

COOPERATIVE ACCOUNTING & AUDITING

Level - II

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Module Title: Basic Marketing functions

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Table of Contents

Introduction to the Module	1
LO #1 Identify the marketing functions	2
Instruction sheet	2
Information Sheet 1	3
Self-check 1.....	27
LO #2 Explain basic marketing function	29
Instruction sheet	29
Information Sheet 2	30
Self-check 2.....	65
Operation Sheet 2	71
Lap Test 2.....	74
LO #3 Assessment of performance of marketing functions	75
Instruction sheet	75
Information Sheet 3	76
Self-check 3.....	83
Operation Sheet 3	84
Lap Test 3.....	86
Reference Materials	87

Introduction to the Module

Dear learner, the Ethiopian TVET system is now focused on the labor market demands and industry relevance. This translates that the main objectives of the TVET system is to qualify its graduates according to the occupational requirements of the industry. In this learning guide there are three learning outcome which are broke down in to three information sheets. These are listed as follows **marketing functions, elements of marketing functions, and Assessment of performance of marketing functions.**

In this learning guide, some learning activities and self-check exercises are included to make your study clear, attractive and precise. These are very important in deepening and enhancing your understanding of the learning out comes in the module. If you skip doing those activities and exercises, your level of understanding will be limited and insufficient. As a result, you are strongly dedicated and encouraged to do it on time accordingly. Upon the completion of the module you will be able to perform the objectives listed on instruction sheet.

LG #14

LO #1 Identify the marketing functions

Instruction sheet

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Concept of market and marketing
- Types of marketing functions
- The role of marketing functions

This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Concept of market and marketing
- Identify types of marketing functions
- Explain the role of marketing functions

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
3. Read the information written in the information Sheets: Try to understand what are being discussed. Ask your trainer for assistance if you have hard time understanding them.
4. Accomplish the Self-checks which are placed following all information sheets.
5. Perform Operation Sheets
6. Do the “LAP test”
7. Ask from your trainer the key to correction (key answers) or you can request your Trainer to correct your work.

Information Sheet 1

1.1. Definitions and concepts of marketing

1.1.1. Introduction

Marketing is as old as man in its crude concept and in its modern practice and application. In error of understanding of what marketing is, on daily basis is confused with advertising or selling. These are all aspects of marketing practice; they are not the same thing as marketing. The everyday understanding of marketing attempts to limit or reduce the scope and application of marketing principles and strategies. Marketing activities and functions are based on two fundamental pillars: satisfaction of consumers' needs and building enduring long-lasting relationship with the customers. Marketing usually attract negative reactions from the public, this is due largely to perception. A number of people view marketing as a profession that persuade others to buy what they don't want or like or about cheating people.

In general term, marketing is both social and managerial process by which the needs of individuals and organizations are met through an organization creation and exchanging of value/offering with customers. In other words, marketing involves meeting the specific needs of customers with want satisfying attributes that will allow the organization to make profit.

Marketing is a business strategy that deals essentially with communication with the public. Businesses are set up to make profit and add values; this cannot be done in isolation of the consuming public. Marketing principles, philosophies, and strategies are used by virtually all organizations that have products and services and the public to deal with. That is by implication marketing is used by profit and non-profit organizations. Marketing practices had evolved over time and its development and practices could be linked directly to the level of economic development. However, the first step to the successful practice of marketing is the identification of needs of the consumers.

Marketing is a process of getting the right goods and services: to the right people, at the right time, in the right place, at the right price, with the right communication and motivation.

1.1.2. Definitions of Marketing

No one can exhaustively define the term ‘Marketing’. Different scholars have defined the term marketing in different contexts. The following definitions highlight different aspects of marketing:

- American Marketing Association: "Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user."
- Edward Cundiff and Richard Still: "Marketing is the managerial process by which products are matched with markets and through which the consumer is enabled to use or enjoy the product."
- E.F.L Brech: "Marketing is the process of determining consumer demand for a product or service, motivating it sales, and distributing in into ultimate consumption at a profit."
- Philip Kotler: "Marketing is specifically concerned with how transactions are created, stimulated, facilitated and valued."
- (4) William Stanton: "Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying products and services to present and potential customer."
- American Marketing Association: “Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.”

1.1.3. Concepts of Marketing

This definition of Marketing rests on the following Core concepts. There are five Core concepts of Marketing:

- Needs, wants, and demands,
- Products (goods, service and ideas),
- Value, satisfaction and quality,
- Exchange, transaction and relationship and
- Markets.

These concepts are illustrated in the following figure



Figure1.1: The marketing concepts

i. Needs, Wants and Demand

The starting point for the discipline of marketing lies in human needs and wants. People need food, air, water, clothing and shelter to survive. Beyond this, people have a strong desire for recreation, education and other services. They have strong preferences for particular versions of basic goods and service. It is important to distinguish among needs, wants and demands.

- **Needs:** A human need is a state of felt deprivation of some basic satisfaction. People require food, clothing, shelter, safety, belonging, esteem and few other things for survival.
- **Wants:** Wants are desire for specific satisfiers of these deep needs. Human wants are shaped and reshaped continually by social forces and institutions such as families, schools and others.

- **Demands:** People have almost unlimited wants but limited demands. Demands are wants for specific product that are backed up by an ability and willingness to buy them. Wants become demand when backed up by purchasing power.

ii. Product

Human needs, wants, and demands suggest that there are products to satisfy them. Anything capable of satisfying a need or want can be called a product. A product is anything that can be offered to a market for attention, acquisition, use or consumption that may satisfy a need or want.

iii. Value, Satisfaction and Quality

Value is the consumer's estimate of the product's overall capacity to satisfy his or her need. Customer value is the difference between the values the customer gains from owning and using a product and the costs of obtaining the product. Customer Value Reflects Benefits and Costs

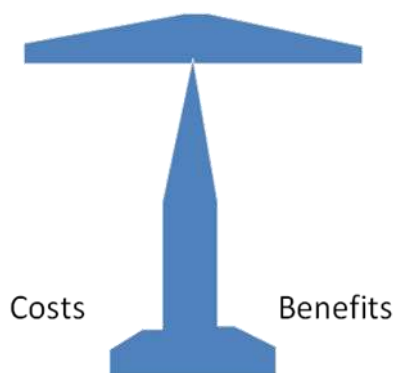


Figure1.2: Cost and benefits

The customer's view of costs and benefits is not just limited to economic (or even rational) considerations--and a low price may **NOT** result in superior value...

Customer Value



Figure1.3: Customer Value

One customer's view of the benefits and costs of a firm's market offering may vary from another customer's view, so firm may not be able to satisfy everybody with the same offering. Customer value concept takes the customers point of view, but customers may not explicitly weigh costs and benefits and even if they do their view may not match some "objective" reality.

Customer satisfaction is closely linked to quality. Quality has a direct impact on product performance, and hence on customer satisfaction. Quality can be defined as 'freedom from defects'. Quality begins with customer needs and ends with customer satisfaction.

iv. Exchange, Transactions and Relationships

- **Exchange:** Marketing emerges when people decide to satisfy needs and wants through exchange.
- **Transaction:** Two partners are said to be engaged in exchange if they are negotiating and moving towards an agreement.
- **Relationships:** Relationship marketing is the practice of building long term satisfying relation with key party's customer, supplier, and distributor.

The ultimate outcome of relationship marketing is building a unique marketing asset called Marketing Network. A marketing network consists of the company and all the supporting stakeholders, customers, employees, suppliers, distributors, retailers, advertising agents and other with whom it has built mutually profitable business relationship.

v. Markets

The concept of exchange leads to the concept of market. Market is a group of sellers and buyers who are willing to exchange goods and/or services for something of value. All markets are activated by people. People who are aware of their unmet needs may have the desire to buy the product, but that alone isn't sufficient. People must also have the ability to buy, such as the authority, time and money.

1.1.4. **The role of Marketing**

Marketing is an exciting discipline because it combines the science and the art of business with many other disciplines, such as economics, anthropology, cultural studies, geography, history, jurisprudence, statistics and demographics. This combination will stimulate your intellectual inquisitiveness and enable you to absorb and understand the phenomenon of market-based exchange. The study of marketing has been compared to mountain climbing: challenging, arduous and exhilarating. Marketing is important and necessary because it takes place all around us every day, has a major effect on our lives, and is crucial to the survival and success of firms and individuals. Successful marketing provides the promise of an important quality of life, a better society and even a more peaceful world.

Before 1945, the wars broke out between different countries as a result of scarcity of important resources to produce and market different products in order to generate income for their respective countries. Resources were scarce and unevenly endowed /distributed/ among the countries. As there was no trade between the countries for not having sufficient surpluses, some countries have been facing and consequently suffering scarcity of very important resources and they made effort to get such resources by force from those having them in abundance. Such actions used to lead to different wars.

However, during the postwar era, historic enemies such as Japan and the United States of America, France and Germany have not remained enemies as they once were. They became trading partners. America gets what it wants from Japan through trade even using credit terms. France also gets what it requires from Germany through trade. Then, why should they fight? Marketing, therefore, brings a more peaceful world. No more war for resource snatching as far as the countries are open for global trade and they are exchanging their abundant resources with the other's abundant in which they are facing shortage in their respective countries. Closed countries were seen wasting their money for building huge armies and guns, whereas open and outward looking countries invest their money on machines and tools which may be used for manufacturing of new products to satisfy needs and wants of their consumers/customers.

1.2. Market and marketing

1.2.1. Meaning and definition of market

Originally, the term market stood for the place where buyers and sellers gathered to exchange their goods, such as a village square. Economists use the term to refer to a collection of buyers and sellers who transact in a particular product class, as in the housing market or the grain market. Marketers, however, see the sellers as constituting an industry and the buyers as constituting a market. A market is nothing but a place where potential buyers and sellers meet to exchange the goods and services. Here, both the parties play a significant role in fixing the prices, where the buyers determine the demand and seller determines the resources. Traditionally, the market is a confined place where you go physically (bazaar or a shopping mall) at a particular time and make the purchases. But today, with the invention of E-commerce the definition of the market has changed drastically, giving customers an array of items to choose from under one roof. Customers can buy things from various online portals anytime and anywhere.

The term ‘market’ is derived from Latin word called ‘marcatus’ which means trade, merchandise, traffic or place of business. In ordinary language, the term market refers to a certain place where buyers and sellers personally meet each other and make their purchases and sales. Some of the definitions of market by scholars is as illustrated as follows:

- According to Cornot, “Market is meant not any particular place in which things are bought and sold, but the whole of any region in which the buyers and sellers are in such free intercourse with one another, that the price of the same goods tends to equality easily and quickly”.
- According to Chapman, 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”.
- According to W.J Stanton and Others, “Any person or group with whom an individual or organization has an existing or potential relationship can be considered as market”.

1.2.2. Differences between Market and Marketing

The term market is a noun which refers to a place, while the verbal form of market is the marketing that represents an action. Since last few decades, with the advancement of technology, these two concepts have gained extreme importance in the business world.

As previously defined by different scholars in many ways, marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. The concept of exchange leads to the concept of a market. A market is the set of actual and potential buyers of a product. These buyers share a particular need or want that can be satisfied through exchange. Thus, the size of a market depends on the number of people who exhibit the need, have resources to engage in exchange, and are willing to offer these resources in exchange for what they want.

The concept of markets finally brings us full circle to the concept of marketing. Marketing means managing markets to bring about exchanges for the purpose of satisfying human needs and wants. Thus, we return to our definition of marketing as a process by which individuals and groups obtain what they need and want by creating and exchanging products and value with others. The important points of differences between market and marketing are indicated below:

- The market is defined as a physical or virtual set up where the buyers and seller need to make exchange of goods and services. Marketing is a set of activities that identifies, creates, communicates and supplies consumer needs.
- A market is a place, i.e. physical or non-physical. On the other hand, marketing is an act (abstract) of creating a utility of the product.
- The market is a process which sets the price of the product with demand and supply forces. Conversely, Marketing is a process which analyses, creates, informs and delivers value to the customers.
- The concept of marketing is wider than the concept of a market. The market varies by product, place and other factors. As opposed to marketing, the philosophy can be consistently applied, irrespective of product, place and any other factor.
- Market facilitates trade between the parties. Unlike marketing, that creates a link between the customer and company, to provide the right product at a right time at right place.

In summary, the market is a place, physical or virtual, where buyers meet sellers in order to make an agreement of economic transaction where goods or services are sold and bought at a set price. In that sense, the market acts as price fixing mechanism as well as collective socio-technical organization that impose certain regularities. Marketing produces, change and enlarge markets. A market is a system of rules, while marketing is a system of tools. Market match demand with supply, while marketing creates demand. Demand and supply are fixed at the market, while being a subject to change in marketing.

The following table illustrates the differences between Market and Marketing

Key differences between Market and Marketing	
Market	Marketing
Definition	
A place where buyers and sellers meet to exchange goods and services	Marketing is a method that determines human nature, their demand and a need to satisfy them
Type of Process	
It is a process where the demand and supply fix the price of a commodity	It is a process of researching, analyzing, creating and delivering the best to the customer.
Scope of the concept	
Market is a confined concept	Marketing is a comparatively bigger concept that includes a wide range of activities
Variation	
The market varies by product, place, demand	Marketing remains same irrespective of product
Target audience	
Anyone	Specific

Table 1.1: Key differences between Market and Marketing

1.3. Marketing Mix

1.3.1. Meaning and definitions of Marketing Mix

Marketing is about building lasting relationships that satisfy the needs of the supplier and the buyer. The key elements of marketing are customer value, competitive advantage and focus. This means that organizations involved in marketing have to study the market, develop products or

services that satisfy customer needs and wants, develop the correct marketing mix and satisfy its own objectives as well as giving customer satisfaction on a continuing basis.

Marketing mix means blending or combining of the four elements of marketing, viz., the product, the price, promotion and place into a marketing plan by a business firm to influence the desired buyers' response by satisfying their needs and wants in the most effective and economical manner.

Marketing mix is a technique of marketing management wherein production of goods promotion activities distributing actual or maximum consumer satisfaction can be secured by business only with the help of an appropriate marketing mix.

