UNIT 1

Marketing

Structure

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Learning Objectives

After studying this unit, the student will be able to learn

- Function of Marketing
- Role of whole seller and Retailer and types.
1.0 Introduction

Marketing is the process of communicating the value of a product or service to customers, for the purpose of selling the product or service. It is a critical business function for attracting customers.

From a societal point of view, marketing is the link between a society’s material requirements and its economic patterns of response. Marketing satisfies these needs and wants through exchange processes and building long term relationships. It is the process of communicating the value of a product or service through positioning to customers. Marketing can be looked at as an organizational function and a set of processes for creating, delivering and communicating value to customers, and managing customer relationships in ways that also benefit the organisation and its shareholders. Marketing is the science of choosing target markets through market analysis and market segmentation, as well as understanding consumer buying behavior and providing superior customer value.

1.1 Functions of Marketing

Marketing is important to every small business, helping companies increase revenue and profit by meeting customers’ needs effectively. Although one person or one department is generally responsible for managing the seven functions of marketing, it’s important for all employees to understand customer needs so they can develop the right products and provide the highest standards of customer service.

The functions of marketing are

- Researching
- Buying
- Product development and management
- Production
- Promotion
- Standardization and grading
- Pricing
- Distribution
- Risk bearing
- Financing
- After sales-service
1. Research function: The research function of marketing is that function of marketing that enables you to generate adequate information regarding your particular market of target. You must carry out adequate research to identify the size, behavior, culture, believe, genders etc. of your target market segment, their needs and want, and then develop effective product that can meet and satisfy these market needs and want.

2. Buying function: The function of buying is performed in order to acquire quality materials for production. When you design a good product concept, you should also ensure you’re buying the essential materials for the product. This function is carried out by the purchase and supply department, but your specifications of materials goes a long way in assisting the purchasing department to acquire the necessary materials needed for production.

3. Product development and management: Product development is an essential function of marketing since it was the duties of the marketing department to identify what the market need or want and then design effective product based on the identified need and want of the market. Product development passes through some basic stages carried out by the marketers to develop a targeted market specified product. And you can also manage your product by evaluating it performance and changing them to fit the current market trend.

4. Production function: Production is the function performs by the production department. Though, this is interrelated to the department of marketing, because your product must possess the essential characteristics that can meet the target market needs and want as identified during your market research, such characteristics as in your product Test, Form, Packaging etc.

5. Promotion function: Promotion is one of the core functions of marketing since your finish product must not remain in the place of production, hence, you as a marketer must design effective communication strategies to informing the availability of your product to your target market.

You must be able to design effective strategies to communicate your product availability and features to your target market, such strategies as in: advertisement, personal selling, public relation etc.

6. Standardization and grading: The function of standardization is to establish specified characteristics that your product must conform to, such standard as in having a specify test, ingredient etc. That makes your product brand so unique.
Grading comes in when you sort and classify your product into different sizes or quantities for different market segment while maintaining your product standard.

7. Pricing function: You perform the function of pricing on your product offerings by designing effective pricing systems base on your product stage and performance in the product life cycle. Price is the actual value consumers perceive on your product, so you as a marketer should ensure that your value of your product is not too high or too low to that of your customers.

8. Distribution function: The function of distribution is to ensure that your product is easily and effectively moved from the point of production to the target market, the kind of transportation system to employ e.g. Road, rail, water or air, and ensures that the product can be easily accessed by customers. You as a Marketer should also design the kind of middlemen to engage in the channel of distribution, their incentives and motivations etc.

9. Risk bearing function: The process of moving a finished product from the point of production to the point of consumptions is characterized with lots of risks, such risks as in product damaging, pilferage and defaults etc. So you must provide effective packaging system to protect your product, good warehouse for the storage of your product until they are needed, effective transportation system to speedily deliver your product on time.

10. Financing function: Financing deals with the part of marketing to providing incomes for your business. It refers to how you can raise capital to start operation and remain in business. It refers to your modes of payment for the goods and services transferred to your costumers.

11. After sales-service: In a more complex and technical product, you as a marketer should make provision in order to assist your customers after they have purchased your product. In terms of machines or heavy equipment product that requires installation or maintenance, most marketing organization renders such services like installing the machine or maintaining it for stipulated periods on time for free or by a little service charge.

1.2 Channel of Distribution

A channel of distribution or trade channel is defined as the path or route along which goods move from producers or manufacturers to ultimate consumers or industrial users. In other words, it is a distribution network through which producer puts his products in the market and passes it to the actual users. This channel consists of : producers, consumers or users and the various middlemen like wholesalers, selling agents and retailers(dealers) who intervene between the
producers and consumers. Therefore, the channel serves to bridge the gap between the point of production and the point of consumption thereby creating time, place and possession utilities.

**A channel of distribution consists of three types of flows**

- Downward flow of goods from producers to consumers
- Upward flow of cash payments for goods from consumers to producers.
- Flow of marketing information in both downward and upward direction i.e. Flow of information on new products, new uses of existing products, etc from producers to consumers. And flow of information in the form of feedback on the wants, suggestions, complaints, etc from consumers/users to producers.

An entrepreneur has a number of alternative channels available to him for distributing his products. These channels vary in the number and types of middlemen involved. Some channels are short and directly link producers with customers. Whereas other channels are long and indirectly link the two through one or more middlemen.

**These channels of distribution are broadly divided into four types**

**Producer - Customer**: This is the simplest and shortest channel in which no middlemen is involved and producers directly sell their products to the consumers. It is fast and economical channel of distribution. Under it, the producer or entrepreneur performs all the marketing activities himself and has full control over distribution. A producer may sell directly to consumers through door-to-door salesmen, direct mail or through his own retail stores. Big firms adopt this channel to cut distribution costs and to sell industrial products of high value. Small producers and producers of perishable commodities also sell directly to local consumers.

**Producer-Retailer-Customer**: This channel of distribution involves only one middlemen called ‘retailer’. Under it, the producer sells his product to big retailers (or retailers who buy goods in large quantities) who in turn sell to the ultimate consumers. This channel relieves the manufacturer from burden of selling the goods himself and at the same time gives him control over the process of distribution. This is often suited for distribution of consumer durables and products of high value.

**Producer-Wholesaler-Retailer-Customer**: This is the most common and traditional channel of distribution. Under it, two middlemen i.e. wholesalers and retailers are involved. Here, the producer sells his product to wholesalers,
who in turn sell it to retailers and retailers finally sell the product to the ultimate consumers. This channel is suitable for the producers having limited finance, narrow product line and who needed expert services and promotional support of wholesalers. This is mostly used for the products with widely scattered market.

**Producer-Agent-Wholesaler-Retailer-Customer:** This is the longest channel of distribution in which three middlemen are involved. This is used when the producer wants to be fully relieved of the problem of distribution and thus hands over his entire output to the selling agents. The agents distribute the product among a few wholesalers. Each wholesaler distribute the product among a number of retailers who finally sell it to the ultimate consumers. This channel is suitable for wider distribution of various industrial products.

An entrepreneur has to choose a suitable channel of distribution for his product such that the channel chosen is flexible, effective and consistent with the declared marketing policies and programmes of the firm. While selecting a distribution channel, the entrepreneur should compare the costs, sales volume and profits expected from alternative channels of distribution and take into account the following factors:

**Product Consideration:** The type and the nature of products manufactured is one of the important elements in choosing the distribution channel.

**The major product related factors are**

- Products of low unit value and of common use are generally sold through middlemen. Whereas, expensive consumer goods and industrial products are sold directly by the producer himself.

- Perishable products; products subjected to frequent changes in fashion or style as well as heavy and bulky products follow relatively shorter routes and are generally distributed directly to minimise costs.

- Industrial products requiring demonstration, installation and after-sale service are often sold directly to the consumers. While the consumer products of technical nature are generally sold through retailers.

- An entrepreneur producing a wide range of products may find it economical to set up his own retail outlets and sell directly to the consumers. On the other hand, firms producing a narrow range of products may their products distribute through wholesalers and retailers.

- A new product needs greater promotional efforts in the initial stages and hence few middlemen may be required.
Market Consideration: Another important factor influencing the choice of distribution channel is the nature of the target market.

Some of the important features in this respect are

- If the market for the product is meant for industrial users, the channel of distribution will not need any middlemen because they buy the product in large quantities. While in the case of the goods meant for domestic consumers, middlemen may have to be involved.

- If the number of prospective customers is small or the market for the product is geographically located in a limited area, direct selling is more suitable. While in case of a large number of potential customers, use of middlemen becomes necessary.

- If the customers place order for the product in big lots, direct selling is preferred. But, if the product is sold in small quantities, middlemen are used to distribute such products.

Other Considerations: There are several other factors that an entrepreneur must take into account while choosing a distribution channel.

Some of these are as follows

- A new business firm may need to involve one or more middlemen in order to promote its product, while a well-established firm with a good market standing may sell its product directly to the consumers.

- A small firm which cannot invest in setting up its own distribution network has to depend on middlemen for selling its product. On the other hand, a large firm can establish its own retail outlets.

- The distribution costs of each channel is also an important factor because it affects the price of the final product. Generally, a less expensive channel is preferred. But sometimes, a channel which is more convenient to the customers is preferred even if it is more expensive.

- If the demand for the product is high, more number of channels may be used to profitably distribute the product to maximum number of customers. But, if the demand is low only a few channels would be sufficient.

- The nature and the type of the middlemen required by the firm and its availability also affects the choice of the distribution channel. A company prefers a middlemen who can maximise the volume of sales of their product and also offers other services like storage, promotion as well as aftersale services.
the desired type of middlemen are not available, the manufacturer will have to establish his own distribution network.

- All these factors or considerations affecting the choice of a distribution channel are inter-related and interdependent. Hence, an entrepreneur must choose the most efficient and cost effective channel of distribution by taking into account all these factors as a whole in the light of the prevailing economic conditions. Such a decision is very important for a business to sustain long term profitability.

1.3 Role of Wholesaler and Retailer

Wholesalers, also known as distributors, typically buy finished goods from manufacturers, mark them up and resell them to retailers for a profit. Because of their position in the distribution process, wholesale businesses are often referred to as the “middle man.”

Role of wholesaler in Distribution Channel

The traditional role of wholesalers is linked to the product distribution channel. The distribution channel is the flow of goods from initial production to the final customer. While some companies skip steps in the process, the typical movement is from manufacturer to wholesaler to retailer to consumer. Each step involves the sale of a product to a buyer. In the early 21st century, distribution channel partners generally collaborate to deliver the best value to the consumer.

Distribution Center Basics

Products normally move the way they do because each distribution channel member has special expertise. Manufacturers are the product makers. Retailers hold inventory and offer it in individual units to consumers, often with services added. The wholesaler’s function is usually to get the product from the manufacturer to the retailer. This includes storing and retrieving products as needed from a warehouse or distribution center. This ability to hold and efficiently move products to retailers on demand makes the wholesaler valuable. Manufacturers sometimes try to maintain their own distribution centers, but they must have facilities, employees, technology and systems in place to maintain inventory.

Sales

Wholesalers and retailers are both referred to as product resellers because of their primary business activities of acquiring products and selling them for profit. Wholesalers normally employ inside and outside sales representatives who contact retailers, persuade them to carry products and manage the ongoing relationships. Outside sales reps usually seek out new clients,
whereas inside reps more often make sales calls and process renewal orders from an office. While retailers are the direct buyer for wholesalers in most cases, they need consumer demand to motivate retailers to buy.

**Direct to Consumer**

In some instances, wholesalers offer products to both retailers and consumers. The Internet has given rise to more manufacturers and wholesalers able to sell directly to consumers through websites. Sam’s Club and Costco are examples of wholesale clubs that offer bulk products for both retail shops and consumers. While not all consumers need bulk quantities of food, household items and office supplies, those with larger families or heightened consumption habits can take advantage of a lower unit cost on bulk buys.

**Role of Retailer**

In the process of acting as a link between the wholesaler (or the manufacturer) and the consumer, a retailer performs many functions:

1. **Buying and Assembling**: It has been said that a retailer stocks wide variety of products to meet the requirements of a large number of customers. For this purpose, the retailer has to assemble products of different manufacturers from different wholesalers through the process of buying. In buying these products he has to be cautious. He has to find out the best and cheapest source of supply. Then he has to select only such of the goods offered which would suit the need of his customers. He must purchase only in quantities enough to meet the demands of his customers.

2. **Warehousing and storing**: Products thus assembled have to be stored by the retailer so that they are held in reserve stocks out of which consumers requirements are met without any interruption by selling in small quantities.

3. **Selling**: The ultimate purpose of retailing business is to sell these products to the consumers. Though a retailer is sometimes referred to as buying agent of consumers, producers and manufacturers regard retailer as a means of dispersing goods to the market and drawing income into their hands so that they can continue their business of production.

4. **Assumption of Risk**: The retailer has to bear the risk of physical deterioration of goods and fall in value. A retailer has to stock goods in anticipation of demand from his customers. This stock must always be sufficient to meet any demand from the customers. This fact involves risk to the extent of the stocks held by any retailer. First, the products stored are subject to the usual risks of flood and other natural calamities. Secondly, there are the risks of flood and
other natural calamities. Thirdly, there are the risks of spoilage and deterioration due to the very nature of goods. Then there is the risk of change in fashion. Fickle mindedness of the consumers and human tendency to like change in life together make loss of value through change in style and fashion - a very real risk to a retail trader.

5. Grading and Packing: Retailers have to sort out in different lots goods or products left ungraded by the producer or the wholesaler. Also, they must make arrangements for proper packing of goods which are sold loose.

6. Financing: Often retailers have to grant credit to consumers. Credit sale in effect means facilitating the flow of products through the marketing channel to its ultimate goal. Thus retailers contribute in financing the marketing process.

7. Supply of Market Information: Retailers, being in touch with the consumers, are most favourably situated to study consumers' behaviour, changes in the tastes, fashions and demand etc. Thus they collect valuable information pertaining to the problems of marketing.

8. Advertising: Retailers display goods in their stores.

1.4 Features of Multiple Shops

Sometimes producers open large number of shops in different places for sale of their own products directly to the consumers. These shops opened to sell directly own products are known as Multiple Shops. Under this type of trade, a single business owns a larger number of retail shops which are scattered over various localities of a country and all the shops are engaged in the same line of activities.

The head office is situated at a place where goods are produced. The primary objective behind the establishment of multiple shops is to create market for the own products without the help of any middlemen. There are two types of multiple shops like manufacturer's retail stores and the middlemen multiple shops. The former multiple shops are engaged in both manufacturing and retailing of the products.

The later shops do only selling jobs. It purchases from other producers and is engaged in selling through various branches. The best examples of Multiple Shops are Bata Shoe Company, Delhi Cloth Mills and the Khadi Pratishtha. These business houses are established as joint stock companies and are controlled by a Board of Directors through a managing Director or a General Manager. The branches are controlled by the branch managers.
The sale of these business houses are effected on cash basis and cash realized by the branch are banked on the same day on the account of the head office

The main features of multiple shops are as follows

1. **Large size**: Multiple shops are a form of large scale retail organisation.

2. **Specialisation**: Multiple shops specialise in one line or limited variety of goods of daily use. For example, Bata stores deal in footwear and related items.

3. **Decentralised location**: Multiple shops are situated in different parts of the country as near to the customers as possible.

4. **Centralised management**: Multiple shops operate under centralised ownership, direction and control. All shops are owned and controlled by a single firm.

5. **Cash sales**: Goods are sold on cash and carry basis.

6. **Uniform display**: Every shop has similar decoration, layout, window, display, etc.

7. **Centralised supply**: Goods are produced or purchased centrally. Goods are supplied to various shops by the central office.

8. **Uniform Prices**: Goods are sold by all the stores at uniform prices fixed by the central office.

### 1.5 Department Stores

A department store is a retail establishment with a building open to the public which offers a wide range of consumer goods such as clothing, housewares, furniture and appliances. It typically offers a choice of multiple merchandise lines, at variable price points, in different product categories (Also known as “departments” hence the name).

Department stores usually sell products including clothing, furniture, home appliances, toys, cosmetics, gardening, toiletries, sporting goods, paint and hardware and additionally select other lines of products such as food, books, jewelry, electronics, stationery, photographic equipment and baby and pet needs. Certain department stores are further classified as discount stores. Most department stores commonly have central customer checkout areas, generally in the front area of the store.
Department stores are usually part of a retail chain of many stores situated around a country or several countries. Some may be independent retailers, existing entirely independent or as licensed dealers.

1.6 Mail Order Business

Mail order is a term which describes the buying of goods or services by mail delivery. The buyer places an order for the desired products with the merchant through some remote method such as through a telephone call or web site. Then, the products are delivered to the customer. The products are typically delivered directly to an address supplied by the customer, such as a home address, but occasionally the orders are delivered to a nearby retail location for the customer to pick up. Some merchants also allow the goods to be shipped directly to a third party consumer, which is an effective way to send a gift to an out-of-town recipient.

The mail-order business originated and developed along with the progress of the transport and communication media. The countries having the rapid development of transport and communication, have met sufficient success in the mail-order business too.

In this method, the customer is not required to go to the place of the trader. Rather the trader, through the medium of the advertisements in the newspapers and magazines, establishes and develops the contacts with the customers. In the mail-order business system, the seller doesn’t directly know the buyer or the purchaser.
Characteristics of Mail-Order Business

The following are some of the main characteristics of the mail-order business:

1. In this method of business, the post office plays as an intermediary between the consumer and the trader.
2. In this method, the goods are sold only on the cash payment basis.
3. In the mail-order business, the location of office or shop holds no significance.
4. In this method, the trader is not required to appoint even the salesmen.
5. In the retail business system, there is no commercial or business intermediary required to work.
6. In this system, the trader is also not required to keep the stocks of goods in big quantities.
7. The payment of price of the commodities purchased, is made by the V.P.P. system of the post office.
8. The mail-order business is possible in case of only those products which are not required to be personally seen or checked, and which bear some specific trade-mark.

1.7 Tele Marketing

Telemarketing is a method of direct marketing in which a salesperson solicits prospective customers to buy products or services, either over the phone or through a subsequent face to face or Web conferencing appointment scheduled during the call. Telemarketing can also include recorded sales pitches programmed to be played over the phone via automatic dialing.

The telemarketing is basically categorized into two different types which are the Business-to-consumer telemarketing and the business to-business telemarketing. However it also involves a few subcategories which are taken into consideration like,

The sales which is known to involve the convincing and persuasion so as to sell a particular product or service to the customer. The Lead generation is another sub category which includes the gathering of the information.

The most importantly used subcategories of telemarketing today are the Outbound and the inbound telemarketing. Outbound is the proactive marketing in which the customers either who exist already or the prospective ones are all contacted directly for the purpose of the marketing.
The Inbound telemarketing includes the reaction and reception of the orders and also information coming in so as to explain the customer about the product and give detailed information on which they are interested.

Telemarketing is now so widely used that it is now a part of the company offices, the separate call centre build for this purpose or even from the home itself. Telemarketing can be performed using operators or even sometimes through automatically generated recorded messages.

The system of telemarketing involves a series of a minimum of two calls starting from the first call which involves the determination of the customer’s need and then the second call which motivates and encourages the customer to move ahead with the deal.

1.8 E-Marketing

E-marketing means using digital technologies to help sell your goods or services. These technologies are a valuable complement to traditional marketing methods whatever the size of your company or your business model. The basics of marketing remain the same – creating a strategy to deliver the right messages to the right people. What has changed is the number of options you have.

Though businesses will continue to make use of traditional marketing methods, such as advertising, direct mail and PR, e-marketing adds a whole new element to the marketing mix. Many businesses are producing great results with e-marketing and its flexible and cost-effective nature makes it particularly suitable for small businesses.
The benefits of e-marketing

E-marketing gives businesses of any size access to the mass market at an affordable price and, unlike TV or print advertising, it allows truly personalized marketing. Specific benefits of e-marketing include:

**Global reach**: A website can reach anyone in the world who has internet access. This allows you to find new markets and compete globally for only a small investment.

**Lower cost**: A properly planned and effectively targeted e-marketing campaign can reach the right customers at a much lower cost than traditional marketing methods.

**Trackable, measurable results**: Marketing by email or banner advertising makes it easier to establish how effective your campaign has been. You can obtain detailed information about customers’ responses to your advertising.

**24-hour marketing**: With a website your customers can find out about your products even if your office is closed.

**Personalization**: If your customer database is linked to your website, then whenever someone visits the site, you can greet them with targeted offers. The more they buy from you, the more you can refine your customer profile and market effectively to them.

**One-to-one marketing**: E-marketing lets you reach people who want to know about your products and services instantly. For example, many people take mobile phones and PDAs wherever they go. Combine this with the personalized aspect of e-marketing, and you can create very powerful, targeted campaigns.

**More interesting campaigns**: E-marketing lets you create interactive campaigns using music, graphics and videos. You could send your customers a game or a quiz – whatever you think will interest them.

**Better conversion rate**: If you have a website, then your customers are only ever a few clicks away from completing a purchase. Unlike other media which require people to get up and make a phone call, post a letter or go to a shop, e-marketing is seamless.

E-Marketing Campaigns provide businesses and advertisers with an easily customised, efficient form of marketing to complement existing advertising strategies and close in on the elusive and profitable interactive market. Email campaigns supply proven, measurable results and can take your current marketing
campaign to the next level. For product promotion, event invitations, query responses and newsletters, Email provides an all-in-one solution. Convenient, highly targeted and most importantly, cost-effective, example: E-Marketing Campaigns are an easy choice.

1.9 Transport

Importance

The key concepts in today’s world-economy derive their very existence because of the physical and electronic linkages developed by the technology. There would be neither a world market nor globalization nor liberalization without the existence of reliable and robust means of transportation.

In fact, in today’s competitive market the prices are dictated to a large extent by the elements of logistics, e.g., packaging, warehousing and handling at the transportation terminals.

Transport develops distance markets, reduces the physical separation of different countries, and augments international trade. It accelerates the growth and distribution of wealth. The networks of Transport routes are a must for every country. Denser the network, the more is the economic progress.

Transport is considered as infrastructural facility. It helps in the mutual operation by bringing people together and promoting exchange of ideas. In a country like India where there is overpopulation Transport is very useful. Transport act as a lifelines during natural calamities.

Transport is a very important for the defence of the country. Transport is considered as infrastructural facility. It helps in the mutual operation by bringing people together and promoting exchange of ideas. In a country like India where there is overpopulation Transport is very useful.

Meaning

Transport is one of the important aids to trade. It makes possible production and distribution of goods and services. It makes possible production because of transfer of raw materials and other requirements from the place of supply to the production. It makes possible distribution because it supplies the goods from the place of production to the place of consumption.

Transport or transportation is the movement of people, goods, signals and information from one place to another. The term is derived from the Latin ‘trans’ (“across”) and ‘portare’ (“to carry”).
The field of transport has several aspects: loosely they can be divided into a triad of infrastructure, vehicles, and operations. Infrastructure includes the transport networks (roads, railways, airways, canals, pipelines, etc.) that are used, as well as the nodes or terminals (such as airports, railway stations, bus stations and seaports).

