

PG – TRB COMMERCE UNIT – 1 MARKETING

Marketing – Fundamental Concepts and Approaches – Marketing Mix – Segmentation – Buyer Behaviour – Four P’s - Role of Middlemen - Arguments For and Against – Pricing Policies and Strategies.

MEANING OF MARKET

The word ‘Market’ is derived from the **Latin** word ‘**Marcatus**’ meaning **merchandise, wares, traffic, trade or a place** where business is conducted.

DEFINITIONS OF MARKET

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

CLASSIFICATION OF MARKETS

1. On the basis of **AREA**
 - A) Family, b) Local, c) National, d) World
2. On the basis of **GOODS** –
 - 1) **Commodity** a) Produces b) Manufactured c) Bullion,
 - 2) **Capital** a) Money, b) Foreign, c) Stock
3. On the basis of **ECONOMICS**
 - a) Perfect, b) Imperfect
4. On the basis of **TRANSACTION**
 - a) Spot, b) Future
5. On the basis of **REGULATION**
 - a) Regulated, b) Unregulated
6. On the basis of **TIME**
 - a) Very short, b) Short, c) Long
7. On the basis of **VOLUME**
 - a) Wholesale, b) Retail
8. On the basis of **IMPORTANCE**

Primary, b) Secondary, c) Terminal.

The market that enables traders involved in foreign trade to get their currencies converted into foreign currencies is [TRB 2011-2012]

- | | |
|--|---------------------|
| <u>A) Foreign exchange market</u> | B) Financial market |
| C) Capital market | D) Bullion market |

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MEANING OF MARKETING:

Marketing, in its earlier definition and in **legal aspect** is said to be the effort by which the **transfer of ownership** in goods between the seller and buyer is effected - emphasises ownership transfer.

Marketing, in **economic point** of view, is defined as the exchange function by maintaining **supply and demand** in equilibrium.

Marketing, in its **descriptive definition**, explains the **functions** involved in the activities of goods from the **producer to the consumer**.

DEFINITIONS OF MARKETING:

“Marketing is concerned with the people and the activities involved in the flow of goods and services from the producer to the consumer.”- **American Marketing Association**

“Marketing is the business process by which products are matched with market and through which transfers of ownership are effected.”- **Cundiff and Still**

“Marketing is a total system of business activities designed to plan, price, promote and distribute want-satisfying goods and services to present and potential customers.” – **W.J. Stanton**

- * Modern Marketing is **consumer oriented**.
- * Modern Marketing begins with the **Customers & Before production**.
- * Marketing is a **Social and Economic** process.
- * Marketing is an **art as well as science**.

Modern marketing is: [TRB 2012-2013]

- | | |
|-----------------------------|------------------------|
| A) Consumer oriented | B) Production oriented |
| C) Exchange oriented | D) Sales oriented |

Modern marketing starts and ends with [TRB 2014-2015]

- | | | | |
|----------------|--------------------|---------------|-------------|
| A) Distributor | B) Consumer | C) Wholesaler | D) Retailer |
|----------------|--------------------|---------------|-------------|

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MARKETING AND CREATION OF UTILITIES:

The word **utility** means the capacity of a commodity to **satisfy human wants**. There are **four** kinds of utilities to a product. There are:

1. Form utility – Development of a new product brings form utility.
2. Place utility – Movements of goods or services from the place of production to the place of consumption generates place utility.
3. Time utility – Storage function of marketing creates time utility.
4. Possession utility – Transfer of title to goods results in possession utility to a product.

