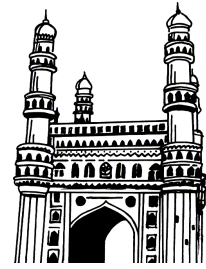


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2. Explain briefly about various marketing concepts.

Ans : (Jan.-20)

Refer Unit-I, Q.No. 10

3. Define societal marketing concept. State the objective of societal marketing concepts.

Ans : (June-16, Imp.)

Refer Unit-I, Q.No. 12

4. Explain role of marketing in the Economic development.

Ans : (Dec.-20, Dec.-16, Imp.)

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5. Define Rural marketing. Explain the Nature & Features of rural marketing.

Ans : (Dec.-20)

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Ans : (Jan.-18, Dec.-15, Imp.)

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1. "Micro environmental factors are very crucial for a business to operate smoothly" comment on the statement.

Ans : (Dec.-20, June-20, Imp.)

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4. What is WTO. Explain its objectives and functions of WTO?

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5. State the Benefits of Market Segmen- tation.

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6. What are the bases for Market Segmentation.

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7. Explain Variables Requirements for Effective Segmentation.

Ans : (Dec.-20, Imp.)

Refer Unit-III, Q.No. 13

8. What is meant by product Positioning? How do you position a product .

Ans : (Dec.-20, Jan.-18, Dec.-16, Dec.-15, Imp.)

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1. Explain the nature of consumer behaviour.

Ans : (Dec.-20, Dec.-15, Imp.)

Refer Unit-IV, Q.No. 2

2. Explain the scope of Consumer Behaviour.

Ans : (Dec.-20, Dec.-15, Imp.)

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Ans : (Dec.-18, Dec.-16)

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Ans : (Jan.-20, Jan.19, Dec.15, Imp.)

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Ans : (Dec.-20, Jan.-20, Jan.-16, Dec.-15)

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Ans : (Jan.-20, Jan.-16, Dec.-15)

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Ans : (Dec.-20, Jan.-20, June-16, Jan.-16, Dec.-15, Imp.)

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UNIT I

INTRODUCTION

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1.1 INTRODUCTION TO MARKETING

1.1.1 MEANING AND DEFINITION OF MARKETING

**Q1. What do you understand by market?
Explain different types of markets.**

Ans :

Introduction

We use a large variety of goods and services in our daily life. These include items like toothpaste, toothbrush, soap, oil, clothes, food items, telephone, electricity and many more. How do all these goods and services reach our home? Obviously the business houses who produce the goods and services have to ensure that these are to be sold, and so they have to make the consumers/users aware of their products and place them at points convenient to the consumers. This involves a number of activities such as product planning, pricing, promotion, use of middlemen (wholesalers, retailer etc.) for sale, warehousing, transportation etc. All these activities taken together are termed as Marketing.

Market

The word 'Market' was derived in English from Latin word 'Marcatus'. Its meaning is trading or place of transaction. As the word 'Marketing' has been formed from the 'market', it is necessary to be clear about the concept of market in marketing subject

The term 'market' has traditionally been used to describe a place where buyers and sellers gather to exchange goods and services, e.g., a fruit and vegetable market or a stock market.

In marketing, the term market refers to the group of consumers or organisations that is interested

in the product, has the resource to purchase the product, and is permitted by law and other regulations to acquire the product.

Definitions of Market

- i) **According to Philip Kotler**, "A market consists of all the potential customers sharing a particular need or wants to might be willing and able to engage in exchange to satisfy that need or want".
- ii) **Clark and Clark** "A market is a center about which or an area in which the forces leading is exchange of title of a particular product operate and towards which the actual goods trend to travel".
- iii) **According to Pyle**, "Market includes both place and region in which buyer and seller are in free competition with one another".

Types of Markets

Generally markets are divided into 4 categories :

1. Consumer markets
2. Business markets
3. Global markets
4. Non profit and government markets

1. Consumer Market

Companies selling mass consumer goods and services such as soft drinks, cosmetics, air travel and equipment spend a great deal of time trying to establish a superior brand image. But brand strength depends on developing a product and packaging, availability, communication and reliable service.

2. Business Market

Companies selling business goods and services often face well trained and well informed professional buyers who are in evaluating competitive offerings. Business buyers buy goods in order to make or resell a product to others at a profit. Business marketers must demonstrate how their products will help these buyers achieve higher revenue or low costs.

3. Global Markets

Companies selling goods and services in the global market place face additional decisions and challenges. They must decide which in countries how to enter each country, how to adopt their products and service features to each country. How to price their products in different countries and how to adopt their communications to fit different cultures. These decisions must be made in the face of different requirements for buying, negotiating, owning and disposing of property, different culture, language, legal and political systems and currency value.

4. Non Profit and Government Markets

Companies selling their goods to nonprofit organizations such as Churches, Universities, Charitable organizations or government agencies need to price carefully because these organizations have limited purchasing power. Lower prices affect on the features and qualities of products.

promoting, selling, and distributing your products or services.

Definitions of Marketing

- (i) **According to American Management Association (AMA)**, "The performance of business activities that direct the flow of goods and services through producers of users" Product Orientations".
- (ii) **According to Philip Kotler**, "Marketing is analyzing, organizing, planning and controlling of the firms customer impinging resources, policies, activities with a view to satisfy the needs and wants of chosen customer groups at a profit".
- (iii) **According to E. Clark**, "Marketing consists of those efforts which affect transfer in ownership of goods and care for their physical distribution".
- (iv) **According to Cundiff & Still**, "Marketing is the business process by which products are matched with markets and through which transfer of ownership are affected".
- (v) **According to American Marketing Association**, "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large".
- (vi) **According to William. J. Stanton**, "Marketing is a total system of interacting business activities designed to plan, price, promote and distribute wants-satisfying products and services to present and potential customers".

Q2. Define Marketing.**(OR)**

What do you understand by marketing ?

*Ans :***(Jan.-18)**

Many people think of marketing only as selling and advertizing. But in old sense marketing is telling and selling. But the new sense tells telling and selling and satisfying the customer needs.

Marketing is the process of interesting potential customers and clients in your products and/ or services. Marketing is the process of developing and communicating value to your prospects and customers. The key word in this marketing definition is "process"; marketing involves researching,

Q3. Explain the Nature of Marketing.*Ans :***(i) Specialized Business Function**

In the early days, the selling function did not call for any specialized skills as the sales could have been affected on production-basis. But now the business environment has undergone tremendous changes in social, economic, political and cultural aspects.

The management of a firm, therefore, has to develop a particular organization with

a view to absorbing new ideas, new approaches and new market demands.

(ii) Socially Desirable function

It requires constant interaction with the various strata of society. It is instrumental in manipulating the factors of production, distribution, promotion and price, and also in influencing the patterns of consumption and consumer attitudes.

(iii) Integrative Function

It integrates and combines the other business functions like production, finance, personnel, R & D etc. with a view to accomplishing the organizational objectives.

(iv) Reflects the Business Mission

Marketing reflects the business mission of a firm before the public and society.

(v) Adoption to Environmental Variables

It is said that change is the only basic law of economics. Marketing, which is the art of distributing the products and services among the various customers, has also have only one basic law of change.

(vi) Universal Function

It has a universality in the sense that it can be applied to both profit-motive and non-profit motive organizations. A profit-seeking business unit is dependent on marketing. The institutions like hospital, school, university, or political association also practice marketing in popularizing the services offered by them.

vii) Management Function

Marketing is a management function like the management of other functions such as production, finance, personnel, etc. The business policies, strategies and programs related to marketing are mostly of managerial functions. These are needed to be planned, organized, directed, coordinated, and controlled so as to achieve the marketing objectives.

1.1.2 Scope of Marketing

Q4. Explain briefly about scope of marketing.

Ans :

1. Goods

Physical goods constitute the bulk of most countries' production and marketing effort.

The United States produces and markets billions of physical goods, from eggs to steel to hair dryers. In developing nations, goods - particularly food, commodities, clothing, and housing - are the mainstay of the economy.

2. Services

As economies advance, a growing proportion of their activities are focused on the production of services. The U.S. economy today consists of a 70-30 services-to-goods mix. Services include airlines, hotels, and maintenance and repair people, as well as professionals such as accountants, lawyers, engineers, and doctors. Many market offerings consist of a variable mix of goods and services.

3. Experiences

By orchestrating several services and goods, one can create, stage, and market experiences. Walt Disney World's Magic Kingdom is an experience; so is the Hard Rock Cafe.

4. Events

Marketers promote time-based events, such as the Olympics, trade shows, sports events, and artistic performances.

5. Persons

Celebrity marketing has become a major business. Artists, musicians, CEOs, physicians, high-profile lawyers and financiers, and other professionals draw help from celebrity marketers.

6. Places

Cities, states, regions, and nations compete to attract tourists, factories, company headquarters, and new residents. The marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising, public relations agencies.

7. Properties

Properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds). Properties are bought and sold, and this occasions a marketers put the effort by real estate agents (for real estate) and investment companies and banks (for securities).

8. Organizations

Organizations actively work to build a strong, favorable image in the mind of their publics. Philips, the Dutch electronics company, advertises with the tag line, "Let's Make Things Better." The Body Shop and Ben & Jerry's also gain attention by promoting social causes. Universities, museums, and performing arts organizations boost their public images to compete more successfully for audiences and funds.

9. Information

The production, packaging, and distribution of information is one of society's major industries. Among the marketers of information are schools and universities; publishers of encyclopedias, nonfiction books, and specialized magazines; makers of CDs; and Internet Web sites.

10. Ideas

Every market offering has a basic idea at its core. In essence, products and services are platforms for delivering some idea or benefit to satisfy a core need.

Q5. What are the differences between market and marketing.

(OR)

Compare and contrast Market and Marketing.*Ans :*

S.No.	Basis for Comparison	Market	Marketing
1.	Meaning	Market is defined as an arrangement whereby buyers and sellers meet each other to conclude the transaction.	Marketing is a function that identifies human and social needs and satisfies them.
2.	What is it ?	A set up i.e. a place, creating utility.	A set of processes, i.e. a means of
3.	Process	Market is a process, that fixes the price of commodities through demand and supply forces.	Marketing is a process that analyses, creates, informs and delivers value to the customer.
4.	Concept	Market is a narrow concept. includes diverse activities.	Marketing is a wide concept that
5.	Consistency	Market varies by products, place, factors and so on.	Marketing philosophy remains same, no matter where it is applied.
6.	Facilitates	Trade between parties.	Link between customer and company.

1.2 EVOLUTION OF MARKETING CONCEPTS**Q6. Explain the evolution of marketing.***Ans :*

Marketing has changed over the centuries, decades and years. The production centered system systematically changed into relationship era of today and over the period; the specializations have emerged such as sales versus marketing and advertising versus retailing. The overall evolution of marketing has given rise to the concept of business development. Marketing has taken the modern shape after going through various stages since last the end of 19th century. The Production oriented practice of marketing prior to the twentieth century was conservative and hidebound by rules-of-thumb and lack of information.

Science & technology developments and specially the development of information technology have now changed the way people live, the way people do business and the way people sell and purchase. Following is a short summary of the various stages of evolution of marketing.

1. Production Orientation Era

The prevailing attitude and approach of the production orientation era was -"consumers favor products that are available and highly affordable". The mantra for marketing success was to "Improve production and distribution". The rule was "availability and affordability is what the customer wants". The era was marked by narrow product-lines; pricing system based on the costs of production and distribution, limited research, primary aim of the packaging was to protect the product, minimum promotion. Advertising meant, "Promoting products with a lesser quality.

2. Product Orientation Era

The attitude changed slowly and approach shifted from production to product and from the quantity to quality. The prevailing attitude of this period was that consumers favor products that offer the most quality, performance and innovative features and the mantra for marketers was 'A good product will sell itself', so does not need promotion.

3. Sales Orientation Era

The increased competition and variety of choices / options available to customers changed the marketing approach and now the attitude was "Consumers will buy products only if the company promotes/ sells these products". This era indicates rise of advertising and the mantra for marketers was "Creative advertising and selling will overcome consumers' resistance and convince them to buy".

4. Marketing Orientation Era

The shift from production to product and from product to customers later manifested in the Marketing Era which focused on the "needs and wants of the customers" and the mantra

of marketers was 'The consumer is king! Find a need and fill it'. The approach is shifted to delivering satisfaction better than competitors.

5. Relationship Marketing Orientation Era

This is the modern approach of marketing. Today's marketer focuses on needs/ wants of target markets and aims at delivering superior value. The mantra of a successful marketer is 'Long-term relationships with customers and other partners lead to successes

The following sentences summarize the above evolution of marketing.

- i) **Production era:** 'Cut costs, Profits will take care of themselves'
- ii) **Product era:** 'A good product will sell itself'
- iii) **Sales era:** 'Selling is laying the bait for the customer'
- iv) **Marketing era:** 'The customer is King!'
- v) **Relationship marketing era:** 'Relationship with customers determine our firm's future'.

1.2.1 Objectives of marketing

Q7. What are the objectives of marketing?

Ans : (Jan.-18)

A company must be clear with its marketing objectives and it these objectives must fit in with the overall business objectives for formulation of proper business strategy. The objectives of marketing the company must take care are:

1. Creation of Demand

The marketing management's first objective is to create demand through various means. A conscious attempt is made to find out the preferences and tastes of the consumers by the company. Demand for the products and services are created by informing the customers their utility. According the products and services are produced to satisfy the needs of the customers.

2. Customer Satisfaction

The first and foremost marketing manager must study the demands of customers before offering any product or services. Marketing begins and ends with the customer. Satisfaction of the customers is outcome of understanding of needs and meeting them successfully.

3. Market Share

Every business aims at increasing its market share. It is the ratio of its sales to the total sales in the economy. For instance, both Pepsi and Coke compete with each other to increase their market share. For this, they have adopted innovative strategies. These strategies can be adopted in marketing, advertising, sales promotion activities and even through innovative packaging, etc

4. Generation of Profits

The marketing department is the only department which generates revenue for the business. Sufficient profits must be earned as a result of sale of want-satisfying products. If the firm is not earning profits, it will not be able to survive in the market. Moreover, profits are also needed for the growth and diversification of the firm.

5. Public Image

To build up the public image of a firm over a period is another objective of marketing. Goodwill of company is created over a period of time with regular emphasis on customer satisfaction through continuous improvement in product and services. The marketing department provides quality products to customers at reasonable prices and thus creates its impact on the customers

Q8. Explain the advantages of marketing.

Ans :

1. Establishes Brand Recognition

The primary and most important benefit of marketing is brand recognition. Marketing strategies help to imprint a brand in the minds of customers. This ensures that customers seek

a particular brand of a product, rather than the brand seeking out its customers.

2. Gains and Retains Customers

Once a brand has gained its ground and established its customers, marketing enables it to retain its customers. This is essential so that the brand does not lose ground to products that newly come into the market.

3. Identifies Real Customers

Marketing strategies allows the business to identify potential and actual customers. Instead of trying to force a product or service on unwilling customers, marketing helps to target customers who have the real need.

4. Provides Information

Marketing a product is the best way to provide information about it. The salient features of a product or service is what is used to market the product. This will attract customers towards the product.

5. Saves Time

Effective marketing will help to reduce the break-even period of a business. By promoting a product or service through effective marketing, a business can promote its sales and reach its intended client faster.

6. Establishes Trust

Repeated and effective marketing ensures that a product remains in the minds of its intended customers. This in the longer run would help in establishing a brand trust, which would make customers choose the product irrespective of competition. Trust is created over a long period of time and marketing is an effective way in establishing it.

7. Encourages Referrals

Marketing encourages new customers to seek information about the brand. By making a product seen and heard frequently, a business also increases the chances of word-of-mouth referrals. The chances of suggesting an often-seen product is higher when compared to something that you do not see frequently or are unaware of.

8. Addresses Issues

The various means of marketing a product can also act as a means of clearing inhibitions or misunderstandings about the quality or nature of a product or service. Often, marketing can become an effective tool in clarifying misapprehensions relating to a brand.

Effective marketing allows a business to reach its potential customers by fulfilling their needs at the right time. But, how effective or efficient a marketing strategy is, the success of a business will depend on the quality of the product or service it offers. Therefore, only a quality product marketed in the appropriate manner through an effective channel to reach its potential customers at the right time can achieve success.

Q9. Explain the functions of marketing.
(OR)

State the functions of Marketing.

Ans :

(a) Merchandising Functions

The process of the passing of goods to the customer's hands is called the function of exchange. This process can be divided into buying, assembling and selling.

- i) Buying:** Buying is the first step in the process of marketing. A manufacturer has to buy raw materials for production, a wholesaler has to buy goods to be sold to the consumer. Buying involves transfer of ownership of goods from seller to the buyer.
- ii) Assembling:** Assembling means creation and maintenance of the stock of goods, purchased from different sources.
- iii) Selling:** The purpose of selling is to find buyers to whom goods can be sold at a price satisfactory to the seller. At all stages of marketing, it is necessary for someone to sell.

(b) Physical Distribution Functions

This function relates to the process of transporting the goods from the place of

seller to the place of buyer and includes two main functions:

- i) Transportation:** Marketing system requires an economical and effective transportation system. A good system of 'transportation' increases the value of goods by the creation of place of utility.
- ii) Storage and Warehousing:** Goods must be stored for different reasons, goods produced seasonally may be used throughout the year, goods meant for use during the short period may be produced over the longer period, manufacturer store raw materials for ready supply are also stored in the hope of getting a higher price in future.

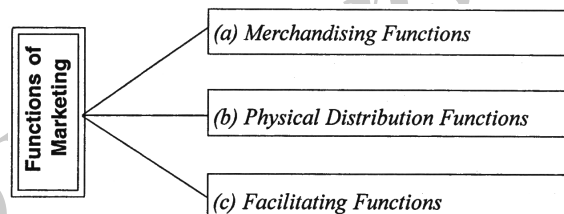


Fig.: Functions of Marketing

(c) Facilitating Functions

These functions make the marketing process easy and include financing, risk bearing, standardization, pricing, branding advertising, salesmanship, sales promotion, packaging, market information, marketing research and marketing intelligence.

- i) Financing:** It is very difficult to carry on marketing activities smoothly without the availability of adequate and cheap finance. Commercial Banks, Co-operative credit Societies and government agencies arrange for short-term finance, medium term, finance and long term finance to facilitate marketing.
- ii) Risk-Bearing:** Marketing of goods involves innumerable risks due to theft, distortion accidents etc. The most important factor responsible for the risk is fluctuation in prices. The other factor, competition in the market, change in habits of the consumers, natural calamities etc.

- iii) **Standardization:** This has now been accepted as an ethical basis of marketing. A standard is a measure that is generally recognized as model for comparison. Standards are determined on the basis of color, weight, quality and other factors of a product.
- iv) **Pricing:** Pricing is also an important function which is closely relating to selling. Price policy of the concern directly affects the profit element. In determining price policy, several factors are to be borne in mind such as cost of the product competitor's prices, marketing policies, government policy, or convenient pricing.
- v) **Branding:** Branding is the management process by which a product is branded. It is a general term covering various activities such as giving a brand name to a product, designing a brand mark and establishing and popularizing it.
- vi) **Advertising:** Any paid form of non-personal communication of ideas, goods or services by business firms are identified in the advertising message intended to lead to a sale immediately or eventually. The main purpose of every commercial organization is to promote sales because it is the only way to commercialize the product. Any activity towards sales-promotion may be called promotional activities. Such promotional activities are advertising sales promotion and personal selling which generally constitute the promotional mix, within the marketing mix. Advertising and sales promotion are indirect and non personal methods, while personal selling is direct and personal method of sales promotion.
- vii) **Salesmanship:** Salesmanship is neither an art nor is completely based on scientific principles. It is a combination of both. A salesman must possess inborn talents and must have a real interest in the profession. Salesman comes in

contact with the number of persons, guides and advises them to purchase goods of the producer to whom he represents, convinces them, describes them the attractive and positive features of the products and pre-sale and after sale services and thus makes a sale.

- viii) **Sales Promotion:** Sales promotion and personal selling are parts of promotional mix. Sales promotion techniques are indirect and non-personal. While personal selling is quite direct and personal. The main purpose of the sales promotion activities is to stimulate consumers and dealers effectively. Sales promotion directed at consumers may be done with a view to increase the products rate of use among existing consumer product.
- ix) **Packaging:** A good package is the representation of the artistic combination of the designer's creative skills and the product and marketing and sales knowledge of the manufacturer's management team. The development of packaging is the sum total of the talents of the designer, the researcher, the technician, the advertising man, the top management. At times, it may include in the team the use of packaging committee and packaging directions, the role of independent decisions and the delegation of market research in the solution of packaging problems. Packaging may be defined as the general group of activities in product planning which involve designing and producing the container or wrapper for a product.
- x) **Market Information:** Marketing requires information such as the number of consumers, their locations, purchasing power, product and brand preferences, tastes, habits and so on.
- xi) **Marketing Research:** Marketing research is a systematic method of problem analysis, model building and fact finding for the purpose of improved decision making and control in the marketing of goods and services.

xii) Marketing Intelligence: Marketing intelligence system "is a set of procedures and sources used by managers to obtain their everyday information about pertinent development in the marketing environment". While the external records system supplies results data, the marketing intelligence system supplies happenings data. Marketing managers carry on marketing intelligence mostly on their own by reading books, newspapers and trade publications, talking to customers, suppliers, distributors, and other outsiders and talking with other managers and personnel within the company. Yet this system is casual and valuable information could be lost or arrive too large. Well, run Companies take additional steps to improve the quality and quantity of marketing intelligence.

1.3 MARKETING CONCEPTS

1.3.1 Production, product, selling and marketing concept

Q10. Explain briefly about various marketing concepts.

(OR)

Explain various marketing concepts as per its evolution.

Ans : (Jan.-20)

1. Production Concept

Production concept lays emphasis on affordability and availability of products. Affordability is possible by reducing cost of production by producing large quantities and achieving mass production. Availability is possible by mass distribution by making the product widely available. This philosophy states that any amount of goods produced will sell if it is available and affordable to customer

The production concept is almost distinct now with companies paying more and more attention to the customer as the basic ideology here is customers will choose products and services that are widely available and are of economical. So business is mainly concerned

with making as many units as possible. By concentrating on producing maximum volumes, such a business aims to maximize profitability by exploiting economies of scale. This seems a viable strategy in developing markets i.e. India, Brazil, Russia, China, and South Africa. The Mantra for this concept is "Low cost and mass production" as rightly proven by Lenovo computers of China.

2. Product Concept

During production concept supply increased over demand. Gradually low cost and availability couldn't ensure increase in sale and survival along with growth of the firm. The companies had to innovate products and started giving more choices to customers which lead to product concept. This concept is based on the philosophy that consumers will prefer products that have better quality, performance and features. It emphasises on innovation to produce better quality products. It believes in the ideology that a "good product will sell itself" as rightly proven by Apple and Google brands. Both of these companies have strived hard on their products and deliver customers rich feature, innovative and diverse application products that people just love these brands. So a good product backed by right price and proper distribution and promotion will sell in the market and need not to be low priced (production concept) to sell in market. Thus product improvement became the key to profit maximisation for firms in product concept.

3. Selling Concept

With the passage of time marketing environment further underwent changes, competition was constantly increasing and just the improvement in product and making it available to customers was not working. There was something more required then just a quality product for the survival and growth of the companies as large number of sellers started manufacturing quality product. Something more was required to persuade the customers now. Business philosophy changed it was believed that customer would

not buy or would not buy enough until or unless they are convinced and influenced to do so. Therefore, Selling is the act of influencing a customer to buy a product or service. Businesses had to concentrate on ways of selling their products.

The concept is based on the belief that customers, be individual or organizations will not buy enough of the organization's products unless they are persuaded to do so. So organizations should undertake selling and promotion of their products for success. Thus making good products was not enough rather focus changed to pushing the sales of products through aggressive selling. The selling effort is supported by promotional activities and aggressive advertising. The company does not consider the needs and wants rather thinks that anything and everything can be sold. This concept can also be applied in the firms having over capacity in which their goal is to sell what they produce than what the customer really wants.

For example this concept is effectively applicable in the cases of unsought goods like life insurance, vacuum cleaner, fire fighting equipment's including fire extinguishers where the customer doesn't need them but if persuaded constantly the customer buys them. The disadvantage with this approach is that it assumes that customer will certainly buy the product after due persuasion and if dissatisfied will not speak to others, which is not true.

4. Marketing Concept

By this time customers were fed up of too much influence of the salesman during purchase of products which led to unnecessary purchase that did not meet customer's needs and wants. Customers expected that companies should be more responsible enough to understand their actual needs and wants rather than imposing products on them. The marketing concept proposes that the success of the firm depends on how well it understands the needs and wants of the customers and how successfully

it converts these needs into products and services that will satisfy the customer's requirements.

Marketing starts before the product service or solution is ready and continues even after the sale has been made. In marketing company makes honest efforts towards retaining the customers and also attracting new ones. Customer satisfaction is the strongest pillar of marketing where company assures that customers are satisfied after buying a product or service. This is a customer centric approach rather than product centric one. In marketing concept customer satisfaction is the focal point and all decision making based on it. Decisions like the product to be produced, with the features to be included. The price and the place to be sold all depends on the customers. For example if customer is in need of a pen, pencil and eraser all in one Linc pens have met that need of customers. If customers want triple door in refrigerators LG, Godrej, Hitachi companies will produce them to satisfy their needs and wants. These companies spend a lot on research to understand and meet customers' requirements.

1.3.2 Marketing Myopia

Q11. Define marketing myopia.

Ans : (Jan.-18, Dec.-16, Dec.-15, Imp.)

At this stage, it would be appropriate to get into the idea of Marketing Myopia.

It is a term coined by Prof. Theodore Levitt. He explained it as a crooked perception of marketing and a short-sighted view of business. It is caused by an excessive emphasis by the firm on the 'product'.

It makes the firm almost forget the existence of the customer and the fact that the product after all is just a means for satisfying - particular need of the customers. Marketing Myopia and the Product Concept go hand in hand, the former embodying the pitfalls resulting from the latter.

Prof. Levitt pleads that this myopia is to be avoided if one wants to get a correct understanding of Marketing. Mocking at firms/marketers who are

totally engrossed with the product and forget the consumer for whom the product is meant.

Levitt says: They don't get as excited about their customers in their own backyard as about the oil in the distant Sahara desert.

1.3.3 Societal marketing concept

Q12. Define societal marketing concept. State the objective of societal marketing concepts.

(OR)

What is meant by societal marketing. Discuss its objectives.

Ans :

(June-16, Imp.)

Societal marketing concept is the last in the series of six concepts of marketing that are already in vogue. It represents yet another distinct orientation towards the customer and marketing.

As the name indicates, it represents a further broadening of the marketing concept. It can be described as 'marketing concept expanded with societal orientation', where by a company can satisfy its customers and at the same time fulfill its responsibility to society.

This idea has been gaining recognition due to the growing realisation that marketing cannot stop with customer considerations alone, but has to include societal considerations as well. It should not be excessively oriented to enhancing the financial returns of the firm ignoring the impact of the efforts on society. In order that the future will be safe for them, firms must follow operating practices that simultaneously advance the economic and social conditions in the communities in which they operate, even while enhancing the companies' own competitiveness and profitability. They must have a shared vision with the larger community and vote for shared value creation. They must recognise and try to expand the connections between their progress and societal progress.

Objectives

- To maintain a long-term relationship with customers.
- To create a better image in the society for the company than its competitors.
- To carry out its social responsibilities.
- Developing community awareness towards its brands.
- To carry out its social responsibilities.
- To increase the consumer base and market share.

Q13. Difference between selling and marketing.

Ans :

(Dec.-20)

S.No.	Selling	S.No.	Marketing
1.	Selling starts with the seller, and is preoccupied all the needs of the seller and the seller's existing products.	1.	Marketing starts with the buyers and focuses constantly on their needs.
2.	Seller is the centre of the business universe. activities follow the buyer and his needs.	2.	Buyer is the centre of the business universe;
3.	Emphasis is on saleable surplus available with the corporation. market opportunity. 'needs' into 'products'.	3.	Emphasis is on identification of a customer need/ The aim is to convert customer

4.	Concerns itself with just the tricks and techniques of getting the customers to part with their cash for the products available with the salesman.	4.	Concerns itself with fulfilling the needs of the customers.
5.	Views business as a 'goods producing process'. Over-emphasises the 'exchange' aspect, without caring for the 'value satisfactions' inherent in the exchange.	5.	Views business as a 'customer satisfying process'. Concerns itself primarily and truly with the 'value satisfactions' that should flow to the customer from the exchange.
6.	Sellers' requirement and preference dominates the formulation of the 'marketing mix'.	6.	Buyer determines the shape the 'marketing mix' should take.
7.	The firm makes the product and then figures out how to sell it.	7.	The product is determined by the buyer. The 'product' is the consequence of the marketing effort; the marketing effort leads to products that the customers actually want to buy in their own interest.
8.	Emphasis is on staying with the existing technology and reducing costs.	8.	Emphasis is on innovation in every sphere; on providing better value to the customer by adopting better technology.
9.	Distribution functions are perceived as mere extensions of the production function.	9.	They are seen as vital services to be provided to the customer, keeping customer's convenience in focus.
10.	Sellers' motives dominate marketing communication.	10.	Marketing communications is looked upon as the tool for communicating the benefits/satisfactions provided by the product.
11.	Cost determines the price.	11.	Consumer determines price; price determines costs.
12.	Emphasis is on 'somehow selling'; there is no coordination among the different functions of the total marketing task.	12.	Emphasis is on integrated marketing; covering all the 4Ps.
13.	'Selling' views the customer as the last link in the of business.	13.	'Marketing' views the customer as the very purpose the business; sees the business from the point of view of the customer; customer consciousness permeates the entire organisation all departments and all people in the organisation all the time. All are organised around the marketing function.

1.4 ROLE OF MARKETING IN ECONOMIC DEVELOPMENT

Q14. Explain role of marketing in the Economic development.

(OR)

What is the role of marketing in the process of Economic development.

(OR)

Discuss the role of marketing in Economic Development.

Ans : (Dec.-20, Dec.-16, Imp.)

Marketing has acquired an important place for the economic development of the whole country. It has also become a necessity for attaining the object of social welfare.

As a result of it, marketing is considered to be the most important activity in a business enterprise while at the early stage of development it was considered to be the last activity. For convenience, the importance of marketing may be explained as under:

i) Delivery of standard of living to the society

A society is a mixture of diverse people with diverse tastes and preferences. Modern marketing always aims for customer satisfaction. So, main liability of marketing is to produce goods and services for the society according to their needs and tastes at reasonable price.

