYPES OF MARKET SURVEY

- There are two types of market surveys: -

a) The census

b) The sample

- Whether a census or sample survey, the objective is to produce information with:

(i) The required degree of accuracy

(ii) Within the planned period

(iii) Keeping the expenditure to the minimum

EXPANDING MARKETS

- To survive in the changed and changing environment, a business enterprise needs to be strong enough to cope with the challenges before it. Normally, any company has only two options either—

(a) Withdraw or

(b) Fight

- There is no fun in surrendering before a war. Therefore, it is better to plan:

(a) Sharper focused on competitive strategies to face new competition.

(b) Tone up the existing strength and leverage the first-mover advantage.

(c) Realize the need for growth of business enterprises.

STRATEGIC ALTERNATIVES BEFORE AN ENTERPRISE

- Entrepreneurial Strategy represents the set of decisions, actions, and reactions that first generates and then exploit over time, a new entry in a way that maximizes the benefits of newness with minimizing its cost. But whether associated with a new product, a new market, and/or a new organization, "Newness" is like a double-edged sword – to be used carefully and tactfully.
- The corporate strategies a firm can adopt, have been classified into four grand categories:

(i) Stability maintain strategies

(ii) Expansion – growth strategies

(iii) Retrenchment/Divestment strategies

(iv) Combination strategies

STABILITY MAINTAIN STRATEGIES

- Stability means not changing the present level of operations either in form or in character.
- Entrepreneurs follow this strategy in the beginning because this strategy is:
  - Less risky
  - Easier and comfortable
  - Unconsciously pursued
  - Defensive and satisfactory
  - Enhances functional efficiencies

EXPANSION GROWTH STRATEGY

- Expansion is one of the forms of internal growth of the business. Mostly, it means enlargement or increase in the same line of activity. Expansion of an enterprise can be both domestic as well as international.
- Growth/expansion strategies are the most popular and commonly used strategies by all organizations because:

(a) A Healthy firm normally has a natural desire for growth.

(b) Growth is essential for survival because if a firm does not grow when competitors are growing, it might lose its competitiveness.

(c) A company needs growth to increase its market share.

(d) Market leadership is an objective of growth for several companies.

(e) A company needs to diversify its business to minimize risks.

MARKET EXPANSION GRID

- It is also referred to as; —Ansoffs Product Grid is a very useful framework for detecting new intensive growth opportunities. It's believed that there are three expansion options:

A) Intensification

B) Integration

C) Diversification

INTENSIVE EXPANSION

- The intensive expansion means the enterprise increase the sales of its existing product by enlarging the existing markets.
- **Penetration Strategies:**
- A strategy to grow by encouraging existing customers to buy more of the firm's current product is said to be a penetrating strategy. Here, the enterprise strives to increase the sale of the current products in the current markets by following approaches:
- Encourage frequency of use
- Attract new clientele
- Attract Competitors Customers
- **Market Development Strategy:**
- Market development strategies involve selling the firm's existing products to new groups of customers. It implies exploring new markets for the existing product – both nationally, internationally. The new groups of customers can be searched in terms of:
- New demographic market
- New product use
- New geographical market

GLOBAL MARKET

- One of the ways to find a new geographic market for your product is to go ‘global’.
- Major decisions in international marketing:
- Strategically, logically whether to go abroad or not
- Which markets to enter
- How to enter the foreign market?
- The marketing program
- Marketing organization.

METHODS TO ENTER GLOBAL MARKET

- Indirect export
- Direct export
- Licensing

- Contract manufacturing
- Joint ventures
- Direct investment

PRODUCT DEVELOPMENT STRATEGIES

- It implies developing or modifying the existing product to meet the requirement of the customers. Product development strategies for growth involve developing and selling new products to people who are already purchasing the firm's existing products, i.e., management can consider new product possibilities in the same existing markets by:
- Adding new features
- Different quality levels
- Alternative technology

INTEGRATIVE EXPANSION

- VERTICAL INTEGRATIVE EXPANSION: It means that activities or functions previously being outsourced by the business will now be undertaken by it.
- This is further classified as:
- **Backward Integration:** It refers to taking a step back (up) on the value-added chain towards the raw materials, which means, that the producer also becomes a raw materials wholesaler. In essence, the firm becomes its supplier.
- **Forward Integration:** Forward, is taking a step forward (down) on the value-added chain towards the customers which in this case means that the firm also becomes a finished goods wholesaler, in essence, the film becomes its buyer.
- HORIZONTAL INTEGRATIVE EXPANSION:
- Horizontal integration occurs at the same level of the value-added chain but simply involves a different, but complementary, value-added chain. It may involve the acquisition of one on more competitors at the same level of business.