Marketing mix is the cornerstone of modern marketing. It is a dynamic concept as it keeps on changing with changes in the market conditions and the environment achieving the directed objectives. Few more definitions of marketing mix by scholars include:

Marketing involves a number of activities. To begin with, an organization may decide on its target group of customers to be served. Once the target group is decided, the product is to be placed in the market by providing the appropriate product, price, distribution and promotional efforts. These are to be combined or mixed in an appropriate proportion so as to achieve the marketing goal. Such mix of product, price, distribution and promotional efforts is known as 'Marketing Mix'.

- Philip Kotler: "Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market."
- Greyson and Olson: "Marketing mix is the sum of elements of business activity that can be used by a firm to fulfill its marketing strategy."
- William J. Stanton: "Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company's marketing systems: the product, the price structure, the promotional activities and the distribution systems."

1.3.2. Elements of Marketing Mix

In the previous lesson you learnt that marketing identifies consumers' needs and supplies various goods and services to satisfy those needs most effectively. So the businessman needs to:

- i. Produce or manufacture the product according to consumers' need
- ii. Make available it at a price that the consumers' find reasonable
- iii. Supply the product to the consumers at different outlets they can conveniently approach
- iv. Inform the consumers about the product and its characteristics through the media they have access to

So the marketing manager concentrates on seven major decision areas while planning the Marketing activities, namely: Products, Price, Promotion, Place (distribution), People, Process and Physical Evidence. These 7'P's are called as elements of marketing and together they constitute the marketing mix. All these are inter-related because a decision in one area affects decisions in other areas. In this lesson you will learn about the basic aspects relating to these '7 P's, Product, Price, Place, Promotion, People, Process and Physical Evidence. This mix is assembled keeping in mind the needs of target customers, and it varies from one organization to another depending upon its available resources and marketing objectives. Let us now have a brief idea about the seven components of marketing mix.

i. Product: A product is a bundle of utilities consisting of various product features and accompanying services. Product element of marketing mix refers to the activities relating to the product and after sales service which satisfy customers' needs. Product includes not only the physical objects but also services capable of satisfying consumer's wants. It involves decision with regard to quality; features, packaging, size, services, branding, warranties, etc.

ii. Price: Price is the amount charged for a product or service. It is the second most important element in the marketing mix. Price element of marketing mix covers pricing objectives and pricing policies. Price is the monetary value of a product. It also includes discounts, allowances and terms of credit or period of payment. Price is an effective means of competition. Fixing the price of the product is a tricky job. Many factors like demand for a product, cost involved, consumer's ability to pay, prices charged by competitors for similar products, government restrictions etc. have to be kept in mind while fixing the price. In fact,

pricing is a very crucial decision area as it has its effect on demand for the product and also on the profitability of the firm.

iii. Promotion: Promotion encompasses all the tools in the marketing mix whose major role is persuasive communications. If the product is manufactured keeping the consumer needs in mind, is rightly priced and made available at outlets convenient to them. However, if the consumer is not aware about its price, features, availability etc, its marketing effort may not be successful. Therefore promotion is an important ingredient of marketing mix as it refers to a process of informing, persuading and influencing a consumer to make choice of the product to be bought. Promotion is done through means of personal selling, advertising, publicity and sales promotion. It is done mainly with a view to provide information to prospective consumers about the availability, characteristics and uses of a product. It arouses potential consumer's interest in the product, compare it with competitors' product and make his choice. The proliferation of print and electronic media has immensely helped the process of promotion.

iv. Place: Goods are produced to be sold to the consumers. They must be made available to the consumers at a place where they can conveniently make purchase. Woolens are manufactured on a large scale in Ludhiana and you purchase them at a store from the nearby market in your town. So, it is necessary that the product is available at shops in your town. This involves a chain of individuals and institutions like distributors, wholesalers and retailers who constitute firm's distribution network (also called a channel of distribution). The organization has to decide whether to sell directly to the retailer or through the distributors/wholesaler etc. It can even plan to sell it directly to consumers. **Place (Physical Distribution):** Place refers to the arrangements for the smooth flow of goods and services from the producers to the consumers. It covers channels of distribution. This element of marketing mix is concerned with linking the seller and buyer. It covers channels of distribution involving in getting the possession and the title to products to consumers and physical distribution, concerning with transporting, warehousing, storing and handling of the products. It also includes inventory control.

Figure 1.5: Marketing mix

- v. People:** People refer both to the customer and to staff. For customers, it is important to know: what kind of customers are they? Who are they? What are their needs? Can they be broken down into groups with common characteristics, needs, etc.? What are the customer strategies? etc. People refer also to people working within a cooperative. You could call this “internal marketing”, which can be defined as “the task of successfully hiring, training, and motivating able employees who want to serve the customers well”. Anyone who comes into contact with your customers will make an impression, and that can have a profound effect; positive or negative on the customer satisfaction. The reputation of your brand rests in your people’s hands. They must, therefore be appropriately trained, well-motivated and the right attitude.
- vi. Process:** The process of giving a service and the behavior of those who deliver are crucial to customer satisfaction. Issues such as waiting times, the information given to customers and the helpfulness of staff are all vital to keep customers happy. Customers are not interested in the detail of how business runs. What matters to them is that the system works. Do customers

have to wait? Are they kept informed? Are your people helpful? Is your service efficiently carried out? Do your people interact in a manner appropriate to your service?

vii. Physical Evidence: A service can't be experienced before it is delivered. This means that choosing to use a service can be perceived as a risky business because you are buying something intangible. This is uncertainly can be reduced by helping potential customers to see what they are buying. The physical evidence demonstrated by an organization must confirm the assumptions of the customer. Financial services product will need to be delivered in a formal setting, while a child's birthday entertainment company should adopt a more relaxed approach.

1.4. Types of marketing functions

1.4.1. Introduction

Marketing is a business activity that focuses on providing value and benefits to customers not only by selling products/ services. It also uses different means to communicate, distribute and determine relevant pricing strategies to customers and other stakeholders like employees, suppliers, partners, shareholders, distributors, etc., with products / services, ideas, values and benefits whenever and wherever they desire. This customer-oriented process that involves interaction with multiple stakeholders to create awareness and boost business revenues is called marketing management.

Marketing is a very broad term that is difficult to conceptualize and define. The American Marketing Association defines marketing as the process of planning and executing conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives. It is very difficult to list down and classify the marketing functions. Moreover all the marketing functions may not be performed by all businesses. There are several classifications of marketing functions according to different experts in the field.

1.4.2. Meaning of marketing

- Marketing is identifying and meeting human and social needs. Thus, it is “meeting needs profitably.”(Shivendu Mishra: 2009).
- Marketing must be understood not in the old sense of making a sale - 'selling' - but in the new sense of satisfying customer needs (Antharjanam, 2012).
- It then refers to the identification, selection and development of a product, determination of the price, channel to reach customers place and the development and the implementation of promotional strategy.
- In other words it is the process of planning, pricing, promoting, selling, and distributing ideas, goods or services to create exchanges that satisfy customers.
- Thus everything that happens between generated idea, produced goods and the sale.

1.1.4 Definition of Marketing Functions

As per the 1985 definition given by American marketing association (AMA), Despite the changing thrusts of different marketing concepts, one can easily recognize that marketing is composed of a number of functions. These functions are performed to facilitate the exchange function to take place smoothly. The marketing function is an act or operation or service in order to link the original producer and the ultimate consumer. The process of marketing could be split down to certain major economic activities that are inherent in the marketing process e.g. These functions become specialized through continuous division of labour. No doubt, these functions are independent in their own way. But when marketing process is considered as a total system, each function become only essential functions of marketing. Therefore, **the term marketing function** is a manufacturer by passes some middle in the distributive process; he only eliminates the middleman and not the functions he performs.

- To achieve success in marketing, effort must be made to have glimpse of the big picture and the activities that must be performed to achieve the set marketing objectives. These set of activities are called marketing functions
- Marketing function refers to a set of specialised processes/activities performed in order for the objectives of marketing to be achieved.
- Thus the objective of:

✚ Giving value/satisfaction to consumers at steady supply at a reasonable price

- ✚ Achieving good customer relationships
- ✚ Profit / benefit to producers or organization and its stakeholders. i.e. having a convenient outlet of sales at a remunerative price
- It is often asserted that marketing serve as a bridge between producers and consumers.
- This property of marketing is achieved through marketing functions
- Thus, market function is a link between producers and consumers

Marketing Bridges the Gap!



Figure 1.1 Marketing Bridges the Gap

1.1.5 Importance of marketing functions

- Market functions help the macro-marketing system to overcome separations and discrepancies between those wishing to participate in an exchange.
- Setting and communicating the value of products and services. E.g. price setting at right level
- Designing, developing, maintaining, improving and acquiring products and services that meet consumer needs.
- Determine the quality manners for consumers to locate and use services & products of the entity.
- They care for organization's budgeting,
- Obtaining, managing and using information about what consumers wants, improve entity decision making activities, and determining what will sell.
- Good communication with the customers determine and satisfy their needs
- Creates an infrastructure of varies activities e.g . Warehousing, insurance and transportation etc. due to which employment opportunity increased.

- Maintains a regular interaction with the existing and potential consumers to ascertain their needs.



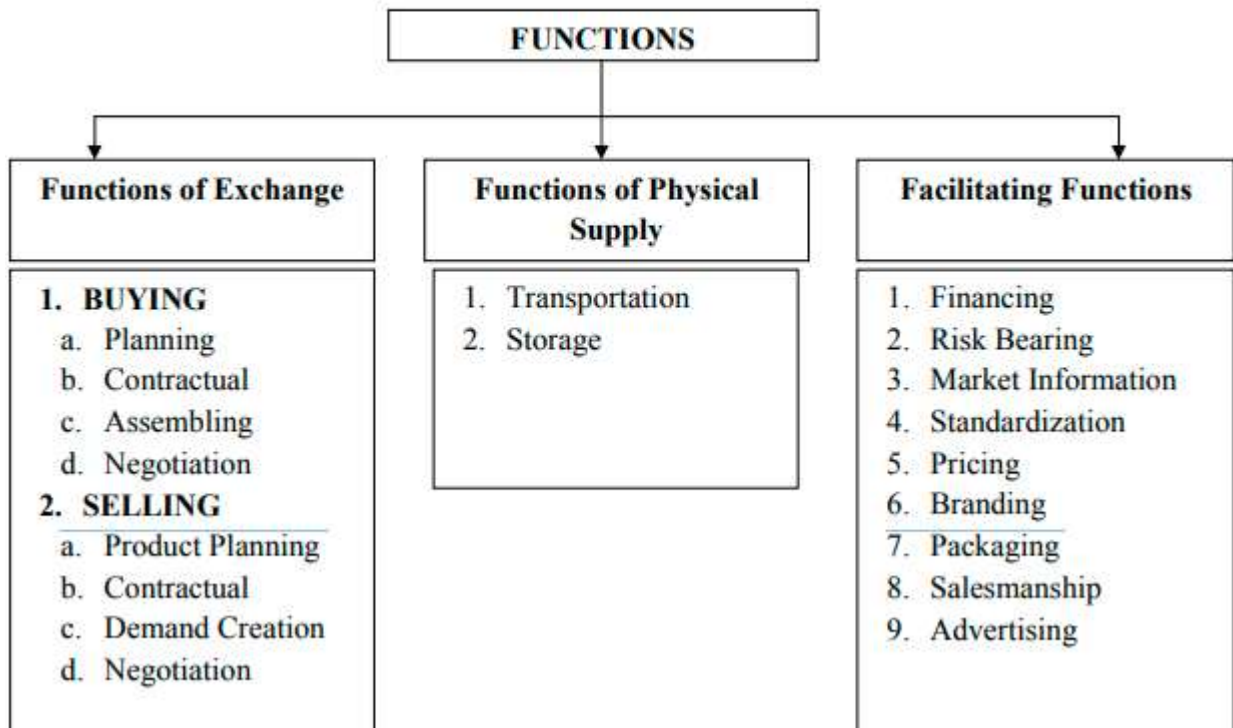
Figure 1.2: Importance of marketing functions

1.1.6 Classification of marketing functions

Functions of exchange, physical functions and facilitating function are the base pillars of marketing functions. Marketing itself is a series of activities which are concerned not only with bringing goods and services from the producers to the consumers but also conveying information from the consumers to the producers. Such information or feedback is very necessary for a producer to produce goods and services to suit the requirements of the consumers. Marketing is actually involved in all the activities of a business such as production, purchasing, human relations management etc. In the present situation where every seller has to adopt the marketing approach, every activity of his must be focused on the satisfaction of the consumer needs. A few activities however are directly identified. It is very difficult to list down and classify the marketing functions. Moreover all the marketing functions may not be performed by all businesses.

There are several classifications of marketing functions according to different experts in the field . The alternative attempt was made to classify marketing functions with the idea that the marketing process is primarily concerned with the flow of goods from the producer to the consumer. On the basis of this idea the classification has been made as below.