The vehicles generally ride on the networks, such as automobiles, trains, airplanes. The operations deal with the control of the system such as traffic signals and ramp meters, railroad switches, air traffic control, etc.

Modes of Transport

The basic modes of transportation are rail, highway, water, pipeline and air.

Rail

India has amongst the largest railway network in the world. Every city, town, village has a rail connection. Through railways very large volumes of goods can be transported economically over long distances to remote places in the country. But railways in general incur high fixed costs because of expensive equipment (i.e. railways must maintain their own rail track meant exclusively for them) switching yards and terminals. However the railways experience relatively low variable operating costs. Railways help to transport raw materials from extractive industries which are located at considerable distances. Besides this railways also transport massive amount of steel, automobiles, war equipment, across the country.

Railroads basically concentrate on the container traffic and are becoming more responsive of the customer needs, emphasizing bulk industries and heavy manufacturing. They have expanded their intermodal operations through alliances and motor carrier ownership. Railroads are even concentrating on development of special equipment. There are unit trains which are entire train carrying the same commodity, which are bulk products such as coal or grain. Unit trains are faster, less expensive to operate and quick as it can bypass rail yards and go direct to the product’s destination.

There are also various different types, such as articulated cars for extended Rail chassis, double-stack railcars, have 2 levels of containers, thereby doubling the capacity of each car. It also reduces chances of damage because of their design. These technologies have are being applied by railroads to reduce weight, increase carrying capacity, and facilitate interchange.

The above examples show the attempts being made by the railways to retain and improve their share of overall transportation market.
Road Transport

Road transport forms an essential part of any transport activity, whether rail, sea or air. It is essential as a supplementary and complementary mode of transport to complete movement by other modes of transport. Eg. From one terminal i.e. the railway station the goods have to be carried to the destination by road.

Highway transportation has increased rapidly since the end of World War II. This is because Motor carrier industry results from door-to-door operating flexibility and speed of intercity movement. They are even flexible because they can operate on each and every kind of roadways.

In comparison to railroads, motor carriers have relatively small fixed investments in terminal facilities and operate on publicly maintained highways.

The variable cost per mile for motor carriers is high because a separate power unit and driver are required for each trailer or combination of tandem trailers. Labor requirements are also high because of driver safety restrictions and the need for substantial dock labor. Motor carriers are best suited to handle small shipments moving short distances.

The characteristics of motor carriers favor manufacturing and distributive trades, short distances, high-value products. Motor carriers have made significant inroads into rail traffic for medium and light manufacturing. This is also because of delivery flexibility that they have captured a major chunk of the market.

This industry even has a few problems, and one of the primary difficulties relate to increasing cost to replace equipment, maintenance driver wages, and platform and dock wages. Although accelerating, labor rates influence all modes of transport motor carriers are more labor-intensive, which causes higher wages to be a major concern.

Since 1980, the industry segments have become more definitive since deregulation, and include truckload (TL), less than truckload (LTL), and specialty carriers. TL segment includes loads over 15,000 pounds that generally do not require intermediate stops for consolidation. LTL segment of the industry loads less than 15,000 pounds that generally requires stops at intermediate terminals for consolidation. Because of terminal costs and relatively higher marketing expenses, LTL experiences a higher percentage of fixed costs then TL.

Specialty carriers include package haulers such as Federal Express and United Parcel Service. These firms focus on specific requirements of the market or product. It is quite apparent that highway transportation will continue to function as the backbone of logistical operations for the foreseeable future.
In short Road transport offers certain advantages like

i. Door to door service to customers which neither rail nor neither sea nor air transport can offer.

ii. On per unit basis, the cost of making a road is 1/6‘th that of laying a railway line.

iii. Capital investment in case of railways is much less then railways designed to carry equivalent quantum of traffic.

iv. Road transport provides employment to many people.

Road transport faces a number of problems.

This is evident from the following facts

1. There is an occasional storage of diesel fuel in the country.

2. Vehicle availability in the country has been problematic. With the recent entry of a number of manufacturers, the situation has improved to some extent.

3. The cost of components and accessories, such as tyres and batteries, has escalated tremendously.

4. The Octroi and police check posts are to many, resulting in heavy detention to road vehicles.

5. The present Motor Vehicle Act regulating the issue of licenses and permits and movement of vehicles is very restrictive.

6. Conditions on Indian road are very bad and hazardous. They tend to reduce speed of vehicles, which leads to wastage of natural transport capacity.

7. Roadside maintenance and service facilities have not developed through fund necessary.

8. The system of national, zonal and state permits restricts free, growth of road transport but the system has to be followed.

Water Transport

One of the oldest modes of transportation is water. In terms of time factor, they may be slow. But, they Water transport could be of inland carry more shipment, at reduced cost over longer distance. Water transport could be of inland type or oceanic transport.
Inland water transport

Inland water transport is used mainly for transport within a country. In our country Inland water transport through rivers and canals is quite popular because of the low cost and bulk transport. But here, the inland water transport system heavily depends upon the rain and in many places on the tides. So, in our country we cannot guarantee the functioning of inland water throughout the year at the same efficiency.

Oceanic Transport

Oceans act as huge waterways for transport of goods from one country to another. Oceanic transportation includes import and export of crude and bulky commodities like materials which are removed from mines, cement, chemical, crude oil, iron ore, coal, chemicals like sulphur, crude petroleum, and selected agricultural products, etc.

The capability of water to carry large tonnage at low variable costs makes it in demand. When a company desire low freight rates and the speed and the time of transport are secondary, it has the option of selecting water as a mode of transport.

The main disadvantage of water transport is the limited range of operation and speed. Unless the origin and destination are adjacent, supplement haul by rail or truck is required. Water transport isn’t all that flexible. Labour restrictions on loading and unloading at docks create operational problems and tend to reduce the potential range of available traffic. Also, a highly competitive situation has developed between railroads and inland water carriers in areas where parallel routes exist.

Pipelines

Primarily, pipeline is used for the transport of crude petroleum, refined petroleum and natural gas. Pipelines are also used for the transportation of certain types of chemicals, Pulverized dry bulk materials such as cement and flour via hydraulic suspension system, and sewage and water in cities.

A significant fixed cost is incurred while setting up the pipeline and related infrastructures. Thus, given the nature of costs, pipelines are the best suited when relatively large and stable flows of materials are required. E.g.: pipeline may be best suited to transport crude petroleum from the port to the refinery.

But, to transport refined petrol to a gas station does not justify the use of a pipeline and this is better done by a truck. There is a talk going on between India, Iran and Pakistan regarding the transportation of crude oil from Iran to
India with the help of a pipeline which will pass through Pakistan. This will reduce the cost of transporting crude oil from Iran to India.

In comparison with the other modes of transport, pipelines operate on a 24 hour basis, seven days a week. They stop functioning due to change in the commodity to be transported, or due to maintenance. Unlike other modes of transport, pipeline does not have any ‘empty containers’ or vehicles which are to be returned to the origins.

A high fixed cost for pipelines normally results from the right of way construction and requirements at the control stations and pumping capacity. Another disadvantage of ‘pipeline is that they are not flexible. Once the route of a pipeline is fixed, it is not changeable. Again pipelines are restricted with respect to the types of commodities which can be transported through them. Only products in the form of gas, liquid slurry can be handled by the pipelines.’

One advantage of pipelines is that, once they have been constructed, they are not labour intensive for operational purposes as other modes of transport so their variable operating cost is low.

**Air Transport**

Air transport though new as compared to other modes of transportation, has gained large popularity in transporting various commodities. The basic advantage of Air transport is its high speed. By air, the time required may be just a few hours, which may be days by other modes of transport. However this being a major advantage, air transport also has various disadvantages. These are:

- Air transport is a costly affair.
- Air transport is limited by ‘lift capacity’ i.e. goods upto certain load (weight) can be transported by aircrafts.

Air freight variable cost is very high due to fuel, maintenance and labour intensity of both in flight and ground crew. The fixed cost of air transport is low as compared to rails, water and pipeline. In fact, air transport ranks second only to highway with respect to low fixed cost. Airways and airports are maintained by public funds and terminals are by local communities.

The fixed costs of airfreight are associated with aircraft purchase and the requirement for specialized handling systems and cargo containers. But the air freight variable cost is extremely high as a result of fuel, maintenance, and labour intensity of both in-flight and ground crews.
Even though it has all these disadvantages, High speed of air transport often helps in compensating its other disadvantages. No particular commodity dominates the freight carried by air transport. E.g. big courier companies such as DHL, FedEx have their own air crafts to transport couriers between different countries within a short time.

**Rope ways**

A ropeway is a form of naval lifting device used to transport light stores and equipment across rivers or ravines. It comprises a jackstay, slung between two sheers or gyps, one at either end, from which is suspended a block and tackle, that is free to travel along the rope and hauled back and forth by inhauls (ropes attached to the pulley from which the block and tackle are suspended).

**Intermodal Transportation**

Intermodal transportation is the use of more than one mode of transport to move a shipment to its destination. A variety of intermodal combinations are possible depending upon the type and amount of goods, the time of delivery, the pricing factor, etc. The most common combination is that of the motor carrier and railway.

Intermodal combination of transport has also helped to increase the revenue of each of the modes of transport. On land it has been found that a combination of truck and rail mode of transport offer a better deal in terms of cost and time rather than transport by truck alone. In general, therefore intermodal means of transport helps to bring together different modes of transport to create a price and/or service offering that may not be matched by any single mode transport.

**1.10 Types of Warehousing**

Warehouse is a storage structure constructed for the protection of the quality and quantity of the stored produce. The need for a warehouse arises due to the time gap between production and consumption of products. Warehousing or storage refers to the holding and preservation of goods until they are despatched to the consumers.

By bridging this gap, storage creates time utility. There is a need for storing the goods so as to make them available to buyers as and when required. Storage enables a firm to carry on production in anticipation of demand in future.
Warehouses enables the businessmen to carry on production throughout the year and sell their products, whenever there is adequate demand. Need for warehouses arises also because some goods are produced only in a particular season but are demanded throughout the year. Similarly, certain products are produced throughout the year but demanded only during a particular season.

**Types of Warehouses: Private Warehouses**

These warehouses are owned and operated by big manufacturers and merchants to fulfill their own storage needs. Big business firms which need large storage capacity on a regular basis and who can afford money, construction and maintain their private warehouses. A big manufacturer or wholesaler may have a network of his own warehouses in different parts of the country. The private warehouses are licenced to private persons and only the goods imported by or on behalf of the licensee are stored in such warehouse.

**Public Warehouses**

These warehouses are a specialised business establishment that provide storage facilities to the general public for a certain charge. It may be owned and operated by an individual or a cooperative society. It works under a licence from the government. They are generally located near the junctions of railways, highways and waterways. They therefore provide excellent facilities for the easy receipt, despatch, loading and unloading of goods. They are very important in the marketing of agricultural products. A public warehouse is also known as 'duty paid warehouse'.

**Fig 1.3 Warehousing**
Public warehouses are very useful to the business community as they can meet their storage needs easily and economically by making use of the public warehouse, without heavy investment. Such warehouses provide storage facilities to small manufacturers and traders at low costs. They provide facilities for the inspection of goods by prospective buyers. They also permit packaging and grading of goods. The public warehouses receipts are good collateral securities for borrowings.

**Bonded Warehouses**

These warehouses are licenced by the Government to accept imported goods for storage until the payment of customs duty. They are located near the ports. They are either operated by the Government or work under the control of customs authorities. The warehouse is required to give an undertaking or ‘Bond’ that it will not allow the goods to be removed without the consent of the custom authorities.

The goods are held in bond and cannot be withdrawn without paying the customs duty. Such warehouses are very helpful to importers and exporters. If an importer is unable to pay customs duty immediately after the arrival of goods he can store the goods in a bonded warehouse. He can withdraw the goods in installments by paying the customs duty proportionately. Goods lying in a bonded warehouse can be packaged, graded and branded for the purpose of sale. Central Warehousing Corporation operates 75 Custom Bonded Warehouses with a total operated capacity of nearly 0.5 million Mts.

### Short Answer Type Questions

1. What is Marketing?
2. What is Branching?
3. What is Grading?
4. What is standardisation?
5. Define Sales Promotion.
6. Who is Whole Seller?
7. What is meant by Multiple Store?
8. What is meant by Departmental Store?
9. What is Mail Order Business?
10. What is Tele-Marketing?
Long Answer Type Questions

1. Explain the function of Marketing.
2. What is the channel of Distribution?
3. Explain the different types of Channel of Distribution.
4. Explain the role of whole seller.
5. Explain the Role of Retailer.
6. Explain the feature of Multiple shop.
7. Explain the characteristics of Mail order business.
8. Explain the benefits of E-Marketing.
9. Explain the advantages of Road Transport.
10. Explain different types of transport briefly.
11. Explain different types of warehousing.
UNIT 2

Type of Retailers

Structure

2.0 Introduction
2.1 General Stores
2.2 Convenience Stores
2.3 Speciality Stores
2.4 Malls
2.5 Super Markets
2.6 Cooperative Stores
2.7 Rythu Bazar
2.8 Mandy

Learning Objectives

After studying this unit, the student will be able to learn

- Meaning of Retailers
- Types of Retailers
- Identification of different malls - super markets - mandys - co-operative stores, rythu bazar etc.
2.0 Introduction

Retailers can be online and offline businesses that resell goods to consumers. Retailers are at the end of the supply chain and resell through a shop or website to end users for a profit. Retailers can resell products from all industries including food, fashion, beauty, technology and many more, making it one of the largest industries globally.

- Retailers resell consumable or non-consumable products. Consumables may be either unprocessed (e.g. Fresh vegetables/fruit), or processed (e.g. Sweets, beverages, tinned etc.). The non-consumables then fall into hard goods (e.g. electrical appliances, furniture) or soft goods (e.g. clothing, software, services).

- Retailers include small independent shops, giant chains, warehouses or discount retail outlets. Retailers can also be internet stores which either stock products, or deliver them from third parties’ on a ‘dropship’ basis.

- Retailers may be industry specific such as fashion retailers or they may have a range of products such as in department stores or supermarkets.

- Retailers will often target a specific customer demographic based on age, location or budget.

- The retail industry is driven by profit. Retailers buy wholesale from suppliers, distributors and wholesalers, and add their margin before reselling to their consumers.

- Retailers add value by displaying a variety of goods in one place. Retailers have good product knowledge and provide advice and customer service to consumers.

- Retailers continually update products to supply what consumers are interested in buying. Retailers ensure that new consumer trends are catered for by finding new, different or better suppliers for their categories of products.

2.1 General Stores

A general store, general merchandise store, general dealer or village shop is a rural or small town store that carries a general line of merchandise. It carries a broad selection of merchandise, sometimes in a small space, where people from the town and surrounding rural areas come to purchase all their general goods.
The store carries routine stock and obtains special orders from warehouses. It differs from a convenience store or corner shop in that it will be the main shop for the community rather than a convenient supplement. General stores often sell staple food items such as milk and bread, and various household goods such as hardware and electrical supplies. The concept of the general store is very old, and although some still exist, there are far fewer than there once were, due to urbanization, urban sprawl, and the relatively recent phenomenon of big-box stores. The term “general merchandise store” is also used to describe a hybrid of a department store, with a wide selection of goods, and a discount store, with low prices. Eg. Kirana stores located in the streets

![General Store](image)

**Fig 2.1 General Store**

## 2.2 Convenience Stores

A convenience store, corner store, corner shop, or bodega (in Spanish-speaking areas of the United States), is a small store that stocks a range of everyday items such as groceries, toiletries, alcoholic and soft drinks, tobacco products, and newspapers. Such stores may also offer money order and wire transfer services. They differ from general stores and village shops in that they are not in a rural location and are used as a convenient supplement to larger stores.

A convenience store may be part of a gas/petrol station. It may be located alongside a busy road, in an urban area, or near a railway or railroad station or other transport hub. In some countries, convenience stores have long shopping hours, some being open 24 hours.
Convenience stores usually charge higher prices than ordinary grocery stores or supermarkets, which they make up for with convenience by serving more locations and having shorter cashier lines.

Although larger, newer convenience stores may have quite a broad range of items, the selection is still limited compared to supermarkets, and in many stores only 1 or 2 choices are available. Prices in a convenience store are often higher than those at a supermarket.

### 2.3 Specialty Stores

A specialty store is a store, usually retail, that offers specific and specialized types of items. These stores focus on selling a particular brand, or a particular type of item. For example, a store that exclusively sells cell phones or video games would be considered specialized.

In other cases, the specialty store is not brand sensitive, but offers certain kinds of items that could all be loosely classed together. A grocery store that specializes in selling organic products would be considered a specialty store and could include chain stores like Whole Foods. The many ethnic foods markets that import most of their products are also examples of the specialty store. Products can vary significantly, but they may all fall under the class of being imported from a specific place like Asia, England or Italy.

Another example of the specialty store is a store that sells one kind of item only, like cell phone stores or video game stores. Product selection is usually wide at a store like Electronics Boutique, which specializes in retailing games for the Playstation, Nintendo, and X-Box game systems. A cell phone specialty store might sell many different cell phone brands, in addition to offering access to contracts with a specific cell phone company.

Some specialty stores are not linked to a chain of stores, but operate from a single location. A small health food store, a high-class women’s boutique that offers couture clothing, or a little bait and tackle shop may all be considered examples of the specialty store.

Even though prices might be higher at any of the above types of the specialty store, customers often prefer the expertise offered by small stores, usually opened by owners who are passionate about the products they sell. In large chain stores, assistance and product knowledge may not exhibit the same kind of quality as in smaller local stores. Exceptions do exist, and some chain stores are known for their high degree of customer service and product knowledge.
2.4 Malls

Mall is one or more buildings forming a complex of shops representing merchandisers, with interconnecting walkways enabling visitors to easily walk from unit to unit, along with a parking area – a modern, indoor version of the traditional marketplace.

Up until the mid 1990s, most modern-day developers built enclosed shopping malls in order to create a climate-controlled shopping environment, but more developers are returning to the creation of open-air malls. Outlet malls, shopping centers featuring name brand retailers selling their products at discounted prices, are often built in an open-air format.

Malls can be located everywhere throughout the world and are travel destinations for tourists who love to shop. A typical one houses department stores, boutiques, movie theaters, photography studios, and other specialty stores. Some, like the Imax, and GVK even have amusement parks within their walls.

Other features of a shopping mall include kiosks, food courts, and arcades. Kiosks are booths located in pedestrian areas of the mall where small products or services are sold. Food courts are areas within the mall that contain fast-food restaurants and a seating area. Arcades are popular destinations for some teens because they are entertainment rooms where people can play coin-operated arcade games.

People like to visit malls because of the convenience of having so many stores and services in one location. Many people like the ample parking and the fact that there are plenty of stores and activities from which to choose. Whether a family needs to purchase eyeglasses, buy shoes, or have a family portrait taken, they can usually find what they need at one of the local malls.

2.5 Supermarkets

A supermarket, a large form of the traditional grocery store, is a self-service shop offering a wide variety of food and household products, organized into aisles. It is larger in size and has a wider selection than a traditional grocery store, but is smaller and more limited in the range of merchandise than a hypermarket or big-box market.

The supermarket typically comprises meat, fresh produce, dairy, and baked goods aisles, along with shelf space reserved for canned and packaged goods as well as for various non-food items such as kitchenware, household cleaners, pharmacy products and pet supplies. Some supermarkets also sell a variety of other household products that are consumed regularly, such as alcohol (where permitted), medicine, and clothes, and some stores sell a much wider range of non-food products: DVDs, sporting equipment and board games.
The traditional supermarket occupies a large amount of floor space, usually on a single level. It is usually situated near a residential area in order to be convenient to consumers. The basic appeal is the availability of a broad selection of goods under a single roof, at relatively low prices. Other advantages include ease of parking and frequently the convenience of shopping hours that extend far into the evening or even 24 hours a day. Supermarkets usually allocate large budgets to advertising, typically through newspapers. They also present elaborate in-shop displays of products. The shops are usually part of corporate chains that own or control (sometimes by franchise) other supermarkets located nearby even transnationally thus increasing opportunities for economies of scale.

Supermarkets typically are supplied by the distribution centres of their parent companies, usually in the largest city in the area.

Supermarkets usually offer products at low prices by using their buying power to buy goods from manufacturers at lower prices than smaller stores can. They also minimise financing costs by paying for goods at least 30 days after receipt and some extract credit terms of 90 days or more from vendors. Certain products (typically staple foods such as bread, milk and sugar) are very occasionally sold as loss leaders, that is, with negative profit margins so as to attract shoppers to their store.

There is some debate as to the effectiveness of this tactic. To maintain a profit, supermarkets make up for the lower margins by a higher overall volume of sales, and with the sale of higher-margin items bought by the intended higher volume of shoppers. Customers usually shop by placing their selected merchandise into shopping carts (trolleys) or baskets (self-service) and pay for the merchandise at the check-out. At present, many supermarket chains are attempting to further reduce labor costs by shifting to self-service check-out machines, where a single employee can oversee a group of four or five machines at once, assisting multiple customers at a time.

### 2.6 Cooperative Stores

A cooperative stores store is a store which is owned and controlled by members of a cooperative, rather than a single store-owner or corporate entity. The cooperative tradition dates back to the 1700s in Great Britain, when workers began organizing in cooperatives in an attempt to get around usurious prices for basic goods, housing, and other services. Today, cooperative stores can be found all over the world, and some of these stores are extremely successful business entities.

The idea behind a cooperative stores store is that it works for its members, rather than being an engine of profit. Because no profits are expected,
the store can keep wages high and costs low, allowing members of the cooperative to benefit. Cooperative stores can sell things like groceries, books, and a variety of other consumer goods, and the cooperative concept can also be used in housing, banking, and a variety of other industries.

In a cooperative store, the members of the cooperative stores vote on issues of importance to the store as a collective, rather than allowing one person to make decisions. Members might vote for a wage raise, additional benefits to employees, or the use of a new supplier. Some cooperative stores also use voting to pass resolutions donating funds to local charities. Many also encourage members to volunteer in the store, or in the local community, with the goal of fostering a positive relationship with the surrounding community, and community events, classes, and meetings may be held to bolster community relations.

There are two basic ways in which a cooperative store can work. In a worker-owned cooperative, the employees of the store own the store, typically being given shares in proportion to how many years they have worked in the store. Some stores offer dividends to their employees, while others provide set wages and benefits, sinking any excess profit into store improvements. A store may also be run in conjunction with another organization such as a university or political group, in which case profit will be turned over to the parent organization.

A cooperative store may also allow individual members of the public to buy membership shares, thereby joining the cooperative. In this case, both workers and shoppers control shares, although non-members are usually also allowed to shop at the store. Members typically get access to special rates on goods in addition to voting rights in the cooperative.

2.7 Rythu Bazar

Rythu bazaar is a farmers’ market in Hyderabad, India. It is run by the Government of Andhra Pradesh for small farmers with small landholdings. Rythu bazaars provide a platform for farmers to sell their produce directly to the consumers.

