MEANING, CONCEPT AND NEEDS FOR MARKETING

Meaning of Market

- Market is a derivative of Latin word ‘marcatus’ meaning merchandise, wares, traffic, trade or place where business is conducted.
- It may mean and include a place as an open space (in village) or a larger building where actual buying and selling takes place.
- An assembly or a meeting together of people for their private purchases and sale of goods at a stated time and place e.g. village fairs or periodical markets.
- An area of operation or geographical or economic extent of commercial demand for commodities. The course of commercial activity by which exchange of commodities is affected. It may mean all inhabitants of an area.

Marketing

- American committee on marketing has defined marketing from the following three viewpoints
  - Legalistic view: Marketing includes all activities, which are concerned with effecting changes in ownership and possession of goods and services.
  - Economic view: Marketing is that part of economics, which deals with the creation of time, place and possession utilities.
  - Descriptive view: Marketing is the performance of business activities that direct the flow of goods and services from the producer to the final user or consumer.
- Philip Kotler has defined, "Marketing, as the set of human activities directed at facilitating and consummating exchanges".
- In simple words, it is defined that the marketing is the process of providing the right product in the right place at the right price and at the right time.

Concepts of marketing

- Sales concept and marketing concept are clearly distinct from each other.

Sales concept

- Starts with the firm's existing products and considers the task as one of using selling and promotion to stimulate a profitable sales.

Marketing concept

- Starts with firm's existing and potential consumers and their needs; it plans a coordinated set of products and programmes to serve these needs; and it hopes to build its profits on creating meaningful value satisfactions.
- In the words of Philip Kotler, the marketing concept is a customer orientation backed by integrated marketing aimed at generating customer satisfaction and long-run customer welfare as the key to satisfying organizational goals.
- Integrated marketing means an intelligent adaptation and coordination of four P's viz., Product, Price, Place and Promotion.
  - Price should be made consistent with quality.
  - The channels of distribution made consistent with price and quality
  - The promotion made consistent with channels, price and product quality.
- To achieve this type of integration, many companies have created product managers and market managers.

Based on the new concept of marketing, the marketing process can be illustrated below:

- Here, the marketing process starts with the consumer and ends, with the consumer.
• After knowing consumer needs and wants, appropriate products and services are
developed and demand for these products and services is stimulated and created by
implementing suitable promotional polices.
• Then the said demand is satisfied through an optimum distribution strategy.
• Finally, by organizing appropriate marketing information system, feedback is
collected and in the light of this information, appropriate changes are initiated so as
to adopt the marketing elements to the changing situation in the market place.

**Needs for marketing**

• In developing countries, it is the least developed part of the economy probably,
because of the strong, pervasive prejudice against the middleman.
• Marketing would make the producers capable of producing marketable products by
providing them with standards, with quality demands and with specifications for
their products.
• Marketing is the most easily accessible, "multiplier" of managers and entrepreneurs
in an "underdeveloped" growth area and they are the critical needs of these countries.
• Marketing can covert latent demand into effective demand. It cannot by itself, create
purchasing power, but it can uncover and channel all the purchasing power that
exists. So it can create conditions for higher level of economic activity in the
developing countries.
• Marketing in a developing country is the 'developer of standards' for product and
services as well as of conduct, integrity, reliability, foresight and of concern for the
basic long-range impact of decisions on the customer, supplier, economy and the
society.
• Whether the economy developed or developing is immaterial as far as marketing is
concerned because the basic functions of marketing (buying, selling, transporting ,
storing, grading, financing, risk bearing and marketing information ) and the utilities
(Time, Place and possession utilities) created by them are a necessity for any social
system.
• Marketing provides wide employment opportunity.

**CLASSIFICATION OF MARKETS**

• Markets can be classified on the basis of nature of commodity, time and nature of
business, area, nature of competition etc.

**On the Basis of Location**

• On the basis of the place of location or operation, markets are of the following types:

  **Village market**

  • A market which is located in a small village, where major transactions take place
among the buyers and sellers of a village, is called a village market.

  **Primary markets**

  • These markets are located in big towns near the centres of production of
commodities.
  • In these markets, a major part of the produce is brought for sale by the producer-
farmers themselves.
  • Transactions in these markets usually take place between the producers/farmers
and traders.

  **Secondary wholesale markets**

  • These markets are located generally at district headquarters or important trade
centres or near railway junctions.
- Major transactions in commodities take place between the village traders and wholesalers.
- Bulk of the arrivals in these markets is from other markets.
- Produce in these markets is handled in large quantities.
- There are, therefore, specialized marketing agencies performing different marketing functions such as those of commission agents, brokers, weighmen etc.

**Terminal market**

- A terminal market is one where the produce is either finally disposed of to the consumers or processors or assembled for export.
- Merchants are well organized and use modern methods of marketing.
- Commodity exchanges exist in these markets which provide facilities to forward trading in specific commodities.
- Such markets are located either in metropolitan cities or in sea-ports.
- Delhi, Mumbai, Chennai, Kolkatta and Cochin are terminal markets for many commodities.