FUNCTIONS OF MARKETING:

Clark and Clark divide the marketing function under **three**, major headings. They are:

1. Functions of Exchange:

- a) Buying b) Assembling c) Selling

2. Functions of Physical Supply:

- a) Transportation b) Storage

3. Facilitating Functions:

- a) Financing b) Risk-Bearing c) Standardisation d) Market information
- e) Promotion

RECENT INNOVATIONS IN MARKETING

1. Social Marketing: **Philip Kotler - consumer orientation.**
2. Direct Marketing: Marketing through various **advertising media.**
3. De-Marketing: **Kotler and Levy - Marketing concept in reverse.** (discouraging customers)
4. Re-Marketing: Finding new consumer (or) create new users.
5. Meta Marketing: **E.J. Kelly** – To focus all scientific, social, ethical and managerial experience on marketing.
6. Over Marketing: Generated **increased sales** by **ignoring** quality control, production efficiency and/or cash flow management.
7. Relationship Marketing: Building long-term relations.

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8. Augmented (Better) Marketing: **High technology** services offered to customers.
9. Organisation Marketing: Certain activities undertaken to change attitude & behaviour of audience towards organisation.

MARKETING CONCEPT

MEANING OF MARKETING CONCEPT

The Marketing Concept is a **consumer's needs orientation** backed by **integrated marketing** aimed at generating **consumer satisfaction** as the key to satisfying of organisational goods.

EVOLUTION OF MARKETING CONCEPT:

1. Self – sufficient stage
2. Exchange oriented stage
3. Production oriented stage (1869-1930)
4. Sales – oriented stage (1930-1950)
5. Marketing oriented stage (1950-1960)
6. Consumer oriented stage (1960's present)
7. Management oriented stage

FUNDAMENTAL CONCEPTS

Philp Kotler has shown **five** competing concepts for carrying out marketing activity in any organisation.

1. Production concept – Consumers will favour those products that are widely **available and low in cost**.
2. Product concept - Consumers will favour those products that offer most **quality, performance, and features**.
3. Selling concept – The company must undertake an aggressive selling promotion effort.
4. Marketing concept – Focusing customer **needs**, coordinating marketing efforts and profit through **customer's satisfaction**.
5. Social Marketing concept – Social marketing is the design, implementation and control of programmes seeking to increase the acceptability of a social idea or practice in a target group.

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APPROACHES OF MARKETING

1. PRODUCT OR COMMODITY APPROACH:

This Approach undertakes the study of marketing on the basis of a commodity.

2. INSTITUTIONAL APPROACH:

The institutions normally include **producers, wholesalers, agents, retailers and facilitating institutions** engaged in activities such as transportation, warehousing etc., under, this approach marketing process is spilt up into **three institutional functions**, concentration, equalization and dispersion.

The approach that considers all the middlemen and institutions in distribution channel is [TRB 2011-2012]

A) Management approach

B) Commodity approach

C) Institutional approach

D) Functional approach

3. FUNCTIONAL APPROACH:

The credit for designing this approach goes to **A.W. Shaw**, who enumerated the **functions of middlemen** as follows, sharing the risk, transporting the goods, financing the operations, selling and assembling, assorting and reshipping.

Functional approach to the study of marketing was designed by [TRB 2014-2015]

A) Stanton

B) A.H. Shaw and L.D.H. Weld

C) J.F. Pyle

D) Duddy and Revzan

4. DECISION MAKING OR MANAGEMENT APPROACH:

This approach is of **recent origin**. It combines certain features of the other three approaches. It is based on the fact that marketing is partly a management function. The changes in marketing are mainly due to two factors. “Controllable” and “Uncontrollable”, the uncontrollable factors include economic, sociological and political forces. The controllable mean include adjustment in prices, advertising, personal selling etc.,

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5. LEGAL APPROACH:

Though fundamental and practical this approach is a very narrow one. It concentrates only on one aspect that is the **effect of transfer of title in a legal way**.

6. ECONOMIC APPROACH:

This approach deals with only the problems of supply, demand and price. These are important from the economic point of view, but fail to give a clear idea of marketing.

7. SOCIETAL APPROACH:

Attention is paid to ecological factors (sociological, cultural, legal etc.,) and marketing decisions and there is impact on the society’s well-being.