The first market was started in January 1999. In this market, farmers bring vegetables and sell directly to the consumers, thereby eliminating middlemen who were exploiting both farmers and consumers alike. Thus the produce available is economical and farm fresh. It is cultivated on the farmer’s yard. It has helped in reduction of prices in other vegetable markets and vendors.

The farmers are greatly benefited by this kind of business since they sell directly to the customers and do not pay any commission to the agents. The
customers are also getting good quality produce at lower prices. Thus they have become popular, creating a demand for the produce of small farmers. It caught on well and the demand for such markets in Hyderabad and other parts of the state has increased.

2.8 Mandy

Many farmers go to the Mandy to sell their produce. Traders buy this agricultural produce and transport it to far off regions.

Let us go to a mandy and find out how agricultural produce is sold there. There is a large open yard surrounded by the shops and godowns of various traders. There is a big gate in front, through which a number of loaded trucks are going out.
There is also a stream of tractors and bullock carts loaded with grain coming into the mandy through the same gate. Sacks of grain can be seen in many piles in the yard. Some of the shops have the traders’ nameplate hanging outside.

Grain is being weighed on large weighing scales. These scales can be seen at many places in the yard. At another place there is a heap of grain, around which people are standing.

**Short Answer Type Questions**

1. What is meant by General Stores?
2. Define Mall.
4. What is meant by cooperative stores?
5. Define rythu bazar.
6. What is Mandy.

**Long Answer Type Questions**

1. Explain different types of Retail Shops.
2. Define Mall. Explain its features.
3. Explain the feature of co-operative society.
4. Write briefly about rythu bazar and mandy.
Structure

3.1 Introduction

3.2 Factors influencing the location of stores

3.3 Factors Considering for Gross Layout

Learning Objectives

After studying this unit, the student will be able to learn

- Factors influencing the location of store.
- Importance of layout
- Factors consider for cross layout.

3.1 Introduction

There is an increase in competition among types of modern stores: grocery stores, supermarkets, discount stores, department stores, catalog showrooms; they are competing for the same customers. Gigantic discount chains can threaten a traditional department store chain and a small grocery store while hypermarkets are a favorite type of retail store because of lower price and convenience. Such stores affect traditional stores negatively because such store chains have advanced information technology, excellent logistic systems and powerful bargains.
In addition, traditional retailers are being coerced by modern stores since modern retail stores play in both the top (luxury offering) and the bottom (discount pricing) markets. Modern retailers have changed not only the structure of the retail industry, but also the pattern of consumer behavior. Nowadays, customers are facing difficulty in making their decision to select from many types of stores such as grocery stores, supermarkets, discount stores, large mega stores, and hypermarkets.

A store layout is the design in which a store’s interior is set up. Store layouts are well thought out to provide the best exposure possible. They are designed to create an attractive image for consumers.

### 3.2 Factors influencing the location of stores

A good layout provides you with the opportunity of influencing store turnover. The appropriate shelf layout, the arrangement of the product range or a well-thought out spot for special offers all have a direct effect on turnover. So a good layout may very well create a boom in a store’s turnover!

Finally, of course, the layout also has an organisational component. Each store has its own best solution for logistics problems. This applies especially to stores with a fast turnover of goods, stores that sell products that are difficult to market or products that take up a large amount of space etc. Defining specific conditions is an absolute necessity for the sale of goods that require a certain (sales) ambiance. And, finally, it is important to keep both customers and sales employees satisfied.

### Purposes of the store layout

A good store layout serves many purposes, such as for instance customer flow, the prevention of shoplifting and logistics. The main purposes are discussed in greater detail below.

#### 1. Customer flow

One of the main purposes of the layout is undoubtedly to create smooth customer flow through the store. To achieve this, it is important to create the right balance between fast and smooth (customer) flow on the one hand and provision of space on the other. Creating smooth (customer) flow is necessary in stores that have a high frequency of customer visits. Well-organised routing and sufficiently wide aisles can achieve this.

The danger of too smooth a customer flow is the speed. If the customer is accustomed to walking through a store at a certain pace, it is important to slow down this speed deliberately, effectively and gradually. This can be achieved
by means of certain ‘tools’. It does not need to involve a different layout of the available space. It can also be accomplished by a special product range or eye catchers in the store.

A customer needs some time to decide to buy a product. The purchase of goods from particular product ranges is determined by ambiance. For instance, a customer does not want to be disturbed by other customers when a choice has to be made between two types of lingerie.

2. Prevention

The layout also has a preventive task. The more poorly organised a store, the more opportunities shoplifters have to take advantage of the unclear situation! When developing the layout, precautions can be taken that make it more difficult for shoplifters to steal goods.

Examples of this are: not to install the shelves as a poorly organised maze, adjusting the height of the shelves or placing theft-sensitive goods within sight of sales employees. These are just a few examples. At any rate, both preventive precautions and a deterrent policy can reduce the risk of a negative cash balance.

3. Logistics

You will also want to keep logistics under control. Studies show that the so-called ‘final 50 yards’ are the highest cost item of the logistics chain. This is where the turnover rate is highest and so are the proportionally increasing staffing costs.

A good layout cannot completely reduce these costs, but it can make them more controllable. Short supply routes, wide aisles where necessary and adjusting the warehouse build-up to the store are important factors that can result in an improvement of the cost structure.

4. Other functions

Naturally, a good layout has other purposes as well. In accordance with the principle that first impressions count, the layout can either attract customers or put them off. A layout can provide solutions or it can complicate matters. A logical product layout will help customers make a decision to purchase, whereas an illogical order creates confusion and dissatisfaction.

Depending on the business type and the sales formula, there is an ever-growing need for increased flexibility. Product ranges change more and more frequently and you want to be able to respond rapidly to seasonal changes. A
good layout allows for this. Flexibility is key where the need for space, margin in the market and presentation are concerned.

**Points to be remembered while developing the stores**

- The signage displaying the name and logo of the store must be installed at a place where it is visible to all, even from a distance. Don’t add too much information.

- The store must offer a positive ambience to the customers. The customers must leave the store with a smile.

- Make sure the mannequins are according to the target market and display the latest trends. The clothes should look fitted on the dummies without using unnecessary pins. The position of the dummies must be changed from time to time to avoid monotony.

- The trial rooms should have mirrors and must be kept clean. Do not dump unnecessary boxes or hangers in the dressing room.

- The retailer must choose the right colour for the walls to set the mood of the customers. Prefer light and subtle shades.

- The fixtures or furniture should not act as an object of obstacle. Don’t unnecessary add too many types of furniture at your store.

- The merchandise should be well arranged and organized on the racks assigned for them. The shelves must carry necessary labels for the customers to easily locate the products they need. Make sure the products do not fall off the shelves.

- Never play loud music at the store.

- The store should be adequately lit so that the products are easily visible to the customers. Replace burned out lights immediately.

- The floor tiles, ceilings, carpet and the racks should be kept clean and stain free.

- There should be no bad odour at the store as it irritates the customers.

- Do not stock anything at the entrance or exit of the store to block the way of the customers. The customers should be able to move freely in the store.

- The retailer must plan his store in a way which minimizes theft or shop lifting.
i. Merchandise should never be displayed at the entrance or exit of the store.

ii. Expensive products like watches, jewellery, precious stones, mobile handsets and so on must be kept in locked cabinets.

iii. Install cameras, CCTVs to have a closed look on the customers.

iv. Instruct the store manager or the sales representatives to try and assist all the customers who come for shopping.

v. Ask the customers to deposit their carry bags at the entrance itself.

vi. Do not allow the customers to carry more than three dresses at one time to the trial room.

3.3 Factors consider for gross layout

Accessibility, Visibility and Traffic

Retailers want to be located where there are many shoppers but only if that shopper meets the definition of their target market. Small retail stores may benefit from the traffic of nearby larger stores.

- How many people walk or drive past the location?
- Is the area served by public transportation?
- Can customers and delivery trucks easily get in and out of the parking lot?
- Is there adequate parking?

Depending on the type of business, it would be wise to have somewhere between 5 to 8 parking spaces per 1,000 square feet of retail space.

When considering visibility, look at the location from the customer’s viewpoint. Can the store be seen from the main flow of traffic? Will your sign be easily seen? In many cases, the better visibility your retail store has, the less advertising needed. A specialty retail store located six miles out of town in a free standing building will need more marketing than a shopping store located in a mall.

Signage, Zoning and Planning

Before signing a lease, be sure you understand all the rules, policies and procedures related to your retail store location. Contact the local city hall and zoning commission for information on regulations regarding signage. Ask about any restrictions that may affect your retail operation and any future planning that could change traffic, such as highway construction.
Competition and Neighbours

Other area businesses in your prospective location can actually help or hurt your retail shop. Determine if the types of businesses nearby are compatible you’re your store. For example, a high-end fashion boutique may not be successful next door to a discount variety store. Place it next to a nail or hair salon and it may do much more business.

Location Costs

Besides the base rent, consider all costs involved when choosing a retail store location.

- Who pays for lawn care, building maintenance, utilities and security?
- Who pays for the upkeep and repair of the heating/air units?
- If the location is remote, how much additional marketing will it take for customers to find you?
- How much is the average utility bill?
- Will you need to make any repairs, do any painting or remodeling to have the location fit your needs?
- Will the retailer be responsible for property taxes?

The location you can afford now and what you can afford in the future should vary. It is difficult to create sales projects on a new business, but one way to get help in determining how much rent you can pay is to find out what sales similar retail businesses are making and how much rent they’re paying.

Personal Factors

If you plan to work in your store, think about your personality, the distance from the shop to home and other personal considerations. If you spend much of your time traveling to and from work, the commute may overshadow the exhilaration of being your own boss. Also, many restrictions placed on a tenant by a landlord, management company or community can hamper a retailer’s independence.

Special Considerations

Your retail shop may require special considerations. Make a list of any unique characteristic of your business that may need to be addressed.

- Will the store require special lighting, fixtures or other hardware installed?
• Are restrooms for staff and customers available?
• Is there adequate fire and police protection for the area?
• Is there sanitation service available?
• Does the parking lot and building exterior have adequate lighting?
• Does the building have a canopy that provides shelter if raining?
• What is the crime rate in the area?
• Are there (blue laws) restrictions on Sunday sales?

Don’t feel rushed into making a decision on where to put your retail store. Take your time, research the area and have patience. If you have to change your schedule and push back the date of the store’s opening, than do so. Waiting to find the perfect store location is better than just settling for the first place that comes along. The wrong location choice could be devastating to your retail business.

**Short Answer Type Questions**

1. Define layout.
2. What is meant by Customer Flow?
3. What is meant by location of stores?

**Long Answer Type Questions**

1. Explain the purpose of the store layout.
2. What are the points to be remembered while developing the stores?
3. Explain the factors for Gross Layout.
4. What are the special requirements to maintain a business smoothly?
Structure

4.1 Introduction
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Learning Objectives

After studying this unit, the student will be able to learn

- Buy marketing portfolio.
- Standardization and Grading
- Factors influencing in selection of Goods.
4.1 Introduction

Best Buy's organizational structure puts its Marketing Management at the second tier of its organizational structure. This symbolizes the importance of marketing to Best Buy as a corporation.

1. Current situation

Best Buy is the current leader in sales of consumer electronics in the United States. Its brand is globally recognized, and has box stores located throughout the United States, Europe, Japan, Canada, and Mexico. Best Buy currently utilizes TV, Newspaper, radio, internet, and social media advertising. Best Buy also utilizes deals and exclusive sales rights to most of the biggest name brands in consumer electronics.

2. Competitor and issues analysis

Best Buy's competitors are limited to companies that don't deal strictly with consumer electronics. The major competitors are stores like Wal-Mart, Target, K-Mart, and focused electronic stores that sell one type of electronic such as video game stores, and TV stores.

Best Buy will need to insure the lowest prices guaranteed against its competitors advertised prices, and set itself as the standard one stop shop for personal electronics needs. Best Buy needs to ensure that major retail chains don't gain the edge in consumer promotions of electronic goods.

An issue is that consumers not purposely shopping for consumer electronics might see a TV deal (for example) while shopping for clothing, and make a on-the-spot purchase of said TV from the major retail chain without even thinking of Best Buy.

3. Marketing objectives

Best Buy needs to establish itself as the premiere location for all consumer based electronics.

Best Buy needs to ensure its price points are competitive with the market.

Best Buy needs to ensure that its brand is getting to the consumer through all marketing means (TV, Radio, Newspaper, Magazine, Internet, and Social Media) to reach its target market.

4. Marketing strategy (4 P's)

Product Strategy: Best Buy will need to boast its brand name, and image as having all the best valued products in the industry, as well as having the best customer service, and guarantees on products and services that are offered.
Pricing Strategy: With major retailers such as Target and Wal-Mart who offer discounted prices, Best Buy needs to ensure the prices of their products are competitive, and that the value of their product matches the value expectations of their target market.

Distribution Strategy: Distribution for Best Buy needs to be fast, efficient, and available. Online purchases with in-store pick up options allows for same day delivery to a consumer. Online shopping will allow people to buy the products without ever having to step foot on a sales floor, and the brick and mortar stores will allow for customers to browse and purchase items that they didn’t know they were even looking for. Best Buy will also need to continue to deploy the Best Buy vending machines found at Airports and major hotel chains.

Promotion Strategy: Best Buy will need to continue to promote its brand, products, and pricing in all possible outlets available, with the internet being number one. As the internet and web continue to evolve at record paces, Best Buy needs to stay ahead of the pace, and continue to brand online. Other promotion needs to be TV, radio, newspaper, magazines, online, and social media. Also getting brand logos during sporting events, concerts, etc… will be beneficial as large retail chains begin to sell more and more consumer electronics.

5. Action programs

Best Buy would want to sponsor events such as the Super Bowl that gets record numbers of viewers.

Advertising during events such as the Super Bowl with ads that grab consumer’s attention.

Charity work would have to be on the agenda for social responsibility to the communities.

As Face Book changes and begins to allow retail stores the opportunity to advertise based on social media activity, Best Buy needs to grow with that opportunity.

6. Budget

Money will have to be set aside for a very aggressive marketing strategy. Competitors are starting to gain the advantage for consumer electronic sales, and are starting to associate these retail chains as the place to purchase products that Best Buy sells. The budget investment will be for long term success.

7. Measurements

• Meeting sales forecasts
- Beating the competitors in consumer electronic sales
- Profit increase higher than marketing budget increases

### 4.2 Factors influencing in Selection of Goods

A marketer is always interested to know how consumers respond to various marketing stimuli—product, price, place and promotion and other stimuli i.e., buyer’s environment—economic, technological, political and cultural.

The marketer studies the relationship between marketing stimuli and consumer response. These stimuli pass through buyer’s box which produces the buyers’ responses and is shown above.

The buyer is considered as a black box, because his mind cannot be imagined, as to his buying decision. The buying decision depends on his attitude, preferences, feelings etc.

Factors influencing the consumer behaviour are internal needs, motives, perception and attitude as well as external—family, social groups, culture, economics, business influences etc. These influences are shown below:

The study of the buyer behaviour is essential to understand what Marketing is. The success or failure in marketing depends upon the individual’s reactions, expressed in the form of buying pattern. Mainly, the buyer behaviour has many approaches: the economic, the psychological, the socio-cultural etc. A buyer is subjected to many influences before the actual purchase. Aroused needs are forces which activate goal-oriented behaviour to bring want-satisfaction.

### 4.3 Effective Buying

1. Planning of Purchases
2. Contractual
3. Assembling
4. Negotiation
5. Contractual (entering into contract to buy)

**Planning of Purchases**

In planning of purchases there are three points. They are:

- Preparation of Budget
- Fixing the Rate of Turnover
(c) Accounting for Changes in Fashion and Prices.

(a) Preparation of Budget

The manufacturer should forecast with reasonable amount of accuracy the probably sale in a given period of time in the future. It is the management that estimates the probable sale during a given period of time. The management has to prepare the purchasing budget by estimating the expected demand, expected sales and probable production. Thus purchasing budget gives an estimate of the quantity of goods bought with reference to quality requirements. Budget is a strong plan of operation for efficient purchasing.

Budget is prepared for normally one year and forecast on the basis of the past purchase and sales records. It is a money budget. There is close relation between purchase budget and sales budget.

The marketing manager of manufacturing company prepares a list of material for the production according to the production schedule. Then he gives orders. Before that he must know the benefits of large-scale buying. He can order for large quantities if there are storage facilities.

The budget must be suitable under inflationary condition and so it must provide for contingencies, anticipated rising prices, rising costs etc. While preparing the purchase budget the management must remember the following points:

1. Balance stock against sales.
2. Minimise investment on inventory.
3. Help finance department to plan and buy materials.
4. Help buyers in purchasing.
5. Increase enterprise’s profit.

Middlemen prepare a basic stock list. This contains the items of stock and also shows the minimum quantity of stock to be kept. Depending upon the past sales record, the stock list is prepared. If there is any change in the rate of item, the stock list is revised. The revised lists are useful whenever items are added or dropped from the stock.

4.4 Analysis of Demand for Different products

Emerging competition in market place is propelling managements to hear the voice of their customers. To survive in the market, management have to be forward-looking and carry out market and demand analyses of products and
develop strategic business policies. However when it comes to working out methods and methodologies of demand forecasting, it presents a strange dilemma. Demand Burke had said that, “You can never plan the future by the past”, whereas Patrick Henry opines that, “I know of no way of judging the future but by the past”.

As an essential part of project formulation and appraisal, market and demand analysis is vital so that capacity and facility location can be planned and implemented in line with the market requirements. A major error in demand forecast can throw painstaking capita expenditure on plant capacity and other hardware facility totally out of gear. Such decisions are not easily reversible. Metal Box of India, a premier company in the field of metal, plastic and cardboard packaging became kick owing to ill-timed diversification into manufacture of bearings.

Forecast Versus Prediction

Forecast is an estimate of future events and trends and is arrived at by systematically combining past data and projecting it forward in a predetermine a manner.

Prediction is an estimate of future events and trends in a subjective manner without taking into account the past data. The subjective considerations may not emerge from any predetermined analysis or approach.

4.5 Types of Sales Promotion Tools

Free Samples

Distributing free samples introduces a new product to the market to generate demand. Samples should be small, but they must be large enough to provide customers with an adequate experience of your product. Give samples to representatives of your target market. If you are at an exhibition or trade show, have a limited supply of your free samples available for view; this tells people that your product is in high demand, and it stops customers from hoarding samples.

Coupons and Discounts

Coupons or discounts are distributed by mail, published in newspapers and magazines or delivered in person. Coupon distribution pulls customers in and encourages them to buy within a specific period. A picture of your product or service should be included on a coupon, along with the discount rate and expiration date. Target customers who would not normally purchase your product or service.
Mystery Rewards

Scratch-and-win cards or raffles for prizes are other popular promotional tools. The key is to offer these rewards only after the customer has agreed to purchase your product or service.

Money Back Offers

When customers doubt the quality or reliability of your product or service, offer a money-back guarantee. Give a detailed explanation of eligible returns and refunds available for customer reference.

Branded Pens and Magnets

Customers like to receive free products that they can use, such as pens, sticky notes and magnets. Distribute these products with your company’s name and phone number branded on them. Customers will be reminded of your product or service whenever they use it. These items can be manufactured in bulk, and they cost a fraction of what sales will pay you.

Discount

Discounts may be offered on sales of goods to attract buyers. Discounts may be classified into two types:

Trade Discounts

Offered at the time of purchase. For example when goods are purchased in bulk or to retain loyal customers.

Cash Discount

Offered to customers as an incentive for timely payment of their liabilities in respect of credit purchases.

Trade Discount

Trade discounts are generally ignored for accounting purposes in that they are omitted from accounting records.

Therefore, sales, along with any receivables in the case of a credit sale, are recorded net of any trade discounts offered.

Example:

Bike LTD as part of its sales promotion campaign has offered to sell their bikes at a 10% discount on their listed price of R 10,000.

Sales will be recorded net of trade discount, i.e. R 9,000 per bike.
Cash Discount

Cash discounts result in the reduction of sales revenue earned during the period. However, not all customers may qualify for the cash discount. It is therefore necessary to record the initial sale at the gross amount (after deducting any trade discounts!) and subsequently decreasing the sale revenue by the amount of discount that is actually allowed.

4.6 Standardization and Grading

Grading and standardization is well understood and practiced at all India level for engineering and consumer goods. It is yet to become popular for rural producer.

Efforts are made by standard organization to popularize the standards. Agmark is one of the important step in popularizing quality moment by gradation.

There are many advantages of grading. The important one is to obtain fair price to producer and justice to the consumer.

Agmark "grades give full specifications of products for various commodities. These are yet to become with farmers and consumers.

Bureau of Indian Standards, ISO, also have develop the grades and standards for agro produce which are to be made popular.

Both producer and consumer awareness to grades need to improve a lot, media of TV, newspapers to be used to give to give publicity. At the same time awareness regarding misuse of labels is to be created.

The role of Agriculture Universities, Co-operative moment, Village Panchayat is very important in spreading awareness information and knowledge regarding grades and standards for commonly used agricultural produce.

Standardization

Standardization is the process of fixing certain norms for the product. These norms are established by customs or tradition or by certain authority. It involves determination of basic characteristic of a product on the basis of which the product can be divided into various groups. It also means determining the standard of product to be produced with regard to size, color, form, weight, shape and quality. Standards are model products which form the basis of comparison.

Without standardization the rule of caveat (law) prevails and there may be confusion and unfairness. The term of standardization is used in a broader sense. Standardization is a application of standard to goods meant for marketing
with a view to further sub dividing them into several grades or classes. Thus standardization means making the quality specification of the grade uniform among buyers and sellers over space and time.

According to National Commission on Agriculture standardization is defined as, “the determination of basic limits or grades in the form of specification to which manufactured goods must conform and a class into which the product of agriculture and the extra active industries may be sorted is known as standardization.”

**Basis of standardization**

Agricultural goods are standardized on the basis of different factors, based on which they are classified into different grades. The following are some of the factors on the basis of which standards are set:

1. On the basis of quantity, weight and measures.
2. On the basis of size and shape.
3. On the basis of color such as apples.
4. On the basis of quality such as foodgrains and cotton.

**Standardization in Material Management:**

A standard is defined as a model or a general agreement of a rule established by authority, or custom, created and used by various level of interest. For instance, an individual may be the starting point of using standard and then his department will use the same standard to suite its needs. The standard could cover a variety of industries such as engineering, textile, chemicals, pharmaceuticals, agricultural as also education. The topics covered under standards can include purchase contracts, forms, sampling, testing, safety measures, etc.

We are aware of use of standards for specifying the items, specially for purchase purpose. Market grades, commercial standards, performance specifications are the popular examples of wide range application of standardization. With standardization more then one manufacturer can supply and this will be implied better availability, better price and better delivery. Standardization also implies regular available to reduce purchase efforts, less stock and less obsolete items. It also means less inspections efforts as a matter of fact many organization do not check routine items bearing ISI marks in very detail manner but resort to inspection of only a small fractions of items. It is also possible to enter into rate/running contract with standard item.
Process of standardization leading to Variety Reductions:

The process of standardization leads to simplification of variety reductions. These implies reduction necessary varieties and standardizing to be most economically sizes, grades, shape, colors, types of parts and so on. The process of standardization and variety reductions as follows:

1. Prepare the list of all the items use to make the final product. The list can be made out of the design blueprint in case the product design is just over but production has not started, or from the actual record of consumption incase the product is in production.