**Seaboard Markets**

- Markets which are located near the seashore and are meant mainly for the import and / or export of goods are known as seaboard markets. These are generally seaport towns.
- Examples of these markets in India are Mumbai, Chennai, Kolkatta and Cochin.

**On the Basis of Area/Coverage**

- On the basis of the area from which buyers and sellers usually come for transactions, markets may be classified into the following four classes

**Local or Village Market**

- A market in which the buying and selling activities are confined among the buyers and sellers drawn from the same village or nearby villages.
- The village markets exist mostly for perishable commodities in small lots, e.g., local milk market or vegetable market.

**Regional market**

- A market in which buyers and sellers for a commodity are drawn from a larger area than the local market.
- Regional markets in India usually exist for foodgrains.

**National market**

- A market in which buyers and sellers are at the national level.
- National markets are found for durable goods like jute and tea.

**World market**

- A market in which the buyers and sellers are drawn from the whole world. This is the biggest market from the area point of view.
- This market exists in the commodities which have a world-wide demand and /or supply, such as coffee, machinery, gold, silver, etc.
- In recent years many countries are moving towards a regime of liberal international trade in agricultural produce like raw cotton, sugar, rice and wheat.
- It is expected that the international trade in such commodities will become free from many restrictions as they exist now.

**On the Basis of Time Span**

- On the basis of time span, markets are of the following types:
Short-period markets

- Markets which are held only for a day or few hours are called short period markets.
- Products dealt within these markets are of a highly perishable nature, such as fish, fresh vegetables, and liquid milk.
- In these markets, the prices of commodities are governed mainly by the extent of demand for, rather than by the supply of, the commodity.

Long-period markets

- These markets are held for a longer period than the short period markets.
- Commodities traded in these markets are less perishable and can be stored for some time; these are foodgrains and oilseeds.
- Prices are governed both by the supply and demand forces.

Secular markets

- These are markets of a permanent nature. Commodities traded in these markets are durable in nature and can be stored for many years.
- Examples are markets for machinery and manufactured goods.

On the Basis of Volumes of Transactions

- There are two types of markets on the basis of volume of transactions at a time.

Wholesale market

- A wholesale market is one in which commodities are bought and sold in large lots or in bulk.
- These markets are generally located in either towns or cities.
- Economic activities in and around these markets are so intense that over time the population tends to get concentrated around these markets.
- These markets occupy an extremely important link in the marketing chain of all the commodities including farm products.
- Apart from balancing the supply and demand and discovery of the prices of a commodity, these markets and functionaries in them serve as a link between the production system and consumption system.

Retail markets

- A retail market is one in which commodities are bought by and sold to the consumers as per their requirements.
- Transactions in these markets take place between retailers and consumers.
- Retailers purchase the goods from wholesale market and sell in small lots to the consumers in retail markets. These markets are very near to the consumers.

On the Basis of Nature of Transactions

- The markets which are based on the types of transactions in which people are engaged are of two types

Spot or Cash markets

- A market in which goods are exchanged for money immediately after the sale is called the spot or cash market.

Forward markets

- A market in which the purchase and sale of a commodity takes place at time $t$ but the exchange of the commodity takes place on some specified date in future i.e., time $t+1$. 
Sometimes even on the specified date in the future (t+1), there may not be any exchange of the commodity. Instead, the differences in the purchase and sale prices are paid or taken.

**On the Basis of Number of Commodities in which Transaction takes place**

- A market may be general or specialized on the basis of the number of commodities in which transactions are completed.

**General markets**

- A market in which all types of commodities, such as food grains, oilseeds, fibre crops etc., are bought and sold is known as general market. These markets deal in a large number of commodities.

**Specialized markets**

- A market in which transactions take place only in one or two commodities is known as a specialized market. For every group of commodities, separate markets exist. The examples are foodgrain markets, vegetable markets, wool market and cotton market.

**On the Basis of Degree of Competition**

- Each market can be placed on a continuous scale, starting from a perfectly competitive point to a pure monopoly or monopsony situation.
- Extreme forms are almost non-existent. Nevertheless, it is useful to know their characteristics.
- In addition to these two extremes, various midpoints of this continuum have been identified.
- On the basis of competition, markets may be classified into the following categories.

**Perfect markets**

A perfect market is one in which the following conditions hold good

- There is a large number of buyers and sellers;
- All the buyers and sellers in the market have perfect knowledge of demand, supply and prices;
- Prices at any one time are uniform over a geographical area, plus or minus the cost of getting supplies from surplus to deficit areas;
- The prices are uniform at any one place over periods of time, plus or minus the cost of storage from one period to another;
- The prices of different forms of a product are uniform, plus or minus the cost of converting the product from one form to another.

**Imperfect market**

- Markets in which the conditions of perfect competition are lacking are characterized as imperfect markets.
- The following situations, each based on the degree of imperfection, may be identified.