Marketing discovers needs and wants of society, produces the goods and services according to these needs creates demand for these goods and services. They go ahead and promote the goods making people aware about them and creating a demand for the goods, encouraging customers to use them. Thus, it improves the standard of living of the society.

ii) Decrease in distribution cost

Second important liability of marketing is control the cost of distribution. Through effective marketing the companies can reduce their distribution costs to a great extent. Decrease in cost of distribution directly affects the prices of products because the cost of distribution is an important part of the total price of the product.

iii) Increasing employment opportunities

Marketing comprises of advertising, sales, distribution, branding and many more activities. So the development of marketing automatically gives rise to a need for people to work in several areas of marketing. Thus the employment opportunities are born. Also

successful operation marketing activities requires the services of different enterprises and organisation such as wholesalers, retailers, transportation, storage, finance, insurance and advertising. These services provide employment to a number of people.

iv) Protection against business slump

Business slump cause unemployment, slackness in the success of business and great loss to economy. Marketing helps in protecting society against all these problems.

v) Increase in national income

Successful operation of marketing activities creates, maintains and increases the demand for goods and services in society. To meet this increased demand the companies need to increase the level of production in turn raising their income. This increase, in turn, increases the national income. Further effective marketing leads to exports adding to the national income. This is beneficial to the whole society.

1.5 RURAL MARKETING

Q15. Define Rural marketing. Explain the Nature & Features of rural marketing.

Ans : (Dec.-20)

Identifying the needs of customers and potential customers, providing products/services that satisfy their needs, and developing efficient processes or systems to deliver your product/service to the market when, where, and how consumers want it.

Definition

Rural marketing is now a two-way marketing process. There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas. The urban to rural flow consists of agricultural inputs, fast-moving consumer goods (FMCG) such as soaps, detergents, cosmetics, textiles, and so on. The rural to urban flow consists of agricultural produce such as rice, wheat, sugar, and cotton. There is also a movement of rural products within rural areas for consumption.

Nature and Importance of Rural Marketing

In the 21st century, the rural markets have acquired significance. The green revolution and the white revolution combined with the overall growth of Indian economy have resulted into substantial increase in the purchasing power of the rural communities. Rural marketing denotes flow of goods and services from rural producers to urban consumers at possible time with reasonable prices, and agricultural inputs and consumer goods from urban to rural.

It is of paramount importance in the Indian marketing environment as rural and urban markets in India are so diverse in nature that urban marketing programmes just cannot be successfully extended to the rural market. The rural market differs from that of the urban Indian. Further the values, aspirations and needs of the rural people vastly differ from that of the urban population.

Buying decisions are highly influenced by social customer's tradition and beliefs in the rural communities. As regards the purchasing power, the urban markets are segmented according to income levels, but in rural areas, the family incomes are grossly underestimated.

Farmers and rural artisans are paid in cash as well in kind, and they misrepresent their purchasing power. For this reason, a marketer must therefore, make an attempt to understand the rural consumer better before meaning any marketing plans.

Rural markets in India have untapped potential. There are several difficulties confronting the effort to fully explore the rural markets. The concept of rural markets in India is still in evolving shape, and the sector poses a variety of challenges. Distribution costs and non-availability of retail outlets are major problems faced by marketers.

Many successful brands have shown high rate of failure in the rural markets because the marketers try to extend marketing plans that they use in urban areas. The unique consumption pattern, tastes, and need of the rural consumers should be analysed at the product planning stage so that they match the needs of the rural people.

Features

The main reason why the companies are focusing on rural market and developing effective strategies is to tap the market potential, that can be identified as follows:

1. Large and scattered population

According to the 2001 census, 740 million Indians forming 70 per cent of India's population live in rural areas. The rate of increase in rural population is also greater than that of urban population. The rural population is scattered in over 6 lakhs villages. The rural population is highly scattered, but holds a big promise for the marketers.

2. Higher purchasing capacity

Purchasing power of the rural people is on rise. Marketers have realized the potential of rural markets, and thus are expanding their operations in rural India. In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities.

3. Market growth

The rural market is growing steadily over the years. Demand for traditional products such as bicycles, mopeds and agricultural inputs; branded products such as toothpaste, tea, soaps and other FMCGs; and consumer durables such as refrigerators, TV and washing machines has also grown over the years.

4. Development of infrastructure

There is development of infrastructure facilities such as construction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.

5. Low standard of living

The standard of living of rural areas is low and rural consumers have diverse socio-economic backwardness. This is different in

different parts of the country. A consumer in a village area has a low standard of living because of low literacy, low per capita income, social backwardness and low savings.

6. Traditional outlook

The rural consumer values old customs and traditions. They do not prefer changes. Gradually, the rural population is changing its demand pattern, and there is demand for branded products in villages.

7. Marketing mix

The urban products cannot be dumped on rural population; separate sets of products are designed for rural consumers to suit the rural demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumers.

1.5.1 Rural Markets Vs Urban Markets

Q16. List out the Differences Between Rural and Urban Marketing

(OR)

What are the differences between Urban and Rural Market.

Ans :

(Dec.-20, June-16, Imp.)

State the differences between Urban and Rural Market.

S.No.	Rural Marketing	S.No.	Urban Marketing
1.	Create relationship by inclusive growth of product or service.	1.	Create relationship by offering integrated innovation in product or service.
2.	Buyer looks for quality products that offer value for money.	2.	Buyer looks for style, quality and novelty.
3.	Interactive approaches, observation, rating scale are used for research.	3.	Internet, TV channels, mobile, are used for research.
4.	Demographic and geographic segmentation can be the base of divide the market.	4.	Psycho graphic, usage based segmentation is the main base of divide the market.
5.	Create a brand name then capture the market with enough profitability.	5.	Marketing goal is capture market share, image, and profitability.
6.	Primarily appropriate technologies can be used for rural innovation.	6.	Sophisticated technology can be used to create product.
7.	Consumers are too much emotional to take purchasing decision.	7.	Consumers take purchasing decision emotionally and rationally

Q17. What are the Problems in Rural Marketing

Ans :

1. Under developed people and underdeveloped markets

The impact of agricultural technology is not felt uniformly throughout the country. Some districts in Punjab, Haryana and the Western U.P. where the rural consumers are somewhat comparable to their urban counter part; but there are large areas and grown of people who have repaired beyond

the technological breakthrough. In addition, the farmers with small agricultural land holding are also unable to take advantage of the new technology.

2. Lack of power physical communication facilities

Nearly 50 percent of the villages in India do not have all weather roads, physical communication to the villages is highly expensive. Especially during the monsoon 4 months these villages become complete inaccessible.

3. In adequate media coverage for rural-communication

A large number of rural families own radio and TV sets, there are also community radio and TV sets. These have been used to diffuse agricultural technology to rural areas. However, the coverage relating to marketing is inadequate.

4. Many languages and dialects

The number of languages and dialects vary from state to state and region to region. This type of distribution of population warrants appropriate strategies decide the extent of coverage of rural market.

5. Other problems of rural marketing are natural Calamities

Drought or examine rain, epidemics, primitive methods of cultivation, lack of printer storage facilities, transportation problem and inadequate market intelligence, including long chain of intermediaries between cultivator and farmer and wholesaler and retailers.

There are also problems of extending marketing efforts to small villages with 200-500 population. Vast cultural diversity, vastly varying rural demographics, poor infrastructure, low income levels and low levels of literacy often tend to lower the presence of large companies in the rural markets.

Q18. What are the Challenges in Indian Rural market?

Ans :

Rural markets, as part of any economy, have untouched potential. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India is still in evolving shape, and the sector poses a variety of challenges. Distribution costs and non-availability of retail outlets are major problems faced by the marketers. The success of a brand in the Indian rural market is as unpredictable as rain. Many brands, which should have been successful, have failed miserably. This is because most firms try to extend marketing plans that they use in urban areas to the rural markets. The unique consumption patterns, tastes, and needs of the rural consumers should be analyzed at the product planning stage so that they match the needs of the rural people.

Therefore, marketers need to understand the social dynamics and attitude variations within each village though nationally it follows a consistent pattern. The main problems in rural marketing are

- Understanding the Rural Consumer
- Poor Infrastructure
- Physical Distribution
- Channel Management
- Promotion and Marketing Communication

Dynamics of rural markets differ from other market types, and similarly, rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer.

Q19. What are the Strategies to be Followed in Indian Rural Market?

Ans :

(a) Marketing Strategy

Marketers need to understand the psychology of the rural consumers and then act consequently. Rural marketing involves more exhaustive personal selling efforts compared to urban marketing. Firms should abstain from designing goods for the urban markets and subsequently pushing them in the rural areas. To effectively tap the rural market, a brand must associate it with the same things

the rural folks do. This can be done by utilizing the various rural folk media to reach them in their own language and in large numbers so that the brand can be associated with the myriad rituals, celebrations, festivals, "melas", and other activities where they assemble.

(b) Distribution Strategy

One of the ways could be using company delivery van which can serve two purposes - it can take the products to the customers in every nook and corner of the market, and it also enables the firm to establish direct contact with them, and thereby facilitate sales promotion.

However, only the companies having excellent Infrastructure can adopt this channel. The companies with relatively fewer resources can go in for syndicated distribution where a tie-up between non-competitive marketers can be established to facilitate distribution. Annual "melas" organized are quite popular and provide a very good platform for distribution because people visit them to make several purchases.

According to the Indian Market Research Bureau, around 8000 such melas are held in rural India every year. Rural markets have the practice of fixing specific days in a week as Market Days called "Haats" when exchange of goods and services are carried out. This is another potential low cost distribution channel available to the marketers. Also, every region consisting of several villages is generally served by one satellite town termed as "Mandis" where people prefer to go to buy their durable commodities. If marketing managers use these feeder towns, they will easily be able to cover a large section of the rural population.

(c) Promotional Strategy

Marketers must be very careful while choosing the mediums to be used for communication. Only 16% of the rural population has access to a vernacular newspaper. So, the audio visuals must be planned to convey a right message to the rural folk. The rich, traditional media forms

like folk dances, puppet shows, etc., with which the rural consumers are familiar and comfortable, can be used for high impact product campaigns. Radio is also very popular source of information and Entertainment, Adds on radio can also be a helpful tool for marketers.

Q20. Discuss about potential of rural marketing in India.

Ans :

While we all accept that the heart of India lives in its villages and the Indian rural market with its vast size and demand base offers great opportunities to marketers, we tend to conclude that the purse does not stay with them.

Rural marketing involves addressing over 700 million potential consumers and over 40 per cent of the Indian middle income. No wonder, the rural markets have been a vital source of growth for most companies. For a number of FMCG companies is the country, more than half their annual sales come from the rural market.

Among various media of communication, television and radio have played prominent roles in the rural India to-day. In the South, the penetration of satellite television is very high. Due to globalisation, economic liberalisation, IT revolution, female power, and improving infrastructure, middle and rural India today has more disposable income than urban India.

Rural marketing is getting new heights in addition to rural advertising. Rural marketing gives challenge to ensure availability of product or service in India's 6, 27000 villages spread over 3.2 million square kilometers. Marketers have to locate over 700 million rural Indian and finding them is not easy.

The size of the rural market is one that companies cannot afford to ignore, particular, as the number of simple lining in non-metro areas increased by 10 percent over the past decade. Thus, looking at the challenges and opportunities, which rural markets offer to the marketers, it can be said that the future is very promising for those who can understand the dynamics of rural markets and export them to their best advantage.

MANAGE an extension management institution may provide extension services to rural public into information, price information, insurance, and credit information by using various media. "It is often said that markets are made not found. This is especially true for the rural market like India. Rural market is a market for a truly creative marketer. Civilization always begins with the development of villages, therefore, it needs high concentration — Mahatma Gandhi.

Rural marketing is currently growing at about 20% every year and companies are spending amount Rs. 600 crore per years for promotional budget.

1.6 MARKETING MANAGEMENT TASKS

Q21. What are the various marketing Management Tasks?

(OR)

Discuss various marketing Management tasks in detail.

(OR)

Write about various marketing tasks.

Ans : (Jan.-18, Dec.-15, Imp.)

Considering the changes that take place in markets, customers and organizations, large number of marketers like to implement the holistic marketing. The tasks of marketing given below, therefore, relate to the requirements of holistic marketing approach.

Environment Analysis (MIS and Market Research)

There are two aspects of environment analysis: macro environment analysis and micro environment analysis. Organization must institute MIS for marketing for getting information on both macro and micro factors regularly and frequently.

- Macro environment includes: social, cultural, political, economic, legal, technological and demographic factors.
- Micro environment includes: suppliers, company's internal functions, distributors, wholesalers, dealers, retailers, service organizations, customers and competitors.

In addition to MIS on marketing management to facilitate environment analysis, organizations can take help of market research studies to know on market demand in various market segments, existing competitors: their strengths and their share of business, supply-demand gaps, expected share of business, marketing activities required, marketing budgets required etc. Marketers may also like to know about their own organization's internal strengths and capabilities.

Formulation of Marketing Strategies

Strategies to be formulated should aim at: short, medium and long term new product development and introductions, customer segments, positioning, offers differentiation, product mixes, volumes of sales, market shares, prices, margins, revenue and profit earnings.

Marketing Planning and Implementation

Within the framework of marketing strategies, the organization plans its marketing activities which are basically outcome of market mix tools of McCarthy's four Ps of marketing.

These four Ps are: product, price, promotion and place.

- **Product includes:** product types, product models, product mix, product features including service aspects, brand, packaging, warranty etc.
- **Price includes:** list price/price range, discounts, credit terms, finance arrangements etc.
- **Promotion includes:** advertising, promotional campaigns, customer relations, sales staff etc
- **Place includes:** locations, channels, transport, inventories etc

Having worked out the detailed plans of such activities, proper implementation of them is very important. Marketing department will need to be organized according to plan and its implementation requirements.

Strengthening Customer Relationships

It has emerged as an important marketing management task. It is about knowing the customers, understanding their requirements, providing them the best value, getting closer to them and developing long term relationships with them.

Building Strong Brands

Brand is a name, term, design, logo/symbol or any other feature that distinguishes the products and services from those of competitors. It creates certain images of the product in the minds of the customers. With that favorable and strong image of the product, the customers are motivated to buy that particular product. Marketing task is to create such favorable and strong image associated with the brand.

Communicating Value to Customers (Advertising, Product Promotion, Events etc)

It is the value of the products and services that customers want and ultimately feel satisfied with. Therefore, marketing management should communicate as to what kind of value proposition they are offering to the customers via their products and services. For this purpose this organization must devise an integrated marketing communication program. The marketing communication program will be mass as well as personal communication by using judicious mix of advertising in various types of media, product promotion, events, exhibitions, fliers, direct mailers, Internet/emails, interactive marketing. Again, for this purpose the marketing function will have to partner with outside agencies as well as their internal resource personnel.

Delivering Value for Money (VFM) to Customers

This marketing task aims at deciding and implementing the ways and means of delivering the value of their products and services to the customers. It includes channels management. The agencies through which the value will be delivered will include organizations own internal logistics resources and external distributors, wholesalers, dealers, retailers etc. Market task will be to maximize value delivery to the customers using all of these resources.

1.7 MARKETING MIX

Q22. Define Marketing. Explain the features of state Marketing Mix.

Ans :

Marketing Mix is one of the most fundamental concepts in marketing management. For attracting consumers and for sales promotion, every manufacturer has to concentrate on four basic elements/components. These are: product, pricing, distributive channels (place) and sales promotion techniques. A fair combination of these marketing elements is called Marketing Mix. It is the blending of four inputs (4 Ps) which form the core of marketing system.

Definitions

- (i) **According to W. 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 system: the product, the price structure, the promotional activities, and the distribution system."
- (ii) **According to Philip Kotler** "A Marketing mix is the mixture of controllable marketing variables that the firm uses to pursue the sought level of sales in the target market."

Features

1. Combination of four marketing variables

Marketing mix is a combination/integration of four basic marketing variables namely, product, price, promotion and place. These variables are interdependent.

2. Useful for achieving marketing targets

Marketing mix aims at achieving marketing targets in terms of sales, profit and consumer satisfaction. It is rightly said that marketing mix is the marketing manager's instrument for attainment of marketing objectives/targets.

3. Flexible and dynamic concept

Marketing mix is not a rigid combination of four variables. It is in fact a flexible combination of variables.

It is necessary to adjust the variables in the mix from time to time as per the changes

in the marketing environment. It is the continuous monitoring of the marketing mix which facilitates appropriate changes in the mix.

4. Periodical adjustment of variables necessary

Marketing mix variables are interrelated and need suitable adjustments from time to time. Updating of marketing mix is essential for making it a powerful tool for achieving marketing targets. Updating is also essential due to environmental changes taking place within the firm.

5. Marketing manager acts as a mixer of ingredients

A marketing manager has to function as a mixer of marketing ingredients and has to achieve desired results through skillful combination of four Ps. He needs maturity, imagination and intelligence for appropriate blending of the variables.

6. Customer is the focus point

The main focus of marketing mix is the customer. His satisfaction and support are important. Variables of marketing mix are for giving more satisfaction and pleasure to consumers.

7. Variables are interrelated

Marketing mix variables are interrelated. Decisions in one area affect action in the other areas. An integrated approach is needed while making changes in the marketing mix variables.

8. Consumer-oriented activity

Marketing mix is a consumer-oriented activity as its purpose is to give satisfaction and pleasure to consumers. Here, the needs and expectations of consumers are given special attention and 4 Ps are adjusted accordingly.

9. Four Ps of sellers correspond to four Cs of customers

Four Ps in the marketing mix represent the sellers' view of the marketing tools available for influencing buyers. Each tool is designed to deliver a customer benefit.

Q23. What are the Components of Marketing Mix

Ans :

The set of marketing tools – product, price, place and promotion.

1. Product

Product means the good and services combination the company offers to the target market. In developing the product must think about activities.

- Product design, features, brand name, models, style, appearance.
- Product quality.
- Warranty.
- Package: design, material, size, appearance and labeling.
- Service: pre-sale and after-sale, service standards, service charges.

2. Place

Place includes company activities that make the product available to target customers. In this time they should place all the above place activities.

- **Channels of distribution:** Channel design, types of intermediaries, location of outlets, channel remuneration, dealer-principal relations, etc.
- **Physical distribution:** Transportation, warehousing, inventory levels, order processing, etc.

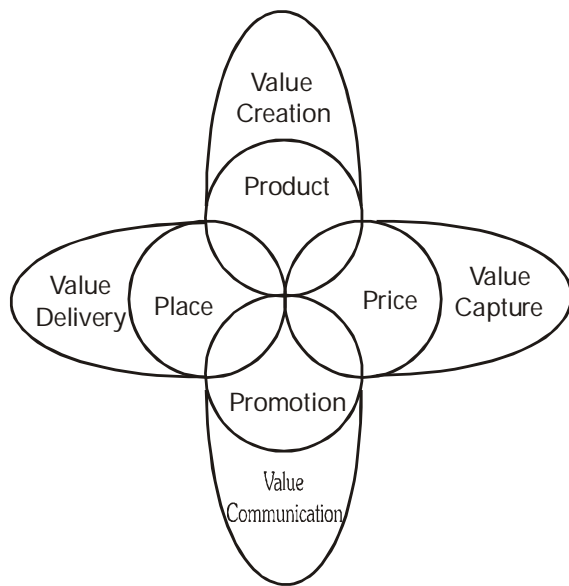


Fig.: Components of Marketing mix

3. Price

The price is the amount of customer who has to pay and obtain the product. They suggested about all the types of prices.

- Pricing policies, margins, discounts and rebates.
- Terms of delivery, payment terms, credit terms and installment purchase facilities; resale price maintenance.

4. Promotions

Promotion means activities that communicate the customers.

An effective marketing program blends all of the marketing mix elements into a co-ordinated program designed to achieve the company marketing objectives by delivering value to consumers. The marketing mix constitutes the company's tactical tool kit for establishing strong positioning in target market.

- Personal selling: Selling expertise, size of sales force, quality of sales force, etc.
- Advertising: Media mix, vehicles, programmes.
- Sales promotion: Gifts, price-offs, coupons, contests, prizes etc. Publicity.

Q24. Write about 7 pc's of marketing mix?

Ans :

The Extended Marketing Mix model (also known as the 7 P's) is a tool which marketers use to define their marketing strategy. It is constructed of the original 4P's (Product, Price, Place and Promotion) and has an added three more elements (People, Process and Physical Evidence) in order to expand its applicability from strictly tangible products, to encompass service related offerings as well.

7 PC's of Marketing Mix

Typically, a marketer will attempt to optimize for five or six of the P's, as it rarely possible to excel in all seven. The seven P's can be adjusted for varying conditions in one's market, or different targets.

1. Product

It has been said that a good product will sell itself. However, since there are many good products available today for any given use, it becomes more important for the seller to ensure that his product is, indeed, what the buyer wants. The marketer must define the characteristics of his product or service that meets the needs of his customers. Function, quality, appearance, packaging, brand, service, support and warranty all come into play.

2. Price

The "going price" for a product or service is not always the best target to focus on. A pricing strategy needs to address competitive pricing, of course, but often, a more expensive product may be seen as superior. Consumers still succumb to discounts and special offers, and most are sensitive to warranty and return questions. All these aspects should be considered when formulating the pricing strategy, as price wars are rarely successful for a company, in the long run.

3. Place

Delivery and timing are important aspects, carrying lot of weight with the consumer. If an order is received late or with missing items, (or) if one must wait two to three weeks for delivery, a customer may be lost.

4. Promotion

Advertising is increasingly more important, as multiple options on many products become available. The best of all the other P's will do little good, if the consumer isn't made aware. Today, this is quite possibly the most important factor of all.

5. People

Particularly when the offering is a service, the people involved in the offering, including the consumer, take on an importance that should not be ignored, as they can offer significant additional value to the product or service.

6. Process

The manner of handling sales, order processing and after-sale service can also be essential elements of the overall marketing strategy.

7. Physical Evidence

Satisfied customers can be the best advertisement, with either tangible products or services. The marketing strategy should include effectively communicating their satisfaction to potential customers.

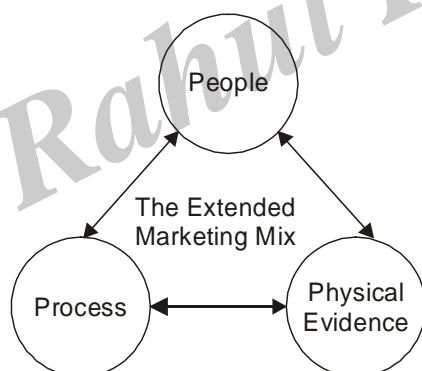


Fig.: Expanded Marketing Mix

1.8 DIRECT MARKETING

Q25. Define Direct marketing. What are the benefits of marketing?

Ans :

Meaning

Direct marketing is about making direct contact with existing and potential customers to

promote your products or services. Unlike media advertising, it enables you to target particular people with a personalized message.

Direct marketing can be cost effective and extremely powerful at generating sales, so it is ideal for small businesses.

Direct marketing uses a variety of different methods. Traditional methods include direct mail and leafleting but email marketing, telephone marketing and mobile and SMS marketing are widely used and provide a cost-effective way to reach your customers on a one-to-one basis.

Benefits**i) Channels**

Any medium that can be used to deliver a communication to a customer can be employed in direct marketing, including

ii) Email Marketing

Sending marketing messages through email or email marketing is one of the most widely used direct-marketing methods. One reason for email marketing's popularity is that it is relatively inexpensive to design, test, and send an email message. It also allows marketers to deliver messages around the clock, and to accurately measure responses.

iii) Mobile

Through mobile marketing, marketers engage with prospective customers and donors in an interactive manner through a mobile device or network, such as a cellphone, smartphone, or tablet. Types of mobile marketing messages include: SMS (short message service) - marketing communications are sent in the form of text messages, also known as texting. MMS (multi-media message service) - marketing communications are sent in the form of media messages.

iv) Telemarketing

Another common form of direct marketing is telemarketing, in which marketers contact customers by phone. The primary benefit to businesses is increased lead generation, which helps businesses increase sales volume and customer base. The most successful telemarketing service providers focus on generating more "qualified" leads that have a higher probability of getting converted into actual sales.

v) Voicemail marketing

Voicemail marketing emerged from the market prevalence of personal voice mailboxes, and business voicemail systems. Voicemail marketing presented a cost effective means by which to reach people directly, by voice. Abuse of consumer marketing applications of voicemail marketing resulted in an abundance of "voice-spam," and prompted many jurisdictions to pass laws regulating consumer voicemail marketing. More recently, businesses have utilized guided voicemail (an application where pre-recorded voicemails are guided by live callers) to accomplish personalized business-to-business marketing formerly reserved for telemarketing. Because guided voicemail is used to contact only businesses, it is exempt from Do Not Call regulations in place for other forms of voicemail marketing.

vi) Couponing

Couponing is used in print and digital media to elicit a response from the reader. An example is a coupon which the reader receives through the mail and takes to a store's check-out counter to receive a discount.

vii) Digital Coupons

Manufacturers and retailers make coupons available online for electronic orders that can be downloaded and printed. Digital coupons are available on company websites, social media outlets, texts, and email alerts. There are an increasing number of mobile phone applications offering digital coupons for direct use.

Daily Deal Sites offer local and online deals each day, and are becoming increasingly popular. Customers sign up to receive notice of discounts and offers, which are sent daily by email. Purchases are often made using a special coupon code or promotional code. The largest of these sites, Groupon, has over 83 million subscribers.

viii) Direct Response marketing

Direct Response Marketing is designed to generate an immediate response from consumers, where each consumer response (and purchase) can be measured, and attributed to individual advertisements. This form of marketing is differentiated from other marketing approaches, primarily because there are no intermediaries such

as retailers between the buyer and seller, and therefore the buyer must contact the seller directly to purchase products or services. Direct-response marketing is delivered through a wide variety of media, including TV, radio, mail, print advertising, telemarketing, catalogues, and the Internet.

ix) Out-of-home

Out-of-home direct marketing refers to a wide array of media designed to reach the consumer outside the home, including billboards, transit, bus shelters, bus benches, aerials, airports, in-flight, in-store, movies, college campus/high schools, hotels, shopping malls, sport facilities, stadiums, taxis - that contain a call-to-action for the customer to respond.

x) Direct Selling

Direct selling is the sale of products by face-to-face contact with the customer, either by having salespeople approach potential customers in person, or through indirect means such as Tupperware parties.

Today, many marketers build long-term relationships with customers. They send birthday cards, information materials, or small premiums. Airlines, hotels, and other businesses adopt frequency reward programs and club programs. Direct marketing is the use of consumer-direct (CD) channels to reach and deliver goods and services to customers without using marketing middlemen.

Direct marketers can use a number of channels to reach individual prospects and customers: direct mail, catalog marketing, telemarketing, interactive TV, kiosks, Web sites, and mobile devices. They often seek a measurable response, typically a customer order, through direct-order marketing. Direct marketing has been a fast-growing avenue for serving customers, partly in response to the high and increasing costs of reaching business markets through a sales force. Sales produced through traditional direct marketing channels (catalogs, direct mail, and telemarketing) have been growing rapidly, along with direct-mail sales, which include sales to the consumer market, B2B, and fund-raising by charitable institutions.

xi) Target Markets and Prospects

Most direct marketers apply the RFM (recency; frequency, monetary amount) formula to select customers according to how much time has passed since their last purchase, how many times

they have purchased, and how much they have spent since becoming a customer. Suppose the company is offering a leather jacket. It might make this offer to the most attractive to customers - those who made their last purchase between 30 and 60 days ago, who make three to six purchases a year, and who have spent at least ` 5,000 since both becoming customers. Points are established for varying RFM levels; the more points, the more attractive the customer.'

Marketers also identify prospects on the basis of age, sex, income, education, previous mail-order purchases, and occasion. College freshmen will buy laptop computers, backpacks, and compact refrigerators; newlyweds look for housing, furniture, appliances, and bank loans. Another useful variable is consumer lifestyle or "passions" such as electronics, cooking, and the outdoors.

Dun and Bradstreet provides a wealth of data for B2B direct marketing. Here the prospect is often not an individual but a group or committee of both decision makers and decision influencers. Each member needs to be treated differently, and the timing, frequency, nature, and format of contact must reflect the member's status and role.

The company's best prospects are customers who have bought its products in the past. The direct marketer can also buy lists of names from list brokers, but these lists often have problems, including name duplication, incomplete data, and obsolete addresses. Better lists include overlays of demographic and psychographic information. Direct marketers typically buy and test a sample before. They can build their own lists by advertising a promotional offer and collecting responses.

xii) Offer Elements

The offer strategy has five elements - the product, the offer, the medium, the distribution method, and the creative strategy. Fortunately, all can be tested. The direct-mail marketer also must choose five components of the mailing itself: the outside envelope, sales letter, circular, reply form, and reply envelope. A common direct marketing strategy is to follow up direct mail with an e-mail.

xiii) Testing Elements

One of the great advantages of direct marketing is the ability to test, under real marketplace conditions, different elements of an offer strategy, such as products, product features,

copy platform, mailer type, envelope, prices, or mailing lists.

Response rates typically understate a campaign's long-term impact. Suppose only 2 percent of the recipients who receive a direct-mail piece advertising Samsonite luggage place an order. A much larger percentage became aware of the product, and some percentage may have formed an intention to buy at a later date (either by mail or at a retail outlet). Some may mention Samsonite luggage to others as a result of the direct-mail piece. To better estimate a promotion's impact, some companies measure the impact of direct marketing on awareness, intention to buy, and word of mouth.

xiv) Measuring Campaign Success: Lifetime Value

By adding up the planned campaign costs, the direct marketer can determine the needed break-even response rate. This rate must be net of returned merchandise and bad debts. A specific campaign may fail to break even in the short run but can still be profitable in the long run if customer lifetime value is factored in by calculating the average customer longevity, average customer annual expenditure, and average gross margin, minus the average cost of customer acquisition and maintenance (discounted for the opportunity cost of money).

xv) Catalog Marketing

In catalog marketing, companies may send full-line merchandise catalogs, specialty consumer catalogs, and business catalogs, usually in print form but also as DVDs or online. Given the fact that the popularity of e-catalogs is increasing in South Asian countries, this business shows signs of a gradual evolution.

There are several Web sites that facilitate e-commerce by publishing e-catalogs. For example, futurebazaar.com provides e-catalogs on its Web site, with lists, photographs, and prices of a large array of products and a payment gateway.

The site promises delivery within seven working days. HomeShop.com is another Web site for cameras, mobile phones, and other electronic items. Phoolwala.com, a Web site for gifting flowers/bouquets, displays flowers on its e-catalog and even classifies them by occasion, feelings, receiver, or zodiac sign.

It promises next-day delivery to most cities in India. Indiamart.com has links to different sites classified as business marketplaces, wholesale catalogs, industry portals, and gift shopping to facilitate e-transactions.