2. Classify the items according to their performance and dimensional characteristics.

3. Group the items with similar functional characteristics and then subgroup according to major dimensional values. For example all bushes around 5 cm dia. Will be in one group. While all around 3 cm dia will be in other group and so on.

4. For a group of items with similar functional characteristics, study the dimensional features. In case of large number of items, several items with the same and similar functional requirements are likely to show the dimension clustered in much closed vicinity. If the performance characteristics are within satisfactory zone, these items are produce of the same dimensions. This a very important step in variety reduction.

5. If performance is acceptable, the items has been standardized according to the National or International standards. If the performance is not satisfactory, organization will adapt a local standard, the dimensions being of the representative value.

Advantages of Standization

1. Uniformity in quality : With standardized goods, there is homogeneity and consistency in quality. Hence, a consumer can buy a product without much hesitation and risk as the quality of product will not change over a period of time, thus leading to better goodwill.

2. Differential pricing : When goods are standardized and classified into various types, one can used differential pricing for different grades of the product. Thus assuring better return to both buyer as well as seller. E.g. Dettol and savlon
3. **Increased in demand**: As there is uniformity in size, form, quality and utility of all products of an enterprise, the customers rely on these products. Sale of standardized goods increases.

4. **Elimination of risk**: The standards of products are determined keeping in mind the habits, tastes and nature of consumers and the risk of selling standardized goods is reduced.

5. **Expanding the market**: There is large-scale production of standard goods which results in many types of saving in production, distribution, advertising and sales promotion because of these the manufacturer is in a position to produce best quality goods at minimum cost thus attracting a number of customers.

6. **Availability of finance**: Finance can be obtained easily for standard goods as financial institutions prefer giving finance to those enterprises who deal in standard goods.

7. **No need for inspection**: There is no need for inspecting the quality of a product as the form of size, quality and utility of all the products in a lot are uniform in all respects and the consumers are convinced with it.

8. Standardization helps to reduce inventory items

9. It helps in evolving better means of communications about an item in the company.

10. It forms a base for the inventory analysis.

11. The specifications of items can be more clearly spelt out, making quality control.

12. In a developing economy like ours, where the need is to promote exports insistence on standards helps in creating confidence in the international market.

13. By using National standards, it is easier to locate sources of supplies and in the case of machine parts, the placements can be obtained easily. It could also be used in advertising the products as well as spare parts.

**Grading**

Grading means sorting of unlike lots of produce into different lots according to quality specification laid down. Each lot has substantially the same characteristics as far as quality is concerned. Grading is an important function of standardization. It implies the division of products into classes made up of unit possessing similar characteristics of size and quality.
Grading is mostly done in case of raw materials, mineral products and agricultural products. There is no need to divided industrial product as they are produced according to pre-determined standards. There may be difference in quality or size or shape or characteristics of the products. The grade standards for commodities are laid down first and than the commodities are sorted out according to accepted standards. Grading helps the producer to get proper prices for these products because different price may be fixed for different lots.

Grading is categorizing the produce into different lots, each containing similar characteristics.

**The characteristics could be one or more of the following type**

- **Size**: Big, medium, small, long, short, roundish, oblong etc.
- **Flavour**: Which in turn speaks of taste or class
- **Ripeness**: Raw, semi-ripe, ripe in case of fruits, oilseeds, pulses and cereals.
- **Length of staple**: In case of cotton and jute.
- **Location oriented**: Like Goa Alfanso, Bydagi chillies, Baiganpalli mango, and Nagpur orange
- **Nasik grapes**: having specific tastes, shape, colour etc.

**Purpose of Grading**

- It is a means to describe the quality of produce for sale/purchase activity
- It protects consumers from unfair trade practices by traders or farmers and also enables farmers to get price as per quality and grade
- It works as a basis for fixing price and premium price as per quality

**Grading System**

**Advantages and Importance of Grading**

Grading in general is helpful to all the stockholders in agro-related activities the farmers, traders, co-operative and the ultimate consumers. The advantages of grading are

1. **Production of Large Scale**: Goods are produced on a large scale, as grading of goods helps in increasing its demand. It becomes easy for a producer to produce these goods on a large scale as goods are graded.
2. **Increase in Sales:** Customers do not bother to enquire about the goods graded, as they are very easy to be sold. Therefore, marketing of graded goods becomes easy.

3. **Quality Certainty:** Certainty provides producers a reasonable price for their products and provides standard goods of uniform quality to customers at reasonable prices. It helps the producers as well as the buyers.

4. **Helpful In Financial Management:** For the financial management of the enterprise graded products are very helpful. These products can be used easily, as security loans can be arranged as security of these products.

5. **Helpful in Future Contracts:** Supply contracts may be entered into future for graded products as the identification of graded products become easy and different types of products are divided into different groups.

6. It makes price more reasonable to grades and there will be difference in price as per quality.

7. Simplification of storage and marketing of different grades.

8. Loans can be given based on stored goods as per the grade and'

9. Easier to understand quality available for each grade in case of bulk sale.

10. Based on grades, quality and quantity, it is easy to estimate value for loans against stock.

11. Price comparison by consumers is easy due to grade identity. The buyer expects least or no risk in his purchases.

12. Grading helps to create perfect competition in the market as it will set a good standard of equivalent grades and materials competition.

13. Overall marketing cost can be reduced as repeat evaluation, spot separation (grading) and doubts in the mind on consumers are avoided.

**Types of Grading**

Grading may be done on the basis of fixed standards or variable standards. It is of three types.
1. **Fixed or mandatory grading**: Under this, the goods are sorted out according to the size, quality and other characteristics which are of fixed standards. These do not vary over time and space. It is mandatory for a person to follow these grade standards if he intends to sell graded products.

   The Agriculture Marketing Advisor Government of India has fixed grade standards for a number of agricultural commodities and it is compulsory to grade the produce according to these grade specifications. The use of mandatory standards is compulsory for export of the agricultural commodities to various countries.

   For many of the agricultural produce, certain grades and standards are fixed by Agricultural Marketing Advisor, Government of India. This is done for having and maintaining high standard and clarity of quality in case of exports of agro-produce. Farmers are not free to use their own standards and classifications in case of exports. The Government of India has made standards based on size, quality and other characteristics which are fixed standards hence mandatory for exporters.

2. **Permissive or variable grading**: Under this, the goods are graded according to the standards which vary over a period of time. The grading specifications are fixed in over time and space in this case but changed every year according to the quality of the produce in that particular year. In India grading by this method is not permissible.

3. **Centralized/decentralized grading**: Under the centralized grading system an authorized packer either sets up for his own laboratory manned by qualified chemists or seeks access to an approved grading laboratory set up for the purpose by state authorities or co-operative association or private agencies. Grading in respect of commodities such as ghee, butter and vegetable oil where elaborate testing facilities are required for checking the purity as assessing the quality has been placed under the centralized system.

   The directorate of Marketing and Inspection exercise close supervision on grading work of the approved chemist by way of periodical inspection of grading stations and the quality of graded produce. Under this system, the state marketing authorities under the overall supervision and guidance of the directorate of marketing and inspection implement the decentralized grading system. This system is followed in those commodities which do not have elaborate testing arrangements for assessing the quality.

   **Eg**: Vegetables, fruits, eggs, pulses and cereals, the grades for these produce are determined on the basis of physical characteristics. Both these grading programmes are consumer oriented. In addition to these programmes,
the state marketing authorities also implement a grading level. Free grading services are provided to farmers for sorting the produce.

4. Grading at producers level: Under this programme, free grading services are provided to the farmers for sorting the produce before offering for sale. This enables them to realize prices commensurate with the quality of produce. Several regulated markets and warehouses are manned with grading personnel with the central assistance.

Farmers on their own also do grading, which is actually categorizing as per their own thinking. They do not have an idea of standards and grades as per DMI. Farmers do only from the point of view of getting fair rates to their produce. Marketing agents also develop some expertise in gradation of agricultural produce and their opinion is given importance in price fixing and negotiations.

Agmark

AGMARK is the acronym for agricultural marketing. It is a quality certification mark under central agricultural produced (Grading & Marketing) ACT, 1937. AGMARK is done for commodities of internal consumption like ghee, vegetable oil butter, etc.

The AGMARK label indicates the products meet certain standards of purity and quality. Labels of different colors are used to indicate the grade of the products. Strict procedures are followed and rules are laid down to ensure conformity to the standards set as per the grade given. Quality check and tests are done to maintain standards. With the help of such grades and standards, products produce can be sold through the right channel and the right prices. Also, the consumers are ensured value for money and can comfortably buy a product without fear.

Producer’s Problems in Grading

Farmers in India are either illiterates or literates to the extent of reading newspapers. Asking them to do high quality work is a difficult task. Some of the feelings and constraints in grading at the producers stage are as follows:

• The agricultural produce is perishables and some are fast perishables. Hence there is very little the producers can do about perishables like milk, butter, ghee, fruits and vegetables.

• Producers, especially small and marginal farmers need money and they cannot delay the goods sale for grading work etc.
• To get uniformity of production in vast area is partly not in control of the farmers. Out of 20 acre land, the produce quality and size may vary from one end to another. The effect of water and manure varies from point to point.

• There could be side effects of pesticides in some portion of the crop area. Hence to get standard produce is not always workable.

• It is felt that in case of grains, grading is not required as the buyer of grains goes by feel and rates. Perhaps grading is required only for exports.

• The expectations, cooking methods, spices type, etc. change from region to region and hence to make uniform grades is difficult.

**Efforts To Popularize Grading**

The NAC (National Commission Of Agriculture) was consulted to give suggestions to improve the grading work by popularizing it.

• There should be adequate training for graders and people with agricultural knowledge should be encouraged to become qualified graders. Only this way there is a possibility of making the grading system more efficient.

• All agro and rural commodities should be covered for grading. Standards of grades should be formed wherever the same are not available.

• Now grading is compulsory for exports NAC has suggested to make grading and standardization compulsory for local sales also for all agricultural commodities.

• There should be only one agency to formulate grades and standards. This will create uniformity.

• As model examples, the samples of graded materials should be kept for display in important markets for easy understanding of the grades.

• The authority of the Central Government Agency (DMI) and state marketing federations should be made very clear, avoiding duplication.

**Consumer’s Perception to Grading**

Consumers in case of agricultural products are full population of the country. Food is the basic requirement and rural produce like grains, fruits, vegetable, milk and milk products etc. are all food items. Before giving details about perception, the consumers can be categorized as follows.
• Consumers in category 1 and 2 are aware of grades, standards, can read labels and slips and be choosy. This category appreciates the gradation and pays accordingly. They mostly belong to rich and/or salaried category.

• Consumers in category 3 and 4 are either not aware or not bothered about grades and standards of food products and agro-products. Normally this category people are poor and very poor and majority of India’s population is in this category. Hence, ‘AGMARK’ grade is not known to majority of the population. It is very difficult for them to understand the grades nor are they interested.

• Consumer confidence in grade is not high as most of these produce are perishable with time. Also few traders indulge in unfair practices, thus creating doubt in the consumer’s mind about genuinity of grades.

• Wherever expiry date is put on the label, the items should be taken out of the shelf once the expiry time is reached much after expiry date, resulting in loss of customer loyalty.

• In busy shops, customers do not have time to read labels. Also grades are A, B, C, D or I, II, III, and IV. A customer is not aware of the difference in these categories. A new method needs to be developed to infuse confidence.

• The control measures are not adequate for misuse of labels.

**Indian Standard Institute (ISI):** ISI came into existence in 1940 as the consequence of industrial conference held at that time. In January 1947 government of India established Indian Standards Institute under industrial development plan. Institutional head office is in Delhi.

### 4.7 Broker

A **broker** is an individual or party (brokerage firm) that arranges transactions between a buyer and a seller, and gets a commission when the deal is executed. A broker who also acts as a seller or as a buyer becomes a principal party to the deal. Distinguish agent: one who acts on behalf of a principal.

In general a broker is an independent agent used extensively in some industries. The prime responsibility of a broker is to bring sellers and buyers together. Therefore, a broker is the third -person facilitator between a buyer and a seller. An example would be a real estate broker who facilitates the sale of a property.
Brokers also can furnish considerable market information regarding prices, products and market conditions. Brokers may represent either the seller (90 percent of the time) or the buyer (10 percent) but not both at the same time. An example would be a stockbroker, who makes the sale or purchase of securities on behalf of his client. Brokers play a huge role in the sale of stocks, bonds and other financial services.

There are advantages to using a broker. First, they know their market and have already established relations with prospective accounts. Brokers have the tools and resources to reach the largest possible base of buyers. They then screen these potential buyers for revenue that would support the potential acquisition. An individual producer, on the other hand, especially one new in the market, probably will not have the same access to customers as a broker. Another benefit of using a broker is cost they might be cheaper in smaller markets, with smaller accounts, or with a limited line of products.

4.8 Commission Agents

Commission agents—also known as commercial agents—work as middlemen between vendors and buyers. These individuals find employment in myriad industries for large and small businesses, depending on their area of specialization. Commission agents work in countries throughout the world and may seek work from a number of employers simultaneously if their field of specialization provides the opportunity to do so. These expert purchasers and vendors provide a valuable service to their clients.

In general, commission agents purchase and sell items on behalf of a principal, usually a company. The nature of the job depends on the field of employment. Agriculture produce commission agents who work for small businesses, for instance, travel to farms and orchards, purchasing fruits, vegetables and dairy products for principals such as grocers and restaurants, or sell such items to grocers and restaurants on behalf of farmers. These individuals work independently as contracted, third-party workers, not employees of their principals. Commission agents conduct business under their own names, which affords a measure of anonymity to their principals while allowing the agents a certain degree of autonomy. As experts in their field, commission agents can assist small businesses in making the most of their limited budgets.

4.9 Door to Door marketing

Door to door marketing is a direct sales method involving a representative going from one door to the next in a neighborhood or building, either selling goods directly to the resident or providing product information in the form of flyers, coupons, brochures, etc.
In the past it was more common for a sales reps to knock on doors in an effort to sell their product directly to the resident. Today, when there are few residents home during business hours, it has become more common to hire someone to leave advertising material at each door without knocking or contacting the resident.

**Perishable Market**

Perishable products are those that worsen in quality over time, and become lesser in value. Perishable goods decay rapidly if not refrigerated, or if some other preservation technique is not employed.

**Common Perishables**

Common perishable goods include foods, medication, plants and agricultural products. Dairy products, fish products, fruits and vegetables, are examples of time and temperature-sensitive perishable products that can rot or spoil easily.

**Distribution Channel**

Perishable products must reach consumers in a timely manner. In marketing, as soon as the product start to degrade, its value goes down. Perishable products must be handled and transported by highly efficient distribution channels that can retain the integrity of the produce.

**Non Perishable Market**

Nonperishable food items are those foodstuffs that can be stored without refrigeration and can stay on the pantry shelf for an indefinite period of time. Most nonperishable foods do have a “best used by” date or something similar, but can often be stored for a year or longer. Nonperishable foods can be purchased in bulk, stored on the shelf and used as needed.

**Types**

Most canned foods such as vegetables and fruits are considered to be nonperishable, provided that they are properly processed and the containers show no signs of leakage. Other foods include dried peas and beans and grain products such as wheat; barley and oats are also considered nonperishable. Some foods are vacuum-packed like tuna and tofu and can remain on the shelf for long periods of time. Big blocks of processed American cheese, often used in macaroni and cheese and melted dips, can remain on the shelf almost indefinitely. Pastas, including macaroni and spaghetti, will store for indefinite periods of time.
Short Answer Type Questions

1. Define money backoffer.
2. Define coupons and discounts.
3. Write the basis of standardization.
4. Define Broker.
5. Define Commission Agents.

Long Answer Type Questions

1. Write the factors influencing in selection of goods.
2. Write the types of sales promotion.
3. Write the advantages of standardization.
4. Write the advantages and importance of Grading.
5. Write the types of Grading.
6. Write about perishable and non-perishable market.
UNIT 5

Pricing and Promotion

Structure

5.0 Introduction
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Learning Objectives

After studying this unit, the student will be able to understand

• Pricing and Promotion
• Production cost of Factor determining pricing
• Types of Sales Promotion
• Advertisement Techniques

5.0 Introduction

Pricing

In a climate where consumers have come to expect deeper and deeper price cuts and promotional giveaway, it’s important to work out a Pricing & Promotions strategy that works both for the company and its consumers.

Price is the amount a customer pays for the product. The price is very important as it determines the company’s profit and hence, survival. Adjusting the price has a profound impact on the marketing strategy, and depending on the price elasticity of the product, often it will affect the demand and sales as well. The marketer should set a price that complements the other elements of the marketing mix.

When setting a price, the marketer must be aware of the customer perceived value for the product. Three basic pricing strategies are: market skimming pricing, market penetration pricing and neutral pricing. The ‘reference value’ (where the consumer refers to the prices of competing products) and the ‘differential value’ (the consumer’s view of this product’s attributes versus the attributes of other products) must be taken into account.

Promotion

It is all of the methods of communication that a marketer may use to provide information to different parties about the product. Promotion comprises elements such as: advertising, public relations, personal selling and sales promotion.

Advertising covers any communication that is paid for, from cinema commercials, radio and Internet advertisements through print media and billboards. Public relations is where the communication is not directly paid for and includes press releases, sponsorship deals, exhibitions, conferences, seminars or trade fairs and events. Word-of-mouth is any apparently informal communication about the product by ordinary individuals, satisfied customers or people specifically engaged to create word of mouth momentum. Sales staff often plays an important role in word of mouth and public relations.
5.1 Product Cost and Mark Up Pricing

A product cost is any cost that is associated with units of product for a particular purpose. Hence, the identification of product costs depends on the purpose for which it is done. For example, the factory manager is interested in manufacturing costs, whereas the merchandising manager might be interested in both manufacturing and nonmanufacturing costs, including research and development, marketing, and advertising costs.

Markup is the difference between the cost of a good or service and its selling price. A markup is added on to the total cost incurred by the producer of a good or service in order to create a profit. The total cost reflects the total amount of both fixed and variable expenses to produce and distribute a product. Markup can be expressed as a fixed amount or as a percentage of the total cost or selling price. Retail markup is commonly calculated as the difference between wholesale price and retail price, as a percentage of wholesale. Other methods are also used.

There are many factors that go into calculating the markup on your product or service. Two of the most important are the costs of production and the market demand for the product. After taking those factors into account, look at the industry. Is there a standard industry markup?

Prices are set differently depending on your type of small business. Pricing strategy differs for the following types of firms:

- Service firms
- Wholesalers
- Retailers
- Producers
- Building Contractors

Regardless of the type of small business, markup is the amount you add to the cost of the product to determine the selling price. The markup percentage is determined by the amount of the planned profit, the type of the product or service the company is selling, how rapidly the product sells, and the amount of service performed by the seller.

Based on the factors discussed, determine the markup percentage that the company wishes to use for the product. If the company wish to use 30%, for example, add the 30% markup percentage to 100%. Multiply the 130% by the cost of the product. That will give the company the selling price for the product.
5.2 Factors Determining Pricing

Determination of the prices depends internal and external factors. Pricing goals represents internal policy. Also, price policy should be aligned on several other factors.

![Fig 5.1 Price Determination](image)

Demand is the key determinant for market oriented company. Demand is the starting point for all activities. Simply, the average customer will be demanding different product quantities, depending on price. Law of the market says that demand and price are counter proportional (price increase leads to demand decrease and vice versa).

Competition has a significant influence to price determination of market oriented companies. Prices need to be adjusted in order to address the competition. Every company should research market and competition, prior to launch of the new product. Survey should include direct competitors but also the substitutes. Based on market survey and the strength of the company the prices can be the same, lower or higher.

**Costs**: While demand and competition are external factor, the costs are internal. The costs must be embedded in every stage of price determination process. There are several methods of cost embedding into price:

1. **Costs Plus**: Company calculates the costs and increase price for the specific profit.

2. **Markup**: Price based on cost increased for amount of specific markup percentage.

3. **Target Return Method**: Calculated required markup, in order to achieve return on investment.
4. **Profit**: Maximizing is the price where the marginal profit equals marginal cost.

5. **Breakeven Analysis**: Is the number of units sold that generates profit that can cover cost. This point does not have profit nor lost.

Life Cycle pricing approach analysis the current phase of product life in market.

1. Entering phase usually requires higher sales prices in order to payback initial development costs. Also customers are willing to pay more for a new product.

2. Growth phase is bringing the market stabilization. Prices are more or less stable.

3. Saturation phase leads to price decline, due to competition entrance and loss of consumer’s interest.

4. Declining phase is the last part of product life cycle. Prices are still going down.

Sales Channels have the different shopping occasion. Consequently the pricing is adjusted to sales channel. For example, the same products are cheaper in hypermarket than on petrol station.

Government is usually do not interfere into price determination. Exceptionally it may limit maximal prices for a certain products. Still, government is influencing pricing, since the taxes & custom duties are the part of the price.

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5.3 **Maintenance of Regular Price**

Regular price maintenance (RPM) is the practice whereby a manufacturer and its distributors agree that the distributors will sell the manufacturer’s product at certain prices (resale price maintenance), at or above a price floor (minimum resale price maintenance) or at or below a price ceiling (maximum resale price maintenance). If a reseller refuses to maintain prices, either openly or covertly (see grey market), the manufacturer may stop doing business with it.

Regular price maintenance prevents resellers from competing too fiercely on price, especially with regard to fungible goods. Otherwise, resellers worry it could drive down profits for themselves as well as for the manufacturer. Some argue that the manufacturer may do this because it wishes to keep resellers profitable, thus keeping the manufacturer profitable. Others contend that minimum resale price maintenance, for instance, overcomes a failure in the market for distributional services by ensuring that distributors who invest in promoting the
manufacturer’s product are able to recoup the additional costs of such promotion in the price that they charge consumers. Some manufacturers also defend resale price maintenance by saying it ensures fair returns, both for manufacturer and reseller and that governments do not have the right to interfere with freedom to make contracts without very good reason.

### 5.4 Types of Sales Promotion

Sales promotions are used as a way to attract attention to your business or provide an incentive for a customer to take a desired action. Sales promotions typically last for a specified time period and are designed to achieve a defined purpose like helping to launch a new business or luring customers away from a competitor. A variety of sales promotion types are available to small business owners.

**Demos and Sampling**

According to the Business Owners ToolKit website, 51 percent of shoppers purchased a product they normally would not have purchased when given a free sample. Samples are most commonly used in grocery stores to introduce a new food product. A demo is another form of sampling when a product or service is demonstrated during actual use. A small business owner such as a home improvement contractor could work with a local hardware store to demonstrate a home improvement project.