DIVERSIFICATION STRATEGY

- Diversification means adding new lines of business. The new lines of business may be related to the current business or maybe quite unrelated. If the new lines added, make use of the firm's existing technology, production facilities, or distribution channels or it amounts to backward or forward integration, it may regard as related diversification.

BUSINESS

- Business is an economic activity that involves production or processing and sale or exchange of goods and services regularly to earn a profit.

(a) An economic activity i.e. this activity aims to earn money.

(b) Dealing in either production, purchase, procurement of goods or render service, or both.

(c) All the activities performed under business aims at satisfying human needs and wants.

(d) To be called a business, an activity must be done regularly.

(e) Profit earning is the primary goal of a business.

(f) Risk, i.e., the probability of incurring losses or earning inadequate profits, is inherent in all the businesses.

SCOPE OF BUSINESS

- Transport
- Insurance
- Banking
- Warehousing
- Advertising
- The scope can be extended to:

(1) To the production of goods

(2) To rendering of services

(3) To distribution goods.

(4) Rendering distribution assistance

(5) Rendering financial assistance

INDUSTRY

- The industry refers to all economic activities involved in converting raw materials into finished products which are ultimately consumed by consumers, such as:

(a) The making or manufacturing of goods, i.e., connected with the conversion of resources into useful goods.

(b) Growing, producing, processing, assembling, extracting, constructing, fabricating, breeding, etc. of products.

(c) Imparting utility to goods using mechanical appliances and technical skills.

(d) A group of firms producing similar or related goods, e.g., textile industry, film industry, etc.

OUTCOME OF INDUSTRIAL ACTIVITY- GOODS

- "Goods" are the outcome of any industrial activity which utility wise either may be:

1. Producer's Goods: The goods produced are used by other enterprises as raw material for further production. For example, plant and machinery, equipment, tools, etc.

2. Consumer Goods: The goods used by final or ultimate consumers for deriving personal satisfaction. For example; jams, clocks, edible oil, etc.

TYPES OF INDUSTRIES

- **Primary industries:**
- The primary industry includes those activities which are concerned with the extraction, production, and processing or extraction of natural resources. The primary industry can be further classified into the following types:
  - Extractive industries
  - Genetic industries
- **Secondary:**
- Secondary industries that are concerned with the transformation of the materials provided by primary industries are referred to as secondary industries. For example – the mining of gold is primary activity but manufacturing gold jewelry is secondary. They may be of:
  - Manufacturing industries
    - ✓ Analytical
    - ✓ Synthetic
    - ✓ Processing
    - ✓ Assembling
  - Construction industries
  - **Tertiary or Service:**

- Tertiary units bridge the gap between the producers of goods and services and their consumers. They help in removing various hindrances which arise during the production and distribution of goods and services: -
- Transport facilitates the movement of goods from one place to another.
- Banking provides credit facilities to industrial and trading firms besides providing banking services.
- The insurance covers various kinds of business risks
- Warehousing provides a storage facility to the producers and traders
- Advertising provides information to consumers.

COMMERCE

- Commerce is concerned with all those activities which facilitate the exchange of goods/services or relates to the transfer of goods from one place of production to ultimate consumes.
- Commerce can be classified into two broad range of activities:

A. Trade

B. Auxiliaries or Aids to trade

TRADE

- Trade is referred to as the nucleus of commerce around which other aids/auxiliaries revolve.
- **Types**

(i) Home or internal trade: When buying and selling goods take place within the boundaries of a country i.e. inside a Nation is called Home, Domestic or Internal trade. They are classified as wholesale and retail trade

(ii) Foreign or external trade: Buying and selling of goods between two or more nations are called as foreign or International. They are classified as import, export, and entrepot trade.