➤ FUNCTIONS OF MARKETING



- A. FUNCTIONS OF EXCHANGE:** It is the process of the passing of goods into the customer's hands. It can be split into buying, assembling and selling. These functions create exchanges of goods and services for money. It is through these exchanges that legal ownership/title in the goods and immediately or at a later stage the physical possession of the goods is also transferred from the seller to the buyer.
- **BUYING:** Buying is one of the functions of exchange that refers to all such activities in the assembling of goods, under a single ownership and control. This function involves the following:-

- a) **Planning:** The buyers must plan in order to determine their needs. Business buyers must study their own markets to know the quantity and quality of goods that are required by final users.
 - b) **Contractual:** This involves finding out the sources of supply, keeping in touch with them, to get the goods quickly, reasonably, sufficiently and regularly.
 - c) **Assembling:** This is one of the important functions where goods produced at different places must be assembled in order to serve promptly the needs of manufacturers, wholesalers, retailers and consumers.
 - d) **Negotiation:** The terms and conditions of purchase are negotiated with the seller. After this final agreement are made & the transfer of titles take place.
- **SELLING:** Selling is the sum total of all those activities that push the commodities to the buyers at a profitable price. This includes the following:-
 - a) **Product Planning:** Product-planning refers to planning or forecasting of consumer wants and desires in terms of price, quality, quantity, time etc. To meet the requirements of consumers as demanded by them.
 - b) **Contractual:** In this function, the seller finding out and locating the consumers and establishing and maintaining relation with them.
 - c) **Demand Creation:** This includes all efforts of sellers to induce buyers to purchase their products. In order to increase sales, demand creational efforts like personal selling, advertising etc. are undertaken by seller.
 - d) **Negotiation:** Negotiations as to terms of quality, quantity, price of the product, time and mode of transport, payments etc. are to be made with the prospective buyers.
- B. FUNCTIONS OF PHYSICAL SUPPLY:** The important group of marketing process is the physical supply. These are the functions that are related with creation of place and time utilities. The goods must be physically transferred from the seller to the buyer-manufacturer to the wholesaler, wholesaler to the retailer and retailer to the final consumer. Such transfers involve physical handling of the goods. This requires transportation and storage and warehousing of the goods.

- a) **Transportation:** Transportation refers to the physical movement of goods from places of production to places of consumption. The transport function of marketing involves the selection of particular mode of transport, depending upon the speed and cost.
- b) **Storage:** Storage refers to the holding and preserving of goods between the time of their production and the time of their sale. It facilitates the steady and continuous flow of commodities to the market throughout the year and it also helps to adjust the supply of goods to the demand.

C. FACILITATING FUNCTIONS: The goods to be sold from the seller to the buyer and to be physically transported from the seller's place to the buyer's place require several services for their smooth operation. Marketing process turns easy by these functions and includes financing, pricing, risk-bearing, standardization and market information, etc.

- a. **Financing:** The service of providing the credit and money needed to meet the financial requirements of the various agencies engaged in the various marketing activities. Even though finance smoothens the process of exchange and acts as lubricating oil to the wheel of marketing.
- b. **Risk Bearing:** Marketing involves a number of risks. The risk may be loss of goods due to fire, flood, cyclone, earthquake, theft etc. Some of this risk can be avoided through proper planning like insurance and hedging.
- c. **Market Information:** The function of marketing information refers to the collection, analysis and interpretation and communication of marketing information to the concerned people for efficient marketing.
- d. **Standardization:** Standardization is a measure of designation for quantity. It consists of list of specifications based on size, colour, appearance, shape, amount of moisture etc. In other words, it is refers to the act of grading.
- e. **Pricing:** Pricing is the process of determining the value of a product or service in terms of money before it is offered to the market for sale.
- f. **Branding:** Branding is the process of identifying the name of a producer with his product by affixing to the product the trade name represented by words or designs. For example, HUL branded Vanaspathi as DALDA.

- g. Packaging:** Packaging is the use of containers and wrapping materials plus decoration and labeling to protect the product, to help and promote its sales, and to make it convenient for the customers to use the product. In short, it is the art of designing and producing the package for a product.
- h. Salesmanship:** Salesmanship is the process of understanding, appreciating and influencing customers to buy a commodity or service for mutual benefit.
- i. Advertising:** Advertising means informing the public about the existence of a particular product or service, stimulating their desire for the product or service and inducing them to buy the same.

1.2 The role of marketing functions

1.2.1 Definition of the Role of Marketing

The first and foremost role is that it stimulates potential aggregate demand and thus, enlarges the size of the market. You might ask, how does it help in the economic growth of a country? The answer is that through stimulation of demand people are motivated to work harder and earn additional money (income) to buy the various ideas, goods and services being marketed. An additional advantage which accrues in the above context is that it accelerates the process of monetizing the economy, which in turn facilitates the transfer of investible resources. Another important role which marketing plays is that it helps in the discovery of entrepreneurial talent. Peter Drucker, a celebrated writer in the field of Management, makes this point very succinctly when he observes that marketing is a multiplier of managers and entrepreneurs.

It helps in sustaining and improving the existing levels of employment. You may ask, how does it happen? The answer is that when a country advances economically, it takes more and more people to distribute goods and proportionately a lesser number to make them. That is, from the employment point of view, production becomes relatively less significant than marketing and the related services of transportation, finance, communication, insurance, etc. which spring around it

1.2.2 Role of marketing and interrelations with other functional units of organization

Key roles and responsibilities of marketing function and their relation with organizational context Significance of interrelationships between marketing and other functional units.

Page 23 of 91	Ministry of Labor and Skills Author/Copyright	Cooperative marketing Level -II	Version -1 September, 2022
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Marketing function can be defined or explained as the roles of the business organization which helps it to identify and source potentially successful products for market and then helps in its promotion as well. These functions are common in business organizations and involve marketing research, product plan, development process, promotion, sales, finance, customer service etc.

The marketing functions involves various responsibilities of the business organization, these functions are responsible for the growth of company. The marketing functions consist of strategy management, marketing research, sales support system, product developments, finance team, distribution systems, human resource department etc. These marketing functions have different roles to promote growth in the business organization. The key roles and responsibilities of marketing functions are market research, finance, product development, communication, distribution, planning, promotion, selling etc. The marketing functions have a crucial role in the business organization. There is a close link between marketing functions with other organizational functions in an organization.



Figure 1.3: universal functions of marketing

The interrelationship between marketing functions and other organizational functions can be explained as, the marketing functions are part of a business organization and thus other departments and functional units are connected with each other. This can be explained as marketing functions are needed to back up by the other operational departments of the company as well to perform effectively. If a business organization needs to plan and implement a

marketing plan, then they require support of financial department of the company, human resource department, sales department and production department.

Further, if the marketing team of Coconut bliss wants to offer a discount offer on the bulk purchase of the product such as buy 2 get 1 free scheme, then the marketing team needs to communicate with finance and production department of the organization initially. The marketing functions are separate entities in business organization but every department and function in an organization I linked together for increasing the profitability of the company. The main function of marketing is to increase the profitability by increasing the sales of the company, thus it can be achieved with the participation of all the departments of the organization simultaneously. The finance department provides appropriate budget to the marketing department for the planning and implementation of marketing plan.

1.2.3 Key role of marketing functions and interrelations with other functional units of organization

Marketing functions encloses various different functions such as advertising, finance, distribution system etc. but these are the activities which come under the process of marketing process. The key elements of marketing functions are explained below:

- A. Research:** In the business organization market research plays a crucial role. It is considered to be the most important marketing function, as without a successful market research, business is near to impossible. Research helps in getting the valuable information regarding all the factors concerning business process. Not only market information but logistics, finance, raw materials, resources and other business prospects can be achieved through research only. Thus, it is considered to be a crucial key marketing function among business organization.
- B. Strategy:** After the collection of all the information and data from the research, it is processed to judge all the possible strengths and weakness among the business operations. This processed data allows us to make an idea for strategies which can be utilized in the organization. The strategies provide valuable guidance for competing with the strong market

and succeed in the market environment. The strategies are built over all the realistic possibilities and outcomes which are measured through research.

- C. Planning:** After successful completion of research and strategy procedures, the next key function of marketing is planning process. The marketing department involves financial planning, forecasting of sales figures, distribution, communication and other factors of business. The planning department utilizes a specific timeline to plan the major strategies for converting organization goals into success.
- D. Tactics:** The fourth key role of marketing function is tactics; these are the small or short term plans which are implemented in order to attract the target consumers. They involve limited period offers which provides promotional boost in the marketing plan such as Buy one get one free offers. It helps in cornering the initial pressure from the competitors and boost in the sales.

Self-check 1	Written test
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Name..... ID..... Date.....

Directions: Answer all the questions listed below.

Test I: Choose the best answer (8 point)

- Which one of the following one is true about the functions of marketing?
 - Gathering and analyzing market information
 - Marketing planning
 - Standardization and grading
 - All are correct
- Grading ensures the customers that the goods belong to a particular quality and helps the marketer to fix the prices easily.
 - True
 - False
- Which function helps in place utility?
 - Transportation
 - Risk bearing
 - Financing
 - Selling
- _____ provides fast and accurate marketing information.
 - Marketing Information System
 - Maintenance Information System
 - Management Information System
 - All of the above
- _____ is a function of physical supply.
 - Transportation
 - Risk bearing
 - Financing
 - Selling
- _____ ensures protection against leakage.
 - Grading
 - Packaging
 - Standardizing
 - labeling
- Marketing functions include
 - Marketing, product planning, classification, transfer of ownership, and after-sales service
 - transportation, warehousing, and segregation,
 - all are correct
- What are the Needs and Importance of the Marketing Functions?
 - Satisfaction of social needs
 - Proper distribution of goods
 - Increase of production
 - All

Test II: Short Answer Questions (10 point)

1) Discuss the concept and objective of marketing functions?

2) Why marketing function is considered important? Give some “reasons

3) How marketing functions can be classified?

4) What is Marketing Functions?

5) What are the Different Types of Functions of Marketing?

Note: Satisfactory rating - 18 points

Unsatisfactory - below 18 points

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LG #5	LO #2 Explain basic marketing function
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Instruction sheet

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Buying and selling function
- The storage function
- Transport function
- Loading and packaging functions
- The standardization function
- Financing function
- Risk bearing and market information

This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Buying and selling function
- The storage function
- Transport function
- Loading and packaging functions
- The standardization function
- Financing function
- Risk bearing and market information

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
3. Read the information written in the information Sheets: Try to understand what are being discussed. Ask your trainer for assistance if you have hard time understanding them.
4. Accomplish the Self-checks which are placed following all information sheets.
5. Perform Operation Sheets
6. Do the “LAP test”

Information Sheet 2

2.1 Buying and selling function

2.1.1. Definition of Buying:

The function ‘buying’ means purchase of goods for the purpose of resale and making profit out of it. Such buying may be done by all who are in the channel of distribution. Channel means the process through which goods move manufacturers to the final consumers. Here the goods bought are for the immediate resale, but not for self-consumption or use in business asset. Such goods are, sometimes referred to as stock of goods. Buying is an important initial function. This is followed by the other equally significant function i.e., selling. The success of selling is considerably depending on the successful performance of buying function. Therefore, a proverb “goods well bought are half sold”-is always referred.

This indicates that care, caution, diligence, wisdom be applied while buying of goods. Greater the cares taken in buying lesser are the efforts needed to sell them. Quality, reasonable price, appropriate, most wanted goods shall attract the customers and very little efforts are required to sell them. Therefore, buying is considered as the most important function. Before buying decision is made, ‘the market position, needs of customers, availability of goods in the market, competitors’ strategy, expected price range, quantity, future changes, earlier trends are to be studied. This information is provided by specialised agencies and the businessman has to apply much of his own judgement and experience.

2.1.2. Buying function:

- The function of buying is performed in order to acquire quality materials for production.
- When a good product concept is designed, it must also be ensured that essential materials are purchased for the product.
- This function is carried out by the purchase and supply department,
- The specification of materials goes a long way in assisting the purchasing department to acquire the necessary materials needed for production.

- **Buying involves the following sub-functions:**

- a) Planning of purchases
- b) Selection of proper sources of supply
- c) Selection of goods to be purchased
- d) Assembling of goods
- e) Contacting the sellers
- f) Negotiation with the sellers

Buying is the process of getting a commodity at a specific price from the seller.

- **Buying may be for the purpose of:**

- Re-selling as in the case of a trader.
- Satisfaction of human wants as in the case of a consumer.
- For the purpose of further manufacturing as in case of raw-material purchase by the industry. For bulk purchases, a list of requirements needs to be prepared and sent to the supplier. If buying is done judiciously, it results in lowering the cost of production/expense.

Buying is the most important marketing activity. The primary Purpose of buying is to assemble goods upon demand, for resale or use in production 'or personal consumption. **At the time of buying**, the following points must be taken into consideration: e.g .

- a) **Quality:** Quality product is most important for customer satisfaction.
- b) **Quantity:** Exact assessment of quantity is required to avoid overstocking or under-stocking as both are dangerous for the marketer.
- c) **Timing:** Some products have specific demand in specific season. Therefore, in the case of seasonal products, timing of purchase is a critical factor.
- d) **Source of:** Before placing the order, it is always better to know the supply location and source of supply of goods.

- **Elements of buying**

The activities involved in buying are called buying process. The activities involved in buying process are buying elements and sub-functions. The process of buying starts from buying plan. But it ends with actual buying and experience from the use after buying. The sub-function of

buying involve in buying process can be divided in four types as- making buying plan, making contact with, talking for agreement and contracting.

- **Planning For Buying:** Planning for buying is the primary function of buying process. At first, the buyer realizes need of goods. Then makes plan for buying of goods, finally takes decision to buy the goods. Planning begins is buyer's mind from want or desire for goods. Then the buyer decides when to buy, where to buy from, how to buy the goods. Such decision depends specially on buying situation, buying motive and buying behavior of the buyer. Hence, need of buying is realized in buying plan. Budget for buying is estimated. Then decision for buying is taken. Finally, buying plan is ready for the combined form of mental and physical activities.
- **Contact Function:** After making buying plan, the customers think from where and which source the goods to buy. For this they should search for suppliers and identify, prepare their list and establish contact with them for supplying the goods. This is called contact function. The customers may contact the suppliers through correspondence or visiting to their supply sources. Generally, if a large amount of goods are to be bought, the buyers contact supplier or sellers personally and find out the capacity and possibility of the supplier for supplying the necessary goods. Before selecting supplier of necessary goods, the buyers think about different matters such as price of the goods, delivery schedule, transportation cost, quality, capacity of the supplier, means and resources, after-sale services, promotional policy, credibility and responsibility of the supplier, terms and conditions of selling, buying plan etc. Only then, proper supplier should be selected and contacted.
- **Negotiation:** The important function of buying process is to reach the decision to buy and sell goods or services through negotiation. After buying plan has been made, perspective supplier has been identified and contact with seller has been established, negotiation is held between buyer and seller. Such negotiation is held on terms and conditions of supply, price of the goods, discount, mode of payment, time, delivery schedule, means of delivery etc. and then selling and buying reaches the conclusion. After such negotiation, buyer decides to give purchase order and makes agreement with supplier to supply the goods.