**Coupons**

Coupons can be used as a way to attract new customers or to develop customer loyalty. Mail coupons to targeted households as an incentive for someone to shop at the store or purchase your product. The company can also place them on products on the stores shelves to provide customers with an immediate savings at the cash register. The latter method encourages customers to keep coming back to the business.

**Price Reduction**

A price reduction allows customers to buy the products at a lower price for a specified period of time. A price reduction may take the form of a sale or an in-store event like an unadvertised special on certain items. A price reduction may also be used to take attention away from a competitor. For example, if the company operates a dry cleaning business and a new dry cleaner opens a store down the street, the company can offer a price reduction to lure customers away from the new store's grand opening event.
Free Products

Giving something away is another way to lure customers to the place of business. For the grand opening event, the company can provide everyone who attends with free food or drink or free merchandise. The company can also give away items containing the brand or slogan such as coffee mugs or t-shirts. Another idea is to give away prizes to the first 25 people who enter the place of business on a given day.

5.5 Windows and Interior Display

A window display is a grouping of merchandise in a retail establishment’s storefront area. For shops with street access, the storefront section has an outer door and usually one or two windows. Stores inside a shopping mall usually have at least one clear wall beside their entrance or they have a solid wall with a display window that looks out into the inside of the mall. A shopping mall may be defined as one or more buildings that contain separate retail units. Displaying store merchandise is known as visual merchandising and window displays show potential customers items that are for sale inside the shop, so that hopefully they will enter the store to purchase these or other goods.

Getting attention is an essential quality of a good window display. An attention-getting display at the store entrance can entice passers-by into entering the store and this is what storeowners hope their display accomplishes. Many times, shoppers will go into a shop because something showcased in the window caught their eye. They may ask the storeowner to see the item or just browse around and perhaps see other goods they’re interested in purchasing. In this way, attractive window displays can increase store traffic.

The most interesting window displays create a theme such as back to school with autumn leaves behind sweater and jean-clad mannequins holding books. Other popular themes revolve around holidays such as Christmas and Valentine’s Day, and new or popular merchandise that is available.

The theme of a window display should reflect what is available for sale inside the store so that customers know what to expect. Window displays are usually changed at least every season. It takes practice to create displays that are creative without being gaudy. The overall look of a window display should suit the store’s personality while highlighting the products the store sells.

5.6 Planning for Displays

Retail is a competitive business. Even if the product is completely unique, the product still have competition. There is always another store down the street - or in the next cyber-mall - that is aiming for the customers’ wallet.
Customers have a limited amount of disposable income, but their choices of where to spend it are infinite.

While there are many aspects involved in marketing and gaining customer loyalty, one of the most important is the product presentation.

The following aspects have to be planned by the organization in order to display their product.

1. Create a focal point

An overwhelming display or a boring one can both have the same problem - a lack of focal point.

- Where do you want your viewer to look?
- Is there one main feature you want them to notice?
- Where will the eye travel through the display? Don’t leave this to chance. Plan what the customer should do when they see the display. Perhaps a new product is the main focal point, with complimentary items placed in close proximity to encourage multiple sales.

Many window and table displays are too low. The focal point should be at eye level to most viewers. Visitors will not work to get a good look at your display, they will simply walk on by without noticing.

2. Use line and shape to plan your design

Don’t just put your products together willy-nilly. Practice drawing a quick layout to help you visualize the plan for your design.

- Will your layout be horizontal or vertical?
- Will the products be arranged in straight or curved lines, in a pyramid or circular shape?
- Will the design combine a variety of elements, or just one?

To experiment with this, draw rectangle that is roughly the same shape as your display space. Sketch geometric shapes such as squares, rectangles, circles, semi-circles and triangles in various combinations to get a sense of an appealing layout. For instance, a large triangle could represent an arrangement of gift ware. A long vertical rectangle to the left of the triangle would represent signage placement.
3. Create balance

Strong displays have visual balance. Dark colors appear heavier than light ones. Large objects appear heavier than small ones. This seems straightforward, but you need to think about this as you plan your display.

Generally larger, darker items would be placed near the bottom of a display, with lighter items at the top to avoid appearing top heavy. Placing too many items, or heavy looking items on one side appears unbalanced. A grouping of many items on one side of the display can be balanced by one heavy item in just the right place on the other side. Think of weights on an old fashioned scale to get an idea of how this works.

**Does balance matter?**

We all respond emotionally to visual stimuli. Creating a display is about creating a mood and a desire within the consumer. A lack of balance creates an impression of instability and anxiousness. The consumer is not even aware of the feeling, he or she simply searches out an environment or merchandise presentation that gives them a positive feeling and creates an appealing mood.

4. Keep it simple

Don’t try to do too much. The goal is to attract attention to the product. On a slat wall, often simple rows are the best way to show the merchandise. Too often I have seen displays where every row or shelf has a different arrangement.

Your goal is to make it easy for the customer to find what they are looking for and to make sense of your product arrangement. Keep your groupings logical by grouping similar products together, with complimentary products nearby.

5. Use proper lighting

Lighting is overlooked far too often. When budgeting for store fixtures and merchandising, display lighting is not an ‘extra’. Lighting your displays properly can make the difference between a display that makes people yawn, or makes them stop and look.

Displays should not be lit directly from the top, or you will get unattractive shadows. Lights should be slightly off to the side, and to the front of the display. They should enhance the 3-dimensional quality of the product. Preferably the display will be lit from more than one angle. Lighting should be adjusted every time you change your display.
If you don’t have positionable lights in your key display areas, especially windows, get some as soon as possible. A good lighting store will have some for a reasonable cost and can give you advice on installing and using them.

6. Look at the display from all angles

After you have completed your display, step back and look at it. Very few people will see it standing directly in front of it. Most displays are approached from the side and seen from an angle.

Approach your display from all possible angles and view it as a customer would.

• Is your focal point still placed appropriately?
• Do you need to angle the display to the customers viewpoint?
• Is the signage visible and readable?
• Does the arrangement still appear balanced?

5.7 Consumer Promotion

Consumer Promotions are sales promotion tools used to boost short-term customer buying and involvement or to enhance long-term customer relationships. Tools include samples, coupons, cash refunds, price packs, premiums, advertising specialties, patronage rewards, point-of-purchase displays and demonstrations, and contests, sweepstakes and games. Tools used for consumer promotions can also be used as trade promotions. In addition, manufacturers will do things like offering discounts off list price, advertising allowances and display allowances as trade promotion tools.”

Types of Consumer Promotion

Sampling

In order to boost sales, a company may use sampling as a consumer promotion. Sampling means giving a customer a sample of the product the company and manufacturer want the customer to purchase. Sampling gains the customer’s interest, and is most beneficial when it is coupled with advertising. Sampling may also be used when trying to divert the customer’s attention away from the competition.

Taste Test

Tastings are consumer promotion tools used mainly in the food industry. Tastings are given to introduce a new food product to customers in an effort to get them to purchase that product. A tasting will also be used if the company or product line is producing new food items.
Gifts and Drawings

Free gifts with a purchase, or the chance to enter a drawing for various products from a particular line of merchandise, can be a very effective consumer promotion strategy. Customers feel like they are getting something extra for the dollars spent on their favorite products or other items of merchandise. Free gifts or drawings may be coupled with coupons—buy one, get one free, for example. Gifts and drawings are especially used for new products, or for seasonal products and services.

5.8 Trade Promotion

Trade Promotion refers to marketing activities that are executed in retail between these two partners. Trade Promotion is a marketing technique aimed at increasing demand for products in retail stores based on special pricing, display fixtures, demonstrations, value-added bonuses, no-obligation gifts, and more.

Trade Promotions can offer several benefits to businesses. Retail stores can be an extremely competitive environment; trade promotions can help companies differentiate their products from the competition. Companies can utilize Trade Promotions to increase product visibility and brand awareness with consumers. Trade Promotions can also increase a product’s consumption rate, or the average quantity of a product used by consumers in a given time period.

Furthermore, effective Trade Promotions can enlarge a product’s market segment penetration, or the product’s total sales in proportion to the category’s competition. Moreover, companies use Trade Promotions to improve distribution of their product(s) at retailers and strengthen relationships with retailers. Lastly, Trade Promotions can be leveraged to introduce new product launches into retail stores.

Trade promotion is directed to the retailer and/or wholesaler. The point of a trade promotion is to persuade resellers to carry a brand, give it shelf space, promote and push it.

Types of Trade Promotions

In-store displays

In-store displays are promotional fixtures in retail stores. Variations of in-store displays include Point-of-Sale Displays, which are located near cash registers to encourage impulse buying; Floor Stickers, or advertisements for products on the aisle of a store;
**Temporary Price Reductions (TPR)**

(TPR) are either directly or indirectly lower the cost per unit of a product. Examples include “cents off” promotions, where manufactures or retailers temporarily reduce the price of a product, and Bonus Pack promotions which offer extra product for free. Consumers benefit from either paying a lower price on a product or getting more of a product for less money.

**Coupons**

Coupons offer instantly redeemable savings on certain products. Coupons can be featured on In-Store Displays, on their own, or on the product. Coupons instantly reduce the price of a product, making it more desirable to consumers.

**Premiums**

Premiums incentivize consumers to purchase a product with a tangible benefit, such as a no-obligations gift. Premiums make the product offer more valuable to consumers by including a related product for no additional cost.

**Sampling**

Sampling allows consumers to try the product either in-store or via free samples before buying it. This can reduce consumers’ apprehension about buying a new product or introduce them to a product they were unfamiliar with before.

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**5.9 Publicity**

**Publicity** is the deliberate attempt to manage the public’s perception of a subject. The subjects of publicity include people (for example, politicians and performing artists), goods and services, organizations of all kinds, and works of art or entertainment.

Publicity is the act of attracting the media attention and gaining visibility with the public; it necessarily needs the compliment of the media; it cannot be done internally because it requires the attention of the publicist and it is the publicist that carries out publicity while PR is the strategic management function that helps an organization communicate, establish and maintain relation with the important audiences. It can be done internally without the use of media.

From a marketing perspective, publicity is one component of promotion which is one component of marketing. The other elements of the promotional mix are advertising, sales promotion, direct marketing and personal selling. Examples of promotional tactics include:

- Art exhibitions
• Event sponsorship
• Arrange a speech or talk
• Make an analysis or prediction
• Conduct a poll or survey

The advantages of publicity are low cost, and credibility (particularly if the publicity is aired in between news stories like on evening TV news casts). New technologies such as weblogs, web cameras, web affiliates, and convergence (phone-camera posting of pictures and videos to websites) are changing the cost-structure. The disadvantages are lack of control over how your releases will be used, and frustration over the low percentage of releases that are taken up by the media.

Publicity draws on several key themes including birth, love, and death. These are of particular interest because they are themes in human lives which feature heavily throughout life. In television serials several couples have emerged during crucial ratings and important publicity times, as a way to make constant headlines. Also known as a publicity stunt, the pairings may or may not be according to the fact.

5.10 Advertising Techniques

Today every company needs to advertise its product to inform the customers about the product, increase the sales, acquire market value, and gain reputation and name in the industry. Every business spends lot of money for advertising their products but the money spent will lead to success only when the best techniques of advertising are used for the product.

The following are the most commonly used techniques used by the advertisers to promote their products.

1. Emotional Appeal

This technique of advertising is done with help of two factors - needs of consumers and fear factor. Most common appeals under need are.

• Need for something new
• Need for getting acceptance
• Need for not being ignored
• Need for change of old things
• Need for security
• Need to become attractive, etc.
Most common appeals under fear are

- Fear of accident
- Fear of death
- Fear of being avoided
- Fear of getting sick
- Fear of getting old, etc.

2. Promotional Advertising

This technique involves giving away samples of the product for free to the consumers. The items are offered in the trade fairs, promotional events, and ad campaigns in order to gain the attention of the customers.

3. Bandwagon Advertising

This type of technique involves convincing the customers to join the group of people who have bought this product and be on the winning side. For e.g. recent Pantene shampoo ad which says “15crores women trusted Pantene, and you?”

4. Facts and Statistics

Here, advertisers use numbers, proofs, and real examples to show how good their product works. For e.g. “Lizol floor cleaner cleans 99.99% germs” or “Colgate is recommended by 70% of the dentists of the world” or Eno - just 6 seconds.

5. Unfinished Ads

The advertisers here just play with words by saying that their product works better but don’t answer how much more than the competitor. For e.g. Lays - no one can eat just one or Horlicks - more nutrition daily. The ads don’t say who can eat more or how much more nutrition.

6. Weasel Words

In this technique, the advertisers don’t say that they are the best from the rest, but don’t also deny. E.g. Sunsilk Hairfall Solution - reduces hairfall. The ad doesn’t say stops hairfall.

7. Endorsements

The advertisers use celebrities to advertise their products. The celebrities or star endorse the product by telling their own experiences with the product.
Recently a diamond jewellery ad had superstar Amitabh Bachchan and his wife Jaya advertising the product. The ad showed how he impressed his wife by making a smart choice of buying this brand. Again, Sachin Tendulkar, a cricket star, endorsed for a shoe brand.

8. Complementing the Customers

Here, the advertisers used punch lines which complement the consumers who buy their products. E.g. Revlon says “Because you are worth it.”

9. Ideal Family and Ideal Kids

The advertisers using this technique show that the families or kids using their product are a happy go lucky family. The ad always has a neat and well furnished home, well mannered kids and the family is a simple and sweet kind of family. E.g. a Dettol soap ad shows everyone in the family using that soap and so is always protected from germs. They show a fluorescent color line covering whole body of each family member when compared to other people who don’t use this soap.

10. Patriotic Advertisements

These ads show how one can support their country while he uses their product or service. For e.g some products together formed a union and claimed in their ad that if you buy any one of these products, you are going to help a child to go to school. One more cellular company ad had a celebrity showing that if the customers use this company’s sim card, then they can help control population of the country.

11. Questioning the Customers

The advertisers using this technique ask questions to the consumers to get response for their products. E.g. Amway advertisement keeps on asking questions like who has so many farms completely organic in nature, who gives the strength to climb up the stairs at the age of 70, who makes the kids grow in a proper and nutritious ways, is there anyone who is listening to these entire questions. And then at last the answer comes - “Amway: We are Listening.”

12. Bribe

This technique is used to bribe the customers with some thing extra if they buy the product using lines like “buy one shirt and get one free”, or “be the member for the club for two years and get 20% off on all services.”
13. Surrogate Advertising

This technique is generally used by the companies which cannot advertise their products directly. The advertisers use indirect advertisements to advertise their product so that the customers know about the actual product. The biggest example of this technique is liquor ads. These ads never show anyone drinking actual liquor and in place of that they are shown drinking some mineral water, soft drink or soda.

These are the major techniques used by the advertisers to advertise their product. There are some different techniques used for online advertising such as web banner advertising in which a banner is placed on web pages, content advertising using content to advertise the product online, link advertising giving links on different sites to directly visit the product website, etc.

5.10.1 Print Advertisement

Advertisements are found in many places and in many forms. One of those forms is known as print advertising, which includes those advertisements that are printed on some type of paper handled by the potential audience. This includes offers sent through the mail and posted in newspapers.

A print advertisement can only be effective if people see it. When people are looking through publications, they have a tendency to be receptive to new information and observant of things of interest. One method of advertising aims to attract people to products and services as they are reading or scanning publications. Such advertisements are found in newspapers, newsletters, and magazines. A great deal of planning generally goes into this type of advertising, which often requires a team of individuals.

Print advertising is often an important source of revenue for a publication. It is beneficial to the publications to sell more and bigger advertisement spaces, and these duties often fall upon a sales team.

Mailers are another type of print advertising. These advertisements range from elaborately designed postcards to note-sized white paper with plain print. They are distributed by postal workers who place them into residents’ mailboxes. A major challenge with this type of advertising is getting people to pay attention. Many of these items are often regarded as junk mail and discarded without being viewed.

5.10.2 Electronic Advertisement

Electronic advertising form of advertising that uses the Internet and World Wide Web in order to deliver marketing messages and attract customers.
Examples of online advertising include contextual ads on search engine results pages, banner ads, Rich Media Ads, Social network advertising, online classified advertising, advertising networks and e-mail marketing, including e-mail spam.

The most common ways in which online advertising is purchased are

- CPM (Cost Per Impression) is where advertisers pay for exposure of their message to a specific audience. CPM costs are priced per thousand impressions. The M in the acronym is the Roman numeral for one thousand.

- CPV (Cost Per Visitor) or (Cost per View in the case of Pop Ups and Unders) is where advertisers pay for the delivery of a Targeted Visitor to the advertisers website.

- CPC (Cost Per Click) is also known as Pay per click (PPC). Advertisers pay every time a user clicks on their listing and is redirected to their website. They do not actually pay for the listing, but only when the listing is clicked on. This system allows advertising specialists to refine searches and gain information about their market. Under the Pay per click pricing system, advertisers pay for the right to be listed under a series of target rich words that direct relevant traffic to their website, and pay only when someone clicks on their listing which links directly to their website. CPC differs from CPV in that each click is paid for regardless of whether the user makes it to the target site.

5.10.3 Indoor Advertising

Indoor media is one of the most popular forms of Captive Audience Marketing. Full-colour poster ads are displayed in attractive frames in high volume restrooms, elevators, and other areas of popular restaurants, health clubs, arenas, nightclubs, office buildings, hotels, department stores, shopping malls, theatres, gas stations, and day care centres.

Benefits of indoor media for advertisers

- Captures consumer attention for 1-6 minutes.

- Display for a captive audience: No channels to change... No pages to turn!

- Target exact markets by demographics, especially gender and shopping habits.

- Waste no money advertising to the wrong consumers.
Washrooms advertising on barter

The purpose of restroom advertising is to present marketing information to a captive audience. Studies have shown that this advertising medium has a higher retention/recall rate than all other forms of advertising. Display ads consist of full colour, magazine quality ads displayed in specially designed tamper proof frames. These frames are strategically placed in restrooms next to sinks, mirrors and hand dryers, on the inside of stall doors in women’s restrooms, and above urinals in men’s restrooms of high traffic locations, such as restaurants, sports bars, theatres, night clubs, golf courses, malls, arenas, stadiums, and health clubs.

Other locations for indoor advertising on barter

Many workplaces now allow indoor advertising to be placed in conspicuous spots like next to the water cooler, in the break room, or near the vending machines. Also, be sure to take notice the next time you enter the lobby of the building where you work, and notice the different types of indoor advertising you see.

Indoor advertising is also a growing trend in gyms around the country. While burning calories on the treadmill, you may notice a few posters up on the walls suggesting that your visit the front desk to pick up your free sample of the latest shampoos, deodorants, and sports drinks. Although it is considered controversial by some, many colleges and universities have indoor advertising which can reach a tremendous market of potential and young customers. Indoor advertising at colleges include ads for television shows, the latest novelty hamburger, and the best rates on credit cards designed for young people who wish to begin building a credit history.

One of the most obvious examples of the rise of indoor advertising can be seen at some of these locations.

- Bars & Clubs
- Cafes
- Elevator Screens
- Entertainment Venues
- Health-Clubs
- Hospitals
- Restaurants
- Sports Venues
Indoor advertising reaches a large and diverse demographic and companies continuously use indoor advertising to increase its profile in the larger community.

### 5.10.4 Outdoor Advertising

**Outdoor Advertising**: Billboards, Kiosks, Tradeshows and Events

Outdoor advertising is also a very popular form of advertising, which makes use of several tools and techniques to attract the customers outdoors. The most common examples of outdoor advertising are billboards, kiosks, and also several events and tradeshows organized by the company. The billboard advertising is very popular however has to be really terse and catchy in order to grab the attention of the passers by. The kiosks not only provide an easy outlet for the company products but also make for an effective advertising tool to promote the company’s products. Organizing several events or sponsoring them makes for an excellent advertising opportunity. The company can organize trade fairs, or even exhibitions for advertising their products. If not this, the company can organize several events that are closely associated with their field. For instance a company that manufactures sports utilities can sponsor a sports tournament to advertise its products.

### Short Answer Type Questions

1. Define pricing.
2. What is meant by sales promotions?
3. What is Sampling?
4. Define publicity.
5. What is meant by advertisement technique?
6. Mention any four examples of promotional tactics.
7. Define bribe?
8. What is meant by electronic advertisement?

### Long Answer Type Questions

1. Explain the factors to determining pricing.
2. Explain different types of Sales promotion.
3. What are the techniques used by advertise to promote their products.
4. Explain the benefits of Indoor advertisement.
Merchandise Control

Structure

6.0 Introduction
6.1 Need for control
6.2 Types of Inventory control
6.3 Types of Inventory systems
6.4 Calculation of Inventory Turn Over Ratio
6.5 Methods of Improvement in Inventory control.

Learning Objectives

After studying this unit, the student will be able to understand

- Identifies different types of Inventory Control
- BIN System
- Inventory Turnover Ratios

6.0 Introduction

Merchandising includes the activities of planning, buying, and selling of category specific merchandise, including apparel and other fashion goods. The merchandising division in a store is often viewed as the “heart” or core of the retail store. With the buyer as the principle figure in the merchandising function,
the merchandising division is first responsible for internal planning to ensure the acquisition of the appropriate merchandise mix and assortments for the retailer’s consumer. The merchandise division also assists in developing a coordinated in-store merchandising program and product presentation to position the brand or image in a manner that will generate or increase (i.e., drive) sales. To accomplish this objective, the buyer is responsible for directing the creation of an organized visual presentation to maximize product presentation vehicles such as fixturing, signage, point-of-sale (POS) materials, and promotional and special events. The buyer is also responsible for inventory control and other functions for handling the merchandise; however, in a traditionally organized retail business, the sales associates assist with this function.

A merchandising controller is a profession who is concerned with collecting and evaluating data on all aspects of each retail merchandise category. This includes sales and costs and in addition he supervises the activities of a store or retail chain’s merchandising effort.

### 6.1 Need for Control

Inventory control is required as an operational process requirement. Inventory is has two different dimensions to it. On one level it is physical and involves physical transactions and movement of inventory. While on the other hand, inventory is recognizable by the book stock and the system stocks maintained. This necessitates inventory control mechanism to be implemented to ensure the book stocks and the physical stocks match at all times.

Control of inventory, which typically represents 45% to 90% of all expenses for business, is needed to ensure that the business has the right goods on hand to avoid stock-outs, to prevent shrinkage (spoilage/theft), and to provide proper accounting. Many businesses have too much of their limited resource, capital, tied up in their major asset, inventory. Worse, they may have their capital tied up in the wrong kind of inventory. Inventory may be old, worn out, shopworn, obsolete, or the wrong sizes or colors, or there may be an imbalance among different product lines that reduces the customer appeal of the total operation.

The ideal inventory and proper merchandise turnover will vary from one market to another. Average industry figures serve as a guide for comparison. Too large an inventory may not be justified because the turnover does not warrant investment. On the other hand, because products are not available to meet demand, too small an inventory may minimize sales and profits as customers go somewhere else to buy what they want where it is immediately available. Minimum inventories based on reordering time need to become important aspects of buying activity.
Carrying costs, material purchases, and storage costs are all expensive. However, stock-outs are expensive also. All of those costs can be minimized by efficient inventory policies.