There are also others such as indiagiftsportal.com, which specialize in gift shopping. These Web sites display the products, prices, and delivery details for different occasions, such as Mother's Day and Father's Day, in their e-catalogs. Many direct marketers find combining catalogs and Web sites an effective way to sell.

xvi) Telemarketing

Telemarketing is the use of the telephone and call centers to attract prospects, sell to existing customers, and provide service by taking orders and answering questions. It helps companies increase revenue, reduce selling costs, and improve customer satisfaction. Companies use call centers for inbound telemarketing - receiving calls from customers - and outbound telemarketing - initiating calls to prospects and customers.

Although telemarketing has become a major direct-marketing tool, it is perceived by many customers to be intrusive. In India, this has led the government to impose restrictions on telemarketing and mobile telephone companies making unsolicited commercial calls and sending spam SMSs.

Q26. What are the differences between conventional marketing and direct marketing?

Ans :

S.No.	Conventional Marketing	S.No.	Direct Marketing
1.	Conventional marketing is mass marketing; provides very little scope for customisation.	1.	Direct Marketing is one-to-one marketing; it approaches customers individually, communicates with them one-to-one and offers produce modified to suit their specific requirements; relies on customise: production, individualised distribution and individualised communication and promotion.
2.	Deals with customers indirectly; sells to them indirectly; remains content with one-way messages, from the firm to the market.	2.	Deals with them directly; sells to them directly.
3.	Conventional marketing is a one-way activity to a large extent.	3.	Direct Marketing is interactive marketing, with two-way communication between the firm and each and every customer; with forms like online marketing, real time interaction between the markets and the customer has become the common thing.
4.	Conventional marketing relies heavily on marketing channels/ retail stores.	4.	Direct Marketing does not involve channels/ stores; the marketer secures the sale directly from the consumer and enables the latter to receive the product without being required to visit a store.
5.	Conventional marketing relies heavily on advertising/mass promotion.	5.	Direct Marketing does not involve advertising/ mass promotion; it may go for promotion on one-to-one basis.
6.	Opts for sales promotion-offers/incentives on mass basis.	6.	Opts for individualised sales promotion-offers / incentives.

1.9 ONLINE MARKETING

Q27. Define online marketing. Explain the methods of online marketing.

Ans : (Jan.-20)

Online marketing is the marketing of products or services over the Internet. It ties together creative and technical aspects of the internet, including design, development, advertising and sales. Online marketing is the process of promoting an organization using online media, typically with the goals of increasing sales and boosting profits.

Internet marketing does not simply mean building or promoting a website nor does it mean simply putting a banner ad up on another website. Effective online marketing requires a comprehensive strategy that synergizes a given company's business model and sales goals with their website function & appearance, focusing on their target market through proper choice of advertising type, media, and design.

Methods

Online Marketing refers to marketing of your product or service over the internet. Online Marketing allows you to promote your products and services online at a fraction of the cost of traditional advertising.

Online Marketing involves creation of a strategy suitable to your website to promote your business online. It binds together creative and technical aspects of the internet including design, development, advertisement and sale.

Online Marketing involves different business models. One is direct selling to buyer, another by generating leads to websites and even a model called affiliate marketing in which product is developed by one person and sold by another with an arrangement for profit sharing.

Some of the methods of Online Marketing are :

- Banner placement
- Internet search engine placement
- Search engine optimization
- E-mail newsletters

- Link building
- Article submission
- Affiliate Marketing
- Online direct selling
- Pay per click advertising
- Online Public Relations

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Q28. What are the challenges faced by online marketing?

(OR)

In the light of online marketing growing fast internationally. What are the challenges for the online marketing

Ans : (Jan-20, Dec.-16, Imp.)

The following are the challenges faced by online marketing are :

➤ Limited consumer exposure and buying

Online marketing still reaches only a limited market space. Web users appear to do more window browsing than actual buying.

Only an estimate 18 percent of web surfers actually use the web regularly for shopping or to obtain commercial services such as travel informations.

➤ Skewed user demographics and psychographies

Online users tend to be more upscale and technically oriented than the general population. This makes online marketing ideal for marketing computer hardware and software, consumer electronics financial services, and certain other classes of products. It makes online marketing less effective for selling mainstream products.

➤ Chaos and clutter

The Internet offers up millions of web sites and a staggering volume of information. Thus, navigating the Internet can be frustrating, confusing, and time consuming for

consumers. In this chaotic and cluttered environment, many web ads and sites go unnoticed or unopened. Even when noticed, marketers will find it difficult to hold consumer attention.

➤ **Security**

Consumers worry that unscrupulous snoopers will eavesdrop on their online transactions or intercept their credit card numbers and make unauthorized purchases. In turn, companies doing business online fear that others will use the Internet to invade their computer systems for the purposes of commercial espionage or even sabotage.

Online marketers are developing solutions to such security problems. However, there appears to be never ending competition between the technology of security systems and the sophistication of those seeking to revert them.

➤ **Ethical concerns**

Privacy is a primary concern. Marketers can easily track Web site visitors, and many consumers who participate in Web site activities provide extensive personal information. This may leave consumers open to information abuse companies make unauthorized use of the information in marketing their products or exchanging electronic lists with other companies.

There are also concerns about segmentation and discrimination. The Internet currently serves upscale consumers well. However, poor consumers have less access to the Internet, having them increasingly less informed about products, services, and prices.

Q29. What are the Benefits of online marketing?

Ans : (Jan.-20)

(A) Benefits to Consumers

1. Convenient

Customers can shop 24 hours a day from anywhere without going to the store physically.

2. Interactive and Immediate

Consumers can interact with the seller's site to find the information, products, or services they desire, then order or download them on the spot.

(B) Benefits to Marketers

1. Customer Relationship Building

Companies can interact with customers to learn more about their needs and to build customer databases.

2. Reduce Costs & Increase Efficiency

Avoid the expense of maintaining a physical store, costs of rent, insurance, and utilities. Digital catalogs cost less to produce than printing and mailing paper catalogs.

3. Greater Flexibility

Unlike a paper catalog whose products and prices are fixed until the next printing, an online catalog can be adjusted daily or even hourly, adapting product availability, prices, and promotions to match changing market conditions.

4. Access to Global Markets

The Internet is a global medium, which allows buyers and sellers to click from one country to another in seconds.

1.10 MARKETING CHALLENGES AND OPPORTUNITIES

Q30. Explain briefly about challenges and opportunities of marketing.

Ans : (Imp.)

1. Rapidly Changing Customer Needs, Wants, and Expectations

Today, the needs, wants, and expectations of customer is changing rapidly. It is a great challenge not only for small marketers but for big players too. It requires extensive study of market trends and consumer behaviour while developing new product or updating existing product.

2. Increasing Global and Domestic Competition

Competition today is global rather than just domestic. Marketers have to compete not only with domestic players but with global players too. The intense and global competition is a great challenge for marketers to deal with.

3. Increasing Popularity of Internet

With the increase in popularity of Internet a new spectrum of marketing channel is emerged. The worldwide increase in number of Internet users brought a shift from traditional print-based media to new online platforms. It presents a new set of marketing challenges - challenge of deciding how much to allocate to digital v/s print-based media; challenge of using social media marketing largely because of regulatory issues and concerns over its measurability; and challenge of doing more with less money as the rise of Internet made communication cheaper and efficient.

4. Challenge of Selecting Among Too Many Options

The greatest challenge the marketers facing today is simply too many options. Too many potential customer segments. Too many product or service options. Too many communication tools. It is really difficult and challenging for marketers to choose among too many options. The marketers today doesn't suffer from lack of opportunities or options. The picture is totally opposite today. Now they suffer from too many opportunities or options.

Ways to Overcome these Challenges

For the success of any business overall performance is required to be taken care of. Not only financial performance but also marketing performance. Marketing performance includes - sales volume, market share, and, customer satisfaction. Various marketing challenges makes it difficult for marketing managers to achieve the targeted marketing performance. But, there are ways to overcome such challenges. We are here to share the best possible ways to overcome marketing challenges the business organizations facing today.

1. Create a Learning Organization

Business organizations must include learning as a key to improvement in their organizational values. Proper training must be given to marketing employees and it should be considered as an investment rather than as a cost. Marketing managers are required to continually question their own views of the market place. Learning is not an one time activity its a continuous process, ability to learn can be a key competitive advantage for any business.

2. Market Research

Marketing organizations must invest in market research and they are required to make extensive use of it. Organizations are required to be good at using information about markets, customers, and competitors. Market research must be focused on understanding customer needs, wants, and expectations.

1.11 MARKETING OF SERVICES

Q31. Define Service Marketing. Explain the Components and Importance of Service Marketing.

Ans :

Meaning

Services Marketing is a sub-field of marketing, which can be split into the two main areas of goods marketing (which includes the marketing of fast moving consumer goods (FMCG) and durables) and services marketing. Services marketing typically refers to both business to consumer (B2C) and business to business (B2B) services, and includes marketing of services such as telecommunications services, financial services, all types of hospitality services, car rental services, air travel, health care services and professional services.

Definition

Service marketing is marketing based on relationship and value. It may be used to market a service or a product. With the increasing prominence of services in the global economy, service marketing has become a subject that needs to be studied separately. Marketing services is different from marketing goods because of the unique characteristics

of services namely, intangibility, heterogeneity, perishability and inseparability.

Components of Service Marketing

The services have four components :

1. The physical product
2. Service product
3. Service environment
4. Service delivery

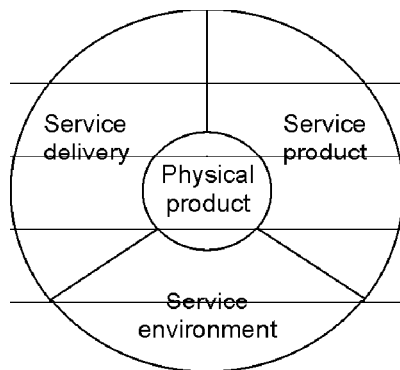


Fig.: Components of Service

1. The Physical Product

Whatever the organization transfers to the customer which can be touched i.e., is tangible like soaps, shampoos, looks, food etc. is a physical product like the service offering, the product design should also be customer oriented linking of engineering design features to specific customer needs, quality function deployment a method to meet customer needs, assures that this linking will improve the products value to customers.

2. The Service Product

This is the core performance purchased by customer. Customer visit supermarket or showroom, they are allowed to look at cars without being approached by sales representatives. Only when the shoppers ask to speak to someone will sales representatives speak to them. Even the prices are posted on the cars to reduce anxiety. The cars have service guarantees and the employees are

trained to keep customers happy and help the customers to solve their queries. All such actions are planned to determine overall nature of service experience.

3. The Service Environment

It is the physical backdrop that surrounds the service, sometimes, referred to as service scope.

E.g. going for a concert is enjoyable when the theater is clean and has comfortable seats and well lift parking lot. All these aspects of the surrounding are not bought by the customer but is produces an impact on the service experience. The service environment also helps in indicating the intended market segment and position of the service.

E.g. a restaurant near a university campus indicates that it is catering to college students by putting college memorabilia and pictures of student on the walls.

4. The Service Delivery

This refers to what actually happens when customers by the service. It is how the service works in actual practice. It is implementation of the plan or design or the service product.

Importance

The appropriately marketed service sector contributes widely in the process of development and adoption of innovative marketing principles helps in increasing the speed of socio economic transformation.

The importance of service marketing is quite clear from the following,

1. Optimum Utilization of Resources

The marketer must make the optimum utilization of resources which are available. If the service resources are underutilized or are

not being utilized properly, then it would incur into losses not only for that particular day but also in the future.

2. Enhancing the Standard of Living

Development of a nation basically relies upon enhancing the standard of living of the people, which further helps in enhancing the standard of living of the country. The developmental methods which are being followed by the policy makers would highly influence the qualitative developments in the society.

Improving/increasing the standard of living of people would not only depend up on providing them with the adequate opportunities to earn more but also by creating greater public awareness so, that, the people will be aware of how to spend, when and where to spend, what quantity to eat, how to develop their personality and how to keep themselves healthy and so on. All these would make significant contributions to the increased standard of living which would further increase the capabilities of human resources.

3. Creating and Spreading the Job Opportunities

Service sector includes various components, which helps in the creation of new job opportunities which helps in reducing the unemployment problem and would result in the development of the country. The different components of service sector are tourism services, education services, banking services, hospitality services, transportation services, consultancy services, personal care services, and so on.

In USA 85 percent of job opportunities are created by service sector, this helps us in

understanding the importance of service sector in the creation of job opportunities.

4. Environment - Friendly Technology

In the current scenario, all the service sectors are technology driven, but they are environmental friendly. The nature and different types of technologies deployed for managing and providing services have negligible or very little effect on the environment. Therefore, it can be informed. that, the organisations which are technology driven are providing world class services without any environmental pollution.

5. Helping in the Formation of Capital

Increasing the speed of capital formation helps in increasing the speed of process of development there by reducing the problem of insufficient financial resources. This capital formation is highly influenced by the contributions made by the production processes to the national economy.

If there are productive investments then greater contributions can be made in the development process and the increased GNP would helps in increasing the income, which can be further invested.

The speed of capital formation can be further increased by identifying the opportunities and profitable services.

Q32. Define services. Explain the nature of services.

Ans :

Service is an act (or) performance which is usually offered by one party to the other one, it can be either tangible (or) intangible in nature. Example the services offered at a hotel restaurant to the customer is tangible in nature i.e., clean and pleasant

atmosphere, tasty food, prompt attention and service from the staff side and so on. While on the otherhand the services which are being offered by Indian Airlines, Indian Railways (or) APSRTC are intangible in nature as they cannot be touched, seen (or) felt.

Goods and services are interrelated in nature for which goods-services continuum has been introduced and it makes quite easier for the company to take a division on as what they want to become whether goods oriented (or) service-oriented and the following are the companies who deals with both goods and the services, Tata steel, Indian Oil, etc.

Meaning

A Service is an economic activity, that is intangible or not be touched, not be stored, and not be owned. Postal service Delivering mail is a Service, and the use of expertise like person visiting a doctor is also a service. A service is consumed at the point of sale and does not result ownership.

Definitions

- (i) **According to Philip Kotler**, "A service is an act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product".
- (ii) **According to Zeithmal and Bitner**, "Services are deeds, processes and performances". Here, Needs are the actions of the service provider, processes are the stops in the provision of service, and performance is the customers' understanding of how the service has been delivered.
- (iii) **According to the American Marketing Association**, "Services are activities, benefits or satisfaction, which are offered for sale are provided in connection with the sale of goods". This definition makes it clear that services are activities, benefits or satisfaction

and people find their uses for selling products which may be tangible or even intangible.

Nature

1. Lack of ownership

One cannot own or store a service as it can be done in case of a product. Service is consumed at the point of sale and does not result ownership. Services are used or hired for a period of time. For example buying a movie ticket the service lasts for two or three hours, but customer want and expect complete entertainment and excellent service for that time period.

2. Intangible

Services are intangible in nature, you cannot touch it, cannot see it, cannot taste it. You cannot touch or hold a service as you can do with a product. For example one cannot touch or hold the services provided by his financial adviser. This makes it difficult to evaluate the quality of service prior to consuming it since there are fewer attributes of quality in comparison to a product.

3. Inseparable

Service is inseparable in nature means to say that it cannot be separated from the service provider. A product when produced can be taken away from its producer whereas a service is produced at or near the point of purchase. For example visiting a restaurant, you order your meal, wait for the meal, meal delivered to you and services provided by waiter/waitress are all part of service production process and is inseparable.

4. Perishable

Service last for specific time period, it cannot be stored as like a product for future use. Service production and utilisation

goes simultaneously. For example watching a movie in cinema hall, service will only last the duration of the show. Again because of this time constraint consumers demand more.

5. Heterogeneous

It is very difficult to make each service experience identical, for example you travelling by plane the service quality may differ from the first time you travelled by that airline to the second, because the air hostess is less or more experienced. Systems and procedures are followed in service production process to minimise this heterogeneity and to provide consistent services all the time.

Q33. Explain the classification of services.

Ans

(i) People Processing Services

People processing services are targeted at themselves. In order to receive these types of services the customer must physically enter the service system or the service factory. For example, an aircraft where both people and equipment or technology, or either of them, *create and deliver* service benefit. Today it is possible that the service producer may come to the customer with the *necessary tools* of his trade. The goal of this service provider is to create a new set of values in the industry, for the customers. For example, a banker may walk up to the customer and complete all the necessary transactions that the customer may want to do at his/her place of work or residence at a time most convenient to him/her.

(ii) Product Processing or Possession Processing

In product processing or possession processing services, customers are less

physically involved. In most such cases customer involvement is usually limited to calling for the services, explaining the problem and subsequently making the payment. The pre and after sales service here will involve issues relating to customer response management. From the marketing viewpoint, these are a range of services, which are going to add value to the customer and hence, the marketer needs to understand the entire value chain process of the customer. For example, the logistics services provider needs to understand the role of his services in the value creation process of an exporter or of the shares department of a large industrial house, it is important to note here that the customer evaluates such services on the basis of tangible promises being delivered within a defined time period and at a pre-negotiated price.

Thus the marketer has to ensure that there are no problems in delivering the promised service.

(iii) Mental Stimulus Processing

Services that are categorized under mental stimulus processing include education, entertainment and management consultancy. It also includes religious services being offered by a large number of religious 'gurus' and their ashrams. These services impact the consumer mind and have the potential to shape their attitudes, behavior and lifestyle. In a way; this relationship of the marketer with the customer is one of dependency, in which the customer is dependent on the 'Guru'. This can often lead to problems relating to manipulation, extortion and even unethical behavior (or) practices. To avoid such a negative image, such organizations and individuals need to avoid a code of

conduct acceptable to the customer and create high ethical standards.

(iv) Information Processing Services

In the context of information processing services, the marketer has to understand that information is a most intangible form of service output and, in today's context, most vital from the point of view of the customer own competitive advantage. In this era of information technology customers shop for information in areas as diverse as accounting, legal research, medicine, insurance, and financial products. The customer's involvement in these situations is very high and hence is categorized as high involvement purchase decisions. From the customer's view point these are high cost (both financial and non financial) and high risk service situations.

Hence the customer tries to avoid going into the service factory to shop for the service product. From a marketer's perspective, this poses a challenge to bring the customer to the factory and motivate him to buy and consume the services.

Q34. Explain briefly about 4 I's of services.

Ans :

Services have four major characteristics that greatly affect the marketing programs.

(i) Intangibility

Unlike products, services cannot be held, touched, or seen before the purchase decision therefore, they should be made tangible to a certain extent. Marketers should "tangibilize the intangible" to communicate service nature and quality.

Insurance is a guarantee against risk and neither the risk nor the guarantee is tangible. Insurance rightly come under services, which

are intangible. Efforts have been made by the insurance companies to make insurance tangible to some extent by including letters and forms

(ii) Inconsistency

Service quality is often inconsistent. This is because service personnel have different capabilities, which vary in performance from day to day. This problem of inconsistency in service quality can be reduced through standardization, training and mechanization.

In insurance sector, all agents should be trained to bring about consistency in providing service or, the insurance process should be mechanized to a certain extent. Eg: the customers can be reminded about the payment of premium through e-mails instead of agents.

(iii) Inseparability

Services are produced and consumed simultaneously. Consumers cannot and do not separate the deliverer of the service from the service itself. Interaction between consumer and the service provider varies based on whether consumer must be physically present to receive the service.

In insurance sector too, the service is produced when the agent convinces the consumer to buy the policy and it is said to be consumed when the claim is settled and the policyholder gets the money. In both the above cases, it is essential for the service provider (agent) and the consumer (policy holder) to be present.

(iv) Inventory

No inventory can be maintained for services. Inventory carrying costs are more subjective and lead to idle production capacity. When

the service is available but there is no demand, cost rises as, cost of paying the people and overhead remains constant even though the people are not required to provide services due to lack of demand.

In the insurance sector however, commission is paid to the agents on each policy that they sell. Hence, not much inventory cost is wasted on idle inventory. As the cost of agents is directly proportionate to the policy sold.

Q35. State the issues Involved in Marketing of Services.

Ans :

(Dec.-15)

- A service cannot be demonstrated.
- Sale, production and consumption of services takes place simultaneously.
- A service cannot be stored. It cannot be produced in anticipation of demand.
- Services cannot be protected through patents.
- Services cannot be separated from the service provider.
- Services are not standardized and are inconsistent.
- Service providers appointing franchisees may face problems of quality of services.
- The customer perception of service quality is more directly linked to the morale, motivation and skill of the frontline staff of any service organization.

Short Question & Answers

1. What do you understand by market?

Ans :

Introduction

We use a large variety of goods and services in our daily life. These include items like toothpaste, toothbrush, soap, oil, clothes, food items, telephone, electricity and many more. How do all these goods and services reach our home? Obviously the business houses who produce the goods and services have to ensure that these are to be sold, and so they have to make the consumers/users aware of their products and place them at points convenient to the consumers. This involves a number of activities such as product planning, pricing, promotion, use of middlemen (wholesalers, retailer etc.) for sale, warehousing, transportation etc. All these activities taken together are termed as Marketing.

Market

The word 'Market' was derived in English from Latin word 'Marcatus'. Its meaning is trading or place of transaction. As the word 'Marketing' has been formed from the 'market', it is necessary to be clear about the concept of market in marketing subject

The term 'market' has traditionally been used to describe a place where buyers and sellers gather to exchange goods and services, e.g., a fruit and vegetable market or a stock market.

In marketing, the term market refers to the group of consumers or organisations that is interested in the product, has the resource to purchase the product, and is permitted by law and other regulations to acquire the product.

Definitions

- i) **According to Philip Kotler**, "A market consists of all the potential customers sharing a particular need or wants to might be willing and able to engage in exchange to satisfy that need or want".

- ii) **Clark and Clark** "A market is a center about which or an area in which the forces leading is exchange of title of a particular product operate and towards which the actual goods trend to travel".

- iii) **According to Pyle**, "Market includes both place and region in which buyer and seller are in free competition with one another".

2. Define Marketing.

Ans :

Many people think of marketing only as selling and advertizing. But in old sense marketing is telling and selling. But the new sense tells telling and selling and satisfying the customer needs.

Marketing is the process of interesting potential customers and clients in your products and/or services. Marketing is the process of developing and communicating value to your prospects and customers. The key word in this marketing definition is "process"; marketing involves researching, promoting, selling, and distributing your products or services.

Definitions

- i) **According to American Management Association (AMA)**, "The performance of business activities that direct the flow of goods and services through producers of users" Product Orientations".
- ii) **According to Philip Kotler**, "Marketing is analyzing, organizing, planning and controlling of the firms customer impinging resources, policies, activities with a view to satisfy the needs and wants of chosen customer groups at a profit".
- iii) **According to E. Clark**, "Marketing consists of those efforts which affect transfer in ownership of goods and care for their physical distribution".
- iv) **According to Cundiff & Still**, "Marketing is the business process by which products are matched with markets and through which transfer of ownership are affected".

- v) **According to American Marketing Association**, "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large".
- vi) **According to William. J. Stanton**, "Marketing is a total system of interacting business activities designed to plan, price, promote and distribute wants-satisfying products and services to present and potential customers".

3. What are the differences between market and marketing.

Ans :

S.No.	Basis for Comparison	Market	Marketing
1.	Meaning	Market is defined as an arrangement whereby buyers and sellers meet each other to conclude the transaction.	Marketing is a function that identifies human and social needs and satisfies them.
2.	What is it ?	A set up i.e. a place. creating utility.	A set of processes, i.e. a means of
3.	Process	Market is a process, that fixes the price of commodities through demand and supply forces.	Marketing is a process that analyses, creates, informs and delivers value to the customer.
4.	Concept	Market is a narrow concept. includes diverse activities.	Marketing is a wide concept that
5.	Consistency	Market varies by products, place, factors and so on.	Marketing philosophy remains same, no matter where it is applied.
6.	Facilitates	Trade between parties.	Link between customer and company.

4. Production Concept.

Ans :

Production concept lays emphasis on affordability and availability of products. Affordability is possible by reducing cost of production by producing large quantities and achieving mass production. Availability is possible by mass distribution by making the product widely available. This philosophy states that any amount of goods produced will sell if it is available and affordable to customer

The production concept is almost extinct now with companies paying more and more attention to the customer as the basic ideology here is customers will choose products and services that are widely available and are of economical. So business is mainly concerned with making as many units as possible. By concentrating on producing maximum volumes, such a business aims to maximize profitability by exploiting economies of scale. This seems a viable strategy in developing markets i.e. India, Brazil, Russia, China, and South Africa. The Mantra for this concept is "Low cost and mass production" as rightly proven by Lenovo computers of China.

5. Product Concept.

Ans :

During production concept supply increased over demand. Gradually low cost and availability couldn't ensure increase in sale and survival along with growth of the firm. The companies had to innovate

products and started giving more choices to customers which lead to product concept. This concept is based on the philosophy that consumers will prefer products that have better quality, performance and features. It emphasises on innovation to produce better quality products. It believes in the ideology that a "good product will sell itself" as rightly proven by Apple and Google brands. Both of these companies have strived hard on their products and deliver customers rich feature, innovative and diverse application products that people just love these brands. So a good product backed by right price and proper distribution and promotion will sell in the market and need not to be low priced (production concept) to sell in market. Thus product improvement became the key to profit maximisation for firms in product concept.

6. Selling Concept.

Ans :

With the passage of time marketing environment further underwent changes, competition was constantly increasing and just the improvement in product and making it available to customers was not working. There was something more required then just a quality product for the survival and growth of the companies as large number of sellers started manufacturing quality product. Something more was required to persuade the customers now. Business philosophy changed it was believed that customer would not buy or would not buy enough until or unless they are convinced and influenced to do so. Therefore, Selling is the act of influencing a customer to buy a product or service. Businesses had to concentrate on ways of selling their products.

The concept is based on the belief that customers, be individual or organizations will not buy enough of the organization's products unless they are persuaded to do so. So organizations should undertake selling and promotion of their products for success. Thus making good products was not enough rather focus changed to pushing the sales of products through aggressive selling. The selling effort is supported by promotional activities and aggressive advertising. The company does not consider the needs and wants rather thinks that anything and everything can be sold. This concept

can also be applied in the firms having over capacity in which their goal is to sell what they produce than what the customer really wants.

7. Define marketing myopia.

Ans :

At this stage, it would be appropriate to get into the idea of Marketing Myopia.

It is a term coined by Prof. Theodore Levitt. He explained it as a crooked perception of marketing and a short-sighted view of business. It is caused by an excessive emphasis by the firm on the 'product'.

It makes the firm almost forget the existence of the customer and the fact that the product after all is just a means for satisfying - particular need of the customers. Marketing Myopia and the Product Concept go hand in hand, the former embodying the pitfalls resulting from the latter.

Prof. Levitt pleads that this myopia is to be avoided if one wants to get a correct understanding of Marketing. Mocking at firms/marketers who are totally engrossed with the product and forget the consumer for whom the product is meant.

Levitt says: They don't get as excited about their customers in their own backyard as about the oil in the distant Sahara desert.

Q8. Define societal marketing concept.

Ans :

Societal marketing concept is the last in the series of six concepts of marketing that are already in vogue. It represents yet another distinct orientation towards the customer and marketing.

As the name indicates, it represents a further broadening of the marketing concept. It can be described as 'marketing concept expanded with societal orientation', where by a company can satisfy its customers and at the same time fulfill its responsibility to society.

This idea has been gaining recognition due to the growing realisation that marketing cannot stop with customer considerations alone, but has to include societal considerations as well. It should not be excessively oriented to enhancing the financial returns of the firm ignoring the impact of the efforts

on society. In order that the future will be safe for them, firms must follow operating practices that simultaneously advance the economic and social conditions in the communities in which they operate, even while enhancing the companies' own competitiveness and profitability. They must have a shared vision with the larger community and vote for shared value creation. They must recognise and try to expand the connections between their progress and societal progress.

9. Define rural marketing.

Ans :

Marketing definition: Identifying the needs of customers and potential customers, providing products/services that satisfy their needs, and developing efficient processes or systems to deliver your product/service to the market when, where, and how consumers want it.

Definition

Rural marketing is now a two-way marketing process. There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas. The urban to rural flow consists of agricultural inputs, fast-moving consumer goods (FMCG) such as soaps, detergents, cosmetics, textiles, and so on. The rural to urban flow consists of agricultural produce such as rice, wheat, sugar, and cotton. There is also a movement of rural products within rural areas for consumption.

10. Features of Rural Marketing.

Ans :

The main reason why the companies are focusing on rural market and developing effective strategies is to tap the market potential, that can be identified as follows:

1. Large and scattered population

According to the 2001 census, 740 million Indians forming 70 per cent of India's population live in rural areas. The rate of increase in rural population is also greater than that of urban population. The rural population is scattered in over 6 lakhs villages. The rural population is highly scattered, but holds a big promise for the marketers.

2. Higher purchasing capacity

Purchasing power of the rural people is on rise. Marketers have realized the potential of rural markets, and thus are expanding their operations in rural India. In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities.

3. Market growth

The rural market is growing steadily over the years. Demand for traditional products such as bicycles, mopeds and agricultural inputs; branded products such as toothpaste, tea, soaps and other FMCGs; and consumer durables such as refrigerators, TV and washing machines has also grown over the years.

4. Development of infrastructure

There is development of infrastructure facilities such as construction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.

11. Marketing Mix.

Ans :

Marketing Mix is one of the most fundamental concepts in marketing management. For attracting consumers and for sales promotion, every manufacturer has to concentrate on four basic elements/components. These are: product, pricing, distributive channels (place) and sales promotion techniques. A fair combination of these marketing elements is called Marketing Mix. It is the blending of four inputs (4 Ps) which form the core of marketing system.

Definitions

"Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company's marketing system: the product, the price structure, the promotional activities, and the distribution system."

- W. J. Stanton

"A Marketing mix is the mixture of controllable marketing variables that the firm uses to pursue the sought level of sales in the target market."

- Philip Kotler

12. Direct marketing. What are its benefits.

Ans :

Direct marketing is about making direct contact with existing and potential customers to promote your products or services. Unlike media advertising, it enables you to target particular people with a personalized message.

Direct marketing can be cost effective and extremely powerful at generating sales, so it is ideal for small businesses.

Direct marketing uses a variety of different methods. Traditional methods include direct mail and leafleting but email marketing, telephone marketing and mobile and SMS marketing are widely used and provide a cost-effective way to reach your customers on a one-to-one basis.

13. Define online marketing.

Ans :

Online marketing is the marketing of products or services over the Internet. It ties together creative and technical aspects of the internet, including design, development, advertising and sales. Online marketing is the process of promoting an organization using online media, typically with the goals of increasing sales and boosting profits.