➤ **Contractual Function:** is the actual buying function. After the agreement has been made with supplier on terms and conditions, buyer gives purchase order. If the goods are to be bought by final consumers, they make agreement with seller on price at the selling place and buy immediately. Buying may be on cash or credit depending upon their agreement. If the goods are purchased on credit, the buyer has to follow and implement necessary terms and conditions mentioned in credit documents. Industrial consumers, institutional buyers, government offices etc. also make agreement with supplier to buy necessary goods. Buyer and seller both parties should follow the contract made for the supply of goods. If any party violates the terms and conditions or does not carry out the responsibility according to the agreement, the other party has the right to get compensation or fine or any loss.

- **Kinds of Buying:**

- Hand to mouth:** It is buying in small quantity; Expenses in transport, storage etc., are saved, involve less capital.
- Forward buying:** It is also known as "Speculative Buying". This is practiced usually by the retailers, when prices move up.

1.1.3. Definition of Selling

Selling is a process involving the interaction between a potential buyer and a person hired by a company to sell its products to potential buyers. Sales is a recognized business profession, and ranges from a shoe salesman to an investment banker who manages company stock with billions of dollars at stake. Selling and buying are related to each other. Marketing efforts evolve around the buying and selling functions. In business, the selling function is most important. The primary objective of marketing is to sell the products at a profit. By selling, the ownership is transferred to the buyer. Sales are concerned with the activities, which convert the desire into demand. Creation of demand, its maintenance, expansion, etc., are the soul of sales efforts. Sales function is the pivotal factor in any organization. It involves transfer of title of goods to the buyer. Selling is to create demand for a product even against keen competition. The function of the salesman is to create demand, find out buyers, giving them the information of the availability of goods to satisfy them and assure them of reasonable prices.

Selling has to be performed simultaneously along with manufacturing or buying of goods. Mass production and mass selling stand on equal footing. Selling is the other side of exchange function. Selling is the **heart** of the marketing task. Selling in business means the transfer of ownership of goods or services to a buyer in exchange for money. **American Marketing Association defines it as :** “Selling is the personal or impersonal process of assisting and persuading a prospective customer to buy a commodity or service and to act favourably upon an idea that has commercial significance to the seller.” Demand is created for a product by selling. Only through selling, demand can be developed. Hence, selling function plays an important role in the process of marketing.

- Providing customers with the goods and services they need and educating them on those goods and services so they can make an informed buying decision.
- Provides customers with the goods and services they want
 - ✚ In retail stores
 - ✚ Business-to-business (B-2-B)
- **Involves:**
 - ✚ Determining client needs
 - ✚ Persuading and influencing decisions
 - ✚ Responding to reactions
 - ✚ Forming relationships



Figure 2.1: Definition of Selling

- **Elements of Selling**

- **Product Planning:** It is the starting point to decide the precise nature of product. For this, the physical factors (colour, design, feature etc.) and non-physical factors (utility, value, quality etc.) are to be analyzed.
- **Sales Research:** It is required, as a part of marketing research to assess the exact need of the consumers by analyzing and interpretation of data collected.
- **Creation of demand:** It is a process by which latent demand is converted into effective demand. It is an art. Personal and non-personal (Direct and Indirect) methods are used to convert the latent demand into effective demand. Advertisement and publicity are direct methods and demonstrations, exhibitions, providing samples etc., are the indirect methods.
- **Determining Terms of Sale :** A seller has generally to decide various terms and conditions like price fixation, concessions, discount, form of delivery, transfer of ownership method etc. In advance to avoid any legal problem.
- **Customer Service:** Customer service is generally considered as "after-sales services" to satisfy customers and establish direct relations with customers in the new marketing environment.

2.1.3. Procedures for buying and selling

- **Cash Transaction:** This occurs when goods are bought and the money is paid immediately. In a situation like this the seller issues a receipt to the buyer as evidence of payment.
- **Credit sales:** This is a situation where the customers cannot pay for their goods and services immediately and promise to pay in a future date. Such customers are said to buy on credit. They pay in full or many times, that is known as payment by installments.
- **An enquiry:** This is a situation where a buyer wants to know about the goods he can buy from a seller. An enquiry is just a request for information about goods which a buyer wants to buy from a seller and to ensure a seller has specific goods.
- **Quotation or price list:** This is the letter a seller sends to the buyer in request to the enquiry. The seller sends a catalogue which will show the description of the goods. The **marketing** or sales department is responsible for preparation of a quotation or price list.

- **Order:** When the buyer receives a quotation from the seller, he prepares an order. An order is a firm request for buying goods or services. A number of copies are prepared, one to the seller, one to **account** department of the buyer and the last copy is kept by the department that needs the product.
- **Invoice:** An invoice is a document which shows a list of goods sent or services provided, with a statement of the sum due for the goods. It shows the discount and amount owed by the customer.
- **Preformat invoice:** A Preformat invoice is a document that states a commitment on part of the seller to deliver the products or services as notified to the buyer for a specific price. It is thus not a true **invoice**.
- **Delivery Note:** This is a note sent to ensure the goods ordered for have been delivered as per invoice. The delivery notes contains

2.1.4. Sales Process

Professional selling involves a series of seven distinct steps. Let's take a look at each.

Step 1: Prospecting is finding and qualifying potential customers. Qualifying is the process of determining whether a potential customer has a need or want that the company can fulfill, and whether the potential client can afford the product.

Step 2: Preparation involves preparing for the initial contact with a potential customer. You will need to collect and study relevant information, such as product descriptions, prices, and competitor information. You will also need to develop your initial sales presentation.

Step 3: Approach is the first face-to-face interaction you will have with the potential customer. In the premium approach, you give your prospect a gift at the beginning of the interaction. It may be a pen, a novelty item or company calendar, for example. Another method is the question approach, in which you ask a question to get the prospect interested. For example, 'Would you have a problem making a 15% annual return on an investment?' You may also use the product approach, in which you give the prospect a sample to review. The idea behind all of these approaches is to get the prospect involved in the interaction quickly.

Step 4: Presentation is actively listening to the needs and wants of the potential customer and demonstrating how your product can meet those needs and wants.

Step 5: Handling objections is an important part of the process. Objections can be useful because they tell the salesperson what to focus upon in addressing a prospect's concerns. Successful salespeople learn how to overcome objections through preparation and having the right information at hand to address them.

Step 6: Closing involves identifying closing signals from the prospect that indicate it's decision time. There are different approaches to closing. In the alternative choice close, you assume the sale and offer the prospect a choice such as, 'Will this be a cash or credit transaction?' An extra inducement close involves you offering something extra to get the buyer to agree, such as a discount or a free product. In the standing room only close, you inform the prospect that time is of the essence because some impending event, such as a price increase, will change the terms of the offer.

Step 7: Follow-up is building a long-term relationship with your customer for purposes of repeat sales.

2.2. The storage and Warehousing function

2.2.1 Meaning of Storage function

Storage is defined as ‘the marketing function that involves holding goods between the time of their production and their final sale.’ It bridges the gap between the time when goods are produced and the time when these are ultimately consumed as there is always a time gap between production and consumption. Storage involves making of proper arrangement for retaining goods in perfect state without losing properties and qualities till these are needed by the ultimate consumer and taken to the market. It creates both time and place utilities. “If transportation and communication define the length and breadth of the market area, then storage and its accompanying function of finance give depth to the market.” In simple words, storage is the process of preserving goods from the time they are produced till they are needed for consumption.

Storage is a major marketing function under modern market conditions. This service is essential for the storage of farm products due to its perishable character. Storage function is necessary in concentration as well as in distribution. It is performed by a manufacturer, wholesaler, retailer or professional warehouse keepers. In order that goods can be marketed efficiently, it is important

that adequate storing facilities should be available. Sufficient space, proper location, adequate equipment to give protection to goods against heat, cold, moisture, dryness, vermin, fire and thieves should be available.

2.2.2 The importance of storage

- Now-a-days production is carried on in anticipation of demand of the product in the market. All the goods are not sold off immediately. For the unsold stock of goods storage is indispensable.
- Many commodities are seasonal in nature. They are produced during a particular season. In order to make their availability throughout the year, they have to be stored. This is usually done in case of agricultural produce.
- Many products are produced throughout the year, but their demand arises only during a particular season in the year. In such cases products have to be stored and released when the season arrives. Wool and woollen garments are examples of this kind.
- Storage is important from the point of view of producers as they have to store the raw material in order to carry production without any obstruction and delay on account of non-availability of raw material.
- To ensure a regular supply of goods in spite of transportation delays.
- Highly perishable goods such as fruits, vegetables, milk and milk products must be stored in cold storages.
- In order to ensure uninterrupted production, the raw materials must be stored.
- Storage of goods is necessary from the point of view of wholesalers as well as retailers. Wholesalers have to supply these goods regularly to retailers and retailers to consumers.
- Storage acts as a process of equaliser of prices especially when the prices are going downward in the market. Farmers therefore can get better prices for their products because they can store their products in warehouses.
- In case of perishable goods also, storage plays a significant role. Commodities like fruits, butter, eggs, vegetables etc., can be stored in cold storage to ensure their regular supply throughout the year.
- Certain products which can get higher prices in future are stored for a longer period such as rice, tobacco, liquor etc.

- Some goods require subsequent processing in order to bring them in consumable state, e.g., tea, tobacco, coffee, etc. Certain processes like curing and blending etc., are to be carried out. These products must be stored before such processes are carried out.
- Storage is necessary in case where goods are produced at a distance from the customers. These goods must be stored near the market, so that unrestricted supply to be made to consumers. From the above, it is clear that storage is an integral segment of the marketing process. It tends to adjust the forces of demand and supply and acts as a stabiliser of prices.

2.2.3 Warehousing function

Concept of Warehousing



Figure 2.2: A man driving a forklift in a warehouse

Warehousing Definition: According to the simple definition of warehousing, Warehousing is concerned with the storing function of goods and commodities. Warehousing also refers to all the activities which are connected with the safekeeping of goods until they are needed for consumption. “Warehousing is concerned with storing function in the channel of distribution of goods”. Or in a more simple definition, warehousing is a planned place for storing goods safely and efficiently until they are required for consumption. Warehousing plays an important role to keep the prices stable and make the goods available at the right time. Because of the vast functions of warehousing, warehouses (sometimes known as distribution centers) are used by distributors, manufacturers, importers, exporters, businesses, and wholesalers.

The concept of warehousing can be made simpler by an example. We all buy some items in bulk for our kitchen and then we store them for later use. Similarly, businessmen buy goods in bulk

and store them in their warehouses and provide them to the market when demanded. It means warehousing lies at the center of the supply chain and plays a vital role in the success of the supply chain concept.

Warehouses also play an important part when the products are being manufactured but the raw material is not available. Let us explain this by an example. For instance, sugarcane is not produced throughout the year but only for a few months. To produce sugar, companies need sugarcane throughout the year. This is where the functions of warehouses come into play and make the availability of the goods on demand. Warehousing is an important part of the retail supply chain. A warehouse is simply a storage space where a business owner can store their products for later order deliveries. Warehousing becomes a must thing, especially in businesses like e-commerce. Warehousing offers many functions that we are covering in this article.

2.2.4 Importance of Warehousing in Business

Not all businesses need warehouses, but some of the businesses can't even run their operations without warehousing like e-commerce where we have to store physical products so they can be delivered quickly when demanded. The major benefit is you don't have to worry about increasing the prices of the products because you can stock hundreds of products in warehouses and sell them when required. Otherwise, if you are delivering products based on orders without having stocks in warehouses, then clearly you may face increasing prices issues. This is where the functions of warehousing (that we are going to discuss in detail shortly) come into play. The rule is simple; if you are selling physical products, then you need a physical storage place.

2.2.5 Objectives of Warehousing

One of the major objectives of warehousing is to facilitate customers by storing the products as close to customers as possible so they get their orders on time. The other benefit is that warehousing reduces the cost and improves customer satisfaction by ensuring speed of delivery and consistency of delivery. Moreover, warehousing management also helps to keep track of inventory, stock status, and a lot more other factors.

2.2.6 Elements of Warehousing

Depending on the types of warehouses, warehousing offers many benefits like storing goods or storing goods with fulfillment features. However, to achieve such benefits, a warehouse must have certain elements to keep operations effective. The most important elements of warehousing are:

- Racks and shelves systems for easy storage and access of products when needed while keeping the space-optimized.
- Security mechanism to keep the products safe from natural disasters and thefts.
- Warehouse management system to control the inventory and keep track of the staff performance.
- Climate control system so that the products stay fresh and safe. For example, edible products, medical products, and other products that need to be frozen require a climate control system.
- Equipment to move products from one place to another place. Such equipment includes forklifts, conveyor belts, dock boards, truck restraints, dock seals and shelters, dock bumpers, and pallet jacks, etc.
- Easy and cost-effective access to the transportation system so that goods can easily be imported or dispatched when needed.

2.2.7 Functions of Warehousing

- **Storage of Surplus Goods:** The basic function of warehousing is to provide the facility of storage for the goods which are laying surplus with the businessman. The businessmen produce the goods in anticipation of their demand. They store and preserve the goods which are surplus. They make the goods available in the market when their supply is relatively scarce.
- **Price Stabilization:** Warehousing also helps in the stabilization of the prices of goods in the market. When the supply of goods in the market is in excess, the fall in the prices of goods can be avoided by storing some stocks in the warehouses. Similarly, in case of increasing demand, the rise in the prices of goods can be checked by releasing the goods from the warehouses. The warehouses thus help in the stabilization of prices and safeguard the businessman against the dangers of price fluctuations.

- **Risk Bearing:** is also one of the utmost important functions of warehousing. When the businessman hands over the goods to the warehouse keeper, the risk of loss or damage for the stored goods passes to the warehouse keeper.
- **Loan Facility:** The businessman can obtain short-term finance from the lenders on the security of goods stored in the warehouses. The producers and manufacturers of goods can continue and increase production with the help of raised working capital from the lenders.