Inventory control involves the procurement, care and disposition of materials.

There are three kinds of inventory that are of concern to managers:

- Raw materials,
- In-process or semi-finished goods,
- Finished goods.

If a manager effectively controls these three types of inventory, capital can be released that may be tied up in unnecessary inventory, production control can be improved and can protect against obsolescence, deterioration and/or theft.

The reasons for inventory control are:

- Helps balance the stock as to value, size, color, style, and price line in proportion to demand or sales trends.
- Help plan the winners as well as move slow sellers
- Helps secure the best rate of stock turnover for each item.
- Helps reduce expenses and markdowns.
- Helps maintain a business reputation for always having new, fresh merchandise in wanted sizes and colors.

### 6.2 Types of Inventory Control

Inventories may be classified as under:-

1. **Raw materials and production inventories**
   
   These are raw - materials, parts and components which enter into the production process and generally form part of the product.

2. **In-process inventories**
   
   Semi-finished parts, work-in-process and partly finished products formed at various stages of production.
3. M.R.O. Inventories

Maintenance, repairs and operating supplies which are consumed during the production process and generally do not form part of the product itself (e.g. POL, Petroleum products like petrol, kerosene, diesels, various oils and lubricants, machinery and plant spares, tools, jibs and fixtures, etc.)

4. Finished goods inventories

Complete finished products ready for sale. Inventories may also be classified according to the function they serve, such as,

(a) Movement and transit inventories: This arises because of the time necessary to move stocks from one place to another. The average amount can be determined mathematically thus: \( I = S \times T \) Where, \( S \) represents the average rate of sales (say, weekly or monthly average) and \( T \) the transit time required to move from one place to another, and the movement inventory needed. As for example, if it takes three weeks to move materials to warehouse from the plant and if the warehouse sells 110 per week, then the average inventory needed will be 110 units x 3 weeks = 330 units. In fact, when a unit of finished product is manufactured and ready for sale, it must remain idle for three weeks for movement to warehouse. Therefore, the plant stock on an average must be equal to three weeks’ sale in transit.

(b) Lot-size inventories: In order to keep costs of buying, receipt, inspection and transport and handing charge slow, larger quantities are bought than are necessary for immediate use. It is common practice to buy some raw materials in large quantities in order to avail of quantity discounts.

(c) Fluctuation inventories: In order to cushion against unpredictable demands these are maintained, but they are not absolutely essential in the sense that such stocks are always uneconomical. Rather than taking what they can get, general practice of serving the customer better is the reason for holding such type of inventories.

(d) Anticipation inventories: Such inventories are carried out to meet predictable changes in demand. Incase of seasonal variations in the availability of some raw materials, it is of inventory and also to some extent economical to build up stocks where consumption pattern may be reasonably uniform and predictable. Of the types of inventories discussed above, the Lot-size, Fluctuation and Anticipation Inventories may be said to be ‘Organization Inventories’. As more of these, basic types of inventories are carried into stock, less coordination and planning are required.
Also less clerical and administrative efforts are needed and greater economies can be obtained in handling, manufacturing and dispatching. But the difficulty is that gains are not directly proportional to the size of inventories maintained. As the size increases, even if they are efficiently maintained, handled and properly located, gains from additional stock become less and less prominent.

The cost of warehousing, obsolescence and capital costs associated with maintenance of large quantities grow at a faster rate than the inventories themselves. As such, the basic problem is to strike a balance between the increase in costs and the decline in return from holding additional inventories. Striking a balance in a complex business situation through intuition alone is not easy. Costs, and to be sure, the balancing of opposite costs, lie at the heart of all inventory control problems, for which cost analyses are necessary to which we shall turn in this unit now.

As has already been said that even a typically medium-size industrial organization may use 10,000 to 15,000 different items which are carried in inventory. Initial planning and subsequent control of such inventories can only be accomplished on the basis at knowledge about them. Consequently, the starting point in inventory management and control is the development of a stores catalogue, which is more or less comprehensive and complete in all respects.

All inventories should be fully and carefully described and a code number should be allotted. Similar items should be grouped together and standard codification should be adopted.

**ABC Analysis OR Selective Inventory Control (SIC)**

80 per cent of the income and wealth were concentrated in the hands of about 20 per cent of the population. This 80-20 relationship also holds good in most cases of inventories where it may be found that about 20 per cent of the total number of items are responsible for about 80 per cent of the value. The idea of studying such, inventory value is to find out ‘where the money lies’. AS this ’20 per cent of items, 80 per cent of value’ rule holds good in many inventory situations, high value items need more stringent control, which may be termed ‘A’ class items, and the remaining ones can be classified as ‘B’ and ‘C’ class items according to descending order of value.

Thus, the principle of graduated control may be affected and the degree of control may be equated with the frequency of reviews. Controlling tightly means reviewing frequently, and frequency in turn tends to determine the order quantity. A items would be reviewed frequently, and because of their high value
they will be ordered in small quantities in order to keep the inventory investment minimum. B items will be renewed less frequently and C items still less.

The following graphical illustration will make the meaning of ABC Analysis more clear, which is based on selective control technique.

<table>
<thead>
<tr>
<th>Class</th>
<th>No. of Items in use (%)</th>
<th>Value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>20</td>
<td>80</td>
</tr>
<tr>
<td>B</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>C</td>
<td>50</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

**Two-Bin system**

One of the earliest systems of stock control is two-bin system, which is a simple method of control exercised by two simple rules. One is when the order should be placed, and the other is what quantity should be covered. The following diagram shows this simple method. The bins contain, say, mild-steel bolts and nuts. The bolts and nuts are issued from the first bin as and when required, and as soon as the first bin is empty, more bolts and nuts are ordered. The replenishment arrives just when the second bin is empty. While delivery is awaited, the nuts and bolts from the second bin are issued. When the delivery arrives, then both the bins are again filled in.

Such a method is appropriate only when consumption rate is constant, that is to say, it is a deterministic system. We know from our experience what quantity of bolts and nuts are necessary for a given period as well as we know their rate of consumption.
Max Minisystem

Under this method, maximum level and minimum level are fixed. Re-ordering is done after a period of review and order or re-order is placed when the quantity touches a certain level. Suppose you have an item in inventory for which maximum is fixed at 1,000 and minimum quantity to be held in stock is 250 units. Previous experience shows that a safety stock of 250 units is quite sufficient. If during the past two months consumption rate has been 300 units per month on an average, and if the lead time is taken to be two months time, then you will run out soon, if either delivery is not received just after two months or if during the subsequent months consumption rate increases.

The weakness of this system is

(a) Stock levels are actually fixed at lower levels since managers have no time to study inventory levels of individual items.

(b) Re-order points and safety levels once fixed are not frequently changed after study.

(c) Delay in postings makes the records useless for control as often even a critical item can be held up for want of posting which otherwise would have been shown that the re-order point has been touched. Thus, we may conclude that in any inventory management and control system, control is exercised through various levels, and the order point and the order quantity.

i. Maximum level

ii. Minimum level

iii. Order level or re-order level or the order point

iv. Order quantity

There are two basic control systems

1. Periodic review system.

2. Fixed order quantity system.

1. Periodic review system

This is a time-bound system which requires periodic reviews of the stock-levels of all items. Here, period of review is fixed either at three months, six months or once in a year, when requirements of all items are worked out, a fresh, and the quantity varies. This system works well for production raw materials and components for which long lead times are necessary.
2. Fixed order quantity system

Under this system, order quantity is fixed but the time varies. This system recognizes the fact that each item in inventory possesses its own characteristics and optimum order quantity requirements. Designing of this system requires consideration of many factors, such as, price, usage rate and other pertinent factors. Maximum and minimum levels are determined for each inventory item and an order or re-order point is established in between the two levels. The order point is computed in such a manner that by the time new supplies is received, the stock balance will fall to the minimum and it will be replenished again to the maximum.

The major advantages are

i. Each item can be procured at the most economical price and quantity,

ii. Purchasing and inventory control people automatically pay attention to the items when they need it. Thus, in order to devise a good inventory control system, we have to consider the following.

(a) What to order.

(b) When and how much.

The first involves planning with due regard to production and marketing requirements.

The second has two aspects

(i) Order point

(ii) Order or re-order quantity

6.3 Types of Inventory Systems

There are two main types of inventory systems, the perpetual inventory system and the periodic inventory system. The main difference between the two systems is how often inventory data is updated. We discussed the periodic system in a previous post. Today we are going to discuss the perpetual inventory system.

The perpetual inventory method is one in which inventory data is updated continuously. When an order is placed or received, that data immediately is entered into the system to update the quantity and inventory availability right away. This is where the term perpetual comes from. Data is entered perpetually, or continuously, as opposed to the periodic system, where data is updated according to a set interval of time.
The perpetual inventory method has gained in popularity with the rise of computers and technology. In a perpetual inventory system, quantity information is often updated automatically thanks to bar code scans and radio frequency identification. Technology makes keeping this type of inventory control system even easier to use.

Many people like this inventory system, since information is updated immediately and you know that the data you are seeing is the most up to date and accurate as it can possibly be. Sales people can look at inventory and know what products are on hand for quick shipment. Conversely, marketing managers can tell which products are sitting on the warehouse shelf and not selling. Materials managers can look at the inventory and understand when to reorder to minimize the amount of time inventory sits in the warehouse. These are just a few advantages of the perpetual system.

A potential drawback to this system is that there may be a lot of data that needs to be uploaded and if you have been operating without a system for a while, the inventory software can be costly to set up – more in terms of time and frustration than the software cost itself.

Most people find however, that the initial investment pays for itself in the end, as this system provides a more complete and accurate total picture of your company and how inventory progresses through your system. I should mention that physical counting is still necessary on a periodic basis to make sure that the system is accurate – so you don’t altogether eliminate this aspect of inventory management. And there are ways to reduce the upfront costs – not all software is really pricey, especially if your needs are fairly limited. Other software can grow with you as the business grows or becomes more complex.

Most businesses that have any kind of physical product really do much better with inventory systems, either periodic and perpetual. The right one is the system that best meets your needs and the needs of your business. Hopefully, this article will give you a bit of background to help you decide which system best fits your needs.

### 6.4 Calculation of Inventory Turn Over rate

**Inventory Turnover Ratio**

Inventory turnover is the ratio of cost of goods sold by a business to its average inventory during a given accounting period. It is an activity ratio measuring the number of times per period, a business sells and replaces its entire batch of inventory again.
Inventory turnover ratio is used to measure the inventory management efficiency of a business. In general, a higher value of inventory turnover indicates better performance and lower value means inefficiency in controlling inventory levels. A lower inventory turnover ratio may be an indication of over-stocking which may pose risk of obsolescence and increased inventory holding costs. However, a very high value of this ratio may be accompanied by loss of sales due to inventory shortage.

Inventory turnover is different for different industries. Businesses which trade perishable goods have very higher turnover compared to those dealing in durables. Hence a comparison would only be fair if made between businesses of same industry.

**Formula**

Inventory turnover ratio is calculated using the following formula

\[
\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}
\]

Cost of goods sold figure is obtained from the income statement of a business whereas average inventory is calculated as the sum of the inventory at the beginning and at the end of the period divided by 2. The values of beginning and ending inventory are obtained from the balance sheets at the start and at the end of the accounting period.

**Examples**

**Example 1:** During the year ended December 31, 2012, Reliance Corporation sold goods costing Rs. 324,000. Its average stock of goods during the same period was Rs. 23,432. Calculate the company’s inventory turnover ratio.

**Solution**

\[
\text{Inventory Turnover Ratio} = \frac{324,000}{23,432} \approx 13.83
\]

**Example 2:** Cost of goods sold of a retail business during a year was Rs. 84,270 and its inventory at the beginning and at the ending of the year was Rs. 9,865 and Rs. 11,650 respectively. Calculate the inventory turnover ratio of the business from the given information.
Solution

Average Inventory = \( (A\ 9,865 + A\ 11,650) ÷ 2 = A\ 10,757.5 \)

Inventory Turnover = \( A84,270 ÷ A\ 10,757.5 \) \( \approx 7.83 \)

### 6.5 Methods of Improvement in Inventory Control

#### Accounting Records

Maintaining up-to-date accounting records of the inventory account helps improve inventory management control. Accurate inventory records of the amount of inventory on hand at any given time are essential in managing and controlling inventory. Businesses may use either the perpetual inventory system or the periodic inventory system to keep their inventory records. Under the perpetual inventory system, inventory purchases and uses are directly recorded in the inventory account as pluses and minuses respectively, allowing a business easy access to inventory information. Under the periodic inventory system, a separate purchase account is used to record inventory purchases, and the inventory account shows only the beginning or ending balance. The periodic inventory system requires a physical count of ending inventory to help determine the amount of inventory used during the period.

#### Physical Count

Physical count of inventory is an important measure for improving inventory management control. No matter what inventory system a business uses and how well it keeps the inventory records, losses of actual inventory because of theft, breakage or waste are always a possibility and may not be reported and recorded in the inventory account in a timely fashion. A year-end or periodic physical count of inventory helps uncover the potential difference between the amount of actual inventory available and the amount of inventory recorded in the inventory account. Without such information, inventory management control may be misguided.

#### Inventory Level

The primary objective of inventory management control is to determine and maintain an optimal level of inventory, which helps free some investment capital and reduce inventory holding and handling costs. A small business should avoid either overstocking inventory or running the risk of inventory stock-outs. Keeping too much inventory on hand not only increases costs, but it also subjects inventory to potential deterioration and obsolescence. On the other hand, keeping the inventory level too low may disrupt normal business operations. By implementing a just-in-time inventory order system through better supplier
relationships, a business can improve its inventory management control, and thus, keep the inventory level leaner.

**Inventory Quality**

Effective inventory management control also helps ensure the quality of newly purchased inventory and those in stock. Businesses may hold wrong lines of inventories due to inadequate inventory quality control. Both the accumulation of unsalable inventory and the lack of inventory that customers desire may point to potential losses in sales. A proper inventory quality evaluation and assurance system helps improve inventory management control to allow the stocking of balanced lines of different inventories, increasing customer appeal for a business’s total operations.

### Short Answer Type Questions

1. What is meant by Inventory Control?
2. What is meant by Merchandise Control?
3. What is meant by TWO BIN system?
4. What is meant by inventory turnover ration?

### Long Answer Type Questions

1. Explain the need for control.
2. What are the reasons for inventory control?
3. Explain different types of Inventory Control.
4. Explain briefly about Review Systems.
5. Explain briefly about Inventory Turnover Ration.
UNIT 7

Packing and Delivery

Structure

7.0 Introduction
7.1 Importance of Packing
7.2 Guidance on taking delivery of goods
7.3 After Sales Service
7.4 Document used in Selling

Learning Objectives

After studying this unit, the student will be able to learn

• Importance of Packing
• Satisfaction of Customer
• How to attract the customer
• Proforma of cash, memo and invoice

7.0 Introduction

Packaging can have a great deal of impact to the final user. The first role of packaging is to ensure that the product gets to the final user in peak condition. In some cases the packaging also has a very important sales and marketing function. However, another aspect of getting the product to the end user is the mode of delivery. In today’s business environment there are plenty of options
open to businesses in this regard. Some companies prefer to deliver goods in person and this could make sense for high value goods or for goods that require installment or setting up. Most companies will use couriers of some description. There are plenty of private courier companies that will promise same day or next day delivery. Usually they have set rates but they can be expensive for one off deliveries.

7.1 Importance of Packing

Packaging is a very important marketing strategy to glamorize your product in order to attract the consumer’s attention. Sometimes packaging is so important that it cost more than the product itself in order to lure the consumers to buy it. Packaging should definitely be included in the 4 major P’s of marketing (product, place, promotion and price).

Most consumers judge a product by its packaging before buying. So it is logical to say attractive packaging is crucial in order to get the first time buyers to buy your products. Without attractive packaging, who would buy it in order to try it? Your first step to enter the market is crushed if the packaging is ugly.

Having attractive packaging doesn’t mean you should neglect quality either. In fact, you need to make high quality products in order to have repeated sales. Converting first time buyers into loyal customers should be the main goal of your business and packaging is the door to it. Packaging is one of those crucial steps that is often neglected in business.

Many product providers may think that the product and its performance is more important than what the packaging looks like, but the product packaging can play a role in the success or failure of the sales of the product.

The following are the various reasons for which the marketier packages his products.

Function

The purpose of product packaging is to protect the product from damage. Product packaging not only protects the product during transit from the manufacturer to the retailer, but it also prevents damage while the product sits on retail shelves. Most products have some form of packaging. For example, soups must have a container and package while apples may have packaging for transport but not to sell the product from the produce department of the local grocery store.
Attraction

How a product is packaged may be what attracts the consumer to take a look on the product as it sits on store shelves. For this reason, many companies conduct extensive research on color schemes, designs and types of product packaging that is the most appealing to its intended consumer.

Promotion

Packaging also plays an important role for portraying information about the product. Outside packaging may contain directions on how to use the product or make the product.

Facilitates Purchase Decision

Packaging may also contain ingredients and nutritional information about the product. This information can help to sell the product because it allows potential customers to obtain the necessary information they need to make a purchase decision. Information contained on a package may propel the reader to buy the product without ever having to speak to a store clerk.

Differentiation

Packaging can also differentiate one brand of product from another brand. Because the product packaging can contain company names, logos and the color scheme of the company, it helps consumers to identify the product as it sits among the competition’s products on store shelves. For example, as a shopper walks through the coffee aisle of the local grocery store, the bright orange, pink and white packaging of the Dunkin’ Donuts coffee brand may be easily recognizable for the consumer to grab on his way by the coffee shelf. The shopper may identify with the company brand, which propels them to buy the product. If the product packaging changes, it may alter the brand perception of the company, which doesn’t mean that the consumer would not still purchase the product, but it may delay the purchase until the person is able to identify the product according to its new packaging.

7.2 Guidance on taking delivery of goods

A clear process is required in order to ensure that all goods procured by the University are accounted for and can be traced. This guide has been created with an aim to enable you and your department to manage deliveries quickly, safely and effectively.

The most common issues surrounding deliveries are over / under deliveries, damaged and incorrect goods. There are a few things which can be done to reduce your risk and liability.
Purchase orders

First, always raise a purchase order, (preferably on CUFS). The order should detail the invoice and delivery address, the date and the date required, your contact details, the products required, quantity, price each and total price and finally a statement confirming that the Universities Standard Terms will apply. All of this information is on the standard CUFS purchase order. Information on how to use the CUFS purchasing module can be obtained from the Procurement Systems Advisor on extension 65101.

It is good practice to ask the supplier for an acknowledgement and check this against the purchase order, if anything is different contact them as soon as possible to advise and ask for a further acknowledgement to confirm they understand. Although this can be done via the telephone the outcome of all conversations should be confirmed in writing and a copy should be retained with the purchase order. It is your responsibility to check that the items ordered are correct.

Taking Delivery

If you are to receive goods which are large or hazardous ensure you are clear about exactly when they will be delivered and arrange for appropriate staff and facilities to be in place. Ideally such goods will be covered by a contract with appropriate special terms and conditions, please contact Procurement Services for advice. If purchasing large items, check that there is adequate space for the item and access for the delivery.

Damaged goods

When a product is delivered check as much as possible whilst the delivery person waits, if they are in a hurry only sign the delivery note if you can also write “unchecked”. If boxes look as though they are damaged you have two options:

1. Refuse the delivery
2. Accept the delivery, make the delivery person aware and sign for the goods clearly writing damaged on the delivery paperwork

In both situations you should call your supplier immediately and report the problem, back up all telephone calls with a written confirmation. If you arranged the delivery directly with the courier yourself, the responsibility will be yours to prove that it was the courier who caused the damage to the products not you. In this instance it is really important that you acknowledge any damage immediately, directly to the delivery person and then to their employer.
If the supplier arranged the delivery, again make the delivery person aware however the seller is responsible for dealing with the problem and have a contractual responsibility to supply you with goods which are of satisfactory quality.

**Quantity Discrepancies**

It is difficult if you are taking delivery of 1000 files for example; to ensure that you do indeed have the correct number. On occasions such as these the delivery person will not usually wait whilst you count the items. If you sign the delivery note “Unchecked” you have an opportunity to claim if the incorrect quantity has been delivered. The law allows purchasers “A reasonable amount of time” to check deliveries and report faults. It is therefore imperative that deliveries are fully checked as soon as is possible. Any discrepancies, no matter how minor, should be reported immediately to the supplier.

If you have received above the amount you ordered, the supplier must collect the extra items. The supplier may offer to let you keep these items free of charge, especially if they are of a low value. They may also offer to sell you the extra product, often with the promise of a deferred invoice. You are under no obligation to accept either offer.

**If you receive less than the amount you ordered**

1. You may only cancel the balance if you inform the supplier immediately that the remaining quantity is of no use to you due to the delay
2. You may ask the supplier to deliver at your convenience
3. You may reject the part order and cancel the balance informing the supplier that the delivery is in breach of contract as the full quantity is required

**Incorrect goods**

If the goods match your purchase order and you have just simply bought the wrong item or ordered the incorrect quantity, it will be down to whether the supplier is willing to assist you or not. The supplier has no legal requirement to accept back goods which you have ordered. However they may be willing to do this if you will accept a restocking fee. In situations like this each case is individual and if you are unsure, please contact Procurement Services.

**If the goods do not match your purchase order**

1. You may reject the delivery and cancel all future deliveries (assuming this is your first instalment)
2. You may reject the delivery and request a re-delivery within a reasonable amount of time.

3. You may accept the goods

Again each case is individual and if you need advice please contact Procurement Services.

**Commissioning and Installation**

If the goods or equipment that you wish to purchase require either commissioning and/or Installation a clear timed schedule should be agreed with the supplier prior to a purchase order being sent and certainly issued to the supplier with the order itself. This schedule will then form part of the contractual relationship with your supplier and will ensure that your entire requirement is fulfilled.

**Receiving**

Once the goods have been accepted it is important to receive them against your open purchase order on CUFS. This process ensures that anyone else looking at CUFS can clearly see which stage a purchase order is at. For details on this procedure consult the following web page:

Alternatively, navigate from the CUFS home page through reference, quick reference guides, purchasing and then receiving.

**Storing deliveries**

Boxes/equipment should not be left where they could be tripped over, knocked down or fall on someone. They should have a designated place, which ensures they are being stored in the most appropriate way. Goods must also be stored in an area which will not affect food or workspace hygiene, i.e. chemicals in a kitchen area. For more information on Health and Safety implications contact the Health and Safety Division on x33301 or view their website.

The storage area should be secure, items should not be accessible to anyone other than those authorised and if necessary a log of items being stored and removed from this area should be implemented.