**Monopoly market**

- Monopoly is a market situation in which there is only one seller of a commodity. He exercises sole control over the quantity or price of the commodity. In this market, the price of a commodity is generally higher than in other markets.
• Indian farmers operate in monopoly market when purchasing electricity for irrigation (Tamil Nadu Electricity Board). When there is only one buyer of a product the market is termed as a monopsony market.

**Duopoly market**

• A duopoly market is one which has only two sellers of a commodity. They may mutually agree to charge a common price which is higher than the hypothetical price in a common market (Bus transport - Private and Public sector).
• Market situation in which there are only two buyers of a commodity is known as the duopsony market.

**Oligopoly market**

• A market in which there are more than two but still a few sellers of a commodity is termed as an oligopoly market. A market having a few (more than two) buyers is known as oligopsony market.

**Monopolistic competition**

• When a large number of sellers deal in heterogeneous and differentiated form of a commodity, the situation is called monopolistic competition. The difference is made conspicuous by different trade marks on the product.
• Different prices prevail for the same basic product. Examples of monopolistic competition faced by farmers may be drawn from the input markets.
• For examples, they have to chose between various makes of insecticides, pumpsets, fertilizers and equipments.

**On the Basis of Nature of Commodities**

• On the basis of the type of goods dealt in, market may be classified into the following categories

  **Commodity markets**

• A market which deals in goods and raw materials, such as wheat, barley, cotton, fertilizer, seed, etc., are termed as commodity markets. Specific commodities are bought and sold in these markets.
• These may either be production goods or consumption goods. In such markets, transactions of specialized commodities take place.
• E.g. Mumbai cotton market, Punjab wheat market etc.

  **Produce exchange**

• Produce exchanges are the big and well organized markets for raw produce like wheat, cotton, jute etc. and are found in cities or developed industrial centres of a country.
• One exchange deals in one specialized product.
• Typical examples of such exchanges are the wheat exchange, Cotton exchange and Jute exchange.

  **Manufactured and semi-manufactured goods market**

• In these markets, different types of manufactured and semi-manufactured commodities are bought and sold. E.g. Leather goods market, Kanpur.

  **Bullion Market**

• Bullion markets are concerned with the purchase and sale of gold, silver and other precious stones.
• These are highly specialized and well organized markets of the world and are localized in civilized as well as industrially developed centres of a country.
• Bullion markets of Bombay, Calcutta, Delhi and Chennai etc., are of a few examples of such markets.

Capital markets
• Capital market is responsible for meeting the financial requirements of big industrial and commercial concerns.
• Capital is required at every stage of business which comes from the money market, stock exchange and foreign exchange.

Money market
• It includes a number of agencies providing finance to business and industrial concerns.
• Such markets, on one hand, help the people to invest or deposit their surplus funds either in industrial concerns or in banks and on the other, allow those who are in need of money to take loans through banks for a reasonable remuneration in turn by way of interest.

Stock exchange market
• In this market, shares are purchased and sold in different parts of the country. Ex. BSE, NSE
• These markets are highly specialized and command a very wide area of operation.
• Main purpose of such markets is to make investments in public and private sector undertakings.

Foreign exchange market
• It is a market for buying and selling of foreign currencies. It can also be called as an international market concerned with the export and import trade of a country.
• Mumbai, London, New Delhi are examples of such markets.

On the Basis of Stage of Marketing
• On the basis of the stage of marketing, markets may be classified into two categories

Producing markets
• Those markets which mainly assemble the commodity for further distribution to other markets are termed as producing markets.
• Such markets are located in producing areas. Ex. Uthukkuli Butter Market, Rasipuram Ghee Market.

Consuming markets
• Markets which collect the produce for final disposal to the consuming population are called consumer markets.
• Such markets are generally located in areas where production is inadequate, or in thickly populated urban centres.

On the Basis of Extent of Public Intervention
• Based on the extent of public intervention, markets may be placed in any one of the following two classes

Regulated markets
• In these markets, business is done in accordance with the rules and regulations framed by the statutory market organization representing different sections involved in markets.
• The marketing costs in such markets are standardized and practices are regulated.
Unregulated markets

- These are the markets in which business is conducted without any set rules and regulations.
- Traders frame the rules for the conduct of the business and run the market.
- These markets suffer from many ills, ranging from unstandardised charges for marketing functions to imperfections in the determination of prices.

On the Basis of Type of Population Served

- On the basis of population served by a market, it can be classified as either urban or rural market.

Urban market

- A market which serves mainly the population residing in an urban area is called an urban market.
- Nature and quantum of demand for agricultural products arising from the urban population is characterized as urban market for farm products.

Rural market

- The word rural market usually refers to the demand originating from the rural population.
- There is considerable difference in the nature of embedded services required with a farm product between urban and rural demands.