8. SYSTEM APPROACH:

The system approach can be defined as “a set of objects together with the relationships among them and their attributes.” Inter relation and inter connection among the Function of marketing.

MARKETING MIX

INTRODUCTION

- **Marketing mix** was invented by **James Culliton** and a concept was popularised by **Niel H.Borden**.
- **4 P’s** in the marketing mix was invented by **Jerome Mccarthy (American Professor)**

MEANIANG OF MARKETING MIX

Marketing mix is the policy adopted by the manufacturers to get success in the field of marketing.

DEFINITION OF MARKETING MIX

According to Stanton, “Marketing mix is used to describe a combination of the **four inputs** which constitute the fundamental of a company’s marketing system – the product, the price structure, the promotional activities and the distribution system”.

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FOUR P’S

1) Product	=	Customer needs
2) Price	=	Cost to the customer
3) Place	=	Convenience
4) Promotion	=	Communication

FOUR C’S

Which is the key element in the Marketing Mix? [TRB 2012-2013]

A) Product **B) Price** C) Brand D) Package

MARKET SEGMENTATION

MEANING OF MARKET SEGEMENTATION

Market segmentation appeared with new concept of marketing in **1940**.

Market segmentation is used to sub-divides the market for the product in order to capture more and more sales effectively and efficiently.

Market segmentation is the strategy that **sub-divides the target market into sub-groups of customers** with distinct and differentiated marketing programmes for each sub-group in order to enhance satisfaction to consumers and profit to the marketer.

Market segmentation is a new **customer-oriented philosophy** and is consistent with modern marketing concept. It studies needs and expectations of different consumer groups and provides something for everybody.

Market segment is [TRB 2014-2015]

A) Market oriented philosophy B) Competitors oriented philosophy
C) Sales oriented philosophy **D) Customers oriented philosophy**

DEFINITION OF MARKET SEGEMENTATION

According to Philip Kotler, “Market segmentation is the sub-dividing of a market into homogeneous sub-sects of customers where any sub-sect may conceivable be selected as a market target to be reacher, with a distinct marketing mix.”

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W.J. Stanton defined “Market segmentation consists of taking the total heterogeneous (Various) market for a product and dividing it into several sub-markets or segments and each of which tends to be homogenous (similar) in all significant aspects”.

STRATEGIES OPTED FOR MARKET SEGMENTATION

- ❖ Concentrated Marketing (One Product, One Marketing Mix, One Segment)
- ❖ Market Aggregation or Undifferentiated Marketing (One Product, One Marketing Mix, For all Segments)
- ❖ Market Segments or Differentiated Marketing (Several Products, Several Marketing-Mixes, Relevant Segments)

BASES FOR CONSUMER MARKET SEGMENTATION

1. Geographic segmentation - Region, City Size, City Density (Rural/Urban), Climate
2. Demographic and Socio-economic segmentation - Age, Gender, income, family life cycle, Generation, Religion, occupation, education, marital status, family size and structure and social class
3. Psychographic segmentation – Activities, Opinions, Interests, Life Style, Personality, Values, Attitudes and Self image
AOI = Activities, Opinions and Interest
4. Behavioural segmentation – Brand loyalty, Product benefits, Usage rate, User status, Occasions and Price consciousness (awareness)
5. Volume segmentation – Light, medium and heavy users of a product
6. Product-space segmentation – Ideal (Perfect) brand
7. Benefit segmentation – Consumer behaviour depends more on the benefit sought in product/service than on demographic factors.

The variable–lifestyle, personality and values are considered for [TRB 2011-2012]

A) Behavioural segmentation

B) Demographic segmentation

C) Geographic segmentation

D) Psychographic segmentation

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BUYER BEHAVIOUR

INTRODUCTION

- **Consumer** behaviour is **micro** in nature.
- **Consumption** behaviour is **macro** in nature.
- **AIOD** = Activity, Interest, Opinion, Demography
- Demography is the study of **Human Population**.

MEANING OF BUYER BEHAVIOUR

The study of consumer behaviour is the study of how individuals make decisions to spend their available resources on consumption related items.

CONSUMER BUYING MOTIVES

A consumer buys a particular product, because he is influenced by certain motives (reasons). Motive is a very strong feeling or emotion or desire, which makes him to react in the form of a “**decision to buy**”.

FACTORS INFLUENCING CONSUMER BEHAVIOUR

- ❖ Cultural Factors (Culture, Social Class, Nationality, Religion, Geographical Location)
- ❖ Social Factors (Reference Groups, Family, Role and Status)
- ❖ Personal Factors (Age, occupation, income, life cycle, personality)
- ❖ Psychological Factors (Buying motive, perception, learning, belief, attitude)

Personal factors influencing buyer behaviour include [TRB 2014-2015]

A) Social class

B) Attitudes and beliefs

C) Personality and self concept

D) Family

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TYPES OF BUYING MOTIVES

1. **INTERNAL MOTIVES** – They are broadly classified into two classes.
 - A. **Rational** (Normal) which are based on **logical reasoning on thinking**.
 - B. **Emotional** which are based on **personal feelings**.
2. **EXTERNAL MOTIVES**
 - a. Product motives i) Primary ii) Selective
 - b. Patronage (support) motives – These cause a customer to buy products from a particular manufacturer or retailer.

CONSUMER BEHAVIOUR THEORIES

- ✚ Economic Theories
- ✚ Psychological Theories (Maslow)
- ✚ Psycho-analytic Theories (Sigmund Freud)
- ✚ Social psychological Theories

PURCHASING METHODS

1. **Concentrated buying** – The buyer purchases all his needs from a **single seller**, selected from a few sellers.
2. **Diversified buying** – It is also called as **scattered buying**. The purchases are made from a **large number** of sources.
3. **Reciprocal buying** – The buyer and seller enter into a contract to buy and sell their products mutually. It is a good policy “**If you buy from me, I buy from you.**”
4. **Hand to Mouth buying (Conservation buying)** – This is a kind of buying in small lots or quantities. It meets the **current needs** of the business. So, it is called as **current need** buying. It is conservative (traditional) buying.

Under which type of buying, purchases are made strictly on the basis of current needs? [TRB 2014-2015]

- | | |
|-----------------------|---------------------------------------|
| A) Forward buying | B) Scattered buying |
| C) Open market buying | <u>D) Hand to mouth buying</u> |

5. **Forward buying (Speculative buying)** – It is a big lot purchase. By expecting a **higher price in the future**, buyer makes a lot of purchase.

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6. Contract purchasing – The goods are purchased under a contract for a long period with fixed suppliers. The supplier supplies goods to the buyer at a fixed price. Investment of capital on purchasing is less.

7. Buying by inspection – It is the simplest and oldest type of purchasing. The buyer buys the goods by examining the goods directly. This method is not suitable when the buying place is far away from the buyer's place.

8. Buying by sample – This method is also very simple and old. The seller sends the sample and the buyer orders for the goods by seeing the sample.

9. Buying by description – When samples cannot be shown, the buyer makes the purchase on the basis of description given by the seller.

FOUR P'S

➤ **4 P's** invented by **Jerome McCarthy (American Professor)**

1. PRODUCT

A Product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need.

Product Life Cycle – Introduction, Growth, Maturity, Saturation, Decline

Product planning – Product planning is the initial stage for the entire marketing programme of a concern.

Product Line – A product line is a group of products that are closely related, either because they function in a similar manner, or are sold to the same customer groups, or are marketed through the same types of outlets or fall within given price ranges.

Product Mix – A product mix (also called product assortment) is the set of all product lines and items that a particular seller offers for sale to buyers.

Product Innovation – Innovation is the design and development of something new.

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Product Diversification – Diversification is a policy of an operating company, so that its business and profits come from a number of courses, usually diverse products that differ in market or production characteristics.

Product Modification – The existing product has to be modified in order to suit the changing conditions, because of fashion change.

Steps in new product planning: 1. Idea generation 2. Screening 3. Business analysis 4. Product development 5. Test marketing 6. Commercialisation

2. PRICE

Price may be defined as the exchange of goods or services in terms of money.

3. PROMOTION

Promotion is a broader term, it includes advertising, personal selling, sales promotions and other selling tools. **Promotion and Sales promotion are different terms.**

PUSH STRATEGY - A push strategy calls for using the sales force and trade promotion to **push the product** through the **channels**.

PULL STRATEGY - A pull strategy calls for spending a lot of money on advertising and consumer promotion to build up consumer-demand.

FORMS OF PROMOTION

- Personal selling, Advertising, Sales promotion, Publicity, Public relation, Point of purchase display, Packaging, Direct mail

4. Place (Physical distribution)

Physical distribution is the delivery of products at the right time and at the right place. The distribution mix is the combination of decisions relating to marketing channels, storage facility, inventory control, location, transportation, warehousing etc.

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CHANNEL OF DISTRIBUTION

According to American Marketing Association, “A channel of distribution or marketing channels is the structure of intra-company organisation units and extra-company agents and dealers, wholesale and retail through which a commodity, product or service is marketed.”

A **channel** is the **pipeline** through which a commodity flow on its way to the consumer.

A pipeline through which a product flows on its way to the consumer is [TRB2011-2012]

A) Middleman B) Retailer C) Channel D) Distribution

ROLE OF MIDDLEMAN (CHANNEL OF DISTRIBUTION)

- ✓ **Channel** is derived from the **FRENCE** Word.
- ✓ **Retailer** is derived from the **FRENCE** Word retailen which means “to cut again”.
- ✓ Middlemen or business **intermediaries** act as the connecting link between the manufactures and consumers.
- ✓ VMS = Vertical Marketing System
- ✓ MMS = Multi-channel Marketing System
- ✓ Consumer goods – Indirect channel
- ✓ Industrial goods – Direct channel
- ✓ Intensive distribution (Mass Distribution)
- ✓ Exclusive distribution (Franchised Distribution)
- ✓ Selection distribution (Limited Distribution)

DEFINITION OF MIDDLEMAN

According to American Marketing Association, “Middleman is one who specialises in performing operations on rendering services that are directly involved in the purchase and sale of goods in the process of their flow from producer to final buyer”.

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CLASSIFICATION OF MIDDLEMEN

1. Functional middlemen (Mercantile agent or Agent Middlemen)
2. Merchant middlemen

AGENT MIDDLEMEN

They are mostly engaged in wholesale dealing. They **do not take** title of goods. The important types of **agent middlemen** are **brokers, commission agents, and manufacturer’s agents, selling agents, resident buyers, auctioneers and warehousemen.**

Resident buyer is known as: [TRB 2012-2013]

- A) Retailer **B) Agent** C) Brokers D) Wholesaler

MERCHANT MIDDLEMEN

Buy and sell goods on their **own account and risk**. They **take** title of goods. Example: Wholesaler and retailer

WHOLESALE

The word ‘wholesaler’ means to market goods in relatively large quantities. The term wholesaler applies only to merchant middlemen engaged in wholesale activities i.e., they take title to the goods they handle.

A wholesaler is a businessman who specialises in performing wholesale activities.

CLASSIFICATION OF WHOLESALERS

- I. On the basis of Area covered
 - a. Wholesalers
 - b. Provincial or State wholesalers
 - c. National Wholesalers
- II. On the basis of commodities they deal

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- III. On the basis of method of operation a. Full service wholesalers 1. Wholesale merchants 2. Converters 3. Industrial distributors’ b. Limited Function Wholesalers 1. Cash and carry wholesaler 2. Truck wholesalers 3. Drop shipment wholesalers 4. Rack jobber 5. Producers’ Co-operatives 6. Mail order wholesalers
- IV. On the basis of the breadth of their line product a. General merchandise wholesalers b. General line wholesalers c. Speciality wholesalers

RETAILER

The word ‘**Retailer**’ is derived from a **French** word *retailen* which means ‘to cut again’.

DEFINITION OF RETAILER

According to American Marketing Association, “Retailing consists of the activities involved in selling directly to the ultimate consumer for personal, non-business use. It holds the direct-to-consumer sales activities of the producer, whether through his own stores by house to house canvassing or by mail order business”.

TYPES OF RETAILER

Itinerant (travelling) Retailers

- A. Hawkers and pedlars – **Hawkers** carry their goods from place to place in hand cart and sell them to the consumers at their doors. **Pedlars** carry the goods on their hands.
- B. Cheap jacks – shift the shop to another place
- C. Market traders – open shop on market days
- D. Street traders – business in busy street like bus stand, railway stations etc.

Fixed shop retailers

- A. Street Stall Holders
- B. Second hand goods dealers
- C. Speciality shops
- D. General shops

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Small-scale Retailers

- A. Independent stores
- B. Automatic vending
- C. Discount house
- D. Syndicate stores

Large Scale Retailers

- A. Departmental Stores – all departments are under one roof.
- B. Chain store or Multiple store – the chain store has its origin in **America**. It is known as multiple shops in **Europe and other Western countries**.
- C. Mail order Retailing
- D. Hire purchase and instalments
- E. Co-operative retailing
- F. **Super market** – A large retailing business unit selling mainly **food and grocery items** on the basis of the **low marginal gain**. It sells a wide variety of **consumer goods and articles of household** use, under one roof. It offers goods at **low price** and has a high turnover. It operates on cash and carry basis. It is a **self-service store**.
- G. **Hyper market** – Hyper market is a **recent innovation**. According to Stanton, “Superstore also called as hypermarket or supermarket is the newest and possibly the toughest innovative competitor of the supermarket”. It combines the **features of a supermarket and a general merchandise** store. It is a very large store. A large area is needed and as such it is situated at the **edge** of the city or **outside the city**. It deals in a variety of goods. The self-service method is followed. In **France**, it is known as **hypermarket** and in **Germany** it is known as **giant store**.

The recent innovation which combines the features of a supermarket and a general merchandise store is [TRB 2011-2012]

- A) Retailing **B) Hypermarket** C) Chain store D) Departmental store

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PG – TRB COMMERCE UNIT – 1 MARKETING

Marketing – Fundamental Concepts and Approaches – Marketing Mix – Segmentation – Buyer Behaviour – Four P’s - Role of Middlemen - Arguments For and Against – Pricing Policies and Strategies.

Elimination of Middlemen

Wholesalers and retailers act as middlemen between producers and consumers. Apart from the services offered, the cost of their function is an addition to the final price. The final price is recovered from the ultimate consumers. At the same time, by eliminating the middlemen, it is possible for the consumers to get the products at a lower price.

Arguments in favour of middlemen

- There are many functions – assembling, grading, warehousing, transporting, risk bearing etc. performed by the middlemen.
- You can eliminate the middlemen, but you cannot eliminate their functions.
- They perform the functions of concentration, equalisation and dispersion. The goal of marketing is the matching of supply and demand.
- There are certain types of products – perishable food items etc. and their distribution can only be necessarily done through the middlemen.

Arguments against middlemen

- ❖ The appearance of middleman in marketing functions costs about 35% -50% of the price paid by the ultimate consumer. The cost burden of middleman is charged on the consumers.
- ❖ Some of these middlemen do not perform any marketing function. But these people create hindrance in the free flow of goods towards the market. Elimination may be useful in reducing the cost and speeding up the movements of goods.
- ❖ They enter into black marketing in time of scarcity and emergencies with a view to earn huge profits by boosting the price.

Elimination of middlemen is practically [TRB 2014-2015]

A) Impossible

B) Possible

C) Reduce the channel cost

D) Reduce the channel function

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PRICING POLICIES AND STRATEGIES

PRICE

Price may be defined as the exchange of goods or services in terms of money.

PRICING OBJECTIVES

1. Pricing for target return (ROI),
2. Market share
3. To meet or prevent competition
4. Profit maximisation
5. Stabilise price
6. Customers’ ability to pay
7. Resource mobilisation

FACTORS AFFECTING PRICING DECISIONS

INTERNAL FACTORS

- A. Organisational factors
- B. Marketing mix
- C. Product differentiation
- D. Cost of the product
- E. Objectives of the firm

EXTERNAL FACTORS

- A. Demand
- B. Competition
- C. Suppliers
- D. Economic conditions
- E. Buyers
- F. Government

PROCEDURE FOR PRICE DETERMINATION

There is no specific procedure applicable to all firms for price determination. However, the following steps may be followed to determine the price:

1. Determine demand for the product.
2. Anticipate and analyse the competitive reaction.
3. Establish expected share of the market.
4. Select pricing strategy.
5. Consider company’s marketing policies.
6. Set the price.

PRICING POLICIES

1. Cost based
2. Demand based
3. Cost-demand based
4. Competition based

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KINGS OF PRICING

1. Psychological Pricing: (odd pricing) -

The term “Odd prices” is used in two ways. It may be a price ending in an odd number or a price just under a round number. The prices are set at odd amounts, such as Rs. 19.95 instead of Rs. 20; Rs. 299.90 instead of Rs. 300.

Price that is fixed at a **full number** is known as [TRB 2011-2012]

A) Customary price

B) Prestige price

C) Psychological price

D) Odd price

2. Customary Pricing:

Customers expect a particular price to be charged for certain products.

3. Skimming Pricing:

It involves a **high introductory price** in the initial stage to skim the cream of demand.

4. Penetration Pricing:

A **low price** is designed in the initial stage with a view to capture greater market share.

5. Geographical Pricing:

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

(a) **F.O.B. Pricing** - In FOB (original) pricing, the buyer will have to incur the cost of transit and in FOB (destination) the price influences the cost of transit charges.

(b) **Zone Pricing** – Under this, the company divides the market into zones and quotes uniform prices to all buyers who buy within a zone.

(c) **Base point Pricing** – Base point policy is characterised by partial absorption of the transport cost by the company. One or more cities are selected as points from which all shipping charges are calculated.

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- 6. Administered Price** – Administered price is defined as the price resulting from **managerial decision**, and not on the basis of cost, competition, demand etc.
- 7. Dual Pricing** – Under this dual pricing system, a producer is required compulsorily to sell a part of his production to the government or its authorised agency at a substantially low price. The rest of the product may be sold in the open market at a price fixed by the producer.
- 8. Mark up Pricing** – This method is also known as **cost plus pricing**. This method is generally adopted by wholesalers and retailers. When they set up the price initially, a certain percentage is added to the cost before marking the price. For example, the cost of an item is Rs. 10 and is sold at Rs. 13. The mark up is Rs. 3 or 30%.
- 9. Price Lining** – This method of pricing is generally followed by the **retailers than wholesalers**. This system consists of selecting a limited number of prices at which the store will sell its merchandise.
- 10. Negotiated Pricing** – It is also known as **variable pricing**. The price is not fixed. The price to be paid on sale depends upon bargaining.
- 11. Competitive Bidding** – Big firms or the government calls for competitive bids when they want to purchase certain products or specialised items.
- 12. Monopoly Pricing** – Monopolistic conditions exist where a product is sold exclusively by one producer or a seller. When a new product moves to the market, its price is monopoly price.
- 13. Oligopolistic Pricing** – Oligopoly is a competitive market situation and the presence of a few large sellers, who compete for larger market share.

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