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PG-TRB
COMMERCE

UNIT-I
MARKET AND MARKETING
2019-2020

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UNIT-I

MARKET AND MARKETING

Syllabus:

Marketing – Fundamental Concepts and Approaches - Marketing Mix - Segmentation - Buyer behavior, Four P's Role of Middlemen - Arguments FOR and AGAINST – Pricing policies and strategies.

DEFINITION OF MARKETING:

INTRODUCTION:

It may be pointed out here that the common people, even majority of the marketing executives in our country, often interpreted marketing as the selling and advertising activities besides maintenance of public relations. However, this common idea of marketing appears to be utterly misnomer.

In fact, marketing encompasses not only selling or advertising but also means other activities ancillary to it so as to reach the product to the consumer for satisfying needs.
The following definition offered by American Marketing Association will speak for it: Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user. This definition, in all its comprehensiveness, is undoubtedly an improvement on the existing conception of marketing as selling.

**MEANING OF MARKET:**

- The term market is derived from the Latin word “Mercatus” meaning “to trade”. It is also means Merchandise wares, traffic or a place of business.
- The common usage of market refers to a place where goods and services are bought and sold. In its strict sense market need not necessarily refer to the place of exchange.

**MEANING OF MARKETING SYSTEM:**

- With the development of civilization, the systems of satisfying human needs changed. At the very outset of economic activities, barter system was evolved to satisfy human wants.
- As the days rolled on, complexion and profile of human wants underwent volatile changes. To meet this challenge, different systems appeared on the earth.
- Marketing system is one of them, a new facet of barter and an improved version of exchange.
- Marketing includes all the aspects involved in the exchange process of transferring the possession and ownership of goods or services from the producer to the ultimate consumer.

**DEFINITION OF MARKETING:**

According to American marketing association “Marketing is concerned with the people and activities involved in the flow of goods and services from the producer to the consumer”.

- According to Philip Kotler, “The exchanges that take place in a society along with the facilitating institutions, make up its marketing system quantitative changes when the social concept of marketing activities has been accepted as one of the business ethics.
- According to Philip Kotler, “The exchanges that take place in a society along with the facilitating institutions make up its marketing system”.
- In other words, marketing system is one of the business activities which is to effect exchanges of goods and services between two parties so as to satisfy human needs as revealed by the social environment.
According to cundifts and Still Marketing is the business process by which products are matched with markets an though which transfers of ownership are affected.

DIFFERENT CONCEPTS OF MARKETING:

All the business units are aiming at, now-a-days, how effectively the marketing activities can be carried out to render maximum satisfaction to their customers.

In view of this, the different business enterprises execute their marketing activities under the following concepts of marketing:

- Production Concept
- Product Concept
- Selling Concept
- Marketing Concept
- Societal Concept

Production Concept

This appears to be the very old concept. Under this concept, the entrepreneurs believe that the customers will subscribe to those products which are easily available in large volume and at low prices.

- A producer can sell more under the situation when the demand leaves the sale far behind causing a wide gap between the two.
- Under such circumstances, the management is concerned with the task of enhancing their volume of output to bridge the gap that develops between the demand and supply.
- This concept is applicable to the situations where the demand for consumer goods are high and those business units which enjoy the economies of scale.

Product Concept

- In place of production concept, product concept is found to be followed by some business organizations, as this concept has some differences from the former concept.
- According to this concept, business units are often engaged in the production of those goods which can satisfy the needs of the customers who are in favor of franchising product excellence that speaks of quality, performance and features.
Selling Concept

As the days rolled on, markets began to be oriented into buyers' market. That is to say, selling concept began to play the dominant role in the marketing of a product.

According to this concept, the business entities are not engrossed with the concept of more production. They are mainly concerned with the selling of their output.

Marketing Concept

Marketing is commonly construed with the term 'selling'. In fact, the term 'marketing' encompasses a wide range of activities which include selling too. In other words, selling is a small species of a large genus marketing.

Under the marketing concept, the business entity is mainly concerned with the identification of consumers' wants and strives to satisfy those wants.

Societal Concept

It goes without saying that business has social responsibility. The same has been evolved for attaining sustainable development with an object of serving the society as a whole.

As such, the marketing activities are to be directed towards satisfying the social needs. Society is enriched with natural resources and potentially favorable environment.

Therefore, a company which adopts the societal concept is to operate with an object of balancing the interest of the society, customers and the company which is operating for earning profit required for its survival.

This makes it clear that the long-run survival of a private business organization depends entirely on the acceptance of this concept which is close to the concept of social responsibility.

MARKETING & CREATION OF UTILITIES:

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

- Form Utility
- Place Utility
- Time Utility
- Possession Utility
Making is concerned with the creation of all the four utilities to a commodity. Development of a new product brings from utility.

### SELLING

1- It lays emphasis on the product and thereby on manufacturing a product.

2- After manufacturing the product, it turns attention towards the product and earning profit through sale.

3- Its principal thrust is on the needs of the seller.

4- Management policy is volume of sales oriented.

5- It is preoccupied with the need of converting product into cash sales.