On the Basis of Visibility

Black Market

- In black markets, scarce commodities are sold at a very high price not openly but in a secret manner.
- The situation arises on account of excess of demand over limited supply.
- Black market is an anti-social activity which gives way to black money.
- Black money, hidden money or unaccounted money then passes into the money market where it is invested in different trades and business activities.
- The interest and profits so earned on the unaccounted money go on accumulating, till it attracts attention of the income tax authorities.

On the Basis of Accrual of Marketing Margins

- Markets can also be classified on the basis of as to whom the marketing margins accrue.
- Over the years, there has been a considerable increase in the producers or consumers co-operatives or other organizations handling marketing of various products.
- Though private trade still handles bulk of the trade in farm products, the co-operative marketing has increased its share in the trade of some agricultural commodities like milk, fertilizers, sugarcane and sugar.
- In the case of marketing activities undertaken by producers or consumers co-operatives, the marketing margins are either negligible or shared amongst their members.

TYPES OF MARKET

- Based on number of sellers/buyers in the market
  - Monopoly - Only one seller
  - Oligopoly - Few number of sellers
- Monopsony - Single buyer
- Oligopsony - Few number of buyers
- Perfect/Pure competition - large number of sellers and buyers
- Bilateral monopoly - single seller and single buyer

### PROBLEMS IN LIVESTOCK AND LIVESTOCK PRODUCT MARKETING

#### Lack of producer's organization

- The farming community is more or less disorganized at the village level.
- Except for a few, till now no such organization has developed which may prove a sound basis for strengthening the bargaining power of the farmers.
- An individual deals in his own product, he sells his surplus produce in the village or at the primary market level with his low bargaining power and hence, he is always at a disadvantage against the organized trading community.

#### Forced sale

- In a country like India, majority of subsistence producers are compelled to sell their produce immediately after harvest in order to meet the pressing claims of their lenders even if the prices are not remunerative.
- Most producers sell their product, repay debts, face a shortage, and fall in debt again. Thus they sell to repay debt only to fall in debt again.

#### Superfluous middlemen

- Since the farmer sells a substantial portion of his surplus produce in the village and nearby markets, there is always intervention of a number of middlemen between him and the consumer and naturally share of the consumer's price received by the producer is reduced.

#### Malpractices in the market

- Malpractice arises on account of multiplicity of market charges, spurious deductions, unfair weighment and undesirable mode of sale.
- Weight and scales are manipulated against the seller.
- There are all kinds of arbitrary deductions for religious and charitable purpose.
- The burden falls entirely on the seller and he has no effective means to protect himself against such practices.
- Some quantity is taken away from the producer's produce as sample.
- This varies from produce to produce. The producers are not paid for this even when no sales are effected.

#### Absence of grading and standardization and inadequate storage facilities

- Many state governments have not so far prescribed grades and standards for many livestock products.
- A good number of farmers have little knowledge of grading their produce and usually mix up good and bad quality product into a single lot which secures them a lower price for their produce in the market.
- There is general inadequacy of good storage facilities both in urban as well as in rural areas.
- The indigenous methods of storage adopted in village do not adequately protect the produce.
- As a result, physical losses go on increasing if the period of storage is lengthened.

#### Undeveloped modes of transportation
Without a good transporting system, no individual will have the incentive to produce or to purchase more than minimum. Unless it is reasonably convenient for the farmer to exchange his surplus produce for consumer goods or farm production requisites, he is lacking an important incentive to exploit the full potentials of his animals. Lack of an efficient transport network is the real limiting factor in the attempts to increase livestock production in our Country.

**Variability in Output**

The quantity of farm products available depends upon several factors. With the gambling nature, one cannot forecast the quantity of products that would be produced as livestock production is mainly biological depending on weather, rainfall etc for its main inputs like feed, fodder etc.,

**Seasonality in production**

Much of farm production is highly seasonal. The production varies from one season of the year to another. Hence, storage facilities must be made ready to hold the product until it is consumed. This seasonality in production thus, raises costs of marketing through demand storage facilities. The seasonal variability in production of items like milk, egg, butter etc is not as acute as it used to be a few years ago. The widespread use of rapid transportation and refrigeration has tendered to reduce the seasonality.

**Raw materials**

Farm output which mainly sold in the farm of raw materials is used subsequently for processing. Sugarcane is to be converted into sugar, oils seeds into oil, animals in to meat, wool in to cloth before all these are used for consumption. Hence the raw materials produced by the farmers are to be processed at once stage or the other before final consumption.

**Perishability**

In relation to other products, agricultural products by nature are perishable. All products ultimately deteriorated. Eggs, mutton, and milk must move into the place of consumption very quickly, otherwise they would completely lose their value. These perishable products require speedy handling and often-special refrigeration, which raises the cost of marketing.

**Others**

The differences in variety, colour, palatability, nutritive value, size, quality etc. of the products are the other determinants of a good market for these products.