Internet marketing does not simply mean building or promoting a website nor does it mean simply putting a banner ad up on another website. Effective online marketing requires a comprehensive strategy that synergizes a given company's business model and sales goals with their website function & appearance, focusing on their target market through proper choice of advertising type, media, and design.

14. Benefits of online marketing.

Ans :

(A) Benefits to Consumers

1. Convenient

Customers can shop 24 hours a day from anywhere without going to the store physically.

2. Interactive and Immediate

Consumers can interact with the seller's site to find the information, products, or services they desire, then order or download them on the spot.

(B) Benefits to Marketers

1. Customer Relationship Building

Companies can interact with customers to learn more about their needs and to build customer databases.

2. Reduce Costs & Increase Efficiency

Avoid the expense of maintaining a physical store, costs of rent, insurance, and utilities. Digital catalogs cost less to produce than printing and mailing paper catalogs.

3. Greater Flexibility

Unlike a paper catalog whose products and prices are fixed until the next printing, an online catalog can be adjusted daily or even hourly, adapting product availability, prices, and promotions to match changing market conditions.

4. Access to Global Markets

The Internet is a global medium, which allows buyers and sellers to click from one country to another in seconds.

15. Define Service Marketing.

Ans :

Services Marketing is a sub-field of marketing, which can be split into the two main areas of goods marketing (which includes the marketing of fast

moving consumer goods (FMCG) and durables) and services marketing. Services marketing typically refers to both business to consumer (B2C) and business to business (B2B) services, and includes marketing of services such as telecommunications services, financial services, all types of hospitality services, car rental services, air travel, health care services and professional services.

Definition of Service Marketing

Service marketing is marketing based on relationship and value. It may be used to market a service or a product. With the increasing prominence of services in the global economy, service marketing has become a subject that needs to be studied separately. Marketing services is different from marketing goods because of the unique characteristics of services namely, intangibility, heterogeneity, perishability and inseparability.

16. Define services.

Ans :

Service is an act (or) performance which is usually offered by one party to the other one, it can be either tangible (or) intangible in nature. Example the services offered at a hotel restaurant to the customer is tangible in nature i.e., clean and pleasant atmosphere, tasty food, prompt attention and service from the staff side and so on. While on the otherhand the services which are being offered by Indian Airlines, Indian Railways (or) APSRTC are intangible in nature as they cannot be touched, seen (or) felt.

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Meaning of Services

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17. Explain briefly about 4 I's of services.

Ans :

Services have four major characteristics that greatly affect the marketing programs.

(i) Intangibility

Unlike products, services cannot be held, touched, or seen before the purchase decision therefore, they should be made tangible to a certain extent. Marketers should "tangibilize the intangible" to communicate service nature and quality.

Insurance is a guarantee against risk and neither the risk nor the guarantee is tangible. Insurance rightly come under services, which are intangible. Efforts have been made by the insurance companies to make insurance tangible to some extent by including letters and forms

(ii) Inconsistency

Service quality is often inconsistent. This is because service personnel have different capabilities, which vary in performance from day to day. This problem of inconsistency in service quality can be reduced through standardization, training and mechanization.

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(iii) Inseparability

Services are produced and consumed simultaneously. Consumers cannot and do not separate the deliverer of the service from the service itself. Interaction between consumer and the service provider varies based on whether consumer must be physically present to receive the service.

In insurance sector too, the service is produced when the agent convinces the consumer to buy the policy and it is said to be consumed when the claim is settled and the policyholder gets the money. In both the above cases, it is essential for the service provider (agent) and the consumer (policy holder) to be present.

(iv) Inventory

No inventory can be maintained for services. Inventory carrying costs are more subjective and lead to idle production capacity. When the service is available but there is no demand, cost rises as, cost of paying the people and overhead remains constant even though the people are not required to provide services due to lack of demand.

18. List out the Differences Between Rural and Urban Marketing

Ans :

State the differences between Urban and Rural Market.

S.No.	Rural Marketing	S.No.	Urban Marketing
1.	Create relationship by inclusive growth of product or service.	1.	Create relationship by offering integrated innovation in product or service.
2.	Buyer looks for quality products that offer value for money.	2.	Buyer looks for style, quality and novelty.
3.	Interactive approaches, observation, rating scale are used for research.	3.	Internet, TV channels, mobile, are used for research.
4.	Demographic and geographic segmentation can be the base of divide the market.	4.	Psycho graphic, usage based segmentation is the main base of divide the market.
5.	Create a brand name then capture the market with enough profitability.	5.	Marketing goal is capture market share, image, and profitability.
6.	Primarily appropriate technologies can be used for rural innovation.	6.	Sophisticated technology can be used to create product.
7.	Consumers are too much emotional to take purchasing decision.	7.	Consumers take purchasing decision emotionally and rationally

19. Marketing Intermediaries.

Ans :

Intermediaries, also known as distribution intermediaries, marketing intermediaries, or middlemen, are an extremely crucial element of a company's product distribution channel. Without intermediaries, it would be close to impossible for the business to function at all. This is because intermediaries are external groups, individuals, or businesses that make it possible for the company to deliver their products to the end user. For example, merchants are intermediaries that buy and resell products.

There are four generally recognized broad groups of intermediaries: agents, wholesalers, distributors, and retailers.

1. Agents/Brokers

Agents or brokers are individuals or companies that act as an extension of the manufacturing company. Their main job is to represent the producer to the final user in selling a product. Thus, while they do not own the product directly, they take possession of the product in the distribution process. They make their profits through fees or commissions.

2. Wholesalers

Unlike agents, wholesalers take title to the goods and services that they are intermediaries for. They are independently owned, and they own the products that they sell. Wholesalers do not work with small numbers of product: they buy in bulk, and store the products in their own warehouses and storage places until it is time to resell them. Wholesalers rarely sell to the final user; rather, they sell the products to other intermediaries such as retailers, for a higher price than they paid. Thus, they do not operate on a commission system, as agents do.

3. Distributors

Distributors function similarly to wholesalers in that they take ownership of the product, store it, and sell it off at a profit to retailers or other intermediaries. However, the key difference is that distributors ally themselves to complementary products. For example, distributors of Coca Cola will not distribute Pepsi products, and vice versa. In this way, they can maintain a closer relationship with their suppliers than wholesalers do.

4. Retailers

Retailers come in a variety of shapes and sizes: from the corner grocery store, to large chains like Wal-Mart and Target. Whatever their size, retailers purchase products from market intermediaries and sell them directly to the end user for a profit.

Choose the Correct Answers

1. 4 p's of marketing mix [b]
(a) Product, Price, Plan, Promotion (b) Product, Price, Place, Promotion
(c) Product, Price, Process, Promotion (d) None
2. FMCG [a]
(a) Fast moving consumer goods (b) Fast counting goods
(c) First moving consumer goods (d) Fast movement consumer goods
3. Which of the following is one p's represent communication in marketing mix [a]
(a) Promotion (b) Distribution
(c) Production (d) All of the above
4. Extended marketing mix consist of _____ p's. [a]
(a) 7 (b) 8
(c) 9 (d) 10
5. Packing, Labeling, brand, services are the functions of [a]
(a) Product (b) Price
(c) Place (d) Promotion
6. Advertising is the one of the technique in [a]
(a) Promotion (b) Price
(c) Place (d) Product
7. Marketing is _____ function [a]
(a) Management (b) Production
(c) Product (d) Selling
8. Father of marketing [a]
(a) Philip kotler (b) Adam smith
(c) Aristotle (d) Socrates
9. The role of personal selling varies from [b]
(a) Person to person (b) Company to company
(c) Industry to industry (d) Firm to firm
10. Separate force structure may be setup for different [c]
(a) Companies (b) Firms
(c) Industries (d) None

Fill in the Blanks

1. _____ is a total system of interacting business activities designed to plan, price, promotion and distribute.
2. _____ is the process of interesting potential customers and clients in your.
3. _____ holds that consumer will favor a product.
4. _____ concept holds the consumers and business.
5. _____ holds that achieving organizational goals depends on knowing the need and want of target market.
6. _____ is the marketing of products or services over the internet.
7. _____ is the use of the telephone and call centers to attract prospects.
8. _____ is the sale of product by face - to - face contact with the customer.
9. _____ means the goods and services combination the company offers to the target market.
10. _____ is the amount of customer who has to pay and obtain the product.

ANSWERS

1. Marketing
2. Marketing
3. Product concept
4. Selling concept
5. Marketing concept
6. Online Marketing
7. Tele Marketing
8. Direct selling (or) Personal selling
9. Product
10. Price

UNIT II

MARKETING ENVIRONMENT

Micro Environment (Company-Suppliers-Marketing Intermediaries- Customers- Competitors-Publics) - Macro Environment (Demographic-Economic-Natural- Technological - Political - Legal (Consumer Protection Act 1986) and Regulatory Cultural-Social) - International Marketing- GATT and WTO.

2.1 MARKETING ENVIRONMENT

Q1. What is marketing environment? Explain the importance of marketing environment.

Ans :

Marketing Environment is ever changing. Modern marketers realize that environmental scanning would provide them with continuous interaction between the customers and the business they are in, based on integration, the marketing managers can evolve marketing strategies to ensure effective and efficient goal achievement. The environment of a business enterprise may be static or dynamic. When the environment forces do not show a significant change, they are termed as stable or static environment. But the environment of modern organizations is dynamic because of frequent changes.

Marketing attributes of a business are affected by a large number of environmental factors that surround the company. These factors or forces influence the decision-making capability of the enterprise. A marketing system, system of a company thus must have to operate within the framework of the environmental forces.

The marketing environment surrounds and impacts upon the organization. There are three key perspectives on the marketing environment, namely the 'macro-environment,' the 'micro-environment' and the 'internal environment'.

The micro-environment includes suppliers that deal directly or indirectly, consumers and customers, and other local stakeholders. Micro tends to suggest small, but this can be misleading. In this

context, micro describes the relationship between firms and the driving forces that control this relationship. It is a more local relationship, and the firm may exercise a degree of influence.

The macro-environment includes all factors that can influence an organization, but that are out of their direct control. A company does not generally influence any laws. It is continuously changing, and the company needs to be flexible to adapt. There may be aggressive competition and rivalry in a market. Globalization means that there is always the threat of substitute products and new entrants. The wider environment is also ever changing, and the marketer needs to compensate for changes in culture, politics, economics and technology.

Meaning

Marketing Environment refers to the encompasses the marketing team within an organization and includes all of the outside factors of marketing that affect the team's ability to develop and maintain successful customer relationships with their targeted customer group.

For example, the relevant environment for a car type manufacturing, technology, the tax structure, import-export regulation, the distributors, dealers, competitors etc.

Definition

- (i) **According to Philip Kotler,** "Marketing environment refers to the external factors and forces that affect the company's ability to develop and maintain successful and relationships with its target customers".

Importance

The marketing manager needs to be dynamic to effectively deal with the challenges of

environment. The environment of business is not static. It is changing with fast speed. The following importance of environment scanning has been suggested by various authorities:

- i) It creates an increased general awareness of environmental changes on the part of management.
- ii) It guides with greater effectiveness in matters relating to Government.
- iii) It helps in marketing analysis.
- iv) It suggests improvements in diversification and resource allocations.
- v) It helps firms to identify and capitalize upon opportunities rather than losing out to competitors.
- vi) It provides a base of objective qualitative information about the business environment that can subsequently be of value in designing the strategies.
- vii) It provides a continuing broad-based education for executives in general, and the strategists in particular.

Q2. Explain the Nature of marketing environment.

Ans :

The nature of marketing environment is discussed below :

1. Marketing Environment is Complex

Marketing environment is quite complex. It consists of large number of factors, which are interrelated and interdependent. Any change in one factor may generate changes in other factors. However, the nature of inter-relationships and interdependencies among the various factors is not fixed. Therefore, predictability of environment becomes a difficult exercise.

2. Marketing Environment is Dynamic

The marketing environment is constantly changing in nature. Due to the many and varied influences operating; there is dynamism in the environment causing it to continuously change its shape and character.

3. Marketing Environment is Multi-Faceted

What shape and character a marketing environment assumes depends on the perception of the observer. A particular change in the marketing environment, or a new development, may be viewed differently by different observers. This is frequently seen when the same development is welcomed as an opportunity by one company while another company perceives it as a threat.

4. Marketing Environment has a Far-Reaching Impact

The marketing environment has a far-reaching impact on organizations. The growth and profitability of an organization depends critically on the environment change has an impact on the organization in several different ways.

Since the marketing environment is complex, dynamic, multifaceted and has a far-reaching impact, dividing it into external and internal components enables us to understand it better.

Q3. Explain the Need for analyzing marketing environment.

Ans :

The reasons why we need to analyze marketing environment are clear from the following points,

1. Marketing environment is analyzed to estimate the future marketing environment.
2. Marketing environment is analyzed to keep track on the environment changes and the outcomes of such changes.
3. To identify the opportunities and threats posed by the marketing environment, marketing environment is analyzed.
4. The marketing strategies, plans and programs of the company have to be designed by taking into consideration the opportunities and trends in the marketing environment. And for this clear analysis of marketing environment is very essential.

5. Marketing environment is analyzed to determine the scope of each opportunity posed by the marketing environment and to select those opportunities which can positively influence company's marketing operations.

Q4. Outline the process of marketing environment analysis.

Ans :

The procedure of marketing environment analysis consists of following steps (as shown in figure).

Step 1: Monitoring the Nature of the Environment

It is useful to take a view of the nature of the marketing environment in terms of how uncertain it is. Is it relatively static or does it show signs of change, and in what ways; and is it simple or complex to comprehend? This helps in deciding what focus of the rest of the analysis is to take.

Step 2: Audit Environmental Influences

The aim is to identify which of the many different environmental influences have affected the organization's development or performance in the past. It may also be helpful to construct pictures - or scenario - of possible futures to consider the extent to which strategies might need to change.

Step 3: Identify Key Competitive Forces through Structural Analysis

It aims to identify the key forces at work in the immediate or competitive environment and why they are significant.

Step 4: Identify Strategic Position

It means to analyses the organization's strategic position, i.e., how it stands in relation to those other organizations competing for the same resources, or customers, as itself. This may be done in number of ways:

- i) Competitor analysis,
- ii) Strategic group analysis, in terms of similarities and dissimilarities of the strategies they follow,
- iii) The analysis of market segments and market power,

- iv) Building on growth/share analysis,
- v) Attractiveness analysis.

Step 5: Identify Key Opportunities and Threats

Develop and understanding of opportunities which can be built upon the threats which have to be overcome or circumvented. An understanding which needs to be considered in terms of the resource base of the organization and which will contribute to strategy choice is very important.

2.2 MICRO ENVIRONMENT

2.2.1 Company, Suppliers, Marketing Intermediaries, Customers, Competitors and Publics

- Q5. "Micro environmental factors are very crucial for a business to operate smoothly" comment on the statement.**

(OR)

What is Micro Environmental factors? Explain them in the context of Indian Market.

(OR)

What are the factors of Micro Environment. Explain in detail.

Ans :

(Dec.-20, June-20, Imp.)

Meaning

Micro environment indicates the factors and forces in the immediate area of operation of the firm which affect the marketing manager's ability to serve the customers. It includes both internal as well as external forces. Internal forces include the company's top management and its various departments like purchasing department, research and development department, production department, finance department and personnel department.

All departments within an organization have the potential to positively or negatively impact firm's objectives. These factors are generally under control of the firm as these have to co-ordinate with each other, but external factors cannot be governed by the firm. External micro-environment includes the,

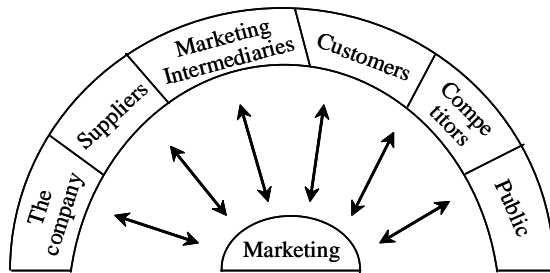


Figure: Micro Environment Factors

1. Suppliers
2. Marketing intermediaries
3. Competitors
4. Customers
5. General public
6. Company.

1. Suppliers

The suppliers comprise all the business firms or individuals who provide raw materials, components and semi-finished goods to be used in production or even sell finished products of the organization.

A firm depends on numerous suppliers either in capacity of a buyer of inputs (or) a producer to whole-sellers and retailers.

The buyer-supplier relationship is one of mutual economic interdependence, as both parties rely on one another for their commercial well-being. Although both parties are seeking stability and security from their relationship, factors in the supplier environment are subject to change.

For instance, shortage of raw material or sudden increase in raw material prices forces suppliers to raise the prices, or an industrial dispute may affect delivery of materials to the buying company. Any unexpected development in the supplier environment can have an immediate and potentially serious effect on the firm's commercial operations and production.

It is crucial for a firm to monitor potential changes in the supplier environment and have contingency plans ready to deal with adverse developments hampering production activity.

2. Marketing Intermediaries

Marketing intermediaries are the independent

individuals or organizations that directly help in the free flow of goods and services between marketing organizations and the customers. Generally these are of two types, namely 'merchant' and 'agent'. Merchant middlemen can be wholesalers and retailers.

Agent middlemen are an important part of the distribution network and render important services in different capacities.

Organizations typically rely on banks, venture capitalists and other sources to finance their operations warehouses and transportation companies to distribute goods; and advertising, market research firms and public-relations firms to market their products. Each intermediary can potentially increase or decrease production and customer satisfaction.

3. Customers

A customer may be an individual or household, an organization that purchases a product for use in the production of other products, or an organization that purchases a product for resale at a profit.

This customer factor of a marketing micro-environment has great influence on marketing decisions. Marketing specialists, or marketers, develop and market messages to appeal to a company's individual customers' needs. Target may be grouped as follows:

- i) Consumer market- individuals and households buying the product for consumption.
- ii) Industrial market-organizations buying for producing other goods and services for the purpose of either earning profits or fulfilling other objectives or both.
- iii) Reseller market-organizations buying goods and services with a view to sell them to others for a profit. These may be selling intermediaries and retailers.
- iv) Government and other non-profit market-the institutions buying goods and services in order to produce public services. They transfer these goods and services to those who need them for consumption in most of the cases.

- v) International market- individuals and organizations of other countries buying for their consumption or industrial use or both. They may be foreign consumers, producers, resellers and governments.

4. Competitors

Competitors are the rival business firms in the effort to satisfy the markets and consumers' demand. Since these are competing with each-other, the marketing decisions of one firm not only influence consumer responses in the marketplace but also affect the marketing strategies of other competitors.

So marketers have to continuously monitor the rival firm's marketing activities, their products, distribution channels, prices and promotional efforts to design its marketing strategy. They must also gain strategic advantage by positioning their products and services strongly against those of their competitors, in the minds of the consumers.

There are three types of competition:

- (a) **Competition from similar products:** The most direct form of competition occurs amongst marketers of similar products. For example, competitors in electronic home appliances are LG, Samsung or Philips etc.
- (b) **Competition from substitute products:** The second type of competition involves products that can be substituted for one-another. For example, in air transport industry, Indigo competes with Jet airlines. The increase in fares of one airline increases demand for other airline services.
- (c) **Competition amongst all firms:** The final type of competition occurs among all organizations that compete for the consumer's purchases. In other words, modern marketers accept the argument that all firms compete for a limited amount of market share.

5. General Publics

The company's micro environment also includes various publics, i.e. groups of people. A 'public' means any group that has an actual or potential interest in or impact on the company's ability to achieve its objectives.

A public can contribute to a marketing program through positive word of mouth or may hinder marketing activities through negative word-of-mouth. Kotler and Armstrong have described seven types of publics as follows:

- (i) **Financial publics:** They groups influence the company's ability to obtain funds. The examples of major financial publics are banks, investment houses and shareholders.
- (ii) **Media publics:** They consist of those mechanisms or devices that carry news, features and editorial opinion. They include newspapers, magazines, radio and television stations.
- (iii) **Government publics:** Management must take government developments into account. Marketers must often consult the company's lawyers on issues of product safety, truth-in-advertising and other matters.
- (iv) **Citizen-action publics:** A company's marketing decisions may be questioned by consumer organizations, environmental groups, minority groups and others. Its public relations department can help it stay in touch with consumer and citizen groups.
- (v) **Local publics:** Every company has local publics, such as neighbourhood residents and community organizations.
- (vi) **General publics:** A company needs to be concerned about the general public's attitude towards its products and activities. The public's image of the company affects its buying.
- (vii) **Internal publics:** A company's internal publics include its workers, managers, and board of directors. Large companies use newsletters and other means to inform and motivate their internal publics. When employees feel good about their company, this positive attitude spills over to external publics.

6. Company

In designing marketing plan, management takes other company groups into account – groups such as top management, finance, R & D, Purchasing, Operations and Accounting. All these are interrelated groups from the internal

environment. Top management effects the company's mission, objectives, broad strategies and policies.

Marketing manager must also work closely to other company departments. Finance is concerned with finding and using funds to carry out the marketing plan. The R&D department focuses on designing & attractive products. Purchasing department is responsible for producing & distributing the desired quality & quantity products.

2.3 MACRO ENVIRONMENT

2.3.1 Demographic, Economic, Natural, Technological, Political, Legal

Q6. Explain briefly various macro environmental factors to a business?

(OR)

What are the various macro economic factors that influence the marketing environment.

(OR)

What are macro environmental factors.

Ans : (Jan.-18, Dec.-16, Dec.-15, June-16)

These factors are divided in different as follows:

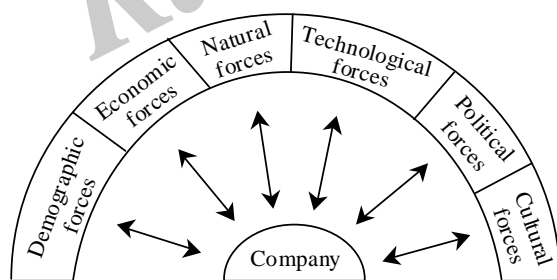


Fig.: Major forces in the companies macro environment

(A) Demographic Environment Factors

The demographic environment includes the study of human populations in terms of age structure, size, education, location, sex, race, occupation, and other statistical information. Every country produces some basic demographic statistics,

which are readily available to the marketing analyst. But this environment totally differs from one country to other and from one place to another within the same country.

Dramatic trends and shifts in demographic data are vital factors in determining marketing strategies. It is the basis of market segmentation because the whole demand is dependent upon the people and their characteristics. But a continuous analysis is must as this demographic environment is highly dynamic and change significantly over time. Peter Drucker, who emphasizes the tremendous economic and business implications of demographic changes, suggests that any strategy, that is any commitment of present resources to the future expectations, has to start out with demographics.

1. Population Size

Population size is the main determinant of demand for products/services. Markets with growing population are defined as potential and growth markets because rapidly increasing population indicate growing demand for many products. High population growth rate also indicates an enormous increase in labour supply. Cheap labour and growing markets have encouraged many multinationals to invest in developing countries like India.

2. Age

As we all know that tastes and preferences of consumers are the basics of marketing planning; and these tastes and preferences are largely determined by age of individuals. The needs, desires and tastes of every age group are different from others. For instance, the needs of babies are different from adults and old age people. Normally, age group is divided into following categories:

- Infants market/newly born market (0-1 year)
- Child market (1 -12 year)
- Teenagers market (13-19 years)
- Adolescent market (16-19 years)
- College going youngsters market (20-26 years)
- Youth market (27-35 years)

- Middle-aged market (36-50 years)
- Old-aged mature market (51-60 years)
- Elders or senior market (above 60 years)

Most of the companies are now focusing on markets having teens and college goes as they are more eager to buy and try new products. They spend lavishly on luxury items, good looking clothes, foot wears, mobile phones, laptops etc. It is very easy for the companies to sell their products to these groups. Whereas, other groups (adults and mature market) are very picky regarding the products, its features and price attached.

Some companies believe in serving a particular age segment, whereas some are offering the products for all age groups. For instance, Amway is such a company, who is manufacturing the products for every segment. Different products are focusing on health and nutrition of all segments, for beauty, bath and body care, for general home usage and cleaning purposes etc.

3. Education

Education affects the knowledge, way of thinking, and tastes of people. Educated people are more aware about the markets, various products and their rights etc. They know clearly what benefits a particular product should have and at how much cost. On the basis of education, a marketer can divide the whole market into illiterate group, high school and secondary school educated group, graduates, postgraduates, doctoral and post-doctoral degree holders. Attitudes, behaviour, needs and tastes of every group differs from the other and affects largely the marketing activities.

4. Gender

The needs and desires of males and females are very much different from each other. But here, Gender Marketing is not about male versus female. It is about understanding the customer and his profile thoroughly. Marketers generally adopt the approach of neutral marketing to play safe; due to which both men and women feel that they have not been targeted by the marketers properly.

The marketers should continuously strive for competitiveness and take benefits from the ever changing environment which can be facilitated by the realization of the concept of gender marketing. Since ages men have assumed the dominance in all societies, cultures and countries because he is always been the bread earner for the family. But with increasing change in demographics, economics and social changes, women are assuming an important role in a society as she also starts earning now. Both genders are very important for the marketers because of their varying needs, behavior and psychology.

Marketers generally adopt this approach of neutral marketing which is targeting both men and women simultaneously. They include both the perspectives which appeals to both genders. But now companies are changing their strategies towards gender marketing from neutral one. These days some products are specifically focused on women. If we observe the advertisements, all the kitchen appliances, beauty products and baby products are all dominated by women group as they are the main buyers or users of these products. Whereas, in other investment kind decisions, still males are the main decision-makers in maximum families.

(B) Economic Environment Factors

The economic environment is a blend of various economic factors, such as economic conditions, total employment, income, inflation and interest rates etc. These factors influence the spending patterns of individual customers and organizations. The major function of the marketing always revolve around demand and supply forces present in the market and these demand and supply patterns are largely affected by economic environment of a country/region.

Following factors contributes to the economic environment :

1. Economic Conditions

Fluctuations in economic conditions always affect consumers' purchasing power and willingness to buy; ability of an organization to manufacture and supply; and subsequently

these affects the demand and supply factors. When there is prosperity in the economy, the buying power of consumers as also remains on boom as total national income is always high during prosperity. And businesses also expand their product offerings to take advantage of this high buying power. But as the economic conditions lead the businesses to recession and depression periods, total national income and consumers buying power start declining. Due to which demand and supply factors loses its equilibrium and consequently size of both domestic and international markets decline.

2. Consumers Purchasing Power

This is the capability of a person to purchase something, which largely depends upon the financial resources available with consumers. Two factors are mainly responsible for affecting the consumers' purchasing power: Income and Inflation.

Income is the amount of money which a person is getting due to his business or job, from his assets, or from some other resources available in a period of one month or a year. If the level of income is high, then definitely the purchasing power of consumers will also be high. Similarly, in the period of recession, the purchasing power of consumers starts declining with the declining levels of income.

Second factor that affect purchasing power is Inflation. It refers to the increase in the prices of all products without a corresponding increase in salary and wages, which automatically results in lower purchasing power of consumers. During inflationary period, a price of every product goes up and the purchasing power of customers starts declining. But as the prices start diminishing, the purchasing power starts rising up again.

3. Interest Rates

Interest rates in an economy also affects the marketing activities as prices of products/ services and buying power of consumers gets affected. If interest rate is high in the

economy, companies will borrow capital at higher rates and then to meet up this cost, they will lift up the prices of their products. And then if for the longer time, interest rates stay high, inflation period enters in the economy. Due to which consumers' purchasing power will again decline and secondly, consumers will be in the favour of more savings to avail the benefits of more earnings due to higher interest rates.

(C) Natural Environment Factors

Natural environment comprises of all the living or non-living natural resources, which affects and also get affected by marketing practices and technological advancements. It includes all geographical and ecological factors like water, mountains, soil, human beings and animals, plants, energy resources, climate etc. As observed by Watrick and Wood, "the natural environment ultimately is the source and support of everything used by businesses (and almost any other human activity)- every raw material, every energy source, every life-sustaining factor, even every waste disposal site.

Geographical locations and conditions formulate various marketing strategies. Sometimes changes in the geographical conditions call for changes in the marketing mix. Different locations affect the prices of different products/services. Locations where availability of markets and labour is easily available, always remains the attraction of investment for companies. Climatic and weather conditions also affect the marketing activities of different industries. For example, Agriculture sector is highly climate sensitive. These conditions also affect the demand pattern of consumers for clothing, foot wear, food, electronic products and so on.

Ecological factors in the near past had assumed great significance. Changes in temperature have impact on many industries including farming, tourism and insurance. The depletion of natural resources like water, soil etc., environmental pollution and global warming; these all disturb the ecological balance and awake the governments and businesses for preservation of environmental purity.

With major climate changes occurring due to global warming and with greater environmental awareness this external factor is becoming a significant issue for firms to consider.

The growing desire to protect the environment is having an impact on many industries such as the travel and transportation industries (for example, more taxes are now being placed on air travel; an the success of hybrid cars) and the general move towards more environmentally friendly products and processes is affecting demand patterns and creating business opportunities. This all gave birth to the new concept of green marketing.

Sometimes, other dramatic and drastic changes in environment like dreadful earthquakes, storms and floods etc. affects the profits and performance of businesses and marketing activities and also subsequently affects the satisfaction level of consumers. For example: volcanic eruption in Iceland in April 2010 had hugely disrupted the global air travel and creates high inconvenience for the consumers. But at the same time, profits of hotels and other transportation carriers such as bus, train, railway, taxis and boat increased vastly.

(D) Technological Factors

It is the essence of market capitalism to be dynamic and tolerate the creative destructiveness of technology as the price of progress. Transistors hurt the vacuum-tube industry, and autos hurt the railroads. Television hurt the newspapers, and the Internet hurt them both.

When old industries fight or ignore new technologies, their businesses decline. Tower Records had ample warning that its music retail business would be hurt by Internet downloads of music (as well as the growing number of discount music retailers). Its failure to respond led to the liquidation of all its domestic physical stores in 2006.

Major new technologies stimulate the economy's growth rate. Unfortunately, between innovations, an economy can stagnate. Minor innovations fill the gap new supermarket products such as frozen waffles, body washes, and energy bars might pop up-but while lower risk, they can

also divert research effort away from major breakthroughs.

Innovation's long-run consequences are not always foreseeable. The contraceptive pill reduced family size and thus increased discretionary incomes, also raising spending on vacation travel, durable goods, and luxury items. Cell phones, video games, and the Internet are reducing attention to traditional media, as well as face-to-face social interaction as people listen to music or watch a movie on their cell phones.

Marketers should monitor the following technology trends: the accelerating pace of change, unlimited opportunities for innovation, varying R&D budgets, and increased regulation of technological change.

1. Accelerating Pace of Change

More ideas than ever are in the works, and the time between idea and implementation is shrinking. So is the time between introduction and peak production. Apple ramped up in nine years to sell a staggering 300 million iPods worldwide by September 2011.