2.2.8 Types of Warehouses

- **Retail Warehouse:** Generally, retail warehouses are like ordinary warehouses with a maximum of 1000 square meters of space. Retail warehouses are single-story buildings. The major difference between ordinary warehouses and retail warehouses is that retail warehouses also showcase the products stored there.
- **Hazmat Warehouse:** Hazmat means hazardous materials like flammable chemicals that need the most care and safe environment. To open up a hazmat warehouse, government agencies visit the place and make sure that the design of the building is safe and not dangerous for the surrounding environment. Once the place inspection is done, then government agencies give the operating license to the owner of the warehouse.
- **Distribution & Fulfillment Warehouse:** Distribution & Fulfillment warehouses are those storage areas where manufacturers drop the products and the retailers pick up the products from the same place. Generally, third parties provide such storage areas to reduce the cost and improve the product delivery time.
- **Cold Warehouse:** Cold warehouses deal with temperature-sensitive products like dairy, meat, medical and other products of this kind. In simple words, the products that we store in refrigerators in our homes are stored in cold warehouses on a large scale. From the outside, cold warehouses look like normal warehouses but their inner environment is completely different where they implement many restrictions to keep humidity and microorganism away.

- **Public Warehouse:** Public warehouses provide their services to the general public without restriction. A public warehouse is an established business owned by either an individual or a corporation that has the sole purpose of doing business in the warehousing market. However, to set up a warehouse, the owner of the warehouse has to attain a license to operate it under their law and regulation.
- **Private Warehouse:** Private warehouses are private to big corporations and manufacturers. Private warehouses become affordable only when the business is well established with a large number of products being manufactured or shipped monthly.
- **Bonded Warehouse:** Bonded warehouses work under government licenses to store the imported goods until the owner of the goods pays the customs duty. It means, mostly, bonded warehouses are built near the ports so that goods can easily and quickly be stored after they are imported. Unlike public or private warehouses, even the owner can't interfere with the goods until they clear all the customs duties applied on their products.

2.3. Transport function

2.3.1 Definition of Transport function

Transportation is one of the important functions of marketing activities as transportation plays a prominent role in the distribution of goods between places i.e. from production to consumption. Marketing process requires an economical and effective transportation system. A good system of transportation increases the value of goods by the creation of place utility. An opening of new markets has been possible by the quick development of transportation and communication. It has resulted in the expansion of markets, regular supply at lower price and improved services to the consumers.

It is this function of marketing which creates “**place**” utility in the goods. Proper transport arrangement of the goods is an essential part of the whole marketing process. Good transportation of the goods goes a long way in improving and widening the markets.

Consumers are widely spread and geographically separated from the place where goods are manufactured. Transportation facilitates movement of goods from the manufacturer to the consumer and thus creates ‘**place utility**’. A marketer decides on the mode of transportation after considering factors like nature of the product, location of target market and cost of transportation.

2.3.2 Function of Transport

- It promotes quick marketing which enhances growth of industries.
- It encourages zonal specialization in productive activities.
- It creates place utility by bridging the gap between production and consumption centers.
- It plays an important role in stabilizing prices of several commodities by moving them from surplus areas to deficit areas.
- It ensures even flow of commodities into the hands of the consumers.

2.3.3 Classification of Transport

In general, there are three categories of transport mode\$ - Land, Water and Air. These are further classified.

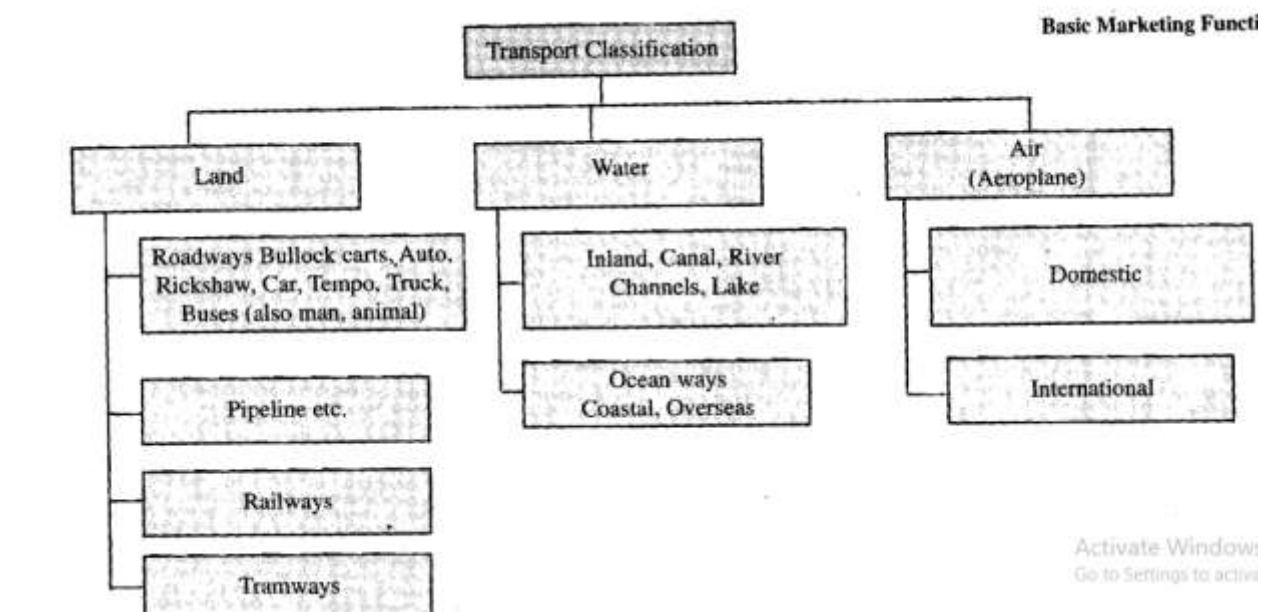


Figure 2.3: Classification of Transport

- **Land Transport:** Land transport includes Roadways, Railways and Tramways etc.
 - ✚ **Road transport:** is the commonest form of transporting. On road, there is transport by human energy like porters, coolies who carry goods on back or heads. Transport by animals includes bullock, camel, donkey, elephant, horse etc. Transport by carts is bullock-carts, horse-carts while transport by automobiles includes scooter, motorcycle, auto-rickshaws, car, trucks, buses etc.
 - ✚ **Rail Transport:** Railways are used to carry bulky items for long distances.
 - ✚ **Pipelines:** Pipelines are specialized carriers designed to transport the crude and refined petroleum and natural gas from wells to refineries and further to distribution centers through pipelines.
- **Water Transport:** is one of the more economic modes of transport. There are two modes of Water Transport: Inland Water Transport and Ocean Transport. Inland water transport includes rivers, canals lakes, and channels, within the national boundary of the country for which it is known as inland water transport.

The other mode is ocean transport which is very important for the growth of foreign trade. It is again divided into coastal and overseas shipping. Coastal shipping provides service within the nation while overseas shipping is mainly used in the case of international trade.
- **Air Transport:** Air transportation plays significant role in trading perishable products and emergency parts.

2.4. Loading and packaging functions

2.4.1 INTRODUCTION

The history of packaging dates back to the year 1035, when a Persian traveller, visiting markets in Cairo, noted that vegetables, spices and hardware were wrapped in paper for the customers after they were sold. With the passage of time, attempts were made to use the natural materials available, such as, Baskets of reeds, wooden boxes, pottery vases, woven bags etc. However, the use of card board's paperboard cartons was first done in the 19th century. The Michigan State University was the first to offer a degree course in "Packaging Engineering" Since then; there has been no looking back. The packaging industry boomed as more than the content, it is the "packaging" which attracts the attention of the buyer.

There was a revolution in Packaging in the early 20th century due to several modes of packaging designed such as Bakelite closures on bottles, transparent cellophane overwraps and panels on cartons, which increased processing efficiency and improved food safety. As additional materials such as aluminum and several types of plastic were developed, they were incorporated into packages to improve performance and functionality. Packaging is the science, art, and technology of enclosing or protecting products for distribution, storage, sale, and use. Packaging also refers to the process of design, evaluation, and production of packages.

In short, Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use. Packaging contains, protects, preserves, transports, informs, and sells, in many countries it is fully integrated into government, business, and institutional, industrial, and personal use. Packing means packing or wrapping goods to look attractive as well as secure safety i.e., (a) holding together the contents (b) protecting product while passing through distribution channels. Again packaging refers to “all the activities involved in designing and producing the container or wrapper for a product” (Stanton). Recently, term packaging is being used interchangeably to mean both ‘packing’ proper as well as ‘packaging’. Traditionally, ‘packaging’ referred to retail or consumer container and ‘packing’ to transport container. Consumer packaging has significant marketing implications while transport containers are more important from logistics standpoint.

2.4.2 Meaning Packaging

Packaging is the general group of activities which concentrate in formulating the design of a package, and producing an appropriate and attractive container or wrapper for the product. Packing refers to the wrapping and crating of goods before they are transported or stored.

It is a physical action which provides a handling convenience, e.g., rice, cotton, wheat or any other agricultural produce. It is necessary to prevent flowing out of liquids and is essential to maintain freshness and quality. It can prevent the danger of adulteration. Packaging is the subdivision of the packing function of marketing. It involves more than simply placing products in containers or covering them with wrappers. Philip Kotler defines packaging as an activity which is concerned with protection, economy, convenience, and promotional considerations.

Packaging obviously is closely related to labeling and branding because the label often appears on the package and the brand is typically on the label. A package defines the space in which a product is contained.

2.4.3 The objectives of packaging:

- **To Provide Physical Protection:** Packaging of objects insures that they are protected against vibration, temperature, shock, compression, deterioration in quality etc. Packing and packaging also protect the products against theft, leakage, pilferage, breakage, dust, moisture, bright light etc.
- **To Enable Marketing:** Packing and packaging play an important role in marketing. Good packing and packaging along with attractive labeling are used by sellers to promote the products to potential buyers. The shape, size, colour, appearance etc. are designed to attract the attention of potential buyers.
- **To Convey Message:** There is so much of information about the product that a manufacturer would like to convey to the users of the product. Information relating to the raw materials used, the type of manufacturing process, usage instructions, use by date etc. are all very important and should be conveyed to the users. Manufacturers print such information on the packages.
- **To Provide Convenience:** Packing and packaging also add to the convenience in handling, display, opening, distribution, transportation, storage, sale, use, reuse and disposal. Packages with easy to carry handles, soft squeezed tubes, metallic containers, conveniently placed nozzles etc. are all examples of this.
- **To Provide Containment or Agglomeration:** Small objects are typically put together in one package for reasons of efficiency and economy. For example, a single bag of 1000 marbles requires less physical handling than 1000 single marbles. Liquids, powders, granular materials etc. need containment.
- **To Provide Portion Control:** In the medicinal and pharmaceutical field, the precise amount of contents is needed to control usage. Medicine tablets are divided into packages that are of a more suitable size for individual use. It also helps in the control of inventory.
- **To Enable Product Identification:** Packing and packaging enable a product to have its own identity. This is done by designing a unique and distinct package through the effective use of

colors, shapes, graphics etc. Such identification and distinction are very essential in the present situation of intense competition and product clutter.

- **To Enhance Profits:** Since consumers are willing to pay a higher price for packaged goods, there will be higher profit realization. Moreover packaged goods reduce the cost of handling, transportation, distribution etc. and also cut down wastage and thereby increase profits.
- **To Enable Self-Service Sales:** The present trend in retailing is effective display and self-service sales. Products require effective packing for self-service sales.
- **To Enhance Brand Image:** Attractive packing and packaging in a consistent manner over a long time enhances the brand image of the product.

2.4.4 Important Aspects Packaging

In developing the marketing plan for a product, in international market, packaging is an important element. Packaging should be viewed from its promotional and protection aspects.

- **Promotional Aspect of Packaging:** Packaging of a product plays an important role in promoting the product in the international markets. With the advent of self-service starts and super markets, the package of a product serves as a ‘silent sales man’. It is capable of performing many of the salesman’s tasks. When there is no salesman to promote the product in the stores, the package as kept on the shelf must attract the attention of the consumer, describe the product’s and producer’s features, project the confidence and make a favorable overall impression. Good packaging thus leads to improved consumer acceptance because it carries and projects various qualities of the product as well as the manufacturer. Good packaging must reinforce the integrated marketing concept. Brand names occupy a dominant role in marketing which is popularized through advertisement. But the reminding of brand names and making brands acceptable to customers are achieved through proper packaging.
- **Protection Aspect of Packaging:** The second important aspect of packaging is its protection aspect which it provides to the product, consumer packaging intends to offer better convenience to consumers in use and in storage. It protects the product from:

- ✚ Pilferage and adulteration – It cannot be adulterated with any other product unless repacked.
 - ✚ Product loss – Oil, petroleum products etc. are lost if remain exposed.
 - ✚ Contamination by dirt or dust, e.g., clothing, food products.
 - ✚ Moisture gain or loss, e.g., cement or sugar,
 - ✚ Chemical change.
 - ✚ Insect attack, e.g., moth in woolen garments.
- **Transport Packaging Protection during Transit:** The basic function of transport packaging in international marketing is to ensure that the goods will reach safely in the hands of consumers. To ensure the goods is no excuse for not bothering for damages or pilferage in transit. Good packaging is essential irrespective of the fact whether the goods are insured or not. Improvements in packaging are needed to avoid transit losses due to environmental hazards, i.e., climate, moisture, etc. The type of packaging which ensures that the goods will be delivered in a good condition to the foreign buyer will vary depending upon the various factors such as-
 - ✚ The product,
 - ✚ The port of destination,
 - ✚ The length of the journey,
 - ✚ The climate of the place of delivery and place of destination,
 - ✚ The cost and measure to which the goods are subjected during the voyage,
 - ✚ The loss of the importing and exporting countries regarding packaging of goods,
 - ✚ Mode of handling the goods etc.
 - **Legal Provisions:** The mandatory provisions as to packaging of the goods imported also have important bearing on the packaging of goods. Most developed countries have enacted comprehensive legislation on the type of containers, both bulk and consumer especially for food items. For example, exports of food products to the USA must conform in all respects to the provisions of the U.S. Foods and Drugs Act. These rules require the following information to be shown in the label:

- + Name and address of the manufacturer/importer;
- + Clear description of the product's composition;
- + Net weight or volumetric measurement;
- + Duration of the product's life;
- + Storage conditions required after the package has been opened;
- + Manufacturer's instructions for use or preparation, if any. Factors to be considered for Package Designing.