**MARKETING OF LIVESTOCK AND LIVESTOCK PRODUCTS**

**Perishable Goods** (Click here to view graph)

Marketing of livestock and livestock products is different from manufactured or industrial goods. Most of the livestock products are perishable in nature and the period of perishability varies from a few hours to few months. Most of the farmers are landless, marginal or small. Therefore the produce of individual is very less.
• Lastly, most of the farm products are processed before they are used, purchased and consumed by the ultimate consumers.
• Selling of perishable products like fruits, vegetables, and livestock products (milk, meat, and egg) require fast movement of the commodities from the producers to the ultimate consumers.

Non-Perishable Goods

• Non-perishable goods are goods that can be used again and again in the process of production. They are tangible goods that normally survive many uses. They don't loose their utility or shape after their first use.
• They continue to provide utility over a long period of time, of course their utility over a long period diminishes in value and utility.
• Example factory buildings, machines and equipment are durable. Refrigerators, machine tools and clothing are non perishable.
• Nonperishable goods normally require more personal selling and services command a higher margin and require more seller guarantees.
• The perishable goods as used for the smaller period of time are not having any guarantee.
• Whereas the Non perishable goods (Radio, TV, Refrigerator) are usually provided with guarantee period. They can classified as MDurable - TV, Refrigerator

Industrial goods - Milking Parlour, Feed Mill, Machines in Automobile industry, etc.,

MERCHANDISING-PRODUCT PLANNING AND DEVELOPMENT

Merchandising

• It is the barometer of efficiency in buying and selling and it is closely related to several aspects of buying and stock management.

Product Planning and Development

• Product planning covers a broad area of decisions including product-line planning, introduction of new products, deletion of the product from product-line, product modification, packaging, labeling, branding etc.,

Alternative growth stages

• Marketers have four alternative ways for growth in sales and profits
  - Market penetration
  - Market development
  - Product development and
  - Product diversification.

New product development process

• Most of the successful companies employ one or more of the following alternatives in locating organizational responsibility for new product development.
  - New product committees / departments
  - Product managers/ venture teams.
• There are seven stages for new product development process such as Idea generation, Screening, Concept development and testing, Business analysis, Product development, Test marketing and Commercialization.

Product Development programme

• This is an important stage in atleast three ways i.e.
• It marks the first attempt to develop the product in a 'concrete form'
• It represents a huge investment for developing a technically feasible product.
• Lastly, it provides an answer as to whether the product idea can be translated into a technical and commercially feasible product.

• Primarily there are four steps involved in the product development stage: (i.e) Engineering, Consumer testing, Branding and Packaging.
• Other activities involved in the product development stage are
  • formulation of preliminary advertising and promotion programme,
  • trade merchandising programme,
  • application for patent and copyright etc.
• Systematic planning of all phases of new product development and introduction can be accomplished through the use of such scheduling methods as the
  • Programme Evaluation and Review Technique (PERT) and
  • Critical Path Method (CPM)

### APPRAOCHES TO STUDY OF MARKETING

**Approaches to study of marketing**

- Marketing can be studied through any one of the following four approaches.
  - Functional approach
  - Institutional approach
  - Commodity approach
  - Behavioural system or decision making approach.

**Functional approach**

- Here the entire marketing process is broken down into many functions.
- A marketing function may be defined as a specialized activity performed in accomplishing the marketing process.
- The marketing functions are classified into three

**Exchange Functions**

- Exchange functions are those activities involved in the transfer of ownership of goods. There are two exchange functions viz. buying and selling.
- Buying and selling are the complementary functions around which all marketing efforts revolve and they are basic to the entire marketing process.

**Physical functions**

- Physical functions are those activities that involve handling of the products, storage, movement and processing of the goods.
- Storage, transportation and processing functions are primarily concerned with making the goods available at the desired time, at the proper place and in the correct form.

**Facilitating functions**

- Facilitating functions are those which make possible the smooth performance of the exchange and physical functions.
- These activities are not directly involved in either the exchange or the physical handling of products.
- However, without them, the modern marketing system would not be possible.
- They might correctly be designated as the grease that makes the wheels of the marketing machines go round. They are
  - Standardization and grading
  - Financing
  - Risk bearing
• Market intelligence

**Standardization and grading**

• It is the establishment and maintenance of uniform measurements of both quality and quantity. This function simplifies the process of buying and selling.
• It establishes a rational relationship between price and quantity and hence gains the consumer’s confidence. It takes into account size, shape, form, composition, weight etc.

**Financing**

• It is concerned with advancing of money to the marketing functionaries to carry out various functions of marketing.

**Risk bearing**

• It is concerned with the acceptance of the possibility of loss in the marketing of a product. These risks are classified as physical risks and market risks.
• The physical risks are those which occur from destruction or deterioration of the product itself by fire, accident, wind, earthquakes, cold, heat, etc.
• Market risks are those which occur because of the changes in the value of the product as it is marketed.
• Changes in prices, tastes and preference of the customers may lead to losses and they come under market risks.

**Market intelligence**

• This is the job of collecting, interpreting and disseminating a variety of data necessary for the smooth operation of the marketing process.