The shelf life of items should be considered (if applicable), use by dates should be checked as the goods are received and the First in First Out (FIFO) principle should be adopted to issuing the items. Contact Procurement Service for further advice on stock management.
7.3 After sales service

Customers are the assets of every business. Sales professionals must try their level best to satisfy customers for them to come back again to their organization. After sales service refers to various processes which make sure customers are satisfied with the products and services of the organization. The needs and demands of the customers must be fulfilled for them to spread a positive word of mouth. In the current scenario, positive word of mouth plays an important role in promoting brands and products. After sales service makes sure products and services meet or surpass the expectations of the customers. After sales service includes various activities to find out whether the customer is happy with the products or not? After sales service is a crucial aspect of sales management and must not be ignored.

- After sales service plays an important role in customer satisfaction and customer retention. It generates loyal customers.
- Customers start believing in the brand and get associated with the organization for a longer duration. They speak good about the organization and its products.
- A satisfied and happy customer brings more individuals and eventually more revenues for the organization.
- After sales service plays a pivotal role in strengthening the bond between the organization and customers.

After Sales Service Techniques

- Sales Professionals need to stay in touch with the customers even after the deal. Never ignore their calls.
- Call them once in a while to exchange pleasantries.
- Give them the necessary support. Help them install, maintain or operate a particular product. Sales professionals selling laptops must ensure Windows are configured in the system and customers are able to use net without any difficulty. Similarly organizations selling mobile sim cards must ensure the number is activated immediately once the customer submits his necessary documents.
- Any product found broken or in a damaged condition must be exchanged immediately by the sales professional. Don’t harass the customers. Listen to their grievances and make them feel comfortable.
• Create a section in your organization’s website where the customers can register their complaints. Every organization should have a toll-free number where the customers can call and discuss their queries. The customer service officers should take a prompt action on the customer’s queries. The problems must be resolved immediately.

• Take feedback of the products and services from the customers. Feedback helps the organization to know the customers better and incorporate the necessary changes for better customer satisfaction.

• Ask the customers to sign Annual Maintenance Contract (AMC) with your organization. AMC is an agreement signed between the organization and the customer where the organization promises to provide after-sales services to the second party for a certain duration at nominal costs.

• The exchange policies must be transparent and in favour of the customer. The customer who comes for an exchange should be given the same treatment as was given to him when he came for the first time. Speak to him properly and suggest him the best alternative.

7.3.1 Customer Satisfaction and Attraction

When a retailer does not live up to the customers’ expectations, customers perceive a gap between the firm and the customers leading to customer dissatisfaction. The effects can be dramatic for a company. Companies can lose loyal customers, forcing companies to expensively acquire new customers and decreasing profitability. With that notion that it is often cheaper to invest in customer satisfaction than lose a customer over the longterm, companies could focus on several initiatives to boost customer satisfaction.

1. Targeting indirect purchasers

One way to combat dissatisfaction is to make indirect buyers happy. Who are indirect purchasers? Children are often the best example. For example, if Bharati Wall mart were experiencing high customer dissatisfaction among adults 35-50, the company can make children feel excited when they come to the store. The store can offer candy and merchandise that kids will like (e.g. Dora the Explorer accessories). Children will be excited to come to the store and will drag parents along to appease their children. Parents are often happy when their children are happy. By delighting children, the store would better combat dissatisfaction among adults.
2. Self-checkout

Long lines are a major complaint among shoppers, especially in discount stores. One way to combat dissatisfaction is to set up self-checkout machines. Not only can the store decrease its overhead and staff, but also it gives shoppers another activity to do. The research has found that shoppers often go to discount stores for excitement, particularly among women. Giving control to shoppers in checking out and providing a new experience for adventurous shoppers can be a way to lower dissatisfaction.

3. Online Shopping Experience

One way to have profitable sales without having customer dissatisfaction is having an exciting online shopping experience. Companies can have exciting videos and a robust interface that interacts with customers, instead of just peddling goods. With lower overhead, companies can limit the problems customers face in-store. They can go one step beyond: replicate an exciting in-store shopping and putting that online.

Ebay store does so by

• Stocking nearly every article of apparel customers would want
• An extremely easy-to-use browsing process and return policy
• A fun-brand name, important to many cost-conscious and disgruntled shoppers

Benefits

• Disgruntled shoppers and other receptive segments buy the same products in another channel
• Brand improvements, as customers receive a better experience online
• Boosts in profitable sales online

4. Addressing long waiting times with point of purchase activities

Companies can make the checkout lines exciting. They can go beyond placing magazines and candies to provide meaningful activities. Ideas might include having trivia games for children and touch screen activities for adults (e.g. what is my carbon footprint counter). Companies like these not only address dissatisfaction, but also entertain and contribute meaningfully to the lives of their customers.
Other companies that want to make a statement with their efficiency can also use these benefit-oriented activities. For example, Wells Fargo posted on its branch banks “5 minutes or 5 dollars” which offered to credit a customer’s account if she/he waited more than 5 minutes. This activity may help to position the firm as an efficient company offering convenience to busy customers. Not only can the customer feel as though they benefit from fast banking, but they also feel that the bank is generous with its offers to customers.

One interesting way to address long waiting times is to introduce mirrors around the checkout counter. Studies have found that these mirrors divert attention away from an inefficient sales clerk or another shopper stocking up on cheap merchandise. Why? Because the customers tend to look at themselves in the mirror, thinking about the issues that most concern them.

5. Living up to an established Quality of Service

Customers have an expectation of what service they will receive. Companies that define their level of service quality that they can realistically satisfy can better monitor their customers’ satisfaction.

High end stores can build a reputation for outstanding customer service, by promising to go above and beyond the call of duty for their customers. An example of this is Reliance mart that focuses wholeheartedly on the customer, and can receive premiums for that promise. These hotels customize services and communications to make interactions between the brand and customer feel more personal. The company can then promise an unparalleled service quality that its hotel managers can live up to.

6. More customer convenience

Companies can make it easier for customers to reach the firm, see their products, and place orders ex. Commerce Bank offers longer hours.

7. Employee Coaching

Employee training is often considered a fluffy waste of time, and can be difficult in an industry with high staff turnover.

Yet customers can often tell a difference between an untrained employee who cares little of the customer and one that provides a level of service consistent with the retailer’s brand. Often, customers have times when they need to deviate from the traditional buying process. For example, a customer might need to buy a huge amount of liquor for a party the next week, and may desire a discount for future purchases throughout the week. A customer may need their shoes purchased online to be able to be modified by their favorite cobbler. Retailers
need employees that are flexible to understand why customers are buying their products in their lives and to see the “bigger picture” about their customers.

Unfortunately, many customers get a representative that cannot see the “big picture” about such a customer. They decline the discount because they asked another inexperienced clerk, instead of a manager who would have approved the discount to build a longterm relationship with that customer.

8. A Member Benefit program

Retailers can retain customers by rewarding them for being customers. An express or red-carpet checkout line can be devoted to high-frequency, lucrative customers. This could provide customers with many major reasons to shop at your store instead of a competitor: prestige, convenience and a better customer experience.

7.4 Document Used In Selling

In some retail workplaces, computers are taking over a lot of the work previously done by hand. In others, they use paper-based documents. In the retail industry, the use of written documentation is common. The range of documents used can vary greatly from store to store, but particularly from a small store to a large store.

7.4.1 Cash memos

When the goods are purchased or sold in cash, in that case the cash memo is prepared by the seller of goods. The contents of cash memo are same as of Invoice. Invoice is prepared for credit sale and cash memo is prepared for cash sales.

For example, a business firm purchased some goods on 1.2.12 and the payment was supposed to make on 2.2.11. In this case, Invoice will be prepared. But if the goods is purchased against 100% cash payment then the cash memo shall be prepared.

The Contents of Cash Memo

Like invoice, the cash memo also contains the following particulars:-

- Name and address of the supplier.
- Name and address of the purchaser.
- Serial Number of cash memo.
- Date of cash memo.
• Customer or Purchaser’s Order number.

• Description of goods.

• Quantity of goods.

• Rates of Goods.

• Amount.

• Discount (Trade discount or cash discount, to be shown separately).

• Sales Tax number of purchaser and supplier in case of sale of goods.

• Service tax number of the supplier in case of sale of services.
• Total amount of cash memo must be written in words and figures.

• The cash memo must be signed by the duly authorized person.

• The area of Jurisdiction must be defined in cash memo.

• Normally, E. & O. E. also printed on all cash memos. It means if there is any mistake in cash memo that is subject to correction.

The cash memo is made in duplicate but according to the requirement of business firm more than two copies also can be prepared.

7.4.2 Invoice

An invoice or bill is a commercial document issued by a seller to a buyer, indicating the products, quantities, and agreed prices for products or services the seller has provided the buyer. An invoice indicates the sale transaction only. Payment terms are independent of the invoice and are negotiated by the buyer and the seller. Payment terms are usually included on the invoice. The buyer could have already paid for the products or services listed on the invoice. Buyer can also have a maximum number of days in which to pay for these goods and is sometimes offered a discount if paid before the due date.

In the rental industry, an invoice must include a specific reference to the duration of the time being billed, so in addition to quantity, price and discount the invoicing amount is also based on duration. Generally each line of a rental invoice will refer to the actual hours, days, weeks, months, etc., being billed.

From the point of view of a seller, an invoice is a sales invoice. From the point of view of a buyer, an invoice is a purchase invoice. The document indicates the buyer and seller, but the term invoice indicates money is owed or owing. In English, the context of the term invoice is usually used to clarify its meaning, such as “We sent them an invoice” (they owe us money) or “We received an invoice from them” (we owe them money).

A typical invoice contains

• The word invoice.

• A unique reference number (in case of correspondence about the invoice)

• Date of the invoice.

• Tax payments if relevant (e.g. GST or VAT)

• Name and contact details of the seller
• Tax or company registration details of seller (if relevant)
• Name and contact details of the buyer
• Date that the product was sent or delivered
• Purchase order number (or similar tracking numbers requested by the buyer to be mentioned on the invoice)
• Description of the product(s)
• Unit price(s) of the product(s) (if relevant)
• Total amount charged (optionally with breakdown of taxes, if relevant)
• Payment terms (including method of payment, date of payment, and details about charges for late payment).
7.4.3 Delivery Notes

A delivery note describes what a package contains - including a description and the quantity of goods delivered. It also describes whether or not there are some goods that are not enclosed - therefore giving an overview of what the recipient has ordered and what has been sent to them. The delivery note does not include the prices of the items. A copy of the delivery note, signed by the buyer or consignee, is returned to the seller or consignor as a proof of delivery.
Short Answer Type Questions

1. Define Packing.
2. What is meant by Customer Satisfaction?
3. List out documents used in selling.
4. What is meant by Cash Memo?
5. Define Invoice.

Long Answer Type Questions

1. Explain the importance of packing.
2. How attract and satisfied customer. explain
3. Mentions the contents of Cash Memo.
4. What are the points required for using in invoice?
UNIT 8

Social Marketing

Structure

8.0 Introduction
8.1 Event Management
8.2 Goods Marketing
8.3 Service Marketing
8.4 Marketing and Salesmanship
8.5 Agriculture Marketing
8.6 Market Yards
8.7 Marketing Societies
8.8 Agriculture Godowns

Learning Objectives

After studying this unit, the student will be able to understand

- Event Management
- Function of Event management
- Different types of Marketing
- Identification of Layout
- Rural and Urban Markets
8.0 Introduction

Social marketing is the systematic application of marketing, along with other concepts and techniques, to achieve specific behavioral goals for a social good. Social marketing can be applied to promote merit goods, or to make a society avoid demerit goods and thus promote society’s well being as a whole. Examples of social marketing include the use of campaigns to encourage people use seat belts, follow speed limits, or not to smoke in public.

Although “social marketing” is sometimes seen only as using standard commercial marketing practices to achieve non-commercial goals, this is an oversimplification. The primary aim of social marketing is “social good”, while in “commercial marketing” the aim is primarily “financial”. This does not mean that commercial marketers cannot contribute to achievement of social good.

Increasingly, social marketing is being described as having “two parents” a “social parent”, including social science and social policy approaches, and a “marketing parent”, including commercial and public sector marketing approaches.

8.1 Event Management

Event management is the application of project management to the creation and development of festivals, events and conferences.

Event management involves studying the intricacies of the brand, identifying the target audience, devising the event concept, planning the logistics and coordinating the technical aspects before actually launching the event. Post-event analysis and ensuring a return on investment have become significant drivers for the event industry.1

The recent growth of festivals and events as an industry around the world means that the management can no longer be ad hoc. Events and festivals, such as the Asian Games, have a large impact on their communities and, in some cases, the whole country.

The industry now includes events of all sizes from the Olympics down to a breakfast meeting for ten business people. Many industries, charitable organizations, and interest groups will hold events of some size in order to market themselves, build business relationships, raise money or celebrate.

Events management requires strong organizational, budgeting and creative skills. Those who work in events management must be comfortable with interacting with all levels of individuals inside and outside of their organization.
Functions of Event Management

1. Planning

A closer look at the planning function that the overall coordinator, the project manager and the sales team is dedicated to is warranted here. Planning tries to optimize resource utilization across the board. A cross-functional team is a necessity here given the complexity in decision-making involved and the requirement for phenomenal researched information.

Beginning with understanding the client profile, the brief for the event, the target audience and number expected, a major component of any event that follows is the preparation of the event cash flow statement.

As discussed in detail in Strategic Market Planning later, planning involves preparing the mission statements and objectives based on which strategies are devised to achieve the set goals.

Once the strategy is in place, suitable policies need to be formulated to align procedures and rules so as to be in tandem with the strategy and enable – not hamper – the implementation of the strategic plan. Planning thus tries to ensure synergy in the decision making process among the various activities.

The planning function is involved in micro-level event coordination activities such as liaison with the creative team discussing, facilitating and arranging for the technical specification viz., sound, light, stages and sets. Short-listing artists and stand by artists in tune with the dictates of the creative guys/gals is one of the most challenging tasks in the planning function.

It also involves checking out alternative arrangements for locating the event, the venue, the conditions for the event and gathering information to assist in taking a decision on whether the event would be held indoors or outdoors. While at the last task, understanding the requirements of licenses, clearances, etc. and arranging for the same as and when required is a fundamentally responsible task that the event coordinator is burdened with.

Deciding soft issues such as whether the show is to be a ticketed, non-ticketed, fully or partially sponsored is also part of the planning exercise. Planners then do a risk rating for the event.

Defining arrangements for the quality of hospitality and the dress code of the hosts/hostesses depending on audience profile as well as deciding the appropriate food and beverages to be served on the occasion also is a planning function. This is especially so since the security and other arrangements will vary with the type of beverages served.
In the cash flow statement, inflows to the event company’s coffers are basically from a combination of the revenues from sponsorships, ticket sales, commissions, event production charges, artist management fees and infrastructure and equipment rental charges.

At the same time, on the outflow front, one can include headings as suppliers’ payments, venue hiring charges, payment to artists and performers, etc. The major outflows though are mainly on the event production front combined with the licensing and tax payments liabilities. The mode of payment for events ranges from part payments to cash payments and is mutually agreed upon between the parties involved and authenticated in the form of a contract after negotiations.

Penalty clauses may also be included for defaults in the payments. Depending on the nature of the project, relationship with the clients and the objectives of both the client and the organizer, the actual plan of payments can be worked out.

This may involve a certain amount as part payment in advance, a certain amount upon completion of specific milestones and finally payment of the balance amount either at the beginning of the event or upon completion of the event. It is essential that a certain amount be taken as advance to take care of the working capital needs.

The planning function defines the limits of the creative function as it provides the constraints that the creative team has to work with. It deals with hard practical realities such as the logistics i.e., transportation of material, travel, stay, etc. and the networking viz., media plan, ad designs, banners printing, tickets invites designing and printing. It tries to create the perfect picture of the event flow and tries to define and exercise control on the inflow and outflow of money before, during and after the event.

Therefore, it is imperative that the planning function plays an important role in the preparation for any event. In addition, the time frame involved in decision making being limited, planning assumes that much more importance as a function.

Some of the event planning services that need to be taken care of by the event organizers are listed as follows: Travel Arrangements, Audio Visual Needs, Catering, China and Flatware, Convention services, Decor, Decorations and Props, Entertainment, Exhibitor Needs, Floor Plan, Food and Beverage, Ground Transportation, Invitations, Linen, Lodging, Logistics. Meeting Planning, National Entertainment, On-Site Coordination, On-Site Registration, Photography, Pipe and Drape, Registration, Sanitation Facilities, Security,
Signage, Site Selection, Sound and Lights, Speakers, Stage Decor, Staging, Tables and Chairs, Tenting, Tours, Union Labour, Valet, Video Production, Staff, Bartenders, Web Site Management.

2. Organizing

We had earlier mentioned that events typically have a team based work environment and a project type of organisation structure and that responsibility are assigned to the relevant staff members in the team for the event.

Coordination of the arrangements required is divided among the team members. We further reiterate that understanding organizing in the context of event management essentially involves the description of the activities required for an event, identifying individual and team tasks and distribution of responsibilities to coordinators.

Such an exercise helps in creating an intentional structure for clarity of roles and positions. These structures change with almost every event depending upon the resources available. Therefore, in management parlance, one can call the organisation structure in events as a project type of structure.

Event coordinators are essentially required for the organizing part for an event. Starting from contacting the artist or performers and in case of absence or dropouts, making standby arrangements is one of the most important functions of the event coordinator. After planning and creative functions have worked out the game plan, the event coordinator then goes about fixing the date, terms and conditions with the artist.

This is followed by arranging and creating necessary infrastructure. Planning and coordinating with the professionals for the physical availability of the sound, lights, stage, sets and seating is followed by arranging for some softer aspects of organizing.

These involve handling the publicity, which includes press meets, releases, etc. for a favourable coverage and handling of ticketing and invitations. The actual procurement of permissions and licenses from various Government departments finally becomes the coordinator’s responsibility once the planning stage decides the requirements.

Arranging for hospitality management such as the stay, food and beverages, hostesses, etc. and contacting sponsors to ensure fulfillment of commitments from the event organizers’ side to their clients are part of the organizing function. In short, organizing is making the event happen within the constraints defined by planning.
At this juncture, it would be prudent if we introduce the staffing requirements for events. We have already taken a tour of the event management flow and discussed some of the responsibilities of the staff in the preceding sections.

3. Staffing

Functional responsibilities in a project type organisation structure define event management staffing requirements. The importance of team structure, experience, background and expertise of team members plays a crucial role in event management. It is the size and the resource availability in the events enterprise that to an extent defines the exact role of the staff members.

In a big firm, there is more scope for specialized functional personnel with limited functional responsibilities, whereas, in a small firm, there is a fusion of roles depending purely on availability of time and staff. Exceptionally people friendly and situation savvy professionals are needed to man this post on the event front.

Thus, while recruiting for events, one tends to feel that candidates with a past background in the hospitality industry, sales and advertising would be ideally suited to tackle the stress and pumped up adrenaline levels that come free with events.

Events as mentioned earlier are very physical in nature. A host of skilled and unskilled volunteers and labour staff need to be guided effectively. Given the fact that events are do or die projects, i.e. are one-off in nature, trouble shooting in and during the event therefore demands the most street smart and event savvy individuals.

Functionally, one can segregate the following functional level responsibilities that need to be addressed within the team for a specific event as discussed above in the section on organizing.

The overall coordinator is the person in-charge of a particular event. He has the final authority in decision-making matters related to the event. The creative manager leads the creative team. The project manager’s role is to make the event a conceptual success and plays a very important role in the planning function. The production managers are also involved from the planning stage though their main responsibility is making the event a physical success.

Sales and Marketing personnel are part of the team from negotiating with prospective clients to ensure the client-concept fit for the event right through to the execution of the event. Business development is also part of the marketing portfolio of activities at most event companies.
Event Coordinators carry the responsibility of day to day liaison and micro level activities. They are the ones who do the running around and put the pieces together. They also need to be well versed with public relations activities and people skills in handling volunteers for putting up banners, decor, etc.

Also, they need to be a technically adept since they shall be guiding the technical staff (sound, light, stages, etc.) as well as a host of skilled and experienced labour (carpenters, electricians, etc.) and unskilled labour (helpers) without whom there just cannot be any event.

4. Leading and Coordination

The sum and substance of events as a whole revolves around interpersonal skills. The need for achieving synergy among individual efforts so that the team goal is reached is the main aim of coordination. The overall coordinators need to be leaders with fantastic people skills.

They are continually required to motivate the labour and other junior coordinators to work real hard given the physical nature of the job, the time constraints involved and the one-off nature of the event.

The overall coordinator also should be able to guide the marketing and project managers and this may even mean that the experience and expertise of past events need to be passed on to relative new comers given the shortage of professional event managers.

Thus, great communication skills and patience without letting too many errors happen as well as knowing how to use the carrot and the stick in a balanced manner are the basic characteristics of the overall coordinator. In addition to the above, the leadership qualities desired of an event manager include the ability to spot a deal and think on one’s feet.

5. Controlling

Evaluation and correction of deviations in the event plans to ensure conformity with original plans is the gist of controlling. Evaluation is an activity that seeks to understand and measure the extent to which an event has succeeded in achieving its purpose. The purpose of an event will differ with respect to the category and variation of event. However, to provide reach and interaction would be a generic purpose that events satisfy.

There can be two attitudes with which evaluation can be put in its proper perspective. The concept of evaluation stated above was a critical examination digging out what went wrong. A more constructive focus for evaluation is to make recommendations about how an event might be improved to achieve its aims more effectively.
To conduct an evaluation and measurement exercise it is essential that the predefined objectives of the events have been properly understood. The brief should contain all the data to be communicated since if an event has been organized without a clearly defined purpose then any evaluation of it would be rather pointless.

The basic evaluation process in events involves three steps viz., establishing tangible objectives and incorporating sensitivity in evaluation; measuring the performance before, during and after the event, and lastly correcting deviations from plans.

### 8.2 Goods Marketing

Marketing is a process of understanding consumers and devising ways of providing goods or services based on the demands of the consumers. Marketing is one of the most important aspect of corporate strategy, the end result for which is efficient revenue generation for the firm. The marketing process of an organization aims at getting out a message to the segment that the company is targeting, regarding the product or service that it is offering to these customers.

Good marketing is not all about spending money on advertising, or offering free products as a promotional offer. There are many critical steps involved in efficient marketing. First of them is to know the target market, through a process called Market Research. By researching, the firm identifies the demographics and requirements of the society, who might become potential customers. The Firm has to apply the dynamics of Segmentation, Positioning and Targeting, once the research has been performed. A good marketing strategy cannot be developed by a firm without doing proper groundwork on its potential customers.

### 8.3 Service Marketing

Service marketing is defined as “A service is an activity or benefit that one party can offers to another party. Intangible and does not result in the ownership of anything”.

**Services marketing** is a sub field of marketing, which can be split into the two main areas of goods marketing (which includes the marketing of fast moving consumer goods (FMCG) and durables) and services marketing. Services marketing typically refers to both business to consumer (B2C) and business to business (B2B) services, and includes marketing of services like telecommunications services, financial services, all types of hospitality services, car rental services, air travel, health care services and professional services. The range of approaches and expressions of a marketing idea developed with the
hope that it be effective in conveying the ideas to the diverse population of people who receive it.