2.4.5 Need Packaging

- **Important Element of Marketing Plan:** Packaging is an important element in formulating marketing plan for a product.
- **Silent Salesman:** With the advent of self-service stores and super markets, package has to perform the function of a silent salesman besides traditional function of protecting the product. This means that in the absence of a salesman to promote the product in a sales store, package as kept on the shelf captures the fancy of the customer.
- **Communication with Consumer:** Product package has an important promotional function. It establishes meaningful communication with the consumer.
- **Package Designing:** It is extremely important to know the special attributes of each target market and design the product package accordingly.
- **Convenience:** Consumer packaging offers better convenience and ease to consumer in handling and carrying their products.
- **Protection:** It protects the product from pilferage and adulteration.
- **Increased Value:** It has been estimated that unit value realization can rise approximately three times if able to develop and bring about retail packs for a large number of exportable items.
- **Other Aspects:**
 - + It helps increase sales.
 - + It adds to use of a product.
 - + It helps in storage.
 - + It helps in product differentiation.
 - + It helps promote a product.

- ✚ It contributes to safety of a product from damage.
- ✚ It helps in branding and promoting brand loyalty.
- ✚ It may cut marketing costs and thus enhance profit/ profitability of product.
- ✚ It helps portability/transportability of product.
- ✚ It helps publicity.

2.4.6 Important Functions of Packaging

Packaging has a two-dimensional function. First, it must protect the product. Then it has an important promotional role.

Function # 1. Protection and Preservation: The basic function of packaging is to protect and preserve the contents during transit from the manufacturer to the ultimate consumer.

- Most of the damage occurs in the handling process. The more frequently the products are handled in the distribution process, the greater is the need for protection. Damaged goods have to be replaced as they may cause loss and inconvenience to the seller as well as to the purchaser.
- Certain products, if exposed, may be lost. Powder, oil and petroleum products are examples.
- Pilferage.
- Contamination by dirt or dust, for example, clothing.
- Moisture gain and loss, for example, cement.
- Chemical change, for example, metal corrosion.
- Insect attack, for example, moths in clothing.

Function # 2. Containment: Most products must be contained before they can be moved from one place to another. To function successfully, the package must contain the product. This containment function of packaging makes a huge contribution to protect the environment. A better packaging helps to maintain the quality of the product and reachability of the product in the consumer's hand without spillages. It gives better image to the organization.

Function # 3. Communication: A major function of packaging is the communication of the product. A package must communicate what it sells. When international trade is involved and different languages are spoken, the use of unambiguous and readily understood symbols on the distribution package is essential. It helps in appropriate communication to the consumer about the product, how to use it and other utility information. Packaging protects the interests of

consumers. Information includes quantity, price, inventory levels, lot number, distribution routes, size, and elapsed time since packaging, color, merchandizing and premium data.

Function # 4. Convenience:

- Properly packed goods require less space.
- Easy methods could be suggested to take goods out from a pack and keep the rest intact.

Function # 5. Economy: Package provides various economies, both to the producers and the consumers.

- Loss in quantity is prevented thereby avoiding the monetary loss also.
- Creates an opportunity to communicate with the customers.

Function # 6. Promotion Function:

- Self-service – The package must be and capable of performing many of the sales tasks. It must attract attention, describe the products' features, give consumer confidence and make a favorable overall impression.
- Consumer affluence – The prestige of a product is maintained with the help of proper packaging. Good packaging is capable of projecting various qualities of the product as well as that of the manufacturers.
- Integrated marketing concept – Brand names now occupy a dominant role in marketing. The brand names are popularized through advertisement but the reminding of brand names and making the brands acceptable to consumers are achieved through packaging.
- Innovational opportunity – Packaging is capable of bringing large-scale gains.

2.4.7 Essentials/Qualities of Good Packaging

- Attractive Appearance – That is, attracts customer's attraction, creates his interest in product and creates positive image of product.
- Convenient for Storage and Display including storage in lesser space.
- Safety of Goods, that is, security or protection of goods from damage, spoilage, breakage, insects, rodents etc.
- Product Description is shown on Package.
- Recognizable – Package must be recognizable.
- Eye-Appeal of package.

- Transport Economies – Packaging should allow economies in transport.
- Uniformity and Consistency.
- Convenience in Transport Handling e.g., provided with hooks, handles, grippers etc.
- Able to withstand hazards of transport e.g., tilting, throwing, pulling, pushing, rolling etc.
- Amenable to quick examination of contents; for example in case of export, import by customs authorities.
- Easy to dispose of after opening of goods.

2.4.8 Classification Packaging

Kinds or methods of packaging will depend largely on the nature of the contents in terms of their value, physical composition and durability. On the basis of nature, packaging is classified into the following:

- **Family packaging** – A package of a particular manufacturer, packed in an identical manner is known as family packaging. The shape and colour, the materials used for packaging will be similar for all the products in such cases.
- **Reuse packaging** – Packages that could be used for some other purposes after the goods have been consumed is known as reuse packaging.
- **Multiple packaging** – It is the practice of placing several units in one container. This helps to introduce new products and increase sales.
- **Transport packaging** – The product entering into the trade needs to be packed well enough to protect against loss or damage during handling, transport and storage, for example, fiberboard, wooden crate, etc.
- **Consumer packaging** – This packaging holds the required volume of the product for ultimate consumption & is more relevant in marketing, for example, beverages, tobacco, etc.

2.4.9 Important Types Packaging

Type 1: Consumer Package: It holds the required volume of a product for ultimate consumption and is within the means of a buying household. In other words, the consumer has the option to purchase the pack size which he considers adequate for the consumption of his family over a length of time and which does not involve extra investment during that period.

Type 2: Bulk Package: It is the opposite of consumer package. It is either for the industrial consumer's use or for loose dispensing. The bulk package also often requires an outside package in which it is transported and which is sometimes referred to as a transit package or an outer container.

Type 3: Industrial Package: This packaging provides protection to the spare parts, semi-finished and finished products during each phase of the manufacturing process, and also during transportation and storage.

Type 4: Dual use Package: It has a secondary usefulness of a package after its original contents have been used. For example, plastic bottles, sacks in which groceries are packed, etc.

2.5. The Standardizing or Grading function

2.5.1 Introduction

Some standards are set for a product as far its size, shape, colour, material etc. are concerned. Standardization helps in the efficient performance of the other marketing functions. According to Clark, "Standardization includes the establishment of standards, the sorting and grading of the goods conforming to these standards, repacking, breaking up the large quantities into small units of the desirable size....". Therefore, grading is an important process in the whole series of the functions of marketing. Grading is especially necessary in case of products coming from the fields, forests, mines or water.

2.5.2 Definition of Standardization function

This means establishment of certain standards based on a few inherent attributes of the goods such as nutritional content, size, shape, colour, composition, quality, taste, performance etc. The products are compared and conformed to the standards. A standard is a measure that is generally accepted as having a fixed value. The measure is in units of intrinsic qualities or characteristics of a product or service". – Duddy and Revzan



Figure 2.4: Definition of Standardization function

A standard conveys the idea of a certain level of physical attributes of goods. Standardization also means product rationalization. This means trying to reduce the number of varieties or variants of the products, so that instead of carrying a large number or varieties, a fewer varieties will be offered to the customers. Standardization is actually done by merging certain varieties wherein the differences among them are either very minimal or do not matter. Standardization is the design rationalization of a range of homogenous and partially interchangeable products designed to meet various needs. Product standardization is an efficient method of cost reduction and quality enhancement. By minimizing the differences among products, production is increased, distribution is streamlined, raw material cost is reduced and branding becomes easier.

2.5.3 The main characteristics of standardization listed below:

- It helps in the efficient performance of the various marketing functions, particularly in buying and selling.
- It determines grades or class of products for both agricultural and industrial.
- It helps the producer to set higher prices.
- It assures consumers of the specific quality of the product.

2.5.4 Definition of grading function:

Grading means the physical sorting and classifying of the goods according to the pre-determined standards. The goods are classified into several grades. All the goods in a certain grade will have similar characteristics. Grading is done after standardization. Grading begins when standardization ends. Standardization and grading are very essential in case of agricultural goods, forests produce, minerals etc., as the physical quality of such goods cannot be controlled. Goods manufactured by industries do not need standardization and grading because the production process takes care of standardization and grading. Grading is the process of grouping the products on the basis of common characteristics or standards. Standardization, in the case of manufactured goods and for most of the industrial goods, is a function of production. Once a standard is set up there will be no difficulty in maintaining it. Because in manufacturing operations, not only the finished products are standardized, but materials, processes, and performances are also standardized. The case is, however, different with regard to the products of agriculture and extractive industries.

2.5.5 Differences between Standardization and Grading

Standardization

- Standardization means that goods are of a specified and uniform quality.
- It is a set of requirements as to the desired qualities in a product.
- It is a measurement of physical characteristics and specified quality of a product.
- Standards are set by both small as well as big business concerns.
- It refers to the procedure of setting up basic measures or standard to which the products must conform and taking steps to ensure that the goods essentially produced adhere to these standards.

Grading

- Grading is the process of sorting individual units of a product into well-defined classes or grades of quality.
- It is the division of products into different categories on the basis of units possessing similar features.
- It helps in fixing different prices for different categories of the product.

- Grading is done on the basis of certain characteristics such as quality, size, etc. Particularly, in the case of agricultural products which are not produced according to predetermined specifications.
- Grading is the sorting of the produce into dissimilar lots each with the similar characteristics of market quality.

2.5.6 Advantages of Standardization and Grading

Standardization and Grading are useful marketing functions as they offer the following advantages:

- Standardization and Grading facilitate buying and selling of goods by sample or description. Customers can buy standardized goods effortlessly. The customers need to examine all the goods which are not standardized or graded. When goods are of standardized quality, customers do not insist on detailed assessment.
- Standardization and Grading facilitate the manufacturer to direct the goods of dissimilar qualities towards the market best suited to them. The task of middlemen becomes simple because they can converse well the characteristics of standardized products to customers.
- Standardized goods benefit from a wider market. The customers become capable to take appropriate buying decisions as they can get information about prices, relative advantages, durability, etc. of standardized goods.
- Standardization and Grading facilitate the trading of goods on the product exchange. Hedging, future trading and price comparisons become easy. This function can be accomplished by grading and standardization.
- Standardization and Grading help in raising finance because consistent products enjoy a ready market and they are eagerly received as a collateral safety for granting loans.
- Standardized products can be simply appreciated and their prices change less widely. Since qualities, measure, size of the product are known, the customers can buy goods with a fair price after studying the market price. This helps in making assurance claims in the event of loss or damages to the goods.

2.6. Financing function

2.6.1 Definition of financing function

Though not the main but only an ancillary function, financing is certainly an important function of marketing. Marketing firms require more funds for their working capital requirements than for fixed capital ones. It is so because marketing concerns generally have to maintain huge stocks. Finances for these marketing firms are generally arranged by using different sources such as own capital, bank credit and trade credit. **Financing refers to:**

- It refers to raising funds/capital to start operation and remaining in operation.
 - It also refers to the modes of payment for the goods and services transferred to costumers.
 - Thus it is providing the necessary cash or credit to produce, transport, store, promote, sell, and buy products.
 - In simple words it refers to getting money that is necessary to pay for setting up and running a business.
- ✚ Loans, selling stock, etc.
 - ✚ Also involves ways that customers can pay
 - ✚ Credit cards
 - ✚ Billing
 - ✚ Payment on delivery



Figure 2.5: Financing function

Marketing activities just like any other activities need money. Market financing means providing finance to individuals and organizations involved in marketing functions to enable them to carry on marketing functions. There is a time gap between the purchase of the raw materials and sale

of finished goods by the manufacturers, similarly between the time of purchase of goods by the wholesalers and the retailers and the sale of the same.

2.6.2 There are two major sources of finance to the marketers:

- a) **Trade credit:** This means buying the goods on credit and paying the amount later.
- b) **Banks and financial institutions:** Marketers can borrow amounts from various banks and lending financial institutions. Credit facilities have to be extended to individual consumers in case of sale of expensive goods such as houses and apartments, automobiles, televisions, home gadgets etc.

Such credit facilities are given to them in two forms:

- a. **Open credit:** Loans are directly given to the individual consumers to buy expensive goods.
- b. **Installment and hire purchase schemes:** Goods are sold to individual consumers on deferred payment scheme called EMIs (equated monthly installments).

2.7. Risk bearing and market information

2.7.1 Definition of Risk Bearing

- Risk means the possibility of loss due to some unforeseen circumstances in future. Marketing process is confronted with risks of many kinds at every stage. Risk may arise due to changes in demand, a fall in price, bad debts, natural calamities like earthquakes, rains etc.
- A marketing enterprise has to bear many risks in the process of marketing goods. This may arise for unforeseen events (flood, earthquake etc.) social hazards (theft, burglary, war etc.) accident, decay deterioration etc.
- Risk is the probability or threat of damage, injury, liability, loss or any other negative occurrence that is caused by external or internal vulnerabilities and that may be avoided through preemptive action.
- The process of marketing is characterized with lots of risks, such risks as produce damaging, pilferage, price fluctuations, storage loss etc.
- Thus risk bearing is assuming responsibility for uncertainties

Hence marketers should have the capacity to bear risk such as:

- Effective packaging system to protect produce,
- Good warehouse for the storage of your produce until they are needed,
- Effective transportation system to speedily deliver produce on time.
- Effective production system (e.g. Diversification, merging, insurance, integration) to cater for price fluctuations, natural disasters, theft, etc.