**Institutional approach**

• In this approach, principles of marketing are formulated around the institutions performing the marketing functions. This approach considers the nature and character of various middlemen and related agencies and also the arrangement and organization of the marketing machinery.
• In this approach, the human element receives primary emphasis and hence institutional approach is simply the study of middlemen.

**Commodity approach**

• In this approach, specific commodities are selected and they are followed through from the producer to the consumer.
• For study of marketing of milk, it begins by examining the sources of supply, volume and nature of demand, different marketing functions involved etc.

**Behavioural systems approach or decision making approach or management approach**

• Marketing process is continuously changing in its organizational and functional combinations.
• Understanding and predicting these changes are a major problem in marketing.
• Every marketing system is composed of people who are making decisions in an attempt to solve problems in marketing.
• They take decisions on the product to be handled, the distribution polices, pricing, advertising, selling etc.
• In this approach, an attempt is made to find out how marketing decisions are made and should be made.
• In transferring the product from producer to consumer various functions are carried out by different marketing functionaries and they are called as marketing functions.
• They are, buying, selling, standardizing, grading, transports, storage and risk bearing.
Buying and Selling

- Buying and selling are the complimentary functions, around which all marketing efforts revolve and they are basic to the entire marketing process and these two are known as exchange functions which are involved in the transfer of ownership of goods.

Physical functions

- Standardizing
- Grading
- Transport
- Storage and
- Risk bearing

- These are essential to the main functions of marketing (Assembling, Processing and Dispersion).
- Standardizing and Grading imply setting up of the basic measures which the goods must conform.
- A standard specifies what basic quality a product must have to be consistent with the established characteristics.
- Standards are set with regard to the shape, size, colour, flavour, composition, weight etc.

Grading

- Grading is the act of separating goods into different lots according to established specifications.
- Purpose of grading is to establish a common language easily understood by buyers and sellers as the basis of judging the quality of the product in relation to its price.
- Grading and standardization also help to cater to the special tastes and liking of different section of buyers.

Transport

- It is one of the most important functions of the modern marketing system. This function is primarily concerned with making goods available at the proper place resulting in creating place utility of the products.
- Transportation is necessary not only to provide the goods to the consumers in time, but also to find remunerative markets at far away places.
- An efficient transport system enables the goods to reach the markets far and wide without losing the precious time.
- Special type of transport is highly essential for the transportation of livestock products.
- E.g. Refrigeration facility is essential for the transportation of milk and meat.

Storage

- It is the process of holding and preserving goods. Storage creates time utility whereby goods are made more useful.
- Farm products are stored to make them available throughout the year to balance the periods of plenty and periods of scarcity.
- Reasons for storing farm products:
- To even out the seasonal fluctuation in production
- To lengthen the shelf life of the farm products which are mostly perishable
- To improve the quality as well as the value of the products.

**FACILITATIVE FUNCTIONS - STANDARDISATION, RISK BEARING, MARKET INFORMATION AND MARKET INTELLIGENCE**

**Risk Bearing**

- It is accepting the possibility of loss when marketing a product.

**Physical risks**

- Physical risks are those results in the destruction of the product itself and are due to fire, accident, rain etc.
- Risk attached to such natural hazards is often transferred to institutions (Insurance companies) that specialize in assuming such risk.

**Market risks**

- Market risks are those which occur due to the changes in product prices and changes in consumer demand for the products.
- Market risks can be reduced through accurate forecasting and market research.

**Marketing Information**

- In the field of marketing, information is of great importance. Like men, money, machines and materials and information is also a vital input.
- As defined by Philip Kotler, Marketing information system is continuing & interacting structure of people, equipment & procedure designed to gather, sort, analyze, evaluate, distribute, pertinent, timely and accurate information for use by marketing decision makers, to improve their marketing planning, execution and control.
- Three type of information come out of the systems are
  - Recurrent information
  - Monitored information
  - Requested information

**Sources of marketing information**

- Sources of marketing information are
  - Executive experience
    - It is the direct counter part of the casual experience that we accumulate from the process of everybody living.
  - Internal reports
    - Come from the authorities that work as specialists for the firms.
  - Marketing research
    - Studies are conducted using methods of enquiry, observation and experimentation and by using available internal reports.
  - Marketing models
    - At a general level, sources may include for example, daily news papers, technical journals, hand books, and reference materials, government publication, corporation annual reports and computer data bases.

**Functions of Marketing Information System (MKIS):**

- MKIS should perform the following six functions.
• Assembly - Searching and gathering marketing data
• Processing - Editing, tabulating and summarizing data
• Analysis - Computation (percentages and ratios), combining sales and costs data and other mathematical tasks.
• Storage and retrieval - Indexing, filing and locating data.
• Evaluation - Determining the accuracy of information.
• Dissemination - Routing useful information to appropriate decision-makers.