2. Unlimited Opportunities for Innovation

Some of the most exciting work today is taking place in biotechnology, computers, microelectronics, telecommunications, robotics, and designer materials. Researchers are working on AIDS vaccines, safer contraceptives, and nonfattening foods. They are developing new classes of antibiotics to fight ultra-resistant infections, superheating furnaces to reduce trash to raw materials, and building miniature water-treatment plants for remote locations.

3. Varying R&D Budgets

A growing portion of U.S. R&D expenditures goes to the development as opposed to the research side, raising concerns about whether the United States can maintain its lead in basic science. Many companies put their money into copying competitors' products and making minor feature and style improvements. Even basic research companies such

as Dow Chemical, Bell Laboratories, are proceeding cautiously, and more consortiums than single companies are directing research efforts toward major breakthroughs. In India too, historically, most of the

R&D budget has been spent on development rather than research. However, in the last decade, many pharmaceutical and biotechnology companies have focused on contract research, while companies such as Tata and Mahindra and Mahindra have focused on appropriate and affordable technology with frugal innovations.

4. Increased Regulation Of Technological Change

Government has expanded its agencies' powers to investigate and ban potentially unsafe products. In the United States, the Food and Drug Administration (FDA) must approve all drugs before they can be sold. Safety and health regulations have increased for food, automobiles, clothing, electrical appliances, and construction.

(E) Political / legal Factors

The political and legal environment consists of laws, government agencies, and pressure groups that influence various organizations and individuals. Sometimes these laws create new business opportunities. Mandatory recycling laws have boosted the recycling industry and launched dozens of new companies making new products from recycled materials. Two major trends are the increase in business legislation and the growth of special-interest groups.

1. Increase in Business Legislation

Business legislation is intended to protect companies from unfair competition, protect consumers from unfair business practices, protect society from unbridled business behavior, and charge businesses with the social costs of their products or production processes. Each new law may also have the unintended effect of sapping initiative and slowing growth.

The European Commission has established new laws covering competitive behavior, product standards, product liability, and commercial transactions for the 27 member nations of the European Union. The United States has many consumer protection laws covering competition, product safety and liability, fair trade and credit practices, and packaging and labeling, but many countries' laws are stronger. Norway bans several forms of sales promotion - trading stamps, contests, and premiums - as inappropriate or unfair. Thailand requires food processors selling national brands to market low-price brands also, so low-income consumers can find economy brands.

In India, food companies need special approval to launch duplicate brands, such as another cola drink or brand of rice. In 2001, consumer protection legislation made it mandatory for all packaged food products to carry the "green dot" to signify vegetarian ingredients, and the "red dot" to signify non-vegetarian ingredients. As more transactions take place in cyberspace, marketers must establish new ways to do business ethically.

2. Growth of Special-interest Groups

Political action committees (PACs) and NGOs lobby government officials and pressure business executives to respect the rights of consumers, women, senior citizens, minorities, and gays and lesbians. Insurance companies directly or indirectly affect the design of smoke detectors; scientific groups affect the design of spray products. Many companies have established public affairs departments to deal with these groups and issues. The consumerist movement organized citizens and government to strengthen the rights and powers of buyers in relationship to sellers. Consumerists have won the right to know the real cost of a loan, the true cost per standard unit of competing brands (unit pricing), the basic ingredients and true benefits

of a product, and the nutritional quality and freshness of food.

Privacy issues and identity theft will remain public policy hot buttons as long as consumers are willing to swap personal information for customized products - from marketers they trust." Consumers worry they will be robbed or cheated; that private information will be used against them; that they will be bombarded by solicitations; and that children will be targeted." Wise companies establish consumer affairs departments to formulate policies and resolve complaints.

(F) Socio Cultural Factors

From our sociocultural environment we absorb, almost unconsciously, a world view that defines our relationships to ourselves, others, organizations, society, nature, and the universe.

1. Views of ourselves

Indian consumers have arrived. Fatalism, self-pity, and dependence on the government or charity of the rich in the past has given way to a new self-confidence, with even the poor and the deprived seeking greater participation and aspiring for better lifestyles.

2. Views of others

Concerns for the poor and the underprivileged, women, and children particularly their nutrition status and education and inclusive and equitable growth dominates the discussions among the better off in the Indian society. The rapid decline in the joint family has also moved people toward seeking stronger bonds outside the family, among friends, neighbors, and professional associations. The poor no longer view the wealthy as adversaries, or wealth creation as illegitimate. However, with growing urbanization and dual earning families, social contacts are losing their personal touch and becoming more "gadget dependant" and less frequent.

3. Views of organizations

After a period of relative calm in the labor-management relationship, organized labor has started demonstrating its impatience with perceived unfair management practices. In an employment market dominated by the unorganized sector, employees aspire for a secure job in the government, public sector, and the organized private sector. However, organizational loyalty among the youth is waning. Involvement of large corporations in land, telecom, and other scandals and their opportunistic behavior during periods of economic difficulties has impacted consumer and employee confidence.

4. Views of society

Some people defend society (preservers), some run it (makers), some take what they can from it (takers), some want to change it (changers), some are looking for something deeper (seekers), and still others want to leave it (escapers). Consumption patterns often reflect these social attitudes. Makers are high achievers who eat, dress, and live well. Changers usually live more frugally, drive smaller cars, and wear simpler clothes. Escapers and seekers are a major market for movies, music, surfing, travel, and spiritualism.

5. Views of Nature

Asians have been closer to nature for generations. Environment protection, nature worship, and living in harmony with nature are now at conflict with development. Construction of large dams, destructive and unauthorized mining, and the felling of trees by the timber mafia is threatening the old relationship between human beings and nature. However, several citizen groups and political parties are providing active resistance trying to push for a more balanced approach.

6. Views of the universe

Most Asians are religious and look at the universe for harmonious, peaceful co-existence.

Other cultural characteristics of interest to marketers are the high persistence of core cultural values and the existence of subcultures.

Q7. What are the major trends in demo-graphic environment in India ?

Ans :

(Jan.-20)

Demographic Trends In India

1. Demographic Indicators
2. Dependency Ratio
3. Density of Population
4. Family Size
5. Literacy And Education
6. Life Expectancy

1. Demographic Indicators

They are divided into 2 parts

(a) Population Statistics

Include Indicators that Measure The Population Size, Sex Ratio, Density And Dependency Ratio.

(b) Vital Statistics

Include Indicators Such as birth rate, death rate, natural growth rate, life expectancy at birth, mortality and fertility rates.

India is the second most populous country in the world, next only to China, whereas seventh in land area. With only 2.4 percent of the world's land area. India is supporting about 16.87 per cent of the world's population. The population of India since 1901, average annual exponential growth rate (%), and the decadal growth of population (%).

2. Dependency Ratio

The Proportion of persons above 65 years of age and children below 15 years of age are considered to be dependent on the economically productive age group (15-64 Years). The Ratio of the combined age groups 0-14 years plus 55 years and above to the 15-65 years age group is referred to as the total dependency ratio. It is also referred to as the societal dependency ratio and reflects the need for a society to provide for their younger and older population groups.

The dependency ratio can be subdivided into :

- Young age dependency ratio (0-14 years)
- Old age dependency ratio (65 years and more)

These ratios are, however, relatively crude, since they do not take into consideration elderly or young persons who are employed or working age persons who are unemployed.

3. Density of Population

One of the important indices of population concentration is the density of population. In the Indian census, density is defined as the number of persons, living per square kilometre.

Top Ten Most Densely Populated States of India

S.No.	States	Population Density (part quaro km)
1	Bihar	1. 102
2	West Bengal	1.029
3	Kerala	859
4	Uttar Pradesh	689
5	Haryana	573
6	Tamil Nadu	555
7	Punjab	550
8	Jharkhand	442
9	Assam	397
10	Goa	394

Arunachal Pradesh and Andaman & Nicobar Islands have the lowest population densities among the Indian states and union territories respectively.

URBAN & RURAL INDIA**CENSUS CLASSIFICTION OF TOWNS & CITIES**

Class of Cities Towns	Range of Population	No. of Towns (Census of India)
Class 1	100.000 and above	393
Class II	50,000 to 99.999	401
Class III	20.000 to 49.999	1151
Class IV	10.000 to 19.999	1344
Class V	5.000 to 9.999	888
Class VI	Below 5,000	191

4. Family Size

While in common parlance, family size refers to the total number of persons in a family, in demography, family size means the total number of children a woman has borne at a point in time. The completed family size indicates the total number of children borne by a woman during her childbearing age, which is generally assumed to be between 15 and 45 years. The total fertility rate gives the approximate magnitude of the completed family size.

The family size depends upon numerous factors, viz duration of marriage, education of the couple, the number of live births and living children, preference of male children, desired family size, etc.

5. Literacy and Education

The 1948, the Declaration of Human Rights stated that everyone has a right to education. Yet, even today, this right is being denied to millions of children. Education is a crucial element in economic

and social development. Without education, development can neither be broad based nor sustained. Spread of literacy is generally associated with modernization, urbanization, industrialization, communication and commerce.

It forms an important input in the overall development of individuals enabling them to comprehend their social, political and cultural environment better, and respond to it appropriately. Higher levels of education and literacy lead to a greater awareness and also contribute to improvement of economic conditions, and is a prerequisite for acquiring various skills and better use of health care facilities.

6. Life expectancy

Life expectancy (or) expectation of life at a given age is the average number of years which a person of that age may expect to live, according to the mortality pattern prevalent in that country. Demographers consider it as one of the best indicators of a country's level of development and of the overall health status of its population.

Life expectancy at birth has continued to increase globally over the years. For 1950 - 1955, the combined life expectancy at birth for both sexes was 46.5 years. Five decades later by 2008, it was 69 years-an increase of 22.5 years. The increase has been more marked in less developed regions of the world than in the developed regions.

Q8. Distinguish between Micro Environment and Macro Environment factors.

Ans :

S.No.	Nature	Micro environment	Macro environment
1.	Meaning	Micro environment is defined as the nearby environment, under which the firm operates.	Macro environment refers to the general environment, that can affect the working of all business enterprises.
2.	Alternatively known as	Internal environment	External environment
3.	Elements	COSMIC, i.e. Competitors, Organization itself, Suppliers, Market, Intermediaries and Customers.	PESTLE, i.e. Population & Demographic, Economic, Socio-Cultural, Technological, Legal & Political and Environmental.
4.	Nature of elements	Specific	General
5.	Are these factors controllable	Yes	No
6.	Influence	Directly and Regularly	Indirectly and Distantly

2.4 SOCIAL CULTURAL ENVIRONMENT

Q9. Write about socio cultural environment and how does socio cultural environment influences the marketing decision.

Ans :

Marketing environment consists of micro-environment and macro-environment. Socio-cultural environment is an important element of macro-environment which deals with culture, social-class, traditions, lifestyles, values and beliefs of the society. The two important factors of socio-cultural environment are,

- (a) Culture and
- (b) Social class.

(a) Culture

Culture is an integrated outcome of the factors such as religion, education, language and upbringing. A society has certain cultural values which are firmly established and will not change easily. Such type of values are called as core cultural values. A society also has other values and practices which are adaptable to change and can be modified easily. A marketer can conduct a survey of socio-cultural environment for obtaining useful information about the consumption habits, lifestyles and the buying behaviour of the customer. It is very essential for the marketers to monitor the cultural environment closely as cultural shifts involves both marketing opportunities and threats.

(b) Social Class

Social class is also an important factor of socio-cultural environment. A society consists of different social classes depending upon the income, location of living, occupation, lifestyle and behaviour. These concepts vary and have a significant impact on the society's buying behaviour and the consumption pattern.

Influence of Socio-cultural Environment on Marketing Decisions

Socio-cultural environment is widely influenced by marketing activities like pollution of environment, health hazards, child labour activities etc. The production of products is done through machinery. The wastages incurred from these equipments have a significant effect on the ozone layer which is called as a green house effect. The wastages released from various industries affects the air, land and marine environments. For example, in a petroleum industry, the crude oil is processed for creating petroleum products. But in this process, the equipment burns oil 24 hours and the smoke which is released from it affects the ozone layer.

There are also products which limit CFC (Chloro Fluoro Carbon gas) and is responsible for weakening the ozone layer. Thus, many

organizations like consumer groups have started a great house movement for protecting the world.

In another example, there are many fast food centers which are unhealthy and leads to obesity in young generations. These food giants are only busy in getting profits and are not concerned about the health of their consumers.

Many small scale industries in the developing countries encourage child labour which has a significant influence on the society. Thus, the society protests when the products and technology poses a great threat to the safety and health of the individuals.

2.5 CONSUMER PROTECTION ACT, 1986

Q10. Write about consumer protection Act, 1986.

Ans :

Introduction

The Consumer Protection Act, 1986 is one of the most beneficent legislations of recent times and it is intended to promote and protect the interest of consumers. The Consumer Protection Act is intended to protect the legitimate interests of the consumers against traders, suppliers etc.

Most of the consumers are small consumers who may not be educated or conversant with law. The Act not only provides inexpensive and expeditious remedies, but also arms the Forums constituted under the Act with the power of enforcement of their orders by coercive process by imposing imprisonment and fine.

The Consumer Protection Act, 1986 has opened up a new era in the field of business in India. It imparts a new dimension to the concept of a law as a tool of social engineering.

The Act is a milestone in the history of socio-economic legislation in the country. It is one of the most progressive and comprehensive pieces of legislation enacted for the protection of consumer. The new law has been enacted after in-depth study of consumer protection laws and arrangements in the U.K., U.S.A., Australia and New Zealand. Before its formulation, consultations with representatives of consumers, trade and industry were held. Various

ideas and suggestions were also considered in a number of inter-ministerial meetings within the Government.

Definitions

1. Appropriate laboratory [Sec. 2 (1) (a)]. It means a laboratory or organization.

- (i) Recognised by the Central Government ;
- (ii) Recognised by a State Government, subject to guidelines as may be prescribed by the Central Government ; or
- (iii) Any laboratory or organization established by or under any law for the time being in force, which is maintained, financed or aided by the Central Government or a State Government. The laboratory must be established for carrying out analysis or test of any goods with a view to determining whether such goods suffer from any defect.

2. Complainant [Sec. 2 (1) (b)]. 'Complainant' mean

- (i) a consumer ; (or)
- (ii) any voluntary consumer association registered under the Companies Act, 1956, or under any other law for the time being in force ; (or)
- (iii) the Central Government or any State Government, who or which makes a complaint; (or)
- (iv) one or more consumers, where there are numerous consumers having the same interest.
- (v) In case of death of a consumer, his legal heir or representative. [This clause has been introduced by the Consumer Protection (Amendment) Act, 2002.]

3. Complaint [Sec. 2(l)(c)]. It means any allegation in written trade by a complainant with a to obtaining any relief provided by or under this Act. This allegation in writing must be that

- (i) an unfair trade practice or a restrictive trade practice has been adopted by any trader or service provider ;

(ii) the goods bought by him or agreed to be bought by him suffer from one or more defects ;

(iii) the services hired or availed of or agreed to be hired or availed of by him suffer from deficiency in any respect ;

(iv) a trader or the service provider as the case may be, has charged for the goods or for the services mentioned in the complaint, a price in excess of the price-

(a) Fixed by or under any law for the time being in force ;

(b) Displayed on the goods or any package containing such goods ;

(c) Displayed on the price list exhibited by him by or under any law for the time being in force ;

(d) Agreed between the parties.

(v) Goods which will be hazardous to life and safety when used are being offered for sale to the public :

(a) In contravention of any standards relating to safety of such goods as required to be complied with, by or under any law for the time being in force;

(b) If the trader could have known with due diligence that the goods so offered are unsafe to the public ;

(vi) Services which are hazardous or likely to be hazardous to life and safety of the public when used, are being offered by the service provider which such person could have known with due damage to be injurious to life and safety.

4. Consumer [Sec. 2 (1) (d)]. 'Consumer' means any person, who

- (i) buys any goods for a *consideration* (a) which has been paid or promised or partly paid and partly promised, or (b) under any system of deferred payment.

'Consumer' also includes any user of such goods other than the buyer himself. The use of such goods must however be for consideration paid or promised or partly paid or partly promised or under any system of deferred payment. The use of such goods must be made with the approval of the buyer.

'Consumer' does not include a person who obtains goods for resale or for any commercial purpose.

'Commercial purpose' does not include use by a person of goods bought and used by him and services availed by him exclusively for the purposes of earning his livelihood by means of self employment.

- (ii) Hires or avails of any service for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment. 'Consumer' also includes any Beneficiary of such services other than the person who hires or avails of such services. The beneficiary must however acquire the use of such services for consideration paid or promised or partly paid and partly promised, or under any system of deferred payment. Further such services must be availed of by the beneficiary with the approval of the hirer but does not include a person who avails of such services for any commercial purpose.

Q11. What are the Aims and Objectives of the consumer protection Act 1986?

Ans :

The main objective of the Act (according to preamble to the Act) is to provide for better protection of the interest of consumers. Consumers councils and other authorities have been set up for settling the consumers' disputes and other matters. The objective of the Act of 1986 is as follows:

1. The foremost objective of the Consumer Protection Bill is to provide for better protection of the interest of the consumer and

for that purpose, to make provisions for the establishment of Consumer Protection Councils and other authorities for the settlement of consumer disputes and for matters connected therewith.

2. The Act is intended to protect following rights of the consumers [under Section 6]:
 - i) The right to be protected against marketing of goods, which are hazardous to life and property.
 - ii) The right to be informed about the quality, quantity, potency, purity, standard and price of goods to protect against unfair trade practices.
 - iii) The right to be assured, and wherever possible, access to a variety of goods at competitive prices.
 - iv) The right to be heard and to be assured that consumers' interest will receive due consideration at appropriate forums.
 - v) The right to seek redressal against unfair trade practices or unscrupulous exploitation of consumers.
 - vi) The right to consumer education.
 - vii) Right to Healthy Environment.
3. The Act provided that for speedy and simple redressal at minimum expenses to consumer disputes, a quasi-judicial body is to be set up at the district, state and central levels.

But various shortcomings were witnessed in the Act and various amendments were advocated. In 1993 an Amendment Act was introduced to make it more effective in protecting the customer. The 1993 bill seeks to provide for the following.

- i) To enlarge the scope of the Act so as to enable the consumers to file class action complaints where such consumers have a common interest and to file complaints relating to restrictive practices adopted by traders.
- ii) To enable consumers who are all self-employed to file complaints before the redressal agencies, where goods bought

- by them exclusively for earning their livelihood suffer from any defect.
- iii) To add services relating to housing construction.
 - iv) To enable filling of class action complaints on behalf of groups of consumers having the same interest.
 - v) To provide for the constitution of selection committees for the selection of non-judicial members of various redressal agencies.
 - vi) To increase the monetary jurisdiction of District forums/State Commissions/National Commissions.
 - vii) To confer additional powers on the redressal agencies by way of awarding costs to the parties for ordering removal of defects or deficiencies from the services and for empowering the recall of goods likely to endanger the safety of the public.
 - viii) To impose punishment on the complainant in cases of frivolous complaints.
 - ix) To provide for a limitation period of one year to file complaints.

Q12. Explain Important terms used in consumer protection Act 1986.

Ans :

Before studying the provisions of the CPA, it is necessary to understand the terms used in the Act. Let us understand some of the more important definitions.

1. Consumer

The consumer is one who has purchased goods or who has availed of or hired services.

In the Consumer Protection Act, the word "Consumer" has defined separately for the purpose of goods and services.

In terms of Section 2(d) of the Act:

- i) a "Consumer" means any person who buys any goods for any consideration

which has been paid or promised or partly paid promised, or under any system of deferred payment;

- ii) It includes any user of such goods other than the person who actually buys goods and as whose use in made with the approval of the purchaser.

The term consumer excludes a person who obtains the goods (for consideration) for resale or for any commercial purpose.

According to the Act, a consumer should necessarily constitute the end terminal in the line of trade. He who buys the goods for resale purposes or for commercial purposes forms only the intermediate function in the line of trade. The Act aims to secure the full satisfaction of the Consumer in his purchase of goods or services if he is the ultimate buyer.

2. Commercial Purpose

Commercial purpose means any purpose whose primary objective is to make profit. Commercial purpose does not include a consumer goods bought and used by him exclusively for the purpose of earning his livelihood by means of self-employment.

It is obvious that Parliament intended to restrict the benefits of the Act to ordinary consumers purchasing the goods either for their own consumption or even for use in some small venture, which they may have embarked upon in order to make a living as distinct from large scale manufacture or process activity carried out for profit.

A purchase is for commercial purpose if the following tests are satisfied:

- i) The goods must have been obtained for a patently profit making activity.
- ii) Such goods must have been purchased for being used in profit making activity engaged in on a large scale;
- iii) There should be a close and direct relationship between the purpose of the purchased goods and the profit making activity.

3. Complaint

- i) A consumer; or
- ii) Any voluntary consumer association registered under the Companies Act, 1956 or under any other law for the time being in force; or
- iii) The Central Government or any State Government, who of which makes a complaint; or
- iv) One or more consumers where there are numerous consumers having the same interest.

Consumer Complaint

Section 2(1)(c) defines complaint. The complaint is an allegation made in writing and may seek redressal in respect of the following grievances:

- i) **Unfair Trade Practice** : An unfair trade practice or a restrictive trade practice has been adopted by any trader.
- ii) **Defect in Goods** : The goods bought by him or agreed to be bought by him suffer from one or more defects.
- iii) **Defect in Services** : The services hired or availed of or agreed to be hired or availed of by him suffer from deficiency in any respect.
- iv) **Price Variation** : A trader has charged for the goods mentioned in the complaint a price in excess of the price fixed by or under any law for the time being in force requiring traders, display information in regard to the contents, manner and effect of use of such goods.
- v) **Hazardous Goods** : Goods, which will be hazardous to life and safety when used, are being offered for sale to the public in contravention of the provisions of any law for the time being in force requiring traders, display information in regard to the contents, manner and effect, of use of such goods.

4. Goods

Goods as defined in the Sale of Goods Act, 1930. Under that act, goods means every kind of movable property other than actionable claims and money and includes stocks and shares, growing crops, grass and things attached to or forming part of the land which are agreed to be served before sale or under the contract of sale.

5. Service

Service is defined to mean service of any description which is made available to potential users and includes the provision of facilities in connection with banking, financial, insurance, transport, processing, supply of electrical or other energy, board or lodging or both, housing, construction, entertainment, amusement of news or other information.

The expression does not include the rendering of any service free of the chance or under a contract of personal service.

Service means service of any description and is therefore very comprehensive through the section lists out certain categories of services.

Free service is excluded expressly from the preview of the definition. A person to whom services are rendered free of any charge is not a consumer. Persons who avail themselves of the facility of medical treatment in Government hospitals without charges are not consumers.

6. Unfair Trade Practices

Unfair trade practice means a trade practices which for the purpose of promoting the sale, use or supply of any goods or for the provision of any service adopts any unfair methods or unfair or deceptive practice including any of the following practices, namely:

- a) **Misleading Advertisement and False Representation** : The practice of making any statement whether orally or in writing or by visible representation which:

- i) Falsely represents that the goods are of a particular standard quality, quantity, grade, composition, style or mode;
- ii) Falsely represents that the services of a particular standard, quality or grade;
- iii) Falsely represents any rebuilt, second hand, renovated, reconditioned or old goods as new goods;
- iv) Represent that goods or services have sponsorship, approval performance, characteristics, accessories uses or benefits which such goods or services do not have;
- v) Represents that the seller or the supplier has a sponsorship or approval or affiliation which such seller or supplier does not have;
- vi) Makes a false or misleading representation concerning the need for or the usefulness of any goods or services;
- vii) Gives to the public any warranty or guarantee of the performance, efficacy or length of life of a product or of any goods that is not based on an adequate or proper test thereof; provided that where a defense is raised to the effect that such warranty or guarantee is based on adequate or proper test, the burden of proof of such defense shall lie on the person raising such defense;
- viii) Gives false or misleading facts disparaging the goods, services or trade of another person.

7. Bargaining Price

- i) A price that is stated in any advertisement to be a bargain price by reference to an ordinary price or otherwise.

- ii) A price that a person who reads, hears or sets the advertisement would reasonably understand to be a bargain price having regard to the prices at which the product advertised or like products are ordinarily sold.

a) Offering Gift's, Prizes, etc and Conducting Contests or Lottery

- i) The offering of gifts, prizes or other items with the intention of not providing them as offered or creating impression that something is being given or offered free of charge when it is fully or partly covered by the amount charged in the transaction as a whole.
- ii) The conduct of any contest, lottery game of chance or skill for the purpose of promoting, directly or indirectly the sale, uses or supply of any product or any business interest.

b) Not Conforming to Prescribed Standards

The sale of goods intended to be used or are of a kind likely to be used, by consumers knowing or having reason to believe that the goods do not comply with the standards prescribed by competent authority relating to performance, composition, contents, design, constructions, finishing or packaging as are necessary to prevent for reducing the risk of injury to the person using the goods.

c) Hoarding or Destruction of Goods

The hoarding or destruction of goods, or refuses to sell the goods or to name them available for sale or to provide any service if such hoarding or destruction or refusal raises or tends to raise or is intended to raise the cost of those or other similar goods or services.

d) Manufacture of Spurious Goods

The Amendment Act, 2002 has widened the scope of the Act, by including the manufacture of spurious goods or offering such goods for sale or adopting deceptive practices in the provision of services as unfair trade practices.

e) Restrictive Trade Practice

Restrictive trade practice is defined to mean any trade practice which requires a consumer to buy or avail of any goods or as the case may be services as a condition precedent for buying hiring or availing of other goods or services. It should be noted that the restrictive trade practice under the Consumer protection act (CPA) is only restricted to tie up practices. While the definition of unfair trade practice is adopted in full, restrictive trade practice is one of the several practices that amount to restrictive trade practice under MRTP Act.

f) Defect in Goods

Defect is defined as any fault, imperfection, shortcoming in the quality, quantity, potency, purity or standard which is required to be maintained by or under any law for the time being in force or is claimed by the trader in any manner whatsoever in relation to any goods.

Defect in title will not fall under any of the defects enumerated above. So, defective title is not a ground for attack under the CPA. Similarly delay in delivery of goods is not defect.

Where the goods are of a sustained quality then the defect could be found only by a laboratory test. Under the procedure laid down the consumer forum would send a sample to the appropriate laboratory for analysis and test.

8. Deficiency in Service

Deficiency means any fault, imperfection, short coming or inadequacy in the quality, nature and manner of performance which is required to be maintained by or under any law for the time being in force or has been undertaken to be performed by a person in pursuance of a contract or otherwise in relation to any service.

Deficiency must pertain to performance. Such a performance could arise only after the equipment had been installed, erected and commissioned. Deficiency of service arising

from loss, damage or non-delivery of goods is outside the scope of the Act.

Whenever there is a deficiency in service arising out of negligence of the party the consumer can approach the Forum for redressal.

Q13. Explain about Establishment of Consumer Disputes Redressal Agencies (Sec. 9)?

Ans :

There shall be established for the purpose of this Act, the following agencies, namely,

- (a) A Consumer Disputes Redressal Forum to be known as the 'District Forum' established by the State Government in each district of the State by notification. The State Government may, if it deems fit, establish more than one District Forum in a district.
- (b) A Consumer Disputes Redressal Commission to be known as the 'State Commission' established by the State Government in the State by notification ; and
- (c) A National Consumer Disputes Redressal Commission established by the Central Government by notification.

Q14. How Enquiry by the Commission is done according to consumer protection Act 1986.

Ans :

The forum will refer a copy of the complaint to the opposite party directing him to give his version of the case within a period of 30 days or such extended period not exceeding fifteen days as may be granted by the District Forum. Where the opposite party on receipt of a complaint referred to him denies or disputes the allegations contained in the complaint or omits or fails to take any action or represent his case within the time given by the District Forum, the district forum shall proceed to settle the consumer dispute in the manner specified below:

- i) Where a defect in the goods cannot be determine without proper analysis or test of

the goods, the district forum shall obtain a sample of the goods from the complainant, seal it and authenticate it in the manner prescribed and refer the sample so sealed to the appropriate laboratory make an analysis or test whichever may be necessary with a view to finding out whether such goods suffer from any defect alleged in the complaint or from any other defect and to report its findings thereon to the district forum within a period of 42 days of the receipt of the reference or within such extended period as may be granted by the district forum.

- ii) Before any sample of the goods is referred to any appropriate laboratory the district forum may be specified for payment to the appropriate for carrying out the necessary analysis or test in relation to the goods in question.
- iii) The district forum shall forward the amount deposited to its credit to the appropriate laboratory to enable it to carry out the analysis or test and on receipt of the report from the appropriate laboratory the district forum may feel appropriate to the opposite party.
- iv) If any of the parties disputes the correctness of the methods of analysis or test adopted by the appropriate laboratory the district forum shall require the opposite party or the complainant to submit in writing his objections in regard to the report made by the appropriate laboratory.
- v) The district forum shall thereafter give a reasonable opportunity to the complaint as well as the opposite party of being heard as to the correctness or otherwise of the report made by the appropriate laboratory and also as the objection made and issue an appropriate order.

Example for consumer protection act 1986.

Deficiency in Service

The district forum shall if the complaint received by it relates to goods in respect of which any test is not required or if the complaint relates to any services refers a company of such complaint to

the opposite party directing him to give his version of the case within a period of thirty days or such extended period not exceeding fifteen days as may be granted by the district forum.

Where the opposite party on receipt of a copy of the complaint denies or disputes the allegations contained in the complaint or omits or fails to take any action to represent his case within the time given by the district forum the district forum shall proceed to settle the consumer dispute on the basis of evidence brought to its notice by the complainant and the opposite party.

No proceedings shall be called in question in any court on the ground the principles of natural justice have not been complied with.

For the purposes of this Act the district forum shall have the same powers vested in a civil court under the code of civil procedure 1908 while trying a suit in respect of the following matters, namely:

- i) The summoning and enforcing the attendance of any defendant or witness and examining the witness on oath.
- ii) The discovery and production of any document or other material object producible as evidence.
- iii) The reception of evidence on affidavits.
- iv) The requisitioning of the report of the concerned analysis or test from the appropriate laboratory or from any other relevant source.
- v) Issuing of any commission for the examination of any witness; and
- vi) Any other matter, which may be prescribed.

Q15. As per the consumer protection Act 1986 where & How to file a complaint discuss.

Ans :

Where the consumer will go, depend on how much he wants by way of compensation. If the cost of the goods or services and compensation asked for, is less than Rs.20 lakhs, the complaint can be filed in the District Forum (Consumer Disputes

Redressal Forum-CDRF) where the cause of action has arisen wholly or in part or where the opposite party at the time of the institution of the complaint, actually and voluntarily reside or arises on business or personality work for gain.