2.7.2 The marketing risks may be classified under the following heads:

- Time Risk:** Goods are bought by the business with a view to sell them at a profit out of anticipated rise in prices in future. During the time lag conditions might change and the price may fall. Thus time risk is involved in marketing.
- Place Risk:** Place risk arises when the prices of the same product are different in different places. The businessmen may purchase goods in market where prices are low with a view to sell them at other places where the prices are high. But the price in the other market may come down causing loss.
- Competition Risk:** Businessmen have to face risk arising from the forces of competition. The competing firms may introduce modern methods of production due to which quality may be improved or cost of production may be reduced. Under such circumstances, a firm may be forced to sell at a loss which is called risk of competition.
- Risk of Change in Demand:** The manufacturers produce goods on large scale in anticipation of demand in future. But, sometimes the demand of the product may not come to expectations resulting in losses.
- Risk Arising from Natural Calamities:** Risks from natural causes are beyond human control. These include rains, earthquake, floods, heat and cold. These risks cause heavy loss.
- Human Risks:** These risks arise due to adverse behavior of human beings like theft, strikes, lockouts, bad debts etc.
- Political Risks:** Political risks arise due to change in political factors such as – changes of government / changes in government policies etc.

2.7.3 Market Information and promotion

Marketing has to ultimately serve the customers in order to achieve its objective of sales and profit. To achieve this objective a marketer must not only be well informed about the various facts of marketing but he should also be aware of the latest trends in the market. All risk decisions must be based on such knowledge. Marketing decisions cannot be better than the facts on which they are based. Market Information from around the world about market conditions, weather, **price movements, and political changes**, can affect the marketing process. Market information is provided by all forms of **telecommunication**, such as television, the internet, and phone.



Figure 2.6: Market Information and promotion

Marketing information is a facilitating function and plays very important role. Now a day there is lot of challenges before marketing managers. The collection of adequate, reliable and timely market information may help to tackle the problems. Primary information can be collected personally from I respective persons; secondary source of information may be Government and non-government agencies, Department of marketing, Bureau of Statistics, Reserve Bank of India, AIR, Doordarshan etc. A good marketing information system will help the management to plan, control and understand effects **arising** out of previous decisions and their implementations.

According to Clark and Clark market information means, “all the facts, estimates, opinions, and other information used in marketing of goods”. The main object of any business is to create and maintain demand for the product produced. For this purpose market information is useful. On the basis of information the seller can know what type of goods are needed by the consumer, when and where they are needed and in what quantity.

2.7.4 A marketer should have accurate information about the following aspects:

- The type of goods needed by the consumers
- The time at which the goods are needed by the consumer
- The quantities of purchase that are most convenient to the consumers
- The number of consumers
- The degree and type of competition present in the market etc.

A marketer can secure market information from several sources:

- Internal sources:** Company records and documents, discussions with the employees etc.
- External sources:** Conducting researches in the market, discussions with experts in the field and consultants, several published and unpublished information, the internet etc.

2.7.5 Promotion function:

- The effort to inform or persuade customers about a business's products or services.
- Designing effective communication strategies to inform, persuade, or remind consumers/target/potential market about the availability and features of a product.
- **Some of the strategies include;**
 - ✚ advertisement,
 - ✚ personal selling,
 - ✚ public relation etc.



Figure 2.7: Promotion function



Figure 2.9 pricing function

2.8.3 Product development and management

- It is a process whereby the market needs or wants are identified which are later
- on factored into the produce / product during the product design to enhance
- produce or product quality or acceptance in the market.
- Product development passes through some basic stages carried out by the
- marketers to develop a targeted market specified product.
- Produce/ Products can be managed by evaluating its performance and changing
- them to fit the current market trend.
- In a nutshell, it is obtaining, developing, maintaining and improving a product
- or a product mix in response to market opportunities or demands
- Marketing research helps you know what customers want

2.8.4 after sales-service

- In a more complex and technical product, marketers should make provision in order to assist customers after they have purchased product.
- In terms of machines or heavy equipment product that requires installation or maintenance, most marketing organization renders such services like installing the machine or maintaining it for stipulated periods on time for free or by a little service charge.
- After sales services is an effective marketing strategy to building a long lasting customer relationship, staying ahead of your competitors while making profit.
- After sales service enables a marketer to know what is required to be done to having an effective transfer of ownership to costumers, creating a big picture, while also making profit.

Self-check 2	Written test
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Name..... ID..... Date.....

Directions: Answer all the questions listed below.

Test I: Choose the best answer (20 point)

- Following are the statements pertaining to functions performed in marketing. Identify the function of marketing from each statement.
 - Physical movement of goods from one place to another.
 - Holding and preserving goods from the time of their procurement or production till the time of their sale.
 - Collection and analysis of relevant facts to solve marketing problems.
 - This include advertising, personal selling, sales promotion and publicity.
 - Separating products into different classes on the basis of certain predetermined standards.
- Storage is a major marketing function as a part of physical distribution. It is necessary because:
 - It is essential for scientific storage, of the goods of perishable nature.
 - It is necessary for maintaining a regular supply of goods in all seasons.
 - It is essential because of timely production and continuous consumption
 - It is necessary to guard against delayed shipment.
 - all are correct
- What is the Importance of Buying in Marketing?
 - To produce quality product.
 - Supply of product in time.
 - Supply of product by reasonable price.
 - To fulfill seasonal demand.
 - all are correct
- What is the Classification of Buying?
 - Buying by manufacturer
 - Buying by middleman
 - Buying by consumer
 - All are correct

5. What is the Process of Buying?
 - A. By inspection
 - B. By sample
 - C. By description
 - D. By grading
 - E. All are correct
6. What are the Functions of Buying?
 - A. Planning for purchasing goods
 - B. Contractual functions
 - C. Assembling
 - D. Negotiation
 - E. All are correct
7. What are the Features of Sales?
 - A. Sales are the sum of a number of jobs.
 - B. As a result of this work, the ownership of the product is transferred to the buyer.
 - C. Sales involve exchange.
 - D. It balances products and services with the needs of the buyer
 - E. All are correct
8. What is the Importance of Sales in the Field of Marketing?
 - A. To ensure customer satisfaction
 - B. To achieve the institution's goal
 - C. To develop genuine customer relationships
 - D. To meet seasonal demand by balancing demand and supply.
 - E. All are correct
9. What are the Functions of Selling?
 - A. Taking product plan
 - B. Communicate with consumer
 - C. Creation of demand
 - D. Negotiation
 - E. All are correct

10. What are the Features of Transportation?

- A.** Transportation is a function of the distribution system.
- B.** This creates place utility of the product.
- C.** It acts as a bridge between the producer and the user.
- D.** Transportation is the work of marketing goods.
- E.** All are correct

11. What are the Features of Warehousing?

- A.** Warehousing is a function of the distribution system.
- B.** This can create timely utility of the product.
- C.** It establishes link between production time and use time.
- D.** The warehousing plan and its implementation include such work.
- E.** All are correct

12. What is the Importance of Warehousing in the Field of Marketing?

- A.** Create time utility
- B.** Maintain the equality of demand and supply
- C.** Keep stability of supply
- D.** Maintain the stability of price
- E.** All are correct

13. What are the Features of Standardization?

- A.** Standardization determines product quality boundaries.
- B.** The product is classified in the light of standardization.
- C.** Standardization is done in the light of product quality, size, volume, price, etc.
- D.** It is a mental process that involves thinking and decision.
- E.** All are correct

14. What is the Importance of Standardization in the Field of Marketing?

- A.** Specification of quality
- B.** Based on grading
- C.** To determine the price of the product
- D.** To make packaging easier
- E.** All are correct

- 15. What is the Importance of Grading in the Field of Marketing?**
- A.** Assist with simple sales
 - B.** Growth of the market
 - C.** Make customers aware of existence.
 - D.** Determining the product's price
 - E.** All are correct
- 16. What is the Importance of Packaging in the Field of Marketing?**
- A.** Quality preservation
 - B.** Convenient storage
 - C.** Maintaining security
 - D.** Facilitating transfer
 - E.** All are correct
- 17. What are the Different Types of Marketing Risk?**
- A.** Risk resulting from changing market conditions
 - B.** Environmental risk
 - C.** Price risk
 - D.** Financial risk
 - E.** All are correct
- 18. Which function gives “time utility”?**
- A.** Transportation
 - B.** Financing
 - C.** Risk bearing
 - D.** Warehousing
- 19. Which one of the following are the ways to reduce marketing risk:**
- A.** Insurance
 - B.** Hedging
 - C.** Market research
 - D.** Decentralization
 - E.** All are correct .

Test II: Short Answer Questions (10 point)

1. Define the term Grading

2. What is a Sale?

3. What is Transportation?

4. What are the Types of Transportation?

5. What is Warehousing?

6. What are the Types of Warehousing?

7. What is Standardization?

8. What is the Difference between Standardizing and Grading?

Note: Satisfactory rating - 30 points Unsatisfactory - below 30 points

You can ask your teacher for the copy of the correct answers.

Operation Sheet 2

2.1 Understanding to the sales Procedures

A. Tools and equipment's

- I. computers
- II. stationeries
- III. dealer

B. Understanding to the sales Procedures: Professional selling involves a series of seven distinct steps. Let's take a look at each.

Step 1: Prospecting is finding and qualifying potential customers. Qualifying is the process of determining whether a potential customer has a need or want that the company can fulfill, and whether the potential client can afford the product.

Step 2: Preparation involves preparing for the initial contact with a potential customer. You will need to collect and study relevant information, such as product descriptions, prices, and competitor information. You will also need to develop your initial sales presentation.

Step 3: Approach is the first face-to-face interaction you will have with the potential customer. In the premium approach, you give your prospect a gift at the beginning of the interaction. It may be a pen, a novelty item or company calendar, for example. Another method is the question approach, in which you ask a question to get the prospect interested. For example, 'Would you have a problem making a 15% annual return on an investment?' You may also use the product approach, in which you give the prospect a sample to review. The idea behind all of these approaches is to get the prospect involved in the interaction quickly.

Step 4: Presentation is actively listening to the needs and wants of the potential customer and demonstrating how your product can meet those needs and wants.

Step 5: Handling objections is an important part of the process. Objections can be useful because they tell the salesperson what to focus upon in addressing a prospect's concerns. Successful salespeople learn how to overcome objections through preparation and having the right information at hand to address them.

Step 6: Closing involves identifying closing signals from the prospect that indicate it's decision time. There are different approaches to closing. In the alternative choice close, you assume the sale and offer the prospect a choice such as, 'Will this be a cash or credit transaction?' An extra inducement close involves you offering something extra to get the buyer to agree, such as a discount or a free product. In the standing room only close, you inform the prospect that time is of the essence because some impending event, such as a price increase, will change the terms of the offer.

Step 7: Follow-up is building a long-term relationship with your customer for purposes of repeat sales.

2.2 Procedures for buying and selling

A. Tools and equipment's

I. Vouchers

II. Tickets

III. Stationeries

B. Procedures for buying and selling

Step 1 Cash Transaction: This occurs when goods are bought and the money is paid immediately. In a situation like this the seller issues a receipt to the buyer as evidence of payment.

Step 2 Credit sales: This is a situation where the customers cannot pay for their goods and services immediately and promise to pay in a future date. Such customers are said to buy on credit. They pay in full or many times, that is known as payment by installments.

Step 3 An enquiry: This is a situation where a buyer wants to know about the goods he can buy from a seller. An enquiry is just a request for information about goods which a buyer wants to buy from a seller and to ensure a seller has specific goods.

Step 4 Quotation or price list: This is the letter a seller sends to the buyer in request to the enquiry. The seller sends a catalogue which will show the description of the goods. The **marketing** or sales department is responsible for preparation of a quotation or price list.

Step 5 Order: When the buyer receives a quotation from the seller, he prepares an order. An order is a firm request for buying goods or services. A number of copies are prepared, one to the seller, one to **account** department of the buyer and the last copy is kept by the department that needs the product.

Step 6 Invoice: An invoice is a document which shows a list of goods sent or services provided, with a statement of the sum due for the goods. It shows the discount and amount owed by the customer.

Step 7 Preformat invoices: A Preformat invoice is a document that states a commitment on part of the seller to deliver the products or services as notified to the buyer for a specific price. It is thus not a true **invoice**.

Step 8 Delivery Note: This is a note sent to ensure the goods ordered for have been delivered as per invoice. The delivery notes contains

Lap Test 2	Performance Test
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Name.....

ID.....

Date.....

Time started: _____ Time finished: _____

Instructions: Given necessary templates, tools and materials you are required to perform the following tasks within **1.5 hour**. The project is expected from each student to do it.

2.1 Task-1 perform to the sales Procedures

2.2 Task-2 apply the Procedures for buying and selling

LG #6	LO #3 Assessment of performance of marketing functions
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Instruction sheet	
<p>This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:</p> <ul style="list-style-type: none"> • selections of appropriate feedback collecting tools • Collecting feedback • Making adjustments <p>This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:</p> <ul style="list-style-type: none"> • select appropriate feedback collecting tools • Collect feedback • Make adjustments 	
Learning Instructions:	
<ol style="list-style-type: none"> 1. Read the specific objectives of this Learning Guide. 2. Follow the instructions described below. 3. Read the information written in the information Sheets: Try to understand what are being discussed. Ask your trainer for assistance if you have hard time understanding them. 4. Accomplish the Self-checks which are placed following all information sheets. 5. Perform Operation Sheets 6. Do the “LAP test” 7. Ask from your trainer the key to correction (key answers) or you can request your Trainer to correct your work. 	

Information Sheet 3

1.1 selections of appropriate feedback collecting tools

3.1.1 Customer Feedback Tools

If you haven't noticed, it's all about the customer these days. According to Oracle, 77% of consumers say **inefficient customer experiences detract from their quality of life**. This proves that the moment you put the customer at the core of your business and focus on improving these experiences, you're already one step closer to success. And that is precisely why businesses are looking to **customer feedback tools** as a foundation for this success.