Marketing Intelligence

• A marketing intelligence system is a set of procedures and sources used by managers to obtain their everyday information about pertinent developments in marketing environment.
• It is a product of market research and marketing research. In marketing intelligence, marketing managers scan the environment in four ways.
  • Undirected viewing
  • Conditioned viewing
  • Informal search
  • Formal search
  • Marketing managers carry on marketing intelligence mostly on their own by reading books, news papers and trade publications, talking to customers, suppliers and other outsiders and talking with other managers, personnel within the company.
  • Well-recognized companies take additional step to improve the quality and quantity of marketing intelligence. First they train and motivate the 'sales force' to spot and report new development. Sales representatives are company's "eyes and ears".
  • They are in an excellent position to pick up information missed by other means. The company must sell its sales force on their importance as intelligence gatherers. The sales force should be provided with easy reports to fill out. Sales representatives should know which type of information to be sent to different manager.
  • Secondly, the company motivates distributors, retailers and other middlemen to pass along important intelligence.

Marketing Cost

• It is the actual expense incurred in buying goods and services from producers to ultimate consumer.
• It is the difference between final price paid by consumer for a commodity and price received by the primary producer.
• It includes assembling charges, handling charges, transport and storage cost, processing cost, profit margin to different intermediaries, etc.

Market (Price) Spread

• Marketing cost is measured by the concept called market or price spread.
• Price spread is the difference between price paid consumer and price received by producer.
• Market spread is expressed in percentage of consumer's rupee.

Marketing Channel

• Marketing channel can be defined as path through which a product moves from producer to consumer.
• There are mainly tow types of marketing channel i.e Organized and Unorganized.
• Organized marketing channel involve participation of government institution or co-operative federation. E.g Tamil Nadu Co-operative Milk producer's Federation. It is
basically a service motive organization where consumer price will not have any violent fluctuation.

- Unorganized marketing channel has many participation of private traders having profit motive e.g. Private milk vendors.

**Factor affecting marketing channel**

1. Consumer distribution
2. Product characteristics
3. Characteristics of consumer
4. New marketing technologies
5. Changes in management
6. Changes in policies of government
7. Cost requirement

**Value chain**

- Marketing channel adds value to commodities when goods pass through. To reduce exorbitant price rise in the value chain, market integration is carried out. There are two types of market integration namely vertical or horizontal.
- Vertical integration occur when firms confine activities of different channel. e.g. wholesaler doing functions of both retailer and wholesaler.
- Sometime producers convert their produce from raw material ready to cook or to ready eat forms. In this case value chain is maintained with heavy investment on value addition process, cold chain, specialized transportation vehicle, etc.
- Horizontal integration occur when firms gain control over other firms by performing similar activities at same level in marketing channel.

**Merketing Opportunities**

- Companies must look internally for strength and weakness and externally to the environment for opportunities and threats. Most opportunities and threats evolves from
  - Changes in the demographic, economic, political, legal and cultural environment.
  - Change in the competitive environment, such as a technological breakthrough by a computer.
  - Events that may or may not be under the company's control such as strike by the work force or a serious fire in an industrial plant.
    - New market opportunities are determined by discovering customer groups with unmet needs.
    - The new market opportunities arise for a variety of reasons in industrialized societies. One is geographical mobility.
    - People live where they did not live before and thus create new markets.
    - The aggressive business firms recognize these new markets and builds new super markets, new discount houses etc.
    - Another source of new market is social mobility.
    - As people become more educated and acquire more sophisticated social environment their interest change frequently resulting in markets for new products.
    - Yet another cause of new market is psychic mobility, when people change the conception of themselves and their environment along with physical and social mobility.

**Consumer Behaviour**
Consumer behaviour refers to those acts of individuals directly involved in obtaining and using economic goods and services, including the decision processes and determines these acts.

Consumer behaviour may be analyzed from the three principal angles as detailed below:

**Steps in the buying process**

- Broadly, a buying decision involves the following steps/stages
  - Decision that there is a need for a product
  - Pre-purchase search about its relevant particulars
  - Analyzing the importance of different factors involved (i.e.) price, utility, durability and the like,
  - Weighing the pros and cons of alternative products
  - Selection of the best available product in the context
  - Use of the product and
  - Post use review

**Role of individuals in the buying process**

- There are five different roles that persons play in a buying decision process.
  - **Initiator:** The person who first suggests or thinks of buying the particular product.
  - **Influencer:** A person who explicitly /implicitly carries some influence on the final decision.
  - **Decider:** A person who ultimately determines any part or the whole of the buying decision -Whether/What/ How/ When/ Where to buy?
  - **Buyer:** The person who makes the actual purchase.
  - **User:** The person(s) who consume or use the product or services

**Determinants of buyer behaviour**

- In a broad sense the determinants of buyer / consumer behaviour may be divided into two groups as follows:
  - Marketing channel can be defined as a path through which product moves from producer to consumer.
  - Hence a short channel of distribution will be an effective tool to reach the target consumers.
  - However, distribution of products having lower unit value and high turn over like eggs involves a large number of middlemen.
  - The channels of distribution serve as a network, which creates value for the consumer by generating possession, time and place utilities.
  - There are number of middleman and merchants, including Government and co-operative agencies, who act as links between the producers and consumers.
  - The possible visible channels of distribution for few selected livestock products (Milk, egg) are given below.