In case the cost of the goods or services and compensation asked for is more than Rs.20 lakhs but less than 1 crore, the complaint can be filed before the State Commission (Consumer Disputes Redressal State Commission CDRSC). If the cost of the goods or services and compensation asked for exceeds Rs.1 crore, the complaint can be filed before the National Commission at New Delhi.

How to File a Complaint?

Procedures for filing complaint and asking redressal are simple and speedy:

1. There is no fee for filing a complaint before the District Forum, the State Commission or the National Commission.
2. The complainant or his authorized agent can present the complaint in person.
3. The complaint can be sent by post to the appropriate Forum/Commission.
4. A complaint should contain the following information:
 - i) the name, description and the address of the complainant;
 - ii) the name, description and address of the opposite party or parties, as the case may be as far as they can be ascertained;
 - iii) the facts relating to complaint and when and where it arose;
 - iv) documents, if any, in support of the allegations contained in the complaint;
 - v) the relief which the complaint is seeking.
5. The complaint should be signed by the complainant or his authorized agent.

The Consumer Protection Act is compensatory in nature. So if one wants to use the company, then it is better to approach the court of law.

Q16. Write down the Procedure for Filing the Appeal.

Ans. :

1. Procedure in Respect of Goods where the Defect Alleged Requires no Testing or Analysis :

- i) Refer a copy of the admitted complaint within 21 days from the date of its admission to the opposite party mentioned in the complaint directing him to give his version of the case within a period of 30 days or such extended period not exceeding 15 days, as may be granted by the district forum.
- ii) Where the opposite party, on admission of a complaint referred to him under (a) above, denies or disputes the allegations contained in the complaint, or omits or fails to take any action to represent his case within the time given by the District Forum, the District Forum shall proceed to settle the consumer disputes in the manner specified in clauses (c) to (g).

2. Procedure in Respect of Goods where the Defect Alleged Requires Analysis or Testing :

- i) Where a complainant alleges a defect in the goods which cannot be determined without proper analysis or test of the goods, the district forum shall obtain a sample of the goods from the complainant, seal it and authenticate it in the manner prescribed.
- ii) Before any sample of the goods is referred to any appropriate laboratory under clause (c), the District Forum may require the complainant to deposit to the credit of the Forum such fees as may be specified, for payment to the appropriate laboratory for carrying out the necessary analysis or test in relation to the goods in question [Clause (d)]
- iii) The District Forum shall remit the amount deposited to its credit under

- clause (d) to the appropriate laboratory to enable it to carry out the analysis or test as aforesaid.
- iv) If any of the parties disputes the correctness of the findings of the appropriate laboratory, or disputes the correctness of the method of analysis or test adopted by the appropriate laboratory, the District Forum shall require the opposite party or the complainant to submit in writing his objections in regard to the report made by the appropriate laboratory [Clause (f)].
 - v) The district forum shall thereafter give a reasonable opportunity to the complainant as well as the opposite party of being heard as to the correctness or otherwise of the report made by the appropriate laboratory and also to the objection made in relation thereto under clause (f) and issue an appropriate order under Section 14 [Clause (g)].
3. **If the complaint relates to goods in respect of which the aforesaid procedure cannot be followed or if the complaint relates to any services**, the district shall after following the procedure in clause (a) and (b) of sub-section (1) of Section 13 (noted above) proceed to settle the consumer dispute:
- i) On the basis of evidence brought to its notice by the complainant and the opposite party, where the opposite party derives or disputes the allegations contained in the complaint; or
 - ii) Ex parte on the basis of evidence brought to its notice by the complainant where the opposite party omits or fails to take any action to represent his case within the time given by the Forum.
4. Where the complaint fails to appear on the date of hearing before the district forum, the district forum may either dismiss the complaint for default or decide it on merits.
5. No proceedings complying with the procedure as aforesaid shall be called in question in any Court on the ground that the principle of natural justice has not been complied with.
6. Every complaint shall be heard as expeditiously as possible and endeavor shall be made to decide the complaint within a period of 3 months from the date of receipt by opposite party where the complaint does not require analysis or testing of commodities, and within 5 months if it so requires.
7. Where during the pendency of any proceedings before the district forum, it appears to it necessary, it may pass such interim order as is just and proper in the facts and circumstances of the case.
- The State Consumer Protection Councils (Sees. 7 and 8)**
- Establishment (Sec.7). The State Government shall, by notification, establish with effect from such date as it may specify in such notification, a Council to be known as the Consumer Protection Council for (referred to as the State Council).
- Membership**
- The State Council shall consist of the following members, namely,
- (a) the Minister in charge of consumers' affairs in the State Government who shall be its Chairman ;
 - (b) such number of other official or non-official members representing such interests as may be ; prescribed by the State Government.
 - (c) such number of other official or non-official members, not exceeding 10, as may be : nominated by the Central Government.
- Meetings**
- The State Council shall meet as and when necessary but not less than 2 meetings shall be held every year.
- Time and place of meetings and procedure.** The State Council shall meet at such time and place as the Chairman may think fit and shall observe such procedure in regard to the transaction of its business as may be prescribed by the State Government.

Objects of the State Council (Sec. 8). The objects of every State Council shall be to promote and protect within the State the rights of the consumers as laid down in Sec. 6.

The District Consumer Protection Council [Sec. 8-A as inserted by the Consumer Protection (Amendment) Act, 2002],

The State Government shall establish for every district, by notification, a council to be known as the District Consumer Protection Council with effect from such date as it may specify in such notification.

The District Consumer Protection Council (here in after referred to as the District Council) shall consist of the following members, namely,

- (a) The Collector of the district (by whatever name called), who shall be its Chairman ; and
- (b) such number of other official and non-official members reprocessing such interests as may be prescribed by the State Government.

The District Council shall meet as and when necessary but not less than 2 meetings shall be held every year.

The District Council shall meet as such time and place within the district as the Chairman may think fit and shall observe such procedure in regard to the transaction of its business as may be prescribed by the State Government.

Objects of the District Council [Sec. 8-B inserted by the Consumer Protection (Amendment) Act, 2002], The objects of every District Council shall be to promote and protect within the district the rights of the consumers as laid down in clauses (a) to (j) of Section 6.

Q17. What are the Rights of consumer according consumer protection Act 1986?

Ans :

- | | | |
|---------------------------------|---|--|
| 1) Right to Safety | } | Mentioned by President Kennedy |
| 2) Right to be Informed | | |
| 3) Right to Choose | | |
| 4) Right to be Heard | | |
| 5) Right to Redress | } | Added by International Organization
of Consumers Union (IOCU) |
| 6) Right to Consumer Education | | |
| 7) Right to Healthy Environment | | |

In our country too, the government has been adding impetus to this movement through various schemes and measures. The late Prime Minister Indira Gandhi approved the 17th point of her 20 point programme to consumer protection. The first step in the direction was the setting up of the National Consumer Council at Delhi.

To promote the information of voluntary consumer organizations, state and central governments have also provided for the disbursal of funds. The Central Government has encouraged the growth of certain units in various departments, which are concerned with consumer awareness.

1. Right to Safety

The goods or services used/bought should not be hazardous to the health or life of consumers. The products available in the market should not bring any physical danger to them.

2. Right to be Informed

Consumers should be protected against fraudulent, deceitful or grossly misleading information, advertising, labeling or other practices. They should be provided with full information concerning the product or service such as the quality and performance standards, ingredients of the product, operational requirements, freshness of the product, possible adverse side effects, etc. This right also enables consumers to make a better choice and to bargain.

3. Right to Choose

Consumers should be assured, wherever possible of access to a variety of products and services at competitive prices. Even in a competitive market, consumers should have an assurance of satisfactory quality and services at fair prices.

4. Right to be Heard

Consumers should be assured that their interest will receive full and sympathetic consideration in the formulation of Government policy and fair and expeditious treatment in its administrative tribunals.

5. Right to Redressal

This right ensures compensation to consumers for the loss suffered by them or injury caused to them by the sellers. In a broader sense, the term 'redress' includes all the means open to consumers the right to perceived wrongs or to prevent the future abuses.

6. Right to Consumer Education

Here legislative measures will not ensure protection to consumers. Unless consumers are made aware of their rights and the remedies available to them, they cannot protect themselves against the unfair and unethical trade practices of unscrupulous traders. Therefore, consumers should be educated about their rights through consumer education. Such education can be provided by educational institutions, voluntary organizations and institutional agencies.

7. Right to a Healthy Environment

The products or services supplied to the public should not bring any harmful effect to the physical environment. They should not adversely affect the lives of users as well as non-users. Every consumer has the right a healthy environment.

In India, the Consumer Protection Act, 1986 has given legal recognition to the aforesaid consumer rights.

2.6 INTERNATIONAL MARKETING

Q18. Define International marketing. Explain the nature of international marketing.

Ans : (Jan.-18)

Meanings

International marketing is the application of marketing principles by industries in one or more than one country. It is possible for companies to conduct business in almost any country around the world, thanks to the advances in international marketing.

In simple words, international marketing is trading of goods and services among different countries. The procedure of planning and executing the rates, promotion and distribution of products and services is the same worldwide.

In recent times, companies are not restricted to their national borders, but are open for international marketing. With the increasing change in customers' demands, choices, preferences and tastes, the economies are expanding and giving way to more competitive marketing. Thus, organizations need to respond rapidly to the demands of the customers with well-defined marketing strategies.

Definitions

- i) **According to Kotler**, "Global marketing is concerned with integrating and standardizing marketing actions across a number of geographic markets."

- ii) **According to Cateora**, "International marketing is the performance of business activities that direct the flow of goods and services to consumers and users in more than one nation."
- iii) **According to Cateora and Graham**, "International marketing is the performance of business activities designed to plan, price, promote, and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit."
- iv) **According to Terpstra and Sorathy**, "international marketing consists of finding and satisfying global customer needs better than the competition, both domestic and international and of coordinating marketing activities with in the constraints of the global environment."

Nature

- 1. **Broader market is available:** Unlike domestic marketing the market is not restricted to national population. Population of other countries can also be targeted in international marketing.
- 2. **Involves at least two set of uncontrollable variables:** In domestic marketing the marketers have to interact with only one set of uncontrollable variables. In international marketing at least two set of uncontrollable variables are involved or more if the marketing organization deals in more countries.
- 3. **Requires broader competence:** Special management skills and broader competence is required in international marketing/business.
- 4. **Competition is intense:** An international marketing organization has to compete with both the domestic competitors and the international competitors. Hence, the competition is intense in international marketing.

- 5. **Involve high risk and challenges:** International marketing is prove to various kinds of risk and challenge like – political risk, cultural differences, changes in fashion and style of foreign customers, sudden war, changes in government rules and regulations, communication challenges due to language and cultural barriers, etc.

Q19. Explain the scope of international marketing.

Ans :

International Marketing constitutes the following areas of business:

1. Exports and Imports

International trade can be a good beginning to venture into international marketing. By developing international markets for domestically produced goods and services a company can reduce the risk of operating internationally, gain adequate experience and then go on to set up manufacturing and marketing facilities abroad.

2. Contractual Agreements

Patent licensing, turn key operations, co-production, technical and managerial know how and licensing agreements are all a part of international marketing. Licensing includes a number of contractual agreements whereby intangible assets such as patents, trade secrets, know how, trade marks and brand names are made available to foreign firms in return for a fee.

3. Joint Ventures

A form of collaborative association for a considerable period is known as joint venture. A joint venture comes into existence when a foreign investor acquires interest in a local company and vice versa or when overseas and local firms jointly form a new firm. In countries where fully owned firms are not allowed to operate, joint venture is the alternative.

4. Wholly owned manufacturing

A company with long term interest in a foreign market may establish fully owned manufacturing facilities. Factors like trade barriers, cost differences, government policies etc. encourage the setting up of production facilities in foreign markets. Manufacturing abroad provides the firm with total control over quality and production.

5. Contract manufacturing

When a firm enters into a contract with other firm in foreign country to manufacture assembles the products and retains product marketing with itself, it is known as contract manufacturing. Contract manufacturing has important advantages such as low risk, low cost and easy exit.

6. Management contracting

Under a management contract the supplier brings a package of skills that will provide an integrated service to the client without incurring the risk and benefit of ownership.

7. Third country location

When there is no commercial transactions between two countries due to various reasons, firm which wants to enter into the market of another nation, will have to operate from a third country base. For instance, Taiwan's entry into china through bases in Hong Kong.

8. Mergers and Acquisitions

Mergers and Acquisitions provide access to markets, distribution network, new technology and patent rights. It also reduces the level of competition for firms which either merge or acquires.

9. Strategic alliances

A firm is able to improve the long term competitive advantage by forming a strategic alliance with its competitors. The objective of

a strategic alliance is to leverage critical capabilities, increase the flow of innovation and increase flexibility in responding to market and technological changes. Strategic alliance differs according to purpose and structure. On the basis of purpose, strategic alliance can be classified as follows:

- i) Technology developed alliances like research simultaneous engineering agreements, licensing or joint development agreements.
- ii) Marketing, sales and services alliances in which a company makes use of the marketing infrastructure of another company in the foreign market for its products.
- iii) Multiple activity alliance involves the combining of two or more types of alliances. For instance technology development and operations alliances are generally multi- country alliances.

On the basis of structure, strategic alliance can be equity based or non equity based. Technology transfer agreements, licensing agreements, marketing agreements are non equity based strategic alliances.

10. Counter trade

Counter trade is a form of international trade in which export and import transactions are directly interlinked i.e. import of goods are paid by export of goods. It is therefore a form of barter between countries. Counter trade strategy is generally used by UDCs to increase their exports. However, it is also used by MNCs to enter foreign markets. For instance, PepsiCo's entry in the former USSR. There are different forms of counter trade such as barter, buy back, compensation deal and counter purchase. In case of barter, goods of equal value are directly exchanged without

the involvement of monetary exchange. Under a buy back agreement, the supplier of a plant, equipment or technology. Payments may be partly made in kind and partly in cash. In a compensation deal the seller receives a part of the payment in cash and the rest in kind. In case of a counter purchase agreement the seller receives the full payment in cash but agrees to spend an equal amount of money in that country in a given period.

Q20. What are the features, opportunities and challenges in International Marketing ?

Ans :

(A) Features of International Marketing

1. Large Scale Operations

International marketing is always conducted on a large scale. It is done on a wholesale basis and not on a retail basis, to get the advantage of large scale operations regarding transportation, handling and warehousing.

2. Dominance of MNCs and Developed Countries

MNCs having world wide contacts dominate the scene of international marketing. MNCs conduct business more efficiently and economically. MNCs adopt global approach which is needed in international marketing.

3. International Restrictions

In domestic marketing, there are no restrictions. In international marketing, there are various trade restrictions (tariff and non-tariff) due to the protective policies followed by different countries. Trade barriers are adopted practically by all countries.

4. Presence of Trading Blocs

Certain nations of a region have come together to form trading bloc for and their

mutual benefit, economic development and to reduce or eliminate trade barriers among member nations. International marketing is influenced by the presence of such trading blocs. The most powerful trading blocs are NAFTA (North American Free Trade Area) and EU (European Union).

5. Three-faced competition

Suppliers have to face competition from three angles in international marketing. They have to face competition from the other suppliers of the exporter's country, from the local producers of importing country and from the exporter's of competing nations.

6. International Forums

International trade is regulated by international forums like WTO and UNCTAD. International marketers should have a deep knowledge of the forums rules and regulations.

7. International Marketing Research

In international markets, it is required to know about customers, dealers and competitors. In international marketing, marketing research is a must due to different social, cultural, economic and political environment of far off markets.

8. Sensitive and Flexible

International marketing is very sensitive and flexible in character. Due to political and economic reasons, a product may suddenly become unpopular or market may come down quickly. The sale at the international level may be affected by competitors or due to the introduction of a new product by a competitor

9. Advanced Technology

International marketing is very dynamic and competitive. Thus, an organization must be

able to sell goods of the best quality, at competitive prices. Advanced countries like U.S.A., Japan and Germany dominate in international marketing because they use advanced or sophisticated technology in production and marketing of goods.

10. Lengthy and Time-consuming

International marketing is lengthy and time consuming due to long distances, restrictions imposed by different countries, payment difficulties because of the use of different currencies, and lengthy procedural formalities.

11. Wide Scope

International marketing has a wide scope. The important areas covered by international marketing are product planning, product development, pricing, packaging, branding, advertising, marking, labeling, communication, procedural formalities, sales promotion, international marketing research etc.

12. Long term marketing planning

International marketing needs long term marketing planning. The need for long term planning in international markets is because the marketing situation in different countries changes due to social, economic and political factors.

13. Advantages to all participating countries

International marketing is advantageous to all the countries participating in international marketing. It helps in having smooth and good relations between countries and thereby ensures world peace. But, the advantages of international marketing are not shared in a fair proportion by all participating countries rich and poor countries. But, some benefits are availed by all participating countries.

(B) Opportunities /Importance of International Marketing

Macro level benefits in national perspective: International trade results in macroeconomic effects for each economy. The imports and exports influence the employment, national income and technology. The direct and indirect benefits from international business are listed below:

1. Challenges in Increase in national Income

A country's export activity promotes industrial and trade activity that generates employment and income for various sections of society. The multiplier effect of income increases the level of output and growth rate of economy. Especially the export of wage-goods can help a developing country to break the vicious circle of poverty and raise the real income of the country.

2. Efficiency

While exporting, the countries try to attain specialization in production of goods. In this process, there is optimum and efficient utilization of the resources. The limited domestic market may act as a deferred to the growth of industry and a resultant under-utilization of resources. The international trade can help industry grow and achieve scale and experience economies.

3. Employment generation

Exports constitute a significant portion of different nations and breed opportunities for more and gainful employment. In addition to reducing direct unemployment, foreign trade reduces underemployment, e.g. exports of Swiss watches engages the farmers in the watch industry during their free time resulting into gainful utilization of their skills.

4. Increased linkages

The staple theory of economic growth recognizes that foreign trade results into increased backward and forward linkages with other sectors of the economy. The industrial and trade linkages cause the development of new industries and enhance efficiency of existing industries.

5. Optimal utilization of resources

International business makes possible the utilization of agricultural resources as the farmers get a greater access to the overseas markets. This transforms even the subsystem sector into monetized sector raising the standards of living of rural populations. The strengths of Indian agriculture are likely to open new vistas of business opportunities in the days to come as the world trade is likely to become more liberalized as a result of WTO provisions.

6. Educative effect

Exports and international business exposes the executives to overseas market which develops greater skills in them. This removes a great hindrance, often acknowledged as greater than scarcity of capital goods. The entrepreneurial and management expertise generally helps an economy grow faster, and traditional factors of production can be used more effectively.

7. Promotes Foreign Direct Investment

The level of international business of a country often becomes a basis for the flow of foreign direct investment in a country. In today's economic environment, it is difficult to grow in absence of FDI. Several economies have grown following the heavy investments from other parts of the world.

8. Stimulates Competition

International business fosters healthy competition and helps in checking inefficient monopolies. It is established that growth of competitive economies is higher than the growth rate of protective economies. In recent times, the nations have realized the benefits of healthy competition. Several developing and erstwhile communist countries are promoting the same. Switching over to market-led growth which invokes substantially international operations in business, services and technology.

9. Technology Sourcing

In today's rapidly changing world, it is important to keep pace with the changing technology. This is possible only when there exist linkages with other national economies through international trade and business. The technology-driven industries such as information technology telecommunications, automobiles derive immense synergy by their participation in trade across the world.

(C) Microlevel effects of International Business

An individual firm can reap several benefits by resorting to international marketing and international business.

1. Growth

By all standards, domestic markets have a limitation of growth potential. After a particular level, it is very difficult for a firm to achieve growth. So, it is left with the option of either product innovation or extending operations to other markets. The latter option is a better way of sustaining growth as the product life can increase significantly when it is sold into the world markets.

2. Fighting Competition

As the protectionist measures by nations are being reduced, firms operating in domestic market only are facing increased levels of competition. Instead of utilizing their resources in fighting competitions, firms continue to look at markets in other countries to cope up with domestic competition. Hence, international business operations provide avenues for both survival and growth.

3. Increased efficiency

By operating on global scale, a firm can select for its expansion lucrative opportunities. Also, it can reduce its product costs through global sourcing and utilize world level technology and talent for business operations. All this makes the business operations more efficient and as a result it can realise higher return per unit investment. This boosts up shareholder's value and the company image.

4. Scale economics

Higher level operations on account of international operations produce benefits of scale and thus enhance the profitability of firm.

5. Innovation

By operating in large markets, companies can afford to invest in research and technology development. It is established that compared to traditional and mind set firms, innovation driven firms can compete effectively.

6. Risk Cover

By operating on global scale, the fluctuations of demand levels in an individual country does not make much difference on the aggregate sales. Consequently, the uncertainties arising out of risk factors on the operations localized to a country are reduced. Even the financial risks, physical risks, politico-

legal risks etc. can be managed more effectively by virtue of global operations.

(D) Challenges of global marketing

International marketing is never as easy as marketing in the domestic region. There are a number of problems that global marketing brings along when any company starts to pursue it. There are a lot more dynamics that can be uncertain and challenging compared to the national market. The diversity in cultures and political realities in different regions of the world create plenty of obstacles for a company trying to market themselves in a new region. Here are a few problems that any company faces when they are pursuing a global expansion.

1. Tariffs

Taxes and customs duties on imported goods are what can be considered tariff barriers. Companies selling products in another country can find it harder to make profits in the local markets because of the customs duties and other extra expenses they have to compensate for as compared to the locally produced goods. Some countries even impose tariff barriers in a strategic way to dissuade foreign companies from successfully selling their products in the local market and setting a foothold so their own products can thrive more. Frequently changing tariff rates also leads to uncertainty for traders who need to be able to ascertain their profits in a market to plan strategies and their global goals in the long run.

2. Administrative Policies

The bureaucratic situation in both the host and guest countries has a great effect on the marketing. Any situation that occurs which might not have anything to do with your company or the products you're selling can still make thriving in any market a steeper hill to climb. International marketers also have

to conform to the legal formalities of the country they are operating, giving due diligence to the political situation between their own country and the host country.

3. Diversity

Every country has its unique culture and traditions. It is a hard fact of life and every body is aware of it but they can still pose a significant problem when it comes to marketing and selling products internationally. There is a massive display of diversity when you're considering your customers on a global scale in terms of their needs, their preferences, habits, languages, expectations, spending ability and so forth. Customers from different countries in the same region can have the complete opposite social values and requirements, which means the marketing strategies for both have to be specifically made for them individually. The marketing approach cannot be generalized and that poses a lot of logistical issues and figuring out their needs is a resource and a time exhaustive process.

4. Political Environment

Every country has its own political climate with different economic structures and policies. Political instability in a country or region is one of the main factors that can affect success in a market. Different political situations either offer more opportunities or considerable challenges to international marketing. Governments can have drastically different philosophies, priorities and approaches to international trading. A company's global sales strategy has to be devised according to the needs of the specific situation at the given time for any given region.

Q21. What is the comparison of domestic with international marketing ?

Ans :

i) Definition Domestic Marketing

Domestic Marketing refers to the marketing activities employed on a national scale. Marketing strategies were undertaken to customers of a small area, generally within the local limits of a country. It serves and influences the customers of a specific country only.

Domestic Marketing enjoys a number of privileges like easy to access data, fewer communication barriers, deep knowledge about consumer demand, preferences and taste, knowledge about market trends, less competition, one set of economic, social & political issues, etc. However, due to the limited market size, the growth is also limited.

ii) Definition of International Marketing

International Marketing is when the marketing practices are adopted to cater the global market. Normally, the companies start their business in the home country, after achieving the success they proceed their business to another level and become a transnational company, where they seek to enter in the market of several countries. So, the company must be known about the rules and regulations of that country.

International marketing enjoys no boundaries, keeping the focus on the worldwide customers. However, some disadvantages are also associated with it, like the challenges it faces on the path of expansion and globalization. Some of which are socio-cultural differences, changes in foreign currency, language barriers, differences in buying habits of customers, setting and international price for the product and so on.

S.No.	Nature	Domestic Marketing	International environment
1.	Area of Operation	It operates within the national boundaries. Its area of operation is limited.	It operates outside the geographical limit of the country its area operation is boundaries.
2.	Nature of Marketing	It is simple in nature Marketing practices are uniform.	Nature of international marketing is complicated Marketing practices are also not uniform.
3.	Language and Culture	It deals with people having one language and one culture.	International marketing is performed with people and countries having different languages and culture.
4.	Scale Operation	It operates on a small scale in a limited area.	International marketing is performed on large scale in diversified market.
5.	Methods of Payment	Payments are made directly to the seller.	Payments in international trade are made to the exporter through bank only.
6.	Currency	The currency used in home trade is one throughout the country.	The currency used in international trade is different in different countries.
7.	Exchange Funds	No exchange funds are required in the home trade.	International trade cannot be carried without foreign exchange reserves.
8.	Free Trade	Traders are free to trade in any goods except the prohibited area area identified in industrial policy.	Every commodity cannot be marketed. Exam policy identifies prohibited items,
9.	Regulatory Authority	Government regulates home trade.	WTO and UNCTAD regulated international trade.
10.	Rules and Regulations	Domestic rules and regulation are applicable in home trade.	International laws regulate the international trade.
11.	Risk	It does not involve much risk and uncertainties.	International marketing is exposed to high risk both political and commercial
12.	Tariff Regulation	It is not subject to tariff regulations. Tax regulations are simple.	International marketing is subject to Tariff and non-tariff regulations
13.	Mode of payment	Payments are made directly in home currency.	Payments are made by L.C / bills of exchange through the bank.
14.	realization of Scale	Credit can be extended and sales proceed is decided according to buyers seller relationship.	Export proceed must be realized within 180 days from the date of shipment.
15.	Transport Cost	Transport cost are low in home marketing.	In involves high transport cost due to long distance, incidental expenses, compulsory insurance.
16.	Competition	Sellers have to face competition from domestic producer only.	It face degree of competition global players.

2.6.1 General Agreement on Tariffs and Trade (GATT)

Q22. Write about General Agreement on Tariffs and Trade (GATT).

Ans :

Introduction

General Agreement on Tariffs and Trade (GATT), set of multilateral trade agreements aimed at the abolition of quotas and the reduction of tariff duties among the contracting nations. When GATT was concluded by 23 countries at Geneva, in 1947 (to take effect on Jan. 1, 1948), it was considered an interim arrangement pending the formation of a United Nations agency to supersede it. When such an agency failed to emerge, GATT was amplified and further enlarged at several succeeding negotiations. It subsequently proved to be the most effective instrument of world trade liberalization, playing a major role in the massive expansion of world trade in the second half of the 20th century. By the time GATT was replaced by the World Trade Organization (WTO) in 1995, 125 nations were signatories to its agreements, which had become a code of conduct governing 90 percent of world trade.

GATT's most important principle was that of trade without discrimination, in which each member nation opened its markets equally to every other. As embodied in unconditional most-favoured nation clauses, this meant that once a country and its largest trading partners had agreed to reduce a tariff, that tariff cut was automatically extended to every other GATT member. GATT included a long schedule of specific tariff concessions for each contracting nation, representing tariff rates that each country had agreed to extend to others. Another fundamental principle was that of protection through tariffs rather than through import quotas or other quantitative trade restrictions; GATT systematically sought to eliminate the latter. Other general rules included uniform customs regulations and the obligation of each contracting nation to negotiate for tariff cuts upon the request of another. An escape clause allowed contracting countries to alter agreements if their domestic producers suffered excessive losses as a result of trade concessions.

GATT's normal business involved negotiations on specific trade problems affecting particular commodities or trading nations, but major multilateral trade conferences were held periodically to work out tariff reductions and other issues. Seven such "rounds" were held from 1947 to 1993, starting with those held at Geneva in 1947 (concurrent with the signing of the general agreement); at Annecy, France, in 1949; at Torquay, Eng., in 1951; and at Geneva in 1956 and again in 1960-62. The most important rounds were the so-called Kennedy Round (1964-67), the Tokyo Round (1973-79), and the Uruguay Round (1986-94), all held at Geneva. These agreements succeeded in reducing average tariffs on the world's industrial goods from 40 percent of their market value in 1947 to less than 5 percent in 1993.

Objectives

The objectives of GATT are as follows

1. To encourage full employment and large and steadily growing volume of real income and effective demand.
2. To improve the world production and exchange of goods.
3. To ensure the full use of world resources.
4. To ensure a steady improvement in the living standards of people in member countries.
5. To settle the disputes through consultation within the framework of GATT.

For the achievement of these objectives, the preamble of the GATT agreement requires the members to enter into reciprocal and mutually advantageous arrangement directed to the, substantial reduction of tariffs and other barriers to trade and elimination of discrimination treatment in international commerce.

Dunkel Proposals

The 8th round GATT popularly known as Uruguay round was started in September 1986. The negotiations were expected to be concluded in 4 years but on account of differences among participating countries on certain critical areas, agreement could not be reached.

To remove this deadlock Mr. Arthur Dunkel, Director General of GATT, compiled a very detailed document, popularly known as Dunkel Proposals. This proposal culminated into the Final Act on December 15, 1993. India signed this proposal on April 15, 1994. All 124 members the countries signed on this agreement.

Defects of GATT

The major defects of GATT are as follows:

1. No Enforcement Authority

The GATT has attempted to prescribe an international code of conduct in the sphere of trade. But there was no enforcement authority to oversee the compliance of GATT regulations by contracting parties and to settle their trade disputes.

2. Problems in the Formulation of General Rules

The members of GATT are much diversify in nature, they had varied in economic and political motives and they were also at different stages of development. These reasons created difficulty in framing and implementing uniform general rules of conduct concerning trade, tariffs and payment.

3. Less Benefits for the LDC's

The most of the members of GATT were in the category of the LDC's. The GATT had provided less benefit to these countries. At present, there are more restrictive trade arrangements in the world. The Commodity-to-Commodity based approach has proved to be detrimental to the interests of LDC's.

This approach creates difficulty in their future planning of production and exports. The GATT also not given any compensation to the less developed countries on account of damage to their economies caused by the actions of developed countries.

4. Quantitative Trade Restrictions

The GATT had certainly ensured the sealing down of tariff structure but the quantitative

trade restrictions remained for a long time outside the GATT ambit. Consequently, the developed countries had used with impunity the quantitative trade restrictions such, as import quotas, export subsidies, voluntary export restraints, health and safety regulation etc.

Even though the 1993, agreement of GATT disapproved the adoption of quantitative trade restrictions and the substitution of tariffs in their place, it did not prohibit the contracting parties from taking recourse to them.

2.6.2 World Trade Organization (WTO)

Q23. What is WTO. Explain its objectives and functions of WTO?