AUXILIARIES TO TRADE

- Transportation
- Communication
- Banking

- Insurance
- Warehousing
- Advertisement and salesmanship

MARKETING

- Marketing is a process of discovering and translating consumer needs and wants into products and services, creating demand for these products and services and then increasing this demand.
- There are several aspects involved in marketing a product or a service. Some of them are controllable and others are uncontrollable.

➢ Controllable aspects are:

- The features of the product,
- Its‟ price
- Its selling system i.e. through own salesmen/retailers
- It's a selection regarding the mode of advertisement.

➢ Uncontrollable aspects:

- Availability of required raw material
- Cost and quality of the required materials
- Economic condition prevailing in the country
- Technological condition
- Political condition

MARKETING MIX

- The combination of variables chosen by a firm to prepare its market offering is called the marketing mix.
- Step by step process of preparing market offering:

(a) Firstly, choosing a PRODUCT that would meet the identified needs of the chosen consumer group.

(b) Secondly, by performing various DISTRIBUTION functions like transportation, warehousing, channel management, etc.

(c) Thirdly, by carrying out several PROMOTIONAL measures like advertising**,** sales promotion, etc.

(d) Lastly, by using the PRICING mechanism to achieve the consummation of the marketing process, striking the balance that is acceptable to the firm as well as the consumers.

BENEFITS OF MARKETING MIX

- **Benefits from Marketing Mix:** Marketing mix is a future marketing strategy to boost sales. It is a planned activity aimed at the progressive growth of the enterprise. The enterprise is benefited by the marketing mix. Benefits are summarized as under:

1. Product Oriented:

(i) According to the needs of the customers

(ii) Saleable quality

(iii) Improving the quality

(iv) Attractive designing and packaging

(v) After-sales services

2. Price Oriented Benefits:

(i) Determination of price according to the paying capacity of customers

(ii) Fair pricing of the product

(iii) Credit facility

(iv) Discount and allowance.

3. Promotion Oriented:

(i) Advertising

(ii) Sales promotion

(iii) Personal selling.

4. Distribution Oriented:

(i) Availability at the right place

(ii) Availability through convenient outlets.

FACTORS AFFECTING MARKETING MIX

A. Consumers' Buying Behavior

(i) Buying habits

(ii) Living habits

(iii) Purchasing power

(iv) Attitude and preferences

(v) Local environment, situations

(vi) Number of consumers of the product

B. Dealers' Behavior: The behavior of wholesalers and retailers is studied:

(i) Motivation

(ii) Structure, practice, and attitude of dealers

(iii) The financial strength of dealers

(iv) Expected change in the behavior

C. Competitors Behavior

(i) Size and strength of competing units

(ii) Number of competitors

(iii) Practices and attitudes of the competitors

(iv) Motives

(v) Trends in demand and supply

D. Government Behavior: It implies government controls regarding:

(i) Products

(ii) Prices

(iii) Competitive practices

(iv) Restrictive Trade Practices

(v) Advertising and Promotion

MARKETING MIX VARIABLES

- The marketing mix is a plan which designs marketing strategy regarding controllable variables of the market mechanism, i.e., obtaining the perfect blend of marketing elements – 4 P's, in a way that there are optimum sales and optimum profits, the entrepreneur needs to have the four Ps.
- It presents the best possible combination of basic marketing variables:

(1) Product

(2) Price

(3) Place

(4) Promotion

PRODUCT MIX

- It refers to all decisions related to the product such as decisions related to the feature, packaging, labeling, and branding of the product.
- The product can be classified based on:

(a) Durability - perishable, non-durable, durable services

(b) Utility– capital/producer goods, consumer goods, intermediary goods

(c) Weight-wise - heavy and bulky goods, voluminous goods Standard quality products satisfy the society.

- Marketing of the product requires on part of the entrepreneur to carefully plan out the following dimensions about their proposed product.