**GATT, WTO AND AGRICULTURE**

- To facilitate increased flow of commodities across international border is to eliminate completely some of the non-tariff barriers. Non-tariff barriers (NTB) in AoA are quantitative restriction, giving preference to domestic supplies in government purchases, providing subsidy or advantageous taxation allowance to domestic producer, minimum import prices, discretionary licensing, variable import levies, voluntary export restrictions, etc.,

**GATT**
General Agreement on Tariffs and Trade (typically abbreviated GATT) was the outcome of the failure of negotiating governments to create the International Trade Organization (ITO).

GATT was formed in 1947 and lasted until 1994, when it was replaced by the World Trade Organization during the final round of negotiations in early 1990s.

The history of the GATT can be divided into three phases:

- The first, from 1947 until the Torquay Round, largely concerned which commodities would be covered by the agreement and freezing existing tariff levels.
- A second phase, encompassing three rounds, from 1959 to 1979, focused on reducing tariffs.
- The third phase, consisting only of the Uruguay Round from 1986 to 1994, extended the agreement fully to new areas such as intellectual property, services, capital, and agriculture. Out of this round the WTO was born.

WTO

- World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations.
- At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments.
- The goal is to help producers of goods and services, exporters, and importers who conduct their business.
- In 1993 the GATT was updated (GATT 1994) to include new obligations upon its signatories.
- One of the most significant changes was the creation of the World Trade Organization (WTO). The 75 existing GATT members and the European Communities became the founding members of the WTO on 1 January 1995.
- The other 52 GATT members rejoined the WTO in the following two years (the last being Congo in 1997).
- Since the founding of the WTO and 21 new non-GATT members have joined, 29 are currently negotiating membership. There are a total of 153 member countries in the WTO.
- Whereas GATT was a set of rules agreed upon by nations, the WTO is an institutional body. The WTO expanded its scope from traded goods to trade within the service sector and intellectual property rights.
- Although it was designed to serve multilateral agreements, during several rounds of GATT negotiations (particularly the Tokyo Round) plurilateral agreements created selective trading and caused fragmentation among members. WTO arrangements are generally a multilateral agreement settlement mechanism of GATT.

Agriculture

- The WTO's Agriculture Agreement was negotiated in the 1986–94 Uruguay Round and is a significant first step towards fairer competition and a less distorted sector.
- It includes specific commitments by WTO member governments to improve market access and reduce trade-distorting subsidies in agriculture.
- These commitments are being implemented over a six year period (10 years for developing countries) that began in 1995.
- Participants have agreed to initiate negotiations for continuing the reform process one year before the end of the implementation period, i.e. by the end of 1999.
- These talks have now been incorporated into the broader negotiating agenda set at the 2001 Ministerial Conference in Doha, Qatar.
- WTO members agreed to initiate negotiations for continuing the agricultural trade reform process one year before the end of the implementation period, i.e. by the end of 1999.
These talks began in early 2000 under the original mandate of Article 20 of the Agriculture Agreement.

At the November 2001 Doha Ministerial Conference, the agriculture negotiations became part of the single undertaking in which virtually all the linked negotiations were to end by 1 January 2005.

**Tariff Barriers**

- Tariff is a set of proportion of the price of good to increase the price at the border of importing countries. Aim of levying tariff is to stimulate in import-competing industries and depressing demand by reducing imports. This is needed to safeguard the domestic producer. It is specified in money term per unit in the form of excise and custom duties.
- This is of two type ie. optimum tariff and prohibitive tariff.
  - Optimum tariff - Tariff which maximizes country's welfare.
  - Prohibitive tariff - It is the increased level of tariff when there is no trade.
- Tariff rate Quota (TRQ) - is two tiered tariff structure where minimum access quantity is charged a low tariff (within quota tariff) while imports above minimum access quota are charged higher tariff (out of quota tariff) which experience prohibitive tariff.
- Special Safeguard Clause (SSC) provides imposition of additional import duty if import exceeds their average of three preceding years by no more than 5% or if CIF import price of shipment falls below 90% of average reference price.

**Non-Tariff Barriers**

- Changes in the form of fees for loading and unloading important products, port charges, custom processing fees, consular charges to imports are in the form of non-tariff barriers.
- Other specific type of non-tariff barriers are technical barrier to trade (TBT) and sanitary and phyto-sanitary (SPS) measure.
- TBT covers all technical regulations, voluntary standards and conformity assessment procedures. Many TBT can result in unnecessary costs increase to exporters. TBT measures focus on ensuring imported products satisfy domestic taxes, preferences and requirements with respect to quality, safety or appropriate consideration of environmental concern during manufacturing, processing and or shipment of product.
- SPS covers all measures whose purpose is to protect human or animal health from food borne risks, human health from animal or plant carried diseases.
- Remedy for this barrier is to harmonise such requirements or standards within union members.