Ans. (Dec.-20, Jan.-18, Dec.-16, Dec.-15)

The World Trade Organization (WTO) was officially formed on January 1, 1995 under the goal of supervising and liberalizing international trade between participating countries. The WTO provides a framework for negotiating and formalizing trade agreements, and a dispute resolution process aimed at enforcing participants' adherence to WTO agreements signed by representatives of member governments. The organization is attempting to complete negotiations on the Doha Development Round, which was launched in 2001 with an explicit focus on addressing the needs of developing countries. As of June 2012, the future of the Doha Round remains uncertain.

Objectives

The important objectives of WTO are:

1. To improve the standard of living of people in the member countries.
2. To ensure full employment and broad increase in effective demand.
3. To enlarge production and trade of goods.
4. To increase the trade of services.
5. To ensure optimum utilization of world resources.

6. To protect the environment.
7. To accept the concept of sustainable development.

Functions

1. To implement rules and provisions related to trade policy review mechanism.
2. To provide a platform to member countries to decide future strategies related to trade and tariff.
3. To provide facilities for implementation, administration and operation of multilateral and bilateral agreements of the world trade.
4. To administer the rules and processes related to dispute settlement.
5. To ensure the optimum use of world resources.
6. To assist international organizations such as, IMF and IBRD for establishing coherence in Universal Economic Policy determination.

Members and Observers

The WTO has 157 members and 27 observer governments. WTO members do not have to be full sovereign nation-members. Instead, they must be a customs territory with full autonomy in the conduct of their external commercial relations. Iran is the biggest economy outside the WTO. Most observers must start accession negotiations within five years of becoming observers. Fourteen states and two territories so far have no official interaction with the WTO.

Q24. Explain the Principles of the trading system in WTO.

Ans :

The WTO establishes a framework for trade policies; it does not define or specify outcomes. That is, it is concerned with setting the rules of the trade policy games.-Five principles are of particular importance in understanding both the pre-1994 GATT and the WTO:

1. Non-discrimination

It has two major components: the most favoured nation (MFN) rule, and the national treatment policy. Both are

embedded in the main WTO rules on goods, services, and intellectual property, but their precise scope and nature differ across these areas. The MFN rule requires that a WTO member must apply the same conditions on all trade with other WTO members, i.e. a WTO member has to grant the most favorable conditions under which it allows trade in a certain product type to all other WTO members. "Grant someone a special favour and you have to do the same for all other WTO members." National treatment means that imported goods should be treated no less favorably than domestically produced goods (at least after the foreign goods have entered the market) and was introduced to tackle non-tariff barriers to trade (e.g. technical standards, security standards for all discriminating against imported goods).

2. Reciprocity

It reflects both a desire to limit the scope of free-riding that may arise because of the MFN rule, and a desire to obtain better access to foreign markets. A related point is that for a nation to negotiate, it is necessary that the gain from doing so be greater than the gain available from unilateral liberalization; reciprocal concessions intend to ensure that such gains will materialise.

3. Binding and enforceable commitments

The tariff commitments made by WTO members in a multilateral trade negotiation and on accession are enumerated in a schedule (list) of concessions. These schedules establish "ceiling bindings": a country can change its bindings, but only after negotiating with its trading partners, which could mean compensating them for loss of trade. If satisfaction is not obtained, the complaining country may invoke the WTO dispute settlement procedures.

4. Transparency

The WTO members are required to publish their trade regulations, to maintain institutions allowing for the review of administrative decisions affecting trade, to respond to requests for information by other members,

and to notify changes in trade policies to the WTO. These internal transparency requirements are supplemented and facilitated by periodic country-specific reports (trade policy reviews) through the Trade Policy Review Mechanism (TPRM). The WTO system tries also to improve predictability and stability, discouraging the use of quotas and other measures used to set limits on quantities of imports.

5. Safety valves

In specific circumstances, governments are able to restrict trade. The WTO's agreements permit members to take measures to protect not only the environment but also public health, animal health and plant health.

The positive impact of WTO on developing countries can be viewed from the following aspects:

1. Growth in Merchandise Exports

The exports of developing countries like India, China, Brazil, etc., have increased since the setting up of WTO. The increase in exports of developing countries is due to reduction in trade barriers - tariff and non-tariff. For instance, India's merchandise exports have increased by 5.8 times since 1995.

2. Growth in Services Exports

The WTO has also introduced an agreement on services called GATS. Under this agreement, the member nations have to liberalise the services sector. Certain developing countries like India would benefit from such an agreement. For instance, India's services exports have increased from about 5 billion US \$ in 1995 to 102 billion US \$ in 2008-09. The software services accounted for about 45% of the services exports of India.

3. Foreign Direct Investment

As per the TRIMs agreement, restrictions on foreign investment have been withdrawn by member nations of WTO including developing countries. Therefore, the developing countries like Brazil, India, China, etc., have been benefited by way of foreign

direct investment as well as by Euro equities and portfolio investment. In 2008-09, foreign direct investment (net) in India was 35 US \$ billion.

4. Textiles and Clothing

It is estimated that the textiles sector would be one of the major beneficiaries of the impact of Uruguay Round. At the Uruguay Round, it was agreed upon by member countries to phase out MFA by 2005. Under MFA, the developed countries like France, USA, UK, Canada, etc. used to import quotas on textile exporting countries. The MFA has been withdrawn w.e.f., 1.1.2005, and therefore, it would benefit the developing countries including India by way of increase in export of textiles and clothing.

5. Benefits of TRIPs Agreement

The TRIPs agreement has benefited the developing countries like Brazil, India, China, and others. The firms in developing countries have also developed new products and got them patented. Developing countries have also benefited by way of GIS status. For instance, India has obtained GIS for products like Darjeeling Tea, Goa Feni, and so on.

Therefore, it can be concluded that the WTO has created both a positive and negative impact on developing countries. It is expected that the developing countries like Brazil, India, China, South Korea, would greatly benefit from WTO agreements in the coming years, provided they make efforts to improve efficiency and international competitiveness.

Q25. Explain WTO and its Implications on International Marketing.

Ans :

The positive impact of WTO on developing countries can be viewed from the following aspects:

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Q26. Explain the Organization structure of the WTO.

Ans :

The world trade organization was established on 1st January, 1995. It was the result of the Uruguay round discussions. The WTO has replaced the old GATT. It has larger membership than GATT, the present number of members stands at 144. India is one of the founder members of WTO.

The WTO is a permanent organization created by international treaty and Ratified by the governments and legislatures of the member states.

WTO is officially defined as the legal institutional foundation of "the multilateral trading system".

The basic principle of WTO is Most Favoured Nation (MFN) the Article 1 of the general agreement, which binds all members to give equal treatment to the products and services of all other WTO states.

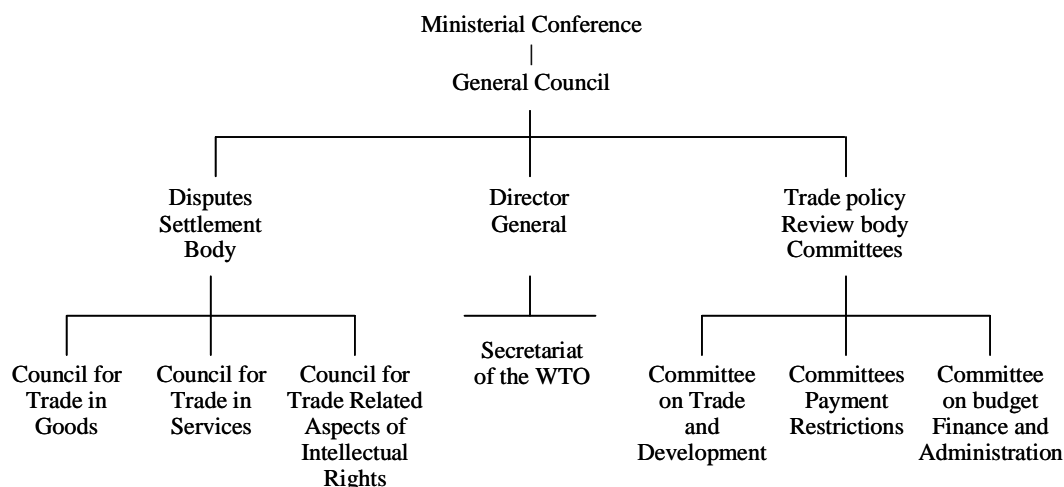


Fig. : Structure of WTO

The organization structure of the WTO is designed based on four hierarchical levels. The hierarchies from the top to bottom are as follows :

1. Ministerial Conference

The structure of the WTO is dominated by the ministerial conference, which is the higher authority. It is composed of representatives of all WTO members. It meets every two years and has the powers to make decision on all matters, under any of the multilateral trade agreements, which are implemented and executed by the general council.

2. General Council : General council is the executive body of the WTO. General council reports its decisions and activities to the ministerial conference. All the members of the WTO are also the representatives in the general council. It conveniences in two particular forms as the dispute settlement body and trade policy review body.

3. Councils : The third level in the hierarchy is councils. There are three councils

- **Council for Trade in Goods :** This council supervisors the implementation and functioning of all agreements related to trade in goods.
- **Council for Trade in Service :** This council overseas the implementation of all the agreements relating to trade in services.
- **Council for Trade Related Aspects of Intellectual Property Rights :** This council overseas the implementation and functioning of all the agreements relating to this area.

4. Committee and Management Bodies : The general council delegates powers, responsibilities and authorities to these bodies. These committee and bodies include

- a. Committees :** Various councils specified earlier, constitute committees for administering the agreement. Ministerial conference constituted three committees.
 - (i) Committee on trade development
 - (ii) Committee on Balance of Payments
 - (iii) Committee on Budget, Finance and Administration.

- b. **Management Bodies** : Plurilateral agreement of the WTO have their management bodies. These management bodies report of the general council. Some of the plurilateral agreements having management bodies include civil-air-craft, govt. Procurement, dairy products bovine-meat etc.

Q27. What are the differences between GATT and WTO ?

(OR)

Compare and contrast GATT and WTO.

Ans :

(Dec.-20, Dec.-16)

S.No.	GATT	S.No.	WTO
1.	It is a set rules and multilateral agreement.	1.	It is a permanent institution.
2.	It was designed with an attempt to establish international trade organization.	2.	It is established to serve its own purpose.
3.	It was applied on a provisional basis.	3.	It activities are full and permanent.
4.	Its rules are applicable to trade in merchandise goods.	4.	Its rules are applicable to trade in merchandise and trade in services and trade related aspects.
5.	GATT was originally a multilateral instrument but other agreements are added.	5.	It agreement are almost multilateral.
6.	It dispute settlement system was not faster and automatic.	6.	Its dispute settlement system was fast and automatic.

Short Question & Answers

1. What is marketing environment?

Ans :

Marketing Environment is ever changing; modern marketers realize that environmental scanning would provide them with continuous interaction between the customers and the business they are in, based on integration, the marketing managers can evolve marketing strategies to ensure effective and efficient goal achievement. The environment of a business enterprise may be static or dynamic. When the environment forces do not show a significant change, they are termed as stable or static environment. But the environment of modern organizations is dynamic because of frequent changes.

Marketing attributes of a business are affected by a large number of environmental factors that surrounds the company. These factors or forces influence the decision-making capability of the enterprise. A marketing system, system of a company thus must have to operate within the framework of the environmental forces.

The marketing environment surrounds and impacts upon the organization. There are three key perspectives on the marketing environment, namely the 'macro-environment,' the 'micro-environment' and the 'internal environment'.

The micro-environment includes suppliers that deal directly or indirectly, consumers and customers, and other local stakeholders. Micro tends to suggest small, but this can be misleading. In this context, micro describes the relationship between firms and the driving forces that control this relationship. It is a more local relationship, and the firm may exercise a degree of influence.

The macro-environment includes all factors that can influence an organization, but that are out of their direct control. A company does not generally influence any laws. It is continuously changing, and the company needs to be flexible to adapt. There may be aggressive competition and rivalry in a market. Globalization means that there is always the threat of substitute products and new entrants. The

wider environment is also ever changing, and the marketer needs to compensate for changes in culture, politics, economics and technology.

Meaning of Marketing Environment

Marketing Environment refers to the encompasses the marketing team within an organization and includes all of the outside factors of marketing that affect the team's ability to develop and maintain successful customer relationships with their targeted customer group.

For example, the relevant environment for a car type manufacturing, technology, the tax structure, import-export regulation, the distributors, dealers, competitors etc.

Definition of Marketing Environment

According to **Philip Roller**, "Marketing environment refers to the external factors and forces that affect the company's ability to develop and maintain successful and relationships with its target customers".

2. Importance of Marketing Environment.

Ans :

- i) It creates an increased general awareness of environmental changes on the part of management.
- ii) It guides with greater effectiveness in matters relating to Government.
- iii) It helps in marketing analysis.
- iv) It suggests improvements in diversification and resource allocations.
- v) It helps firms to identify and capitalize upon opportunities rather than losing out to competitors.
- vi) It provides a base of 'objective qualitative information' about the business environment that can subsequently be of value in designing the strategies.
- vii) It provides a continuing broad-based education for executives in general, and the strategists in particular.

3. Need for analyzing marketing environment.*Ans :*

1. Marketing environment is analyzed to estimate the future marketing environment.
2. Marketing environment is analyzed to keep track on the environment changes and the outcomes of such changes.
3. To identify the opportunities and threats posed by the marketing environment, marketing environment is analyzed.
4. The marketing strategies, plans and programs of the company have to be designed by taking into consideration the opportunities and trends in the marketing environment. And for this clear analysis of marketing environment is very essential.
5. Marketing environment is analyzed to determine the scope of each opportunity posed by the marketing environment and to select those opportunities which can positively influence company's marketing operations.

4. Consumer protection Act, 1986.*Ans :*

Consumer protection is a form of government regulation which protects the interests of consumers. For example, a government may require businesses to disclose detailed information about products – particularly in areas where safety or public health is an issue, such as food. Consumer protection is linked to the idea of consumer rights, and to the formation of consumer organisations which help consumers make better choices in the marketplace.

Consumer interests can also be protected by promoting competition in the markets which directly and indirectly serve consumers, consistent with economic efficiency. Consumer protection can also be asserted via non-government organisations and individuals as consumer activism. Consumer activism is activism undertaken on behalf of consumers, to assert consumer rights.

5. Consumer*Ans :*

The consumer is one who has purchased goods or who has availed of or hired services.

In the Consumer Protection Act, the word "Consumer" has defined separately for the purpose of goods and services.

In terms of Section 2(d) of the Act: (i) a "Consumer" means any person who buys any goods for any consideration which has been paid or promised or partly paid promised, or under any system of deferred payment; (ii) it includes any user of such goods other than the person who actually buys goods and as whose use is made with the approval of the purchaser.

The term consumer excludes a person who obtains the goods (for consideration) for resale or for any commercial purpose.

According to the Act, a consumer should necessarily constitute the end terminal in the line of trade. He who buys the goods for resale purposes or for commercial purposes forms only the intermediate function in the line of trade. The Act aims to secure the full satisfaction of the Consumer in his purchase of goods or services if he is the ultimate buyer.

6. Unfair Trade Practices*Ans :*

Unfair trade practice means a trade practices which for the purpose of promoting the sale, use or supply of any goods or for the provision of any service adopts any unfair methods or unfair or deceptive practice including any of the following practices, namely:

Misleading Advertisement and False Representation

The practice of making any statement whether orally or in writing or by visible representation which:

- i) Falsely represents that the goods are of a particular standard quality, quantity, grade, composition, style or model

- ii) Falsely represents that the services of a particular standard, quality or grade;
- iii) Falsely represents any rebuilt, second hand, renovated, reconditioned or old goods as new goods;
- iv) Represent that goods or services have sponsorship, approval performance, characteristics, accessories uses or benefits which such goods or services do not have;
- v) Represents that the seller or the supplier has a sponsorship or approval or affiliation which such seller or supplier does not have;
- vi) Makes a false or misleading representation concerning the need for or the usefulness of any goods or services;
- vii) Gives to the public any warranty or guarantee of the performance, efficacy or length of life of a product or of any goods that is not based on an adequate or proper test thereof; provided that where a defense is raised to the effect that such warranty or guarantee is based on adequate or proper test, the burden of proof of such defense shall lie on the person raising such defense;
- viii) Gives false or misleading facts disparaging the goods, services or trade of another person.

7. Rights of consumer.

Ans :

1. Right to Safety

The goods or services used/bought should not be hazardous to the health or life of consumers. The products available in the market should not bring any physical danger to them.

2. Right to be Informed

Consumers should be protected against fraudulent, deceitful or grossly misleading information, advertising, labeling or other practices. They should be provided with full information concerning the product or service such as the quality and performance standards, ingredients of the product, operational requirements, freshness of the product, possible adverse side effects, etc. This

right also enables consumers to make a better choice and to bargain.

3. Right to Choose

Consumers should be assured, wherever possible of access to a variety of products and services at competitive prices. Even in a competitive market, consumers should have an assurance of satisfactory quality and services at fair prices.

4. Right to be Heard

Consumers should be assured that their interest will receive full and sympathetic consideration in the formulation of Government policy and fair and expeditious treatment in its administrative tribunals.

5. Right to Redressal

This right ensures compensation to consumers for the loss suffered by them or injury caused to them by the sellers. In a broader sense, the term 'redress' includes all the means open to consumers the right to perceived wrongs or to prevent the future abuses.

6. Right to Consumer Education

Mere legislative measures will not ensure protection to consumers. Unless consumers are made aware of their rights and the remedies available to them, they cannot protect themselves against the unfair and unethical trade practices of unscrupulous traders. Therefore, consumers should be educated about their rights through consumer education. Such education can be provided by educational institutions, voluntary organisations and institutional agencies.

8. Define international marketing.

Ans :

International marketing is the application of marketing principles by industries in one or more than one country. It is possible for companies to conduct business in almost any country around the world, thanks to the advances in international marketing.

In simple words, international marketing is trading of goods and services among different countries. The procedure of planning and executing the rates, promotion and distribution of products and services is the same worldwide.

In recent times, companies are not restricted to their national borders, but are open for international marketing. With the increasing change in customers' demands, choices, preferences and tastes, the economies are expanding and giving way to more competitive marketing. Thus, organizations need to respond rapidly to the demands of the customers with well-defined marketing strategies.

Definitions

- i) **According to Kotler**, "Global marketing is concerned with integrating and standardizing marketing actions across a number of geographic markets."
- ii) **According to Cateora**, "International marketing is the performance of business activities that direct the flow of goods and services to consumers and users in more than one nation."
- iii) **According to Cateora and Graham**, "International marketing is the performance of business activities designed to plan, price, promote, and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit."
- iv) **According to Terpstra and Sorathy**, "international marketing consists of finding and satisfying global customer needs better than the competition, both domestic and international and of coordinating marketing activities with in the constraints of the global environment."

9. General Agreement on Tariffs and Trade (GATT).

Ans :

General Agreement on Tariffs and Trade (GATT), set of multilateral trade agreements aimed at the abolition of quotas and the reduction of tariff duties among the contracting nations. When GATT was concluded by 23 countries at Geneva, in 1947 (to take effect on Jan. 1, 1948),

it was considered an interim arrangement pending the formation of a United Nations agency to supersede it. When such an agency failed to emerge, GATT was amplified and further enlarged at several succeeding negotiations. It subsequently proved to be the most effective instrument of world trade liberalization, playing a major role in the massive expansion of world trade in the second half of the 20th century. By the time GATT was replaced by the World Trade Organization (WTO) in 1995, 125 nations were signatories to its agreements, which had become a code of conduct governing 90 percent of world trade.

10. Objectives of GATT.

Ans :

The objectives of GATT are as follows

1. To encourage full employment and large and steadily growing volume of real income and effective demand.
2. To improve the world production and exchange of goods.
3. To ensure the full use of world resources.
4. To ensure a steady improvement in the living standards of people in member countries.
5. To settle the disputes through consultation within the framework of GATT.

For the achievement of these objectives, the preamble of the GATT agreement requires the members to enter into reciprocal and mutually advantageous arrangement directed to the, substantial reduction of tariffs and other barriers to trade and elimination of discrimination treatment in international commerce.

11. What is WTO?

Ans :

The World Trade Organization (WTO) was officially formed on January 1, 1995 under the Marrakesh Agreement, with the goal of supervising and liberalizing international trade between participating countries. The WTO provides a framework for negotiating and formalizing trade agreements, and a dispute resolution process aimed at enforcing participants' adherence to WTO agreements signed by representatives of member

governments. The organization is attempting to complete negotiations on the Doha Development Round, which was launched in 2001 with an explicit focus on addressing the needs of developing countries. As of June 2012, the future of the Doha Round remains uncertain.

Objectives

The important objectives of WTO are:

1. To improve the standard of living of people in the member countries.
2. To ensure full employment and broad increase in effective demand.
3. To enlarge production and trade of goods.
4. To increase the trade of services.
5. To ensure optimum utilization of world resources.
6. To protect the environment.
7. To accept the concept of sustainable development.

12. Demographic Environment .

Ans :

The demographic environment includes the study of human populations in terms of age structure, size, education, location, sex, race, occupation, and other statistical information. Every country produces some basic demographic statistics, which are readily available to the marketing analyst. But this environment totally differs from one country to other and from one place to another within the same country.

Dramatic trends and shifts in demographic data are vital factors in determining marketing strategies. It is the basis of market segmentation because the whole demand is dependent upon the people and their characteristics. But a continuous analysis is must as this demographic environment is highly dynamic and change significantly over time. Peter Drucker, who emphasizes the tremendous economic and business implications of demographic changes, suggests that any strategy, that is any commitment of present resources to the future expectations, has to start out with demographics.

13. What are the differences between GATT and WTO ?

Ans :

S.No.	GATT	S.No.	WTO
1.	It is a set rules and multilateral agreement.	1.	It is a permanent institution.
2.	It was designed with an attempt to establish international trade organization.	2.	It is established to serve its own purpose.
3.	It was applied on a provisional basis.	3.	It activities are full and permanent.
4.	Its rules are applicable to trade in merchandise goods.	4.	Its rules are applicable to trade in merchandise and trade in services and trade related aspects.
5.	GATT was originally a multilateral instrument but other agreements are added.	5.	It agreement are almost multilateral.
6.	It dispute settlement system was not faster and automatic.	6.	Its dispute settlement system was fast and automatic.

14. Micro Environment

Ans :

Micro environment indicates the factors and forces in the immediate area of operation of the firm which affect the marketing manager's ability to serve the customers. It includes both internal as well as external forces. Internal forces include the company's top management and its various departments like purchasing department, research and development department, production department, finance department and personnel department.

15. Economic Environment.

Ans :

The economic environment is a blend of various economic factors, such as economic conditions, total employment, income, inflation and interest rates etc. These factors influence the spending patterns of individual customers and organizations. The major function of the marketing always revolve around demand and supply forces present in the market and these demand and supply patterns are largely affected by economic environment of a country/region.

Following factors contribute to the economic environment :

1. Economic Conditions

Fluctuations in economic conditions always affect consumers' purchasing power and willingness to buy; ability of an organization to manufacture and supply; and subsequently these affect the demand and supply factors. When there is prosperity in the economy, the buying power of consumers also remains on boom as total national income is always high during prosperity. And businesses also expand their product offerings to take advantage of this high buying power. But as the economic conditions lead the businesses to recession and depression periods, total national income and consumers' buying power start declining. Due to which demand and supply factors lose their equilibrium and consequently the size of both domestic and international markets decline.

2. Consumers Purchasing Power

This is the capability of a person to purchase something, which largely depends upon the financial resources available with consumers. Two factors are mainly responsible for affecting the consumers' purchasing power: Income and Inflation.

Income is the amount of money which a person is getting due to his business or job, from his assets, or from some other resources available in a period of one month or a year. If the level of income is high, then definitely the purchasing power of consumers will also be high. Similarly, in the period of recession, the purchasing power of consumers starts declining with the declining levels of income.

Second factor that affects purchasing power is Inflation. It refers to the increase in the prices of all products without a corresponding increase in salary and wages, which automatically results in lower purchasing power of consumers. During inflationary period, a price of every product goes up and the purchasing power of customers starts declining. But as the prices start diminishing, the purchasing power starts rising up again.

3. Interest Rates

Interest rates in an economy also affect the marketing activities as prices of products/services and buying power of consumers get affected. If interest rate is high in the economy, companies will borrow capital at higher rates and then to meet up this cost, they will lift up the prices of their products. And then if for the longer time, interest rates stay high, inflation period enters in the economy. Due to which consumers' purchasing power will again decline and secondly, consumers will be in the favour of more savings to avail the benefits of more earnings due to higher interest rates.

Choose the Correct Answers

1. Companies are now using a _____ sales force structure. [a]
(a) Customer oriented (b) Production
(c) Product (d) Marketing
2. Suppliers, Stakeholders, customer belongs to which Environment. [a]
(a) Micro (b) Macro
(c) Mini (d) None
3. Political, Legal, cultural, Technological belongs to which environment. [b]
(a) Micro (b) Macro
(c) Mini (d) None
4. Expand GATT. [a]
(a) General Agreement on Tariffs and Trade
(b) General Agreement on Tariff and Trade
(c) General Agreement on Tariff and Trade
(d) General Agreement on Trade and Track
5. Which helps the company to promote, sell & distribute its goods to final buyers. [a]
(a) Marketing intermediaries (b) Customers
(c) Both a and b (d) None
6. Which is the main aim to Look over in strategy making. [a]
(a) Competitors Strategy (b) Other Industry
(c) Marketing Intermediaries (d) None
7. R & D focuses on. [a]
(a) Designing attractive products (b) Purchasing
(c) Selling (d) None

8. Consumer protection Act. [a]
- (a) 1986 (b) 1786
- (c) 1886 (d) 1876
9. Sale of Goods Act. [a]
- (a) 1930 (b) 1830
- (c) 1730 (d) 1930
10. Which of the following is final stage of marketing channel. [a]
- (a) Customers (b) Sellers
- (c) Suppliers (d) None

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Fill in the Blanks

1. _____ form a link in the companies overall customer value and delivery system.
2. The organization should know _____ wants .
3. _____ is the study of human population in terms of size, location, age, gender etc.
4. _____ environment is made up of institutions and other forces that affect society.
5. Consumer protection is linked to the idea of _____ .
6. The consumer is one who has purchased goods or who availed of _____ .
7. Expand WTO _____ .
8. Expand TRIPS _____ .
9. Expand LDC _____ .
10. _____ means any person who buys any goods for a consideration.

ANSWERS

1. Supplier
2. Customer
3. Demographic
4. Cultural
5. Consumer rights
6. Hired services
7. World trade organization
8. Trade - Related aspects of intellectual property rights
9. Least developed country
10. Consumer

UNIT III

MARKET SEGMENTATION

Concept of Target Market - Diffused Market - Concentrated Market - Clustered Market - Market Segmentation: Concept - Bases- Benefits-Requirements for Effective Segmentation - Market Segmentation Analysis for Consumer and Service - Product Positioning: Concepts – Bases.

3.1 TARGET MARKETING

Q1. Explain the concept of Target Marketing.

Ans : (June-16)

Meaning

A target market is a group of customers a business has decided to aim its marketing efforts and ultimately its merchandise towards. A well-defined target market is the first element of a marketing strategy. Product, price, promotion, and place are the four elements of a marketing mix strategy that determine the success of a product or service in the marketplace.

Target markets are groups of individuals that are separated by distinguishable and noticeable market segmentation including the following:

- Geographic - addresses (their location climate region)
- Demographic/ socioeconomic segmentation - (gender, age, income, occupation, education, household size, and stage in the family life cycle)
- Psychographic segmentation - (similar attitudes, values, and lifestyles)
- Behavioral segmentation - (occasions, degree of loyalty)
- Product-related segmentation - (relationship to a product)

Target Marketing involves breaking a market into segments and then concentrating the marketing efforts on one or a few key segments. Target marketing can be the key to a small business's success.

Definition

A specific group of consumers at which a company aims its products and services.

Q2. What are the Steps in Identifying the Target Market?

Ans :

STEP 1 : Identify the potential buyers

Through proper market research and market segmentation it is the process of pulling apart the entire market as a whole and separating it into manageable disparate units based on various demographic, political, economic and social factors; it can also be customer / product / competition related segmentation. After the process of Segmentation the next step is for the organization to decide how it is going to target these particular groups.

STEP 2 : Select the target audiences

The factors that influence Targeting are the Internal and External Environment. Internal environment includes the mission, vision, values and objectives of the firm; whereas; External factors are the social, cultural, economic, global, demographic, natural, task, technological, political and legal environment.

Through appropriately compiling the customers profile to decide the 4 P's – Product, Price, Place and Promotion and obtain the demographic, psychological, geographic and behavioral information of the buyer.

STEP 3 : Proper positioning of the Product

After developing an appropriate segmentation and target strategy; positioning strategy can be

worked out effectively. Positioning enables the firm to create a positive image, gain competitive advantage and place the brand in the customers mind to enhance their goodwill and become the most preferred brand.

3.1.1 Diffused Market - Concentrated Market

Q3. Explain the different Levels of Target Market .

Ans :

(June-16)

Generally target marketing can be carried out in several different levels.

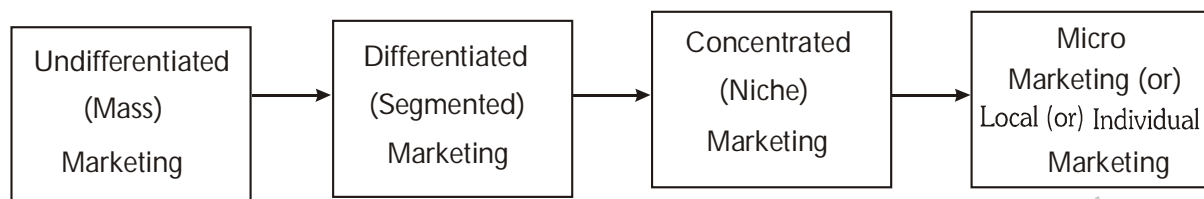


Fig.: Target Marketing Strategies

1. **Undifferentiated Marketing (or) Mass Marketing** : Using an undifferentiated marketing or mass marketing strategy, the company might decide to ignore market segment differences and target the whole market with one offer. This mass marketing strategy focuses on what is common on the needs of consumers rather than one what is different.