Knowing how to choose the right tool(s) for your business, however, is still somewhat of a tricky game for many organizations. This is because **customer feedback tools** are very diverse in purpose. They use various collection techniques, collect different forms of **customer feedback**, report differently and provide different kinds of insights for the user. To make it easier for you, we've compiled of a list of the **six** different categories of customer feedback tools into one article. Based on these categories and your business' goals, this should help solidify your decision:

- A. **Voice of the Customer (VoC) tools:** are top priorities among online companies, as these customer feedback tools have become a critical element in customer experience initiatives. These customer feedback tools make it easy for visitors to communicate about their customer experience directly and help avoid interrupting the online journey. They are also great for collecting 'in-the-moment' feedback. Ready to get your **voice of the customer program** started? **Try one of these tools.**

- **Mopinion:** is all-in-one user feedback software for all your digital channels. This customer feedback tool collects and analyses feedback from websites, mobile apps and email campaigns in real-time. With its easy-to-use interface, users can build, design and configure feedback forms however they like. A new and rather notable feature this software provides is **conversational feedback**.

- **Feedier (IXM):** is the most intuitive experience management solution that allows you to listen carefully to the Voice of the Customer in order to improve your customer experience. Collect in real-time direct and indirect feedback through gratified forms, analyze your data with an intuitive and visual dashboard via features such as analysis of the most used keywords in your responses, correlation matrix, User Stories, NPS and many others.
- **Feedbackify:** By way of a drag-and-drop editor, Feedbackify allows users to easily create feedback forms themselves. Installation is also very easy. All you have to do is copy and paste the code they provide you with into your website's HTML and it's ready to go. Your visitors can provide a rating as well as submit comments, including compliments and suggestions. Within this customer feedback tool, you can view all feedback received in a dashboard in real-time as well as filter by category and sub-category
- **InMoment:** is a cloud-based customer experience optimisation platform which offers multiple solutions including Social Reviews and Advocacy and Employee Engagement solutions as well as a Voice of the Customer (VoC) platform. It's VoC platform allows for feedback collection, online reporting, real-time alerts and occurrence management.

B. Online Survey Tools: An alternative way of collecting customer feedback is via traditional online survey tools. Online survey tools often come in the form of a feedback button or email invite, and have become quite popular since the emergence of website feedback. Some of these tools are focused on particular niches whereas others hone in on user experience (UX). In the past, this type of customer feedback tool was well-known for their tendency to include a long list of questions, however nowadays; they are becoming shorter and shorter – which certainly makes them less of a hassle for respondents who simply don't have the time or energy to fill in an entire survey.

C. Online Review Tools: Wildly different from online survey tools, you also have online review tools. Online Review Tools are a great way of building trust among your visitors online. Used quite frequently by digital marketers because of the well-known Google Stars, these tools can

have a positive effect on Google Rankings. This kind of customer feedback tool also influences purchasing behaviour seeing as how more than half of customers look at reviews before purchasing a product or service. One of the hindrances of online review tools, however is that all reviews (positive or negative) are shared publicly with your visitors.

D. User Testing Tools: User Testing Tools, on the other hand, involve all aspects of user interaction – whether that is with your company, products and/or services. For many businesses, supplying a good user experience is only achievable by making use of user testing tools. These kinds of customer feedback tools do a great job of measuring these interactions for the user. However, these insights are limited to the amount of page views users are allotted and they also often lack in the analysis and action management area.

E. Visual Feedback Tools: Looking to capture more visual input regarding your website performance? Then perhaps a visual feedback tool is something you should consider. These customer feedback tools work in many different ways. Some provide the option submit a screenshot while others involve virtual sticky notes that highlight certain elements on the page such as text, images or buttons. While these provide a lot of support in terms of design (where are all my web designers out there?) they are somewhat basic in terms of extracting deep customer experience insights.

F. Community Feedback: Also referred to as online forums, community feedback is a type of customer feedback tool that is collected via your website or mobile app and published either in your community or on a public forum. Visitors are usually able to comment on feedback that has been published which often turns into discussions. They can also provide suggestions or notify you of problems they're experiencing on your website. Thanks to their transparency and social effect, these tools have become quite popular in recent years.

3.2 Collecting feedback

3.2.1 Meaning Customer Feedback.

Customer feedback is any kind of information your customers offer regarding their experience with your organization. This could be opinions, feelings, expectations, etc. It can be positive, negative, or neutral.

- **Direct Feedback:** This is feedback that you ask your customers for. You are more in control as you get to decide the format and themes. Examples include surveys, focus groups, and interviews.
- **Indirect Feedback:** This is feedback that you haven't explicitly asked for, though in many cases you need to actively go looking for this kind of feedback. Examples include social media activity, online reviews, and referrals.

3.2.2 Customer Feedback Important.

Customer feedback can have a positive impact on the success and growth of your business if harnessed correctly. Because in order to provide a customer experience that meets your customers' needs, you first need to know what those needs are. Then, when you create products and/services, fix problems, or make improvements with these needs in mind, your customers are more likely to keep doing business with you and recommend you to others. Customer feedback helps you anticipate your customers' future needs and proactively resolve issues before they bother your customer. Customers also want to be listened to. Research has shown that 77% of consumers think more highly of companies if they reach out to them for feedback and then act on it.

3.3.3 Customer Feedback Collection Methods

Before we go through the different methods, it's worth noting the importance of collecting Omni channel feedback. This means giving customers the opportunity to provide feedback easily and seamlessly, across a wide range of channels, without them having to switch to another platform. This could look like an in-app pop up, an automated telephonic questionnaire following a call with a customer service agent, or an embedded survey in an email. Omni channel feedback gives you more thorough feedback and is more convenient for your customer, therefore it is essential. Now, on to the feedback methods. Here are 6 great ways to gather customer feedback:

Page 79 of 91	Ministry of Labor and Skills Author/Copyright	Cooperative marketing Level -II	Version -1 September, 2022
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- **Surveys:** Surveys are a great way to get answers to the exact questions you want to ask. It's easy to send them out to large groups of people and get a lot of useful insights back. You can deploy Customer Satisfaction survey (CSAT) after specific touch points to get feedback regarding particular areas of your customer experience; this allows you to fix issues in certain areas of your process. For instance, a good time to deploy a survey asking your customers opinions on the delivery process would be immediately following the delivery of a product. You might also send Net Promoter Score (NPS) surveys out periodically, for example, every 6 months. These surveys won't be connected to a specific milestone or touch point, but they will give you feedback on your customers' overall opinions about your company. Another useful survey is the Customer Effort Score (CES), which helps you understand how easy it is for customers to use your products or services.
- **Emails:** Email is a powerful tool to get feedback from your customers. A great time to send out an email is following the purchase of a product, or at another significant touch point like after an interaction with a customer service agent, or after canceling a subscription. These emails are generally automated, making the process even easier. The surveys that you send in these emails should be short and not create too much work for the user. Ideally they should be embedded in the email, meaning your customer doesn't even have to click through to a different page, they can answer from within the email.
- **Interviews and Focus Groups:** Interviews and focus groups are a highly effective form of direct feedback. Due to budget and logistics, they are generally done on a small scale. But while fewer people will be giving their feedback, you might find the insights are richer. Face-to-face or over the phone conversation lets you ask more detailed questions and give the participants the opportunity to respond in-depth. When conducting an interview or a focus group it's essential to go in prepared and keep the conversation focused on getting the answers you need. While some deviation can result in interesting insights, you'll want to avoid going far off topic and missing useful insights.

- Social Media:** It's becoming more and more popular to voice opinions regarding brands on social media. News also travels fast on social media and scathing reviews of brands have been known to go viral, quickly. Common channels where people go to air their views include Facebook, YouTube, Twitter, Instagram, and TikTok. Monitoring your own social media channels and chatter about your brand on other peoples platforms, helps you detect small issues before they turn into big problems. You can also better anticipate any needs that your customers might need and provide them with a proactive customer experience. Customers also expect you to be present for them on these channels. Some studies have even shown that 59% of people perceive brands more favorably if they respond to complaints on social media.
- Website Analytics:** By keeping an eye on your website traffic and the different patterns your customers follow on your site, you can learn a lot about your customers and how they feel about your products and/or services. Analyzing pages that customers spend longer on, or pages where customers abandon the site altogether, shows you what your customers like and what they don't. You can then start to analyze that feedback to see where some of your issues lie within your customer experience journey. It is important to make sure you have the right tools in place to monitor your analytics. There are also a number of external factors impacting how people use the web. Therefore you should take into consideration the context that exists around your insights as you analyze.
- Free-Text Feedback:** There are a number of methods customers can use to leave feedback in an open way. This can include in-app popups, feedback buttons, feedback sites like G2, product request forms, and more. The idea here is that the customer is given a text box to write what they want. This might be prompted by something like a request for the customer to describe the problem they are experiencing. It could also be prompt for them to write their perceived pros and cons of the product they are reviewing. A free-text box means the customer is not constrained by one single question. This can sometimes mean that you receive vague feedback, however it can also mean that the customer can give you useful, surprising insights that you might not have thought about on your own.

3.3.4 Conclusion

Collecting customer feedback is non-negotiable if you want to create a customer-centric culture that leads to increased growth and profits. Fortunately there are many methods you can use to gather customer feedback. What matters most however, is that when you receive the feedback, you analyze it for insights. How you analyze it also matters. AI-powered analysis tools will always be the best option when dealing with large amounts of unstructured qualitative and quantitative data. Customer feedback comes in many different forms, but it can be organized into two main categories:

3.4.5 Collecting feedback from customers.

Even large companies, manufacturers and multi-million businesses know how valuable customers are. The logic is easy to understand; without customers, there is no business. Aside from having good and quality products, businesses that succeed are those that know how to value and serve their customers well. The way to serve your customers better is to know what their needs and opinions are. Since nobody can tell you what the customers' needs are except the customers themselves, it is important that you make an effort to get their feedbacks.

Collecting and incorporating customer's feedback regarding the services and the products a company provides will help a business succeed in the long run. Encouraging customer feedback will also make your customers feel that they are important to you and your value their opinions. This is also a good way to determine if your management, sales force, promotional strategies, product quality and employees' training and qualifications are effective and good. There are many ways to encourage and collect feedback from your target market. Some methods used by many companies are customer service toll-free numbers that people can call regarding any concern about your company's products and services. Some use brief comment cards. Others, especially businesses with websites, use online survey forms to get the feedback of their customers. No matter what kind of method you use in collecting your customer's feedback, you should bear in mind that the method should always be in a way that is easy to process and comfortable for the customer. It is also important that the method provides anonymity options as well.

Self-check 3	Written test
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Name..... ID..... Date.....

Directions: Answer all the questions listed below.

Test I: Short Answer Questions (10 point)

- list the six different categories of customer feedback tools

- List ways to gather customer feedback?

Note: Satisfactory rating - 10 points

Unsatisfactory - below 10 points

Operation Sheet 3

3.1 Methods Customer Feedback

A. Tools and equipment's

- I. Internet
- II. Stationaries
- III. Mopinion:
- IV. Camera

B. The Methods to gather customer feedback

Step 1 Surveys: Surveys are a great way to get answers to the exact questions you want to ask. It's easy to send them out to large groups of people and get a lot of useful insights back. You can deploy Customer Satisfaction survey (CSAT) after specific touch points to get feedback regarding particular areas of your customer experience; this allows you to fix issues in certain areas of your process. For instance, a good time to deploy a survey asking your customers opinions on the delivery process would be immediately following the delivery of a product. You might also send Net Promoter Score (NPS) surveys out periodically'

Step 2 Emails: Email is a powerful tool to get feedback from your customers. A great time to send out an email is following the purchase of a product, or at another significant touch point like after an interaction with a customer service agent, or after canceling a subscription. These emails are generally automated, making the process even easier. The surveys that you send in these emails should be short and not create too much work for the user.

Step 3 Interviews and Focus Groups: Interviews and focus groups are a highly effective form of direct feedback. Due to budget and logistics, they are generally done on a small scale. But while fewer people will be giving their feedback, you might find the insights are richer. Face-to-face or over the phone conversation lets you ask more detailed questions and give the participants the opportunity to respond in-depth.

When conducting an interview or a focus group it's essential to go in prepared and keep the conversation focused on getting the answers you need. While some deviation can result in interesting insights, you'll want to avoid going far off topic and missing useful insights.

Step 4 Website Analytics: By keeping an eye on your website traffic and the different patterns your customers follow on your site, you can learn a lot about your customers and how they feel about your products and/or services. Analyzing pages that customers spend longer on, or pages where customers abandon the site altogether, shows you what your customers like and what they don't. You can then start to analyze that feedback to see where some of your issues lie within your customer experience journey.

Step 5 Free-Text Feedback: There are a number of methods customers can use to leave feedback in an open way. This can include in-app popups, feedback buttons, feedback sites like G2, product request forms, and more. The idea here is that the customer is given a text box to write what they want. This might be prompted by something like a request for the customer to describe the problem they are experiencing. It could also be prompt for them to write their perceived pros and cons of the product they are reviewing. A free-text box means the customer is not constrained by one single question.

Lap Test 3	Performance Test
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Name.....

ID.....

Date.....

Time started: _____ Time finished: _____

Instructions: Given necessary templates, tools and materials you are required to perform the following tasks within **1 hour**. The project is expected from each student to do it.

3.1 Task-1 conduct Methods of Customer Feedback

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The experts who developed the learning guide

No	Name	Qualification	Educational background	Region	Phone No.	E-mail
1	Samuel Kibebew	MBA	Marketing Management	Oromia	0910177704	saminrd2010@gmail.com
2	Nega Endale	MA	Cooperative Marketing	Oromia	0911023981	negaendale@yahoo.com
3	Bereket Habtamu	MBA	Marketing Management	Oromia	0917859853	berekethabtamu2020@gmail.com
4	Mihiretu Sahilu	MBA	Marketing Management	Oromia	0922598278	mihiretusbb@gmail.com
5	Alemu Desalegn	MBA	Marketing Management	Oromia	0928601976	
6	Awol Kedir	BA	Marketing Management	Oromia	0919224027	Yeroosanawal@gmail.com
7	Tilaye Birhanu	Bsc	Agribusiness and value chain management	Oromia	0946301222	tilayebire2009@gmail.com