Services are economic activities offered by one party to another. Often time-based, performances bring about desired results to recipients, objects, or other assets for which purchasers have responsibility. In exchange for money, time, and effort, service customers expect value from access to goods, labor, professional skills, facilities, networks, and systems; but they do not normally take ownership of any of the physical elements involved.

The defining characteristics of a Service marketing are:

**Intangibility**: Services are intangible and do not have a physical existence. Hence services cannot be touched, held, tasted or smelt. This is most defining feature of a service and that which primarily differentiates it from a product. Also, it poses a unique challenge to those engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.

1. **Heterogeneity/Variability**: Given the very nature of services, each service offering is unique and cannot be exactly repeated even by the same service provider. While products can be mass produced and be homogenous the same is not true of services. eg: All burgers of a particular flavor at McDonalds are almost identical. However, the same is not true of the service rendered by the same counter staff consecutively to two customers.

2. **Perishability**: Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer. eg: A customer dissatisfied with the services of a barber cannot return the service of the haircut that was rendered to him. At the most he may decide not to visit that particular barber in the future.

3. **Inseparability/Simultaneity of production and consumption**: This refers to the fact that services are generated and consumed within the same time frame. Eg: a haircut is delivered to and consumed by a customer simultaneously unlike, say, a takeaway burger which the customer may consume even after a few hours of purchase. Moreover, it is very difficult to separate a service from the service provider. Eg: the barber is necessarily a part of the service of a haircut that he is delivering to his customer.

Types of Services

1. **Core Services**: A service that is the primary purpose of the transaction. Eg: a haircut or the services of lawyer or teacher.
2. Supplementary Services: Services that are rendered as a corollary to the sale of a tangible product. Eg: Home delivery options offered by restaurants above a minimum bill value.

Difference between Goods and Services

Given below are the fundamental differences between physical goods and services.

<table>
<thead>
<tr>
<th>Goods</th>
<th>Services</th>
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<tbody>
<tr>
<td>A physical commodity</td>
<td>A process or activity</td>
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<tr>
<td>Tangible</td>
<td>Intangible</td>
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<td>Homogenous</td>
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<td>Production, distribution and</td>
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<td>are separation from their</td>
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<td>possible</td>
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8.4 Marketing & Salesmanship

Though marketing and salesmanship are closely related, in practice the two do not take place simultaneously. Marketing is the process of presenting your product to your buying audience. Marketing is concerned with presentation, market placement, image, packaging, and advertising. Salesmanship is the process of actually selling your product to your customers, usually in person. Salesmanship is concerned with what you say to your customers, how you respond to their questions, and how you address their concerns.

Marketing is everything that you do to reach and persuade prospects. The sales process is everything that you do to close the sale and get a signed agreement or contract. Both are necessities to the success of a business. You cannot do without either process. By strategically combining both efforts you will experience a successful amount of business growth. However, by the same token if the efforts are unbalanced it can detour your growth.

Your marketing will consists of the measures you use to reach and persuade your prospects that you are the company for them. It’s the message that prepares the prospect for the sales. It consists of advertising, public relations, brand marketing, viral marketing, and direct mail.
The sales process consists of interpersonal interaction. It is often done by a one-on-one meeting, cold calls, and networking. It’s anything that engages you with the prospect or customer on a personal level rather than at a distance.

Your marketing efforts begin the process of the eight contacts that studies show it takes to move a prospect or potential client to the close of the sale. If marketing is done effectively you can begin to move that prospect from a cold to a warm lead. When the prospect hits the “warm” level it’s much easier for the sales professional to close the sale.

8.5 Agriculture Marketing

Agricultural marketing covers the services involved in moving an agricultural product from the farm to the consumer. Numerous interconnected activities are involved in doing this, such as planning production, growing and harvesting, grading, packing, transport, storage, agro- and food processing, distribution, advertising and sale. Some definitions would even include “the acts of buying supplies, renting equipment, (and) paying labor”, arguing that marketing is everything a business does. Such activities cannot take place without the exchange of information and are often heavily dependent on the availability of suitable finance.

India is an agricultural country and one third population depends on the agricultural sector directly or indirectly. Agriculture remains as the mainstay of the Indian economy since times immemorial. Indian agriculture contribution to the national gross domestic product (GDP) is about 25 per cent. With food being the crowning need of mankind, much emphasis has been on commercialising agricultural production. For this reason, adequate production and even distribution of food has of late become a high priority global concern.

Agricultural marketing is mainly the buying and selling of agricultural products. In earlier days when the village economy was more or less self-sufficient the marketing of agricultural products presented no difficulty as the farmer sold his produce to the consumer on a cash or barter basis.

Today’s agricultural marketing has to undergo a series of exchanges or transfers from one person to another before it reaches the consumer. There are three marketing functions involved in this, i.e., assembling, preparation for consumption and distribution. Selling on any agricultural produce depends on some couple of factors like the demand of the product at that time, availability of storage etc. The products may be sold directly in the market or it may be stored locally for the time being. Moreover, it may be sold as it is gathered from the field or it may be cleaned, graded and processed by the farmer or the merchant of the village. Sometime processing is done because consumers want it, or
sometimes to conserve the quality of that product. The task of distribution system is to match the supply with the existing demand by whole selling and retailing in various points of different markets like primary, secondary or terminal markets.

Most of the agricultural products in India are sold by farmers in the private sector to moneylenders (to whom the farmer may be indebted) or to village traders. Products are sold in various ways. For example, it might be sold at a weekly village market in the farmer’s village or in a neighbouring village. If these outlets are not available, then produce might be sold at irregularly held markets in a nearby village or town, or in the mandi.

In India, there are several central government organisations, who are involved in agricultural marketing like, Commission of Agricultural Costs and Prices, Food Corporation of India, Cotton Corporation of India, Jute Corporation of India, etc. There are also specialised marketing bodies for rubber, tea, coffee, tobacco, spices and vegetables.

Under the Agricultural Produce (grading and marketing) Act of 1937, more than forty primary commodities are compulsorily graded for export and voluntarily graded for internal consumption. Although the regulation of commodity markets is a function of state government, the directorate of marketing and inspection provides marketing and inspection services and financial aid down to the village level to help set up commodity grading centers in selected markets.

As we have a tradition of agricultural production, marketing and allied commercial activities, now it is the time for us to brainstorm and come out with new ideas of value added services. These value added services will give the existing agricultural engine a new dimension.

The next logical step could be food-processing which not only could be another revenue generating area but also can provide lots of full-time employment to our youths. With the changing agricultural scenario and global competition, there is a need of exploiting the available resources at maximum level.

8.6 Market Yards

Market Yards are a long felt need of the farming community of our country as it goes a long way in ensuring higher remuneration to them through proper weighing, cleaning, grading and better price realisation of their produce. The farmers look forward to a regulated market yard as a dependable infrastructure for furtherance of their economic goal. The advantages of a regulated market yard system are immense and wherever such a system exists, it has been widely appreciated.
Today the farmers consider it as a boon to them where they can confidently sell their produce and get an appropriate return for the quantity and quality they produce year after year.

However, the development of regulated market yard infrastructure in our country is very lop sided and its progress is satisfactory only in a few states like Rajasthan, Gujarat, Maharashtra, Karnataka and Punjab. In all other states it is quite inadequate. The inadequacy of agricultural marketing infrastructure in other states need urgent attention. Even in states where such an infrastructure exists much more needs to be done to provide suitable facilities to the farmers and arrange for a proper information dissemination system to prevent their exploitation. There is a need for coordination among all the developmental agencies responsible for creation of market yard infrastructure in a state for drawing a programme and a time bound action plan for creation of regulated market yard systems. At present, market yards can be established as regulated market yards under Agricultural Produce Marketing Committee (APMC) Act of individual states. As and when state governments amend the Act for participation of the private sector and cooperatives in market yard development, financial assistance can be made available for individuals/private companies/corporate bodies and cooperatives for undertaking the activity. A few states have already taken the lead in this direction.

**Market Yard Requirements**

Market yard can be classified into three categories according to the mode of sellers i.e. primary, secondary and terminal. Sellers of a primary market yard are mainly farmers of the command area; in case of secondary market yard, farmers and traders beyond the command area bring their commodities for sale and in the terminal market yard mainly the traders bring in their commodities for marketing.

A primary market yard should be suitably located for easy accessibility and have provisions to sell produces grown by farmers in the command area and have sundry shops to meet the immediate requirements of a farmer when he comes to sell his produce. It should also have facilities for the traders, commission agents and other market functionaries to facilitate easy trading and smooth price realisation to the farmers. The facilities should match to the functional requirements of the commodities to be traded and also to the surrounding locality where the market yard is to function. Secondary and terminal market yards are located in semi urban and urban areas and the facilities are planned for the commodities to be traded. Considering all these aspects the requirements of a market yard are elaborated in the following paragraphs.
Location

(i) Market yard should be located on raised, well drained site, safe from damage by surface water or seepage water and not subjected to floods or inundation.

(ii) It should preferably be in an area away from the residential localities, factories and other industrial establishments, dairy and poultry farms, kilns, other sources of fire, garbage dumping grounds, slaughter houses, hide curing centers etc.; the close vicinity of which is deleterious to the qualities and safe storage of agricultural commodities. The structure shall be 150 m away from factories and other sources of fire, 300 m away from kilns, slaughter houses etc.

(iii) Market Yard should be located in an operationally advantageous position taking into account the infrastructural facilities like network of roads, railways, river navigation, banking, post office and other communication facilities available or likely to be developed in the area by the time the market yard gets ready. The location should be situated near a transport head or a main road. Sufficient parking and maneuvering space for vehicles should be available. There should be scope for future expansion and adequate free land available in the adjacent areas. It should also have scope to access adequate dependable source of water, electricity and public transport system and the site should be free from all legal hurdles to take up proposed constructions.

Facilities to be provided in a market yard

Layout Plan

The layout of a market yard should be such that easy movement of vehicles and persons is ensured. Each shop-cum-godown should face the auction platform and have equal opportunity for the business development. The roads and parking spaces should be constructed to withstand the traffic of bullock carts/ lorries/ trucks according to the requirements. Drainage arrangements for rain, waste and sewerage water should be made by means of covered surface or underground drains according to site conditions. Minimum provision for

(a) Shops and small godowns,
(b) Platforms for growers to dry, clean, display and auction,
(c) Auction halls,
(d) Parking places for carts and trucks,
(e) Storage godowns,
(f) Market office,
(g) Bank and post office,
(h) Gate check post,
(i) Fire fighting arrangements will have to be made. The estimates provided should be examined to see whether they are reasonable and whether all the items of development are covered.

Road

The market yard should have adequate access roads for transport of commodities into the market and from the market to the important business centres. The internal main roads should be at least 20 m wide. The roads should be all-weather roads permitting transportation throughout the year. For movement of goods within the market area, internal roads, parking areas and walkways should exist or should be developed. The roads should be hard-surfaced and should have minimum standards necessary to withstand the wear and tear due to the projected traffic. Further, hard-surfacing is necessary to minimise the cleaning and maintenance cost of roads, to avoid dust in the dry seasons and accumulation of mud and water in the rainy season. The roads developed should withstand the impact of the steel rimmed bullock carts, heavy duty trucks, tractors and trailers and should be sufficiently wide to avoid congestion.

Drying and Auction Platform

The area required for this is worked out at 4 sq.m. per ton of daily arrival. The platform surface should be constructed about 0.3 m to 1 m above the ground level. The recommended size of each platform is 60m x 6m and accordingly number of platforms should be decided at suitable locations of the market yard for better material management.

Auction Hall

For every 50 tonnes of auctioning material of a day, a covered auction hall of size 30m x 13m shall be provided.

Godowns and Shop-cum-godowns

Each godown attached to a shop should have a capacity matching to the trading pattern of the commodity. Since shop cum godowns are owned by traders, common storage facility should be created for exclusive use of farmers. The total common storage capacity should be calculated at 30 days of effective storage less capacity of storage available with shop-cum-godowns.
godowns should be made termite proof, moisture proof, rodent proof and bird proof. Steps should be taken to carry out periodical treatment with fumigation of stacks of grains to render it insect proof. The dimensions of the stack may be followed as per the details given in IS:607-1971. The clear heights of road - fed and rail-fed godowns shall be 5.6 m and 6.35 m respectively.

**Cold Storage**

This may be constructed in the market yards where perishable items are required to be traded. The guidelines issued under capital investment subsidy scheme will be applicable for it.

- Market Office, Bank and Post Office
- The areas will be provided as indicated in Annexure I.
- Residential Accommodation

Residential accommodation for head guard or other security staff of the market yard should be provided.

**Refuse Bins**

The number of refuse bins shall not be less than one for every 10 carts or 50 tonnes of daily arrival. The dimensions of each bin should be one meter diameter and one meter height with no bottom and placed on a platform 15 cm high above the ground.

- **Urinals**: Two nos. for every 50 persons.
- **Latrines**: Minimum of 2 nos. and one for every 50 persons.
- **Taps**: Minimum of 2 nos. and one for every 50 persons.
- **Washing place**: One for every 50 persons.
- **Lighting**: There should be sufficient lighting arrangement in the market yard.
- **Drinking water**: Suitable arrangements for drinking water both for men and animals are to be made.
- **First aid**: A box containing first aid equipment shall be kept in the market yard.
- **Veterinary dispensary**: This shall be provided in the market yards where the trading of animals also takes place.
Market information: Loudspeaker arrangement and display board for display of rates shall be provided.

Filling stations: Care may be taken for locating a filling station adjacent to a regulated market yard.

8.7 Marketing Societies

Market Society can refer to either the free-market style of capitalism first popularized by Adam Smith, or (to a lesser extent) can also refer to government-instituted and/or controlled forms of the market, commonly called State capitalism.

The term market society differs from market economy by implying that capitalist market economics influences not just the exchange of goods and services in a society, but also directly impacts and helps shape the personal attitudes, lifestyles, and political views of its people.

Rural & Urban Marketing

Rural marketing can be defined as a function which manages all those activities in asserting, stimulating and converting the purchasing power of rural people into an effective demand for specific products and services and there by achieving the goals of the organisation. On account of green revolution, the rural areas are consuming a large quality of industrial and urban manufactured products. In this context a special marketing strategy namely rural marketing has emerged. But often rural marketing is confused with agricultural marketing – The letter denotes marketing of produce of rural areas to the urban consumers or industrial consumers, whereas rural marketing involves delivering manufactured or processed inputs or services to rural producers of consumers.

Importance of Rural Market

1. Large Market

Approximately 75% of Indian’s population resides around 6,38,365 villages of India spread over 32,00,000 Sq. kilometer 41% of Indian’s middle class resides in rural areas. The Indian rural consumer leaves in 6,00,000 villages across the country and they account for over 70% of population of the country. For several product categories, rural markets account for over 60% of the national demand.

2. Higher purchasing capacity

According to “NCAER”[National Council for Applied Economic Research]. As per NCAER study there are many middle income and above
households in the rural areas. As there are in the urban areas there are almost twice as many lower middle income households in rural areas as in the urban areas. Because of this purchasing power of power of rural people is on rise.

**Urban Marketing**

India is facing an unprecedented scale of urbanisation with about 30 per cent of the population residing in urban areas, accounting for about 11 per cent of the world’s urban population. India’s urban population is projected to be 600 million people by 2013 that would work out to about 15 per cent of the world’s population. Better infrastructure, connectivity, access to media and allied facilities are certain factors that are fuelling this urban drive in the country and eventually blurring the line between rural and urban societies.

The UN forecasts estimate that more than 70 per cent of the world population will be urbanised by 2030, wherein 700 million people would be residing in cities in India itself. These projections serve a unique opportunity to plan, develop and build a new India which is ecologically and economically sustainable. Historically, urbanisation has boosted national economies across the globe as 75 per cent of the global economic production takes place in the cities.

**Key Developments/ Investments**

Urban markets in India are majorly driven by the youth of the country and marketers across all the industries and geographies are making efforts to woo them. The young Indian population has adopted the genres of internet, modern services and technical products with open arms.

- To acknowledge the fast growing online consumer base, Multi Screen Media (MSM) has recently launched its video-on-demand service ‘Sony LIV’. The new offering aims at providing ‘entertainment on the go’ for young India. Apart from enhancing the way entertainment is consumed in India, this user-friendly and interactive application is also a great platform for brands to strengthen their engagement and interaction with young consumers. The Sony LIV application is available globally for free, online on sonyLIV.com and for download on major App stores – iTunes and Google Play.

- Direct selling fast moving consumer goods (FMCG) company Amway India is setting up an over Rs 500 crore (US$ 93.96 million) green-field manufacturing facility at Nilakottai in southern Tamil Nadu. The company has signed a memorandum of understanding (MoU) with the state government and is now awaiting the single-window clearance for the project.
• Sportswear major Reebok is planning to undertake a new retail concept and marketing campaign in India to create a different growth story. Besides using its brand ambassador and Indian cricket captain M S Dhoni, for the endorsements, the company is contemplating to include well known personalities from different creative fields like musicians, entertainers and professionals, in its campaigns to enhance its brand equity in the country. The company will focus on introducing new products, marketing initiatives and a new retail concept to strengthen its business.

• The Indian urban clan is a big force behind the growth of luxury brands in the country. India’s luxury market is pegged to touch US$ 14.73 billion by 2015, according to industry estimates, from an estimated US$ 8.21 billion in 2013. India is already playing host to several foreign fashion brands, including Italy’s Gucci, Salvatore Ferragamo, Versace, Armani, Ermenegildo Zegna, Tod’s and Boggi Milano, which sell their products through local partnerships. Premium fashion houses like Moschino and Alberta Ferretti, Pollini, Gattinoni, Byblos and Scorpion Bay have initiated their entry strategy and partner search operations according to Luxury Connect, a Delhi-based marketing firm that works exclusively with luxury brands. Italian luxury fashion brand Prada SpA is also in talks with various prospective partners for an India entry and has even studied the market in advance.

Difference between Rural and Urban Marketing

Access

Rural areas are by definition remote from city centers; they therefore, do not enjoy the same easy access to major shopping venues that city dwellers enjoy. A marketing plan targeting rural consumers might rely on Internet sales or a partnership with stores already serving the rural area. Its message would be less likely divided into different versions for different consumer subgroups. A marketing campaign aimed at urban consumers might need to be broken into subsets to appeal to the many diverse groups within the marketing area. It would also need to be more unusual or aggressive to stand out from the sea of ads competing for urban consumers’ attention.

Culture

Rural and urban India have many cultural characteristics in common, yet some differences apply. An ad featuring a popular country music star would be more favorably received in rural markets, as an ad featuring jazz would likely be well-received in an urban market. An ad using words like “dependable,” “traditional” and “values” might resonate best with rural consumers, while words such as “innovative,” “fresh” and “new” might have more appeal to an urban
consumer. Marketing that blends in with the cultural norms of each community is more likely to result in sales.

**Methods**

Consumers who live in a rural area where change is slow to take place may respond best to one-on-one marketing done by salespeople who take the time to establish themselves in the community and earn trust. However, the same personal, get-to-know-you approach might be viewed with suspicion in an urban setting, especially if a no-nonsense, factual selling technique is the norm. It’s wise to take note of the sales techniques that are already working, when drawing up a location-specific marketing campaign.

### 8.8 Agriculture Godowns

In India about 165.77 million. Hatons land is under agriculture, producing 526.77 million of agriculture produce comprising mainly food grains, pulses, oilseeds, cotton, jute, sugarcane, etc. The agriculture production of the country has increased four fold during the last five decades. However, in spite of being self sufficient in production of food grains, the farmers are unable to obtain remunerative prices for their produce. They lack sufficient storage facilities, distributed in various parts of the country.

**Necessity of Godowns**

- To store food grains in scientific manner, minimise losses and maintain quality.
- To avoid damages by rats, birds, small insects etc. and deterioration in quality of the grains.
- Non-availability of storage facilities at the farmers, forces them to sell their produce during the peak harvest season, when prices are the lowest depriving of remunerative prices.

**Benefits of Godowns**

- Scientific storage leads to maintain quality of food grains.
- In godowns, frequent spraying of insecticides and fumigation of food grains make them safe from rats, and small insects.
- Remunerative price is realised for food grain, stored in Godowns leading to improved income to the farmers.
- The farmers can expect pledge loan of 70 % against stored produced.
• If godown is run on commercial and professional lines by farmers Cooperative sales and purchase societies, it will lead to an increase in their incomes and help in employment generation.

Agriculture cooperatives have been playing a significant role in stepping up the growth of agriculture production in the country through supply of farm inputs and other technical services to the farmers. Cooperatives also provide post-harvest services for procurement, grading, processing, storage and marketing of farmers’ surplus produce. These cooperatives are rendering an equally useful service by maintaining the supply line and distribution of consumer articles including essential commodities in rural areas.

To undertake these functions effectively, cooperatives require adequate captive storage capacity of their own at the village, mandi and rail head centres. To meet this requirement, The National Cooperative Development Corporation (NCDC) has been assisting primary cooperative societies working at the village levels. Besides, the Corporation has also been assisting cooperative marketing societies functioning at the mandi, district, regional, state and national levels for construction of godowns of their own to create storage facility, to expand the existing capacity and also for renovation/upgradation of rural godowns under the Central Sector and Corporation Sponsored Scheme. The Govt. of India in the year 2002 approved to provide Credit Linked Subsidy for construction/renovation/expansion of rural godowns during the period of 10th Five Year Plan i.e. from 2002-2007. Under the Scheme the construction of rural godowns can be taken up by cooperative societies in addition to other eligible entrepreneurs.

Construction/Renovation of Godowns

Under the Corporation Sponsored and Centrally Sponsored Schemes, primary societies are generally assisted for construction of rural godowns of 50 tons and 100 tons capacity and Marketing cooperatives in the range of 250 tons to 5000 tons capacity and in special cases, assistance is also provided for large sized godowns of 10000 tons capacity and above depending upon the potential.

For developing primary cooperatives into growth centres at the village level, NCDC assists for construction of an office room, a shop for sale of consumer articles and a residence for the Secretary or Manager wherever required with the rural godown. The Corporation also encourages primary cooperatives to prepare business development plans to expand their non-credit business and for fuller utilisation of godowns.

Under the Capital Investment Subsidy Scheme (Gramin Bhandaran Yojana), the assistance is provided for construction/renovation/expansion of rural
godowns with a minimum capacity of 50 tons without any ceiling but subsidy is available for maximum capacity of 10000 tons & limited to \( A 37.50 \) lakhs, based on normative costs.

**Short Answer Type Questions**

1. What is meant by Social Markets?
2. What is meant by Goods Marketing?
3. What is meant by Service Marketing?
4. What is meant by Agriculture market?
5. What is meant by Cold storage?
6. What is meant by rural marketing?
7. What is meant by urban marketing?

**Long Answer Type Questions**

1. Explain the functions of Event Management.
2. Explain the characteristics of Service Marketing.
3. Explain the difference between Goods and Services.
4. What are the facility to be provided in a market yard?
5. Explain the importance of Rural Market.
6. Explain the importance of Urban Market.
7. Explain the differences between Rural and Urban Marketing.