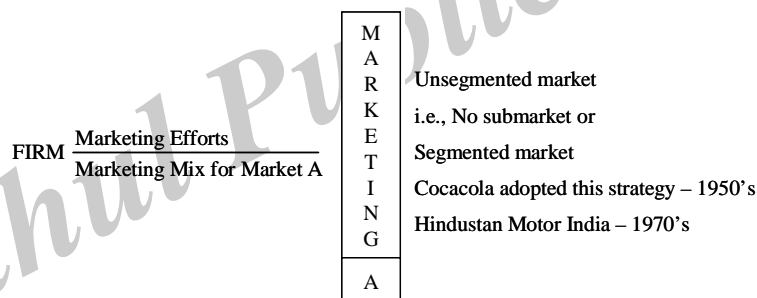


Fig.: Undifferentiated Marketing or Single Market Approach

The company designs a product and marketing program that will appeal to the largest number of buyers. But difficulties arise in developing a product or brand that will satisfy all consumers.

2. Differentiated Marketing: (or) segmented Marketing

Using this strategy, the company decides to target market segments and designs separate offers for each segment.

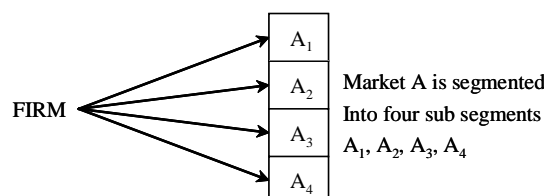


Figure : Multiple Target Market Approach

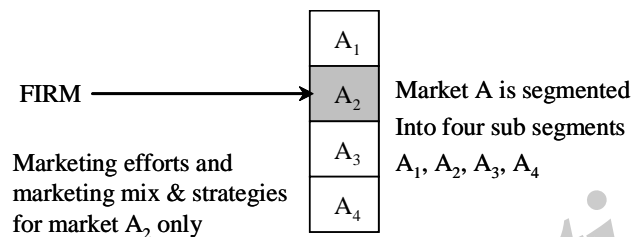
But differentiated marketing also increases the cost of marketing business. A firm usually finds it more expensive to develop and produce.

3. Concentrated Marketing (or) Niche Marketing

The third coverage strategy concentrated or (niche marketing) is especially appealing when company resources are limited. Instead of going after a small share of a large market, the firm goes after a large share of one or a few segments or niches.

Through concentrated marketing, the company achieves a strong marketing position because of its greater knowledge of consumer needs in the niches. It serves and the special reputation it acquires. It can market more effectively by fine tuning its products, prices, and programs to the needs of carefully defined segments.

It can also market efficiently, targeting its products & services, channels and communication programs towards only consumers that it serve best and most profitably.



**Fig.: Concentrated Marketing
(combined target market approach)**

Concentrated marketing can be highly profitable at the same time higher than – normal risks. Large competitors may decide to enter the same segment with greater resources. For these reasons, many companies prefer to diversify in several market segments.

4. Micro Marketing or Single or Individual Marketing

Differentiated and concentrated marketer's offers & marketing program to meet the needs of various market segments and niches.

Micro marketing is the practice of tailoring products and marketing programs to suit the tastes of specific individual and locations. Micro marketing includes local marketing and individual marketing.

Local marketing involves tailoring brands and promotion to the needs and wants of local customer groups – cities, neighborhoods and even specific stores. Ex : Citi Bank provides different mixes of banking services in each of its branches, depending on the demographics.

Local marketing has some drawbacks. It can drive up manufacturing and marketing costs by reducing economics of scale. It can also create logistics problems to others.

Micro marketing becomes individual marketing tailoring products & marketing programs to the needs and preferences of individual customers. Individual marketing has also been labeled one-to-one marketing, mass customization and markets-of-one marketing.

Best Strategy for Target Marketing

Generally many companies are following. This depends on :

1. Company resources
2. Degree of product variability
3. Product life cycle stages

4. Market Variability
5. Competitions & strategies.

Q4. Explain about Target Market Selection Process.

Ans :

After the process of effective segmentation, marketers must focus their attention on targeting the market segments that are relevant to their products and likely to respond positively to their marketing strategies.

1. Evaluating the Market Segments

While evaluating the market segments, a firm must first evaluate the potential of the segment and also its own ability to tap it. Marketers need to ensure that the organization objectives are fulfilled while serving a particular segment of the market.

2. Selecting the Market Segment

After evaluating different market segments, the company or the marketer should decide which segments to target. Targeting the customers in a highly competitive environment is a complex process. Therefore, marketers are searching for new ways of targeting customers. Companies such as Phillips are adopting new ways to target their customers.

- i) Single segment concentration
- ii) Selective specialization
- iii) Product specialization
- iv) Market specialization
- v) Full Market Coverage

3. Other Consideration

There are certain other considerations, which are examined for the choice of segments for marketers to target.

- i) Ethical choices of market targets
- ii) Segment interrelationships and super segments

- iii) Segment-by-segment invasion plans
- iv) Intersegmental cooperation.

The target market selection can be done through,

1. Focus on One Segment

Through focusing on just one segment the company's presence is heightened. It gets excellent market information and reduces expenses though customisation of its production, channels of distribution and communications.

2. Specific Segments

Many segments are chosen as target markets. Though these segments may have no connectivity, each individual segment more or less guarantees good profits. When a company spreads its business across many segments it reduces its vulnerability to adverse market forces.

3. Specific Product Segment

The company produces a single product, which it markets in various market segments. The company is capable of customising its production to suit various needs. The big disadvantage here is that the product may suddenly find itself replaced by another using new technology.

4. Specific Market Segment

In this type of market targeting, a company produces a number of different products that are required by a specific customer group. By doing so it is able to gain strong customer loyalty and also act as a channel distributor for this group's requirements of other products as well. The disadvantage is the group could become smaller in size or be deprived of funds for these purchases.

5. The Entire Market All Segments

This strategy can only be adopted by very big organizations who have two options to cover this huge area,

- i) Undifferentiated Marketing
- ii) Differentiated Marketing

6. Product Costs

Since each product needs to be tailored to meet the needs in different segments its cost is higher.

7. Production Costs

It's simple to understand that manufacturing 100 units each of 10 different products will cost more than manufacturing 1000 units of 1 product.

8. Administration Costs

Since the company necessarily has to devise different marketing programs for each target market, its market research, advertising and promotions, distribution channels and so on will be more costly.

9. Stocking Costs

It is much more expensive to manage and stock a large number of products.

The final three concerns in segment evaluation are, entering one segment at a time, upgrading segments are making ethical choices.

i) One Segment at a Time

It is customary for marketing companies to enter one segment at a time and that too without allowing their competitors know their plans.

ii) Upgrading Segments

Marketing segments need constant monitoring since they do change. It is possible to find new segments by looking closely at the sequence in which consumers scrutinise attributes of products before deciding to buy. This sequence of attributes divulges consumer segments.

iii) Making Ethical Choices

Target marketing can cause a public uproar, if it feels marketing are trying to take advantage of children or other susceptible groups. Marketers must combine societal responsibility with their

interests to ensure that the interests of targeted consumers are also borne in mind.

Q5. Discuss in detail about the evaluation and importance of Target Marketing.

Ans :

Evaluation of Target Market

Identifying a segment is not enough to target, but the segments are evaluated on basis of their attractiveness. As most of the attractive segments do not match with the long run objectives of the firm or do not have the needed capabilities for offering superior value. This evaluation is carried out through the following ways.

1. Segment Size and Growth

It includes information on current sales, projected growth rates of the segment and expected profit margin.

2. Segment Structural Attractiveness

It includes current and potential competitors, substitutes product to services, relative power of buying and relative power of suppliers.

3. Suitability

Determining whether the segment fits the company's objectives and resources.

4. Customer Profitability Segmentation

It involves identification of customers tiers which differ in current or future profitability to a firm.

Importance of Target Marketing

The following points will highlight the importance of target marketing,

1. It helps in identifying the actual requirements of customers.
2. It allows to target consumers as per their requirement or interest.
3. It enables to differentiate the customers into different segments. As such it get easy to target and sell the company's products.
4. It is essential for saving the business resources which are required for marketing.

5. It maximizes the returns from money invested in marketing.
6. It increases the sales by utilizing less marketing resources.
7. It enhances the profitability and increases revenue generation through optimum utilization of firm's resources allocated for marketing.

3.2 MARKET SEGMENTATION

Q6. Define Market Segmentation . What are its features?

(OR)

Explain the concept of market segmentation

Ans : (Dec.-15, Imp.)

Introduction

Market segmentation represents an effort to increase a company's targeting precision. It can be carried out at four levels: segments, niches, local areas, and individuals. Market segmentation is the identification of portions of the market that are different from one another. Segmentation allows the firm to better satisfy the needs of its potential customers.

Definitions

- i) **According to W.J. Stanton** The process of talking to total heterogeneous market for product and dividing it into several sub-markets or segments, each of which tends to be homogeneous in all significant aspects.
- ii) **According to Philip Kotler** Market segmentation is subdividing of a market into distinct and increasing homogeneous subgroups of customers where any group can conceivably selected as a target market to be met with a distinct marketing mix.

Features

The process of market segmentation, involves the creation of market segments or parts or sub-sets. A segment of the market is basically a sub-set, in terms of goods, service or product, of the entire

market and is identified or created by the marketing department in such a manner that the individuals (or organizations) in that very segment would demand a certain set of goods and services that have similar features.

In short, a segment is a division of market, the elements of which depict common needs.

The features of a market segment includes the following :

1. Geographically (or) product-wise or even need wise, a single market segment is distinct from other segments, though one can also count on the existence of some minute similarities.
2. Products that are demanded by the consumers are homogeneous and in some cases also tend to have similar price levels.
3. A product introduction into such a segment stimulates similar and almost congruent reactions from a majority of consumers.

Q7. Explain Market Segmentation Process.

Ans :

There are eight steps in a typical market segmentation study as follows,

1. Define a Problem

Market segmentation may facilitate in answering different queries with respect to the market segments in response to the firm's marketing strategies like price or product changes, new product offerings, advertising themes etc. This activity further helps in choosing the target market segments for the firms offerings.

2. Choose the Segmentation Basis

The segmentation studies are conducted by the marketing practitioners with the help of any two alternatives i.e., prior methods and clustering method for selecting the segmentation basis.

The segmentation bases which are followed by marketers is being classified into two major groupings i.e.,

- (i) General consumer characteristics and
- (ii) Situation specific consumer characteristics.

3. Select a set of Descriptors

The descriptors of a segment consists of any variable like age, income, gender etc.

For example, the quantity of a product purchased basically depends upon various variables like age, location, gender, income, culture, social class and so on.

4. Choose a Sample of Consumers for Collecting Data

The basic idea of this step is to carry out the research and identify the segments on the low cost basis.

Instead of collecting the data from the complete population, it is collected merely from a sample of population, and then it is ascertained as to whether the segments exist within the sample or not.

5. Use Primary and Secondary Data Collection Method

When the marketers collect the data from the sample of consumers then they can make use of both primary data collection method and secondary data collection method.

6. Establish Segments on the Basis of Selected Consumer Descriptors

The marketer should form the segments by defining and by drawing a line between the different segments. This helps in ascertaining as to which segment each sample consumer may belong.

7. Create Profiles of Segments

As soon as all the respondents are being categorized into various segments, the profiles of these segments are to be organized on the basis of their critical differentiating features.

8. Convert the Results into Marketing Strategy

This is the most difficult task of the segmentation project. During this stage, the marketer chooses target market groups, and formulates suitable marketing mix for the selected segments on the basis of their findings related to segments expected sizes and profiles.

Hence, the segmentation study can be successful if the marketer has the capability to understand and use them as guidelines for the design, implementation and analysis of suitable marketing strategy.

3.2.1 Clustered Market**Q8. What is Clustered Market.**

Ans :

‘Cluster analysis is a method of analyzing data based on grouping it by similarities and differences. Market segmentation is a method of categorizing customers based on their behaviors and the products they purchase. Cluster analysis helps a company reach a target audience and meet its market goals.

3.2.2 Requirements of Market**Q9. List out the Requirements of Market Segments.**

(OR)

State the Requirements of Effective Segmentation.

Ans :

(Dec.-20, Imp.)

In addition to having different needs, for segments to be practical they should be evaluated against the following criteria:

➤ **Identifiable**

The differentiating attributes of the segments must be measurable so that they can be identified.

➤ **Accessible**

The segments must be reachable through communication and distribution channels.

➤ **Substantial**

The segments should be sufficiently large to justify the resources required to target them.

➤ **Unique needs**

To justify separate offerings, the segments must respond differently to the different marketing mixes.

➤ **Durable**

The segments should be relatively stable to minimize the cost of frequent changes.

Criteria for Effective Market Segmentation

A good market segmentation will result in segment members that are internally homogenous and externally heterogeneous; that is, as similar as possible within the segment, and as different as possible between segments.

Philip Kotler mentioned five criteria for an effective segmentation which states that Segmentation should be :

1. Measurable

It should be possible to determine the values of the variable used for the segmentation.

2. Relevant

It should justify the expected profits and the growth potential.

3. Accessible

The target customers must be reachable and surveyable for the organization.

4. Distinguishable

The target audiences must be diverse and able to show different reactions to different marketing mix.

5. Feasible

The firm must have an ability to draw an effective marketing program for its customers.

3.2.3 Benefits**Q10. What are the Benefits of Market Segmentation?****(OR)**

State the Benefits of Market Segmentation.

*Ans :***(Dec.-15)**

Market segmentation is a customer oriented philosophy. We first identify the needs of customers within a segment and then satisfy those needs. Benefits offered by segmentation can be summarized as follows :

1. By developing strong position in specialized market segments, medium sized firms can achieve a rapid growth rate.
2. By tailoring the marketing programmes to individual market segments, marketer can do

a better marketing job and make more efficient use of marketing resources.

3. People awareness is increasing in relation to their preferences. In these circumstances it is necessary that marketer must segment and then try to fulfill the needs of that segment.
4. It helps in determining the kinds of promotional devices that are effective and also helps to evaluate their results.
5. Appropriate decision making, relating to introduction of new products, promotion, distribution, pricing could be easily taken.

Q11. What are the Limitations of Market Segmentation.*Ans :*

While market segmentation can provide lot of benefits, this strategy has some drawbacks with respect to cost and market coverage.

1. Market segmentation can be an expensive proposition in both production and marketing of products.
2. Other expenses like keeping adequate inventories of each style, colour, promotional expenses also go up because different promotional mixes have to be formulated for different segments.
3. Administrative expenses also go up because marketer must plan and implement several different marketing programmes.

3.2.4 Bases for Segmenting the Market**Q12. What are the Bases for Segmenting Market?****(OR)**

Explain the Bases of Market Segmentation in detail.

(OR)

What are the bases for Market Segmentation.

Ans : **(Jan.-18, June-16, Dec.-16, Imp.)**

Market segmentation can be broadly into three major groups.

1. Customer based segmentation
2. Product related segmentation
3. Competition related segmentation

1. Customer based Segmentation

a) Geographic Segmentation

This is generally the starting point of all market segmentation strategy. The geographic location of customers does help the firm in planning its marketing offer. Quite common is the rural and urban divide in the consumer market. Also, a very common base is the metro or non metro markets. One also hears of bases like district, block markets etc. The assumption in using this basis for segmentation is that people in a particular geographic area have identical preferences and consumption behavior.

b) Demographic Segmentation

The next commonly used basis for market segmentation is demographic characteristics of the market. Factors like age, education, occupation, sex, family size and marital status are used singly or in a combination to segment the market.

i) Age

Very commonly used as the basis, the assumption is that people in the same age group will behave in an identical manner. Based on this factor, one can have the

- Infants market (newly born upto 1 year)
- Child market (1 year - 12 years)
- Teens market (13 years - 19 years)
- Youth Market (20 years - 35 years)
- Middle Aged market (36 years - 50 years)
- Elders or seniors market (50 years and above)

Studies conducted by marketing research agencies give us picture of the behaviour of these different markets.

ii) Income

The next commonly used variable is income. For it is believed that, as Consumer's income increases, his/her consumption behaviour changes. One of the research findings is that expenditure on food and other basic amenities as a per cent of total expenditure declines as consumer income increases. In other words, with an increase in income, the customer starts buying other branded products and so called luxuries like holiday packages, air travel, perfumes, microwave ovens, cooking ranges, washing machines, automobiles etc.

- Low income
- Low middle income
- Middle income
- Upper middle income
- Higher income

iii) Sex

The male market is different from the female market. Hence, gender is used for segmenting the market for different products. While some products like textiles are exclusively made for each of the segments, there are other products which are exclusively made or marketed to one gender. A cosmetic firm will have to take a decision whether it wants to manufacture or market cosmetics for men only or women or for both. Lately, particularly in blue jeans marketing, the marketer is directing the product at both segments as the product is a unisexual one.

iv) Occupation

The occupation of the consumer is also an important variable in segmenting the market. Whether a person is self employed or works full or part time and his or her position in an enterprise, affects his or her consumption behaviour. On the basis of consumption, one may find segments like professionals, traders or

shop keepers, businessmen or industrialists, teachers, university professors, sales personnel and self employed people, house wives and the like.

v) Education

The education profile of the customer will also affect his or her preferences and level of awareness. It is a known fact as literacy increases and people get educated, they become more aware about the environment and different products. They also become more aware about their rights. Based on education, the Indian market can be segmented as illiterates, high school educated and secondary or university educated persons. Again within the university educated persons, the market can be segmented among the graduates, post graduates, doctorates and post doctorates.

vi) Marital Status

Another demographic basis for segmentation is the marital status of the customer. The assumption is that behavior and consumption patterns of single and married people differs. For example unmarried people are more likely to be spend thrifts and users of packaged goods and fast foods. Married people are more conservative and are generally frugal in spending. However they are often the consumers of many expensive or inexpensive gift items.

vii) Family Size and Structure

Another important demographic variable is family size or structure. With the spread of the family planning programme and with its more and more acceptance among urban families, one finds that the average family size has been declining from a high of 5-6 persons per family in 1970 to just 3 in the 1990. One finds that the family norm now is birth control. So today, the marketer can segment his market into

families with three or less members, families with four members and families with more than five members.

c) Psychographic Segmentation

Often it has been seen that two consumers with the same demographic characteristics may act in an entirely different manner. Even though the two may be of the same age, from the same profession, with similar education and income, each of the customers may have different attitude towards risk taking and new products, stores etc.

This is largely because of personality and life style differences of consumers. Increasingly marketers are turning to psychographic variables to segment their markets. The Titan Watch Company, for example has segmented its market for Timex and Titan Quartz high priced watches on the basis of life style.

d) Buyer readiness

Another variable used for segmenting the market is buyer readiness or preparedness to buy the product. At any given time, buyers are at different stages of readiness. There are unaware buyers, people who are aware but not interested, people who are interested and are desirous to buy and lastly those who will positively buy the product. The relative proportion of buyers at these different stages will affect the marketer's tasks.

2. Product Related Segmentation

The marketer may even use product related bases for segmenting the market. One of the important bases is the product use situations. Different customers may use the same product in different use situations. Rasna, for example is shown as being used in different situations like a party, the unexpected guests, a drink at the end of a long and tiring working day etc.

A marketer tries to make the product versatile so that it can be used in different situations. But the customer may use different products and brands for different situations. Like for sports, a customer may buy a sports

watch and for a party may wear a jewelled watch. Thus depending on the use situations, a product or a brand may be selected by the customer. Knowing these situations help the marketer plan the positioning strategy.

The quantity consumed at any given time has also been the basis for segmenting the beverages, soft drinks, breweries, and cigarette markets. Accordingly the following market segments are visible :

- (a) Heavy users
- (b) Moderate users
- (c) Light users.

3. Competition based Segmentation

An important indicator of marketing success of an enterprise is number of its loyal customers. Customer loyalty, therefore is an important index to determine the competitive position of the firm. This is also used as the basis for segmenting the market and evolving the marketing strategy for each segment and also to encourage customer loyalty. Based on loyalty we can again have the following segments.

➤ Hard Core Loyals

Hard Core loyals are those customers who continue to buy the same brand again and again. These customers refuse to buy competing brand if offered and insist on buying their own preferred brand. Newspaper readers, cigarette smokers, and tea drinkers are some customer groups where such hard core loyalties are commonly visible.

➤ Soft Core Loyals

Those who are loyal to two or three brands in a product group are called soft core loyals. For example, a housewives who buys the same brand of soap in her nine shopping expeditions will be considered as a soft core loyal. The marketer needs to watch such customers and motivate them to shift to the hard core loyalty segment.

➤ Switchers

Switchers are those customers who never stick to a brand. These are customers for whom brand switching is as easy as changing a shirt. They may switch for a variety or for a special deal.

In either case, this is a very slipping market segment for the marketer. The firm needs to examine why it is losing its customers to competitor brands. This can help it to strengthen its competitive positions in the market.

Q13. Explain Variables Requirements for Effective Segmentation.

Ans : (Dec.-20, Imp.)

Clearly there are many ways to segment a market. But not all segmentations are effective. The market must be

1. Measurable

The size, purchasing power and profiles of the segment can be measured. Certain segmentation variables are difficult to measure. There is no data on demographics areas.

2. Accessible

The market segments can be effectively reached and served. So at times, they cannot estimate male and female population in the country. That time they cannot select place, certain media if members will be difficult to reach.

3. Substantial

The market segments are large or profitable enough to serve. A segment should be largest possible homogenous group worth pursuing with a tailored marketing program.

4. Differentiable

The segments are conceptually responding differently to different marketing mix elements & program. If married and unmarried women respond similarly to a sale on perfume. They do not constitute separate segment.

5. Actionable

Effective programs can be designed for attracting and serving the segments. Example, although one small airline identified seven market segments, its staff was too small to develop separate marketing programs for each segment.

3.3 MARKET SEGMENTATION ANALYSIS FOR CONSUMER AND SERVICE**Q14. Define Market Segmentation Analysis for Consumer and Service**

Ans :

Dividing a market into distinct groups with distinct needs, characteristics, or behavior who might require separate products or marketing mixes. Market segmentation is a marketing strategy which involves dividing a broad target market into subsets of consumers, businesses, or countries who have, or are perceived to have, common needs, interests, and priorities, and then designing and implementing strategies to target them. Market segmentation strategies are generally used to identify and further define the target customers, and provide supporting data for marketing plan elements such as positioning to achieve certain marketing plan objectives. Businesses may develop product differentiation strategies, or an undifferentiated approach, involving specific products or product lines depending on the specific demand and attributes of the target segment.

Types of market segmentation

The following are the most common forms of market segmentation practices.

1. Geographic Segmentation

Marketers can segment according to geographic criteria - nations, states, regions, countries, cities, neighborhoods, or postal codes. The geo-cluster approach combines demographic data with geographic data to create a more accurate or specific

profile. With respect to region, in rainy regions merchants can sell things like raincoats, umbrellas and gumboots. In hot regions, one can sell summer clothing. A small business commodity store may target only customers from the local neighborhood, while a larger department store can target its marketing towards several neighborhoods in a larger city or area, while ignoring customers in other continents. Geographic segmentation is important and may be considered the first step to international marketing, followed by demographic and psychographic segmentation.

2. Demographic Segmentation

Segmentation according to demography is based on variables such as age, gender, occupation and education level or according to perceived benefits which a product or service may provide. Benefits may be perceived differently depending on a consumer's stage in the life cycle. Demographic segmentation divides markets into different life stage groups and allows for messages to be tailored accordingly.

A variant of this approach known as firmographic or feature based segmentation is commonly used in business-to-business markets (it's estimated that 81% of B2B marketers use this technique). Under this approach the target market is segmented based on features such as company size (either in terms of revenue or number of employees), industry sector or location (country and/or region).

3. Behavioral Segmentation

Behavioral segmentation divides consumers into groups according to their knowledge of, attitude towards, usage rate, response, loyalty status, and readiness stage to a product. There is an extra connectivity with all other market related sources. Behavioral segmentation divides buyers into segments based on their knowledge, attitudes, uses, or responses concerning a product. Many marketers believe that behavior variables are the best starting point for building market segments.

4. Psychographic Segmentation

Psychographic segmentation, which is sometimes called lifestyle, is measured by studying the activities, interests, and opinions (AIOs) of customers. It considers how people spend their leisure, and which external influences they are most responsive to and influenced by. Psychographic is highly important to segmentation, because it identifies the personal activities and targeted lifestyle the target subject endures, or the image they are attempting to project. Mass media has a predominant influence and effect on psychographic segmentation. Lifestyle products may pertain to high involvement products and purchase decisions, to speciality or luxury products and purchase decisions.

5. Occasional Segmentation

Occasion segmentation focuses on analyzing occasions, independent of the customers, such as considering Coke for occasions of being thirsty, having dinner or going out, without taking into consideration the differences an affluent and middle-class customer would have during these occasions.

Occasional customer segmentation merges customer-level and occasion-level segmentation models and provides an understanding of the individual customers' needs, behavior and value under different occasions of usage and time. Unlike traditional segmentation models, this approach assigns more than one segment to each unique customer, depending on the current circumstances they are under.

Customer segmentation is the practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests and spending habits. Customer segmentation, also called consumer segmentation or client segmentation, procedures include:

- Deciding what data will be collected and how it will be gathered
- Collecting data and integrating data from various sources
- Developing methods of data analysis for segmentation
- Establishing effective communication among relevant business units (such as marketing and customer service) about the segmentation
- Implementing applications to effectively deal with the data and respond to the information it provides

6. Customer Segmentation

Customer Segmentation requires managers to:

- Divide the market into meaningful and measurable segments according to customers' needs, their past behaviors or their demographic profiles.
- Determine the profit potential of each segment by analyzing the revenue and cost impacts of serving each segment
- Target segments according to their profit potential and the company's ability to serve them in a proprietary way
- Invest resources to tailor product, service, marketing and distribution programs to match the needs of each target segment
- Measure performance of each segment and adjust the segmentation approach over time as market conditions change decision making throughout the organization

Q15. Differentiate between Market Segmentation and Target Marketing.

(OR)

Compare and Contrast Market Segmentation and Target Market.

Ans :

(Jan.-20, Imp.)

S.No.	Nature	Market Segmentation	Target Market
1.	Definition	Market segmentation is the division of a market of potential customers into groups or segments depending on different characteristics.	Target Market is a cluster of potential customers to whom a business needs to sell products or services
2.	Order	First priority	Second priority (By conducting market segmentation, target market is identified)
3.	Use	To identify the specific customer group for the product.	Determined once the company identifies which consumers to sell to
4.	Approach	Entire market	Selected group

3.4 PRODUCT POSITIONING

3.4.1 Concepts

Q16. Define Positioning. Explain the process of Product Positioning.

(OR)

What is meant by product Positioning? How do you position a product .

Ans :

(Dec.-20, Jan.-18, Dec.-16, Dec.-15, Imp.)

Meaning

Positioning is a marketing strategy that aims to make a brand occupy a distinct position, relative to competing brands, in the mind of the customer. Companies apply this strategy either by emphasizing the distinguishing features of their brand (what it is, what it does and how, etc.) or they may try to create a suitable image (inexpensive or premium, utilitarian or luxurious, entry-level or high-end, etc.) through advertising. Once a brand is positioned, it is very difficult to reposition it without destroying its credibility. It is also called Product Positioning.

Process

1. Identifying the Differences or Positioning Concept:

Marketers have to understand consumer motives behind purchasing a product. This will help in identifying the positioning theme. A marketer can adopt several approaches in positioning his product to develop or enhance its value to the customers. A marketing offer can be differentiated on the basis of product, services, people, channel and image.

So different strategies for product positioning are given below:

i) Product Differentiation

Product can be differentiated on attributes like shape, size, colour, quality, performance etc. For example, Colgate introduced a herbal version using the positioning of the natural feel preferred in rural areas.

ii) Services Differentiation

Services can be differentiated in respect of delivery, installation and maintenance. Long warranty periods, free service coupons, 24 hours services, emergency care etc. are some examples. Reliance, a private LPG company pitted against the three well established public sector undertakings (IOCL, HPCL, BPCL) differentiated its products on the basis of distribution and better refilling facility. It successfully differentiated its products despite the fact that they are priced higher.

iii) People Differentiation

People or personalities (film and sports celebrities) that consumers respect and admire to bring a differentiation to the image of products and services. For example, Aamir Khan endorsing Coca-Cola in a villager's outfit brings a huge differentiation to the product image and help in pushing sales.

iv) Image Differentiation

The image of a brand or a company may win the consumer, despite the product being very similar to a competitive one. Image is built through advertisements, symbols, signs, colours, logos etc. Special care should be taken while doing so in the case of rural consumers.

2. Select the Positioning Concept

As there can be various parameters for positioning the product, the marketer has to select the best and most effective alternatives. A marketers has to select a positioning concept that serves as a bridge between the products and the target market.

Some of the critical factors that should be considered while positioning a brand are:

- a) **Attractive** – Does it provide value to the customer?
- b) **Distinctive** – Is it different from that of its competitors?
- c) **Preemptive** – Is it very difficult for competitors to copy it?
- d) **Affordable** – Can buyers pay for it?
- e) **Communicable** – Can the difference be clearly expressed.

3. Developing the Concept

Once the positioning strategy has been selected, the marketer needs to develop the concept in an effective manner so that it can be properly address to the target market. Then he has to select the appropriate media vehicle to reach the target market effectively. Marketers should strive towards linking the positioning closer to the target customers to ensure that it appeals to them.

4. Communicating the Concept

After developing the concept, high tech position may be communicated by futuristic products, classy ads in elite journals and large show rooms with good atmosphere. An effective communication is one that clarifies the target market, value proposition and the supporting product differentiation.

Q17. Explain the various Positioning Strategies.

(OR)

Explain Positioning Strategies with Suitable Examples.

(OR)

Write a short note about various Positioning Strategies with Suitable Example.

Ans : (Dec.-20, Dec.-16, Dec.-15, Imp.)

Strategies

Generally, there are six basic strategies for product positioning

1) Using Product Characteristics or Customer Benefits

Probably the most-used positioning strategy is to associate an object with a product characteristic or customer benefit. For example, Honda and Toyota have emphasized economy and reliability and have become the leaders in the number of units sold. Volvo have stressed safety and durability.

Although this may be a successful way to indicate product superiority, consumers are generally more interested in what such features mean to them, that is, how they can benefit by the product.

2) Positioning by Price and Quality

The price quality product characteristic is so useful and pervasive that it is appropriate to consider it separately. In many product categories, there exist brands that deliberately attempt to offer more in terms of service, features or performance. Manufacturers of such brands charge more, partly to cover higher costs, and partly to help communicate the fact that they are of higher quality. Conversely, in the same product class there are usually other brands that appeal on the basis of price, although they might also try to be perceived as having comparable at least adequate quality.

3) Positioning by Use or Application

Another way to communicate an image is to associate the product with a use, or application. Products can of course, have multiple positioning strategies, although increasing the number involves obvious difficulties and risks. Often a positioning-by-use strategy represents a second or third position for the brand, a position that deliberately attempts to expand the brand's market.

For e.g. – Campbell's Soup for many years was positioned for use in lunch time and advertised extensively over noon time