6- Planning is short-run market oriented. It simply focuses on today's product and its demand.

7- Products of the enterprise can be easily sold.

8- Selling pays much importance to exchange aspect ignoring 'value satisfaction' associated with the exchange.

9- It considers packaging as a mere container to protect the product.

10- In selling, cost is price-determining.

11- In selling, manufacturing and selling departments operate in cohesion for enhancing sales while other departments function as separate watertight compartments.

12- In selling, consumer is paid less attention.

### MARKETING

1- It lays emphasis on customers and, thus, begins with the needs and preferences of the customers. It emphasizes on the provisions of satisfaction of customers.

2- Its principal thrust is on the needs of the buyer.

3- Management policy is profit oriented.

4- It is preoccupied with the demand forecasting and product planning.

5- Market planning is long-run-oriented focusing new products, future markets and future growth potential.

6- What is produced should be according to the consumers' needs and interests.

7- Marketing activity is concerned with the 'value satisfaction' to be provided with the exchange.

8- It plans packaging from the customers' point of view which desires maximum possible convenience and satisfaction from it.

9- In marketing, consumers determine price.

10- In marketing, all the departments operate in response to the market conditions. Thus, they organise to function in cohesion to render maximum satisfaction to the consumers.

11- In marketing, consumer is considered to be the central point around which all the activities are organized.
DIFFERENCE BETWEEN SELLING AND MARKETING

It has already been pointed out that the terms 'marketing' and 'selling' are synonymous to many people. Even some managerial people are often guided by this misconception.

It is true to say, that the term 'marketing' has a wider coverage of activities than selling. There is a difference between these two terms from the standpoint of their approaches and the philosophies on which they rest.

MARKETING MANAGEMENT

INTRODUCTION

The development of marketing is evolutionary rather than revolutionary. There is no single answer to the question of what is marketing. "Marketing is what a marketer does". The evolution of marketing is as old as the Himalayas. It is one of the oldest professions of the world. The traditional objective of marketing had been to make the goods available at places where they are needed. This idea was later on changed by shifting the emphasis from "exchange" to "satisfaction of human wants".

EVOLUTION OF MARKETING

Self sufficient stage:

After the stages as “nomads” people started to settle on the banks of rivers. This had led to starting of economic activities for agriculture. But each family then was a self sufficient unit as far as production and consumption junctions were concerned. Hence it may be stated that the concept of marketing was absent in this stage.

✦ BARTER SYSTEM:

The goods are exchanged against goods, without any other medium of exchange, like money.

✦ PRODUCTION ORIENTATION:

This was a stage where producers, instead of being concerned with the consumer preference, concentrated on the mass production of goods for the purpose of profit. They cared very little about the customers.
**SALES ORIENTATION:**

The stage witnessed major changes in all the spheres of economic life. The **selling activity becomes the dominant factor**, without any efforts for the satisfaction of the consumer needs.

4. **MARKETING ORIENTATION:**

Customers’ importance was realized but only as a means of disposing of goods produced.

Competition became more stiff.

Aggressive advertising, personal selling, large scale sales promotion, etc., are used as tools to boost sales.

1. **CONSUMER ORIENTATION:**

Under this stage only such products are brought forward to the market which are capable of satisfying the tastes, preferences and expectations of the consumers – consumer satisfaction.

2. **MANAGEMENT ORIENTATION:**

The marketing function assumes a managerial role to coordinate all interacting business activities with the objective of planning, promoting and distributing want-satisfying products and services to the present and potential customers.

**MARKET:**

_The word “Market” is derived from the Latin word “Marcatus”_ meaning merchandise, wares, traffic, trade or a place where business is conducted. The common usage of market means _a place where goods are bought or sold_. In its strict meaning market need not necessarily mean a place of exchange. The following are the various definitions given by various authorities.

The following are the various definitions given by various authorities.

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_
NEED FOR MARKETS

- For exchange (barter) of goods and services.
- For adjustment of demand and supply by price mechanism.
- For improvement of the quality of life of the society.
- Need not necessarily mean a place of exchange.
- For introduction of new modes of life.
- For higher production (development of markets encourage production).

CLASSIFICATION OF MARKETS

I. ON THE BASIS OF GEOGRAPHICAL AREA

1. FAMILY MARKET:

   When exchanges are confined within a family, or close members of the family, such a market can be called as family market.

2. LOCAL MARKET:

   When people, buyers and sellers, belong to a local area or areas, say to village, participate in market, it is called local market. The demands are limited.

   For example, perishable goods like fruits, fish, vegetables etc. But strictly speaking such markets are disappearing because of the efficient system of transportations and communications. Even then, in many villages such markets exist even today.

NATIONAL MARKET:

   For a certain type of commodities, a country may be regarded as a market, through the fast development of industrialization; it is called a national market. At the present stage, in India, the goods of one corner can reach another corner, because of the efficient systems of communications and transportation facilities. In the present decade almost all the products have national markets as the markets have widened to a great extent.