1. The volume of output, sales growth potential
2. Shape, size, weight, color, features
3. Quality and standard of the product
4. Design and range
5. Brand name
6. Packaging and labeling
7. Product testing
8. After-sale service

PLACE MIX

- Physical distribution is the task of moving goods and services from the place of production to the place of their consumption. The entrepreneur generally decides upon:

(a) Channels of distribution

(b) Modes of distribution

CHANNELS OF DISTRIBUTION

1. Direct Channels/Zero-level: Through this channel, the producers supply the products directly to the consumers. The producer, here either supply directly to the consumer or through its retail outlets. An ordinary single bakery, Frontier Biscuits, Bata Shoe Company, etc. are the examples of this type of channel.

2. Indirect Channels: In this type, the producers supply their products through one or more intermediaries. According to the number of intermediaries, the following are the types of channels:

Producer- retailer – consumer

Producer- wholesaler- retailer- consumer

Producer- agent_ wholesaler- retailer- the consumer.

FACTORS AFFECTING CHANNELS OF DISTRIBUTION

- Product-related factors
- Market-related factors
- Efficiency of middlemen
- Tendency of producer

MODES OF DISTRIBUTION

- It includes all the activities relating to the physical movement of the product from the seller to the buyer and includes decision relating to:
- Transportation
- Warehousing
- Inventory control of products.

FACTORS CONSIDERED WHILE SELECTING MODES OF DISTRIBUTION

- Cost
- Flexibility
- Availability
- Nature of Commodity
- Requirement of customer
- Duration involved
- Speed and safety parameters.

PROMOTION MIX

- It refers to the combination of promotional tools used by an organization with the twin objective of informing the potential customers about the product/ service and persuading them to buy it.
- ROLE OF PROMOTION MIX:

(1) Do the image building of the product.

(2) Create product identity

(3) Educate consumers

(4) Boost sales and profits

(5) Ensure consumer's satisfaction

(6) Keep the memory alive for a product in the economy.

(7) Encourage innovation

TOOLS- ELEMENTS OF PROMOTION MIX

1. Personal Selling: An art to induce people to buy the product. It is an effort to win the everlasting confidence of the consumers.

2. Advertising: An activity that establishes non-personal contact with the customers regarding the product, idea, and service.

3. Publicity: Unpaid mention of the enterprise, its product, and brand by the news media in newspaper, journals, radio or television

4. Exhibitions and Demonstration: Promoting the product, where the enterprise may display product in fairs and exhibitions

5. Public Relations: The enterprise may start public contact programs to introduce the product in the market.

4. Sales Promotion: It is an effort to stimulate customers to buy more and more of particular commodities like buy one get one free, discount coupons, etc.

FACTORS AFFECTING CHOICE OF ELEMENT OF PROMOTION MIX

- Cost
- Effectiveness
- Objective

- Coverage
- Market trend
- Competitors tool
- Nature of the product
- Consumer targeted

PRICE MIX

- The price of a product is the amount of money paid by the buyer to own the product or service. To put it simply, „price‟ is the exchange value of a product. Price revolves around two major components: -

(a) Utility: The generic property of the product to satisfy the need or wants of the consumer.

(b) Value: The quantitative worth the consumer attaches to the product, for which he is willing to part with a certain quantum of money.

- The factors that influence the pricing decisions of any enterprise can be categorized into two: -

(i) Internal Factors

(ii) External Factors

- Before finalizing the price, the entrepreneur must work out in detail the following factors:

a) Cost of the product

b) Demand for the product

c) Competition in the market

d) Government regulations related to the pricing

e) Consumer behavior

f) Objectives of the enterprise

g) Terms of credit

IMPORTANCE OF PRICING

- Key to revenue
- Attract customers

- Edge over competition
- Crucial to profits
- A platform for achieving other objectives

METHODS USED FOR PRICING

a) Cost-plus Pricing Method

b) Variable Price Method

c) Base Price and Discounts Method

d) Market Rate Method

e) Skimming Price Method

f) Penetrating Pricing Method

- Thus, as the marketing mix is a future marketing strategy, to boost sales and capture the major market area, it should be

➢ Properly Planned Aiming at Progressive Growth of Enterprise

➢ Realistic and Attainable

➢ Flexible but Deterministic

➢ Effective and Efficient.