WORLD MARKET:

   World or international market comes up when buyers and sellers of goods evolve on world level i.e., involvement of buyers and sellers beyond the boundaries of a nation.
II. ON THE BASIS OF COMMODITIES / GOODS

COMMODITY MARKET:

Produced goods or consumption goods are bought and sold. Commodity markets are sub-divided into:

PRODUCE EXCHANGE MARKET:

This type of market is found only in developed industrial centres or cites. *One market deals in one commodity only.* Generally sellers and buyers of a particular commodity, set up such markets and run them regulated and controlled by certain rules. e.g., Wheat Exchange Market of Hapur, the Cotton Exchange Market of Bombay etc.

MANUFACTURED GOODS MARKET:

Such type of market deals with manufacture goods e.g., Leather goods, machinery etc. The Leather Exchange Market at Kanpur, Piece Goods Exchange of Bombay are examples of such markets.

BULLION MARKET:

This type of market deals with the purchase or sale of gold, silver etc. Bullion markets of Bombay, Calcutta, Kanpur etc., are examples of such markets.

CAPITAL MARKET:

New or going concerns need finance at every stage. As such financial needs of concerns are met by capital markets. They are of three types.

MONEY MARKET:

It is a type of market where money is borrowed or lent. This type of market helps or guides the public to invest their surplus fund in industrial concerns and helps people to take loans through banks. London is the word biggest money market.

2. FOREIGN EXCHANGE MARKET:

It is an international market. This type of market helps the exporters and importers, in converting their currencies into foreign currencies and vice versa.

3. THE STOCK EXCHANGE MARKET:

This is a market where shares, debentures, bonds etc., of companies are dealt with purchased or sold. It is also known as Security Market. Stock Exchanges of Mumbai, Calcutta, Madras etc., are examples for this type of market.
III. ON THE BASIS OF ECONOMICS

1. PERFECT MARKET:

A market is said to be a perfect market, if it satisfies the following conditions:

(i) Large number of buyers and sellers are there.
(ii) Prices should be uniform throughout the market.
(iii) Buyers and sellers have a perfect knowledge of market.
(iv) Goods can be moved from one place to another without restrictions.

It should be remembered that such types of markets are rarely found.

2. IMPERFECT MARKET:

A market is said to be imperfect when (i) Products are similar but not identical.

1. Prices are not uniform.
2. There is lack of communications.
3. There are restrictions on the movement of goods.

ON THE BASIS OF TRANSACTION

SPOT MARKET:

In such a market goods are exchanged and the physical delivery of goods takes place immediately.

FUTURE MARKET:

In such a market contracts are made over the price for future delivery. The dealing and settlement take place on different dates.

IV. ON THE BASIS OF REGULATION

REGULATED MARKET:

These are types of markets which are organized, controlled and regulated by statutory measures.

Example: Stock Exchanges of Mumbai, Chennai, Kolkata etc.

UNREGULATED MARKET:
This is a free market. There is no control with regard to price, quality, commission etc. Demand and supply determine the price of goods.

V. ON THE BASIS OF TIME:

VERY SHORT PERIOD MARKET:

Markets which deal in perishable goods like, fruits, milk, vegetables etc. are for a very short period. There is no change. In the supply of goods. Price is determined on the basis of mend.

SHORT PERIOD MARKET:

In certain goods, supply is adjusted to meet the demand. The demand is greater than supply. Such markets are known as Short Period Market.

LONG PERIOD MARKET:

This type of market deals in durable goods.

V. ON THE BASIS OF VOLUME OF BUSINESS:

WHOLESALE MARKET:

In wholesale market goods are supplied in bulk quantity to dealers.

RETAIL MARKET:

In retail market goods are sold in small quantities directly to the users or consumers-consumer market. The consumer gets the goods for consumption and not for profit making.

VI. ON THE BASIS OF IMPORTANCE

PRIMARY MARKET:

The Primary producers of farm produce sell their output or products through this type of markets to wholesalers or consumers. Such markets can be found in villages and mostly the products arrive from villages.

SECONDARY MARKET:

The commodities arrive from other markets. The dealings are commonly between wholesalers or between wholesalers and retailers.
**TERMINAL MARKET:**

The ultimate consumer gets the goods from such markets. Here the final disposal of goods takes place.

**KINDS OF GOODS**

Goods may also be called as product. They are tangible. They are

**A. CONSUMER’S GOODS**

*This type of goods are purchased by ultimate users or consumers for their personal use.*

For example, food, biscuits, toys, clothes etc. are purchased by consumers to satisfy their non-business wants. These goods may be further classified as:

**CONVENIENCE GOODS:**

Consumers or purchasers get commodities such as bread, drug, perfumery, soap, sugar, tooth paste, newspapers, petrol, cold drinks, stationery items etc., at minimum effort and at low cost.

They are often required by the consumers. These types of goods are available at places, where consumers need. The purchase of such goods cannot be postponed because they are daily necessities of life.

**SHOPPING GOODS:**

Before making final selection, the consumers make an enquiry as to the products’ comparative prices, durability, style etc., from different shops. Goods like jewelry, furniture, ready-made garments etc., are more costly than convenience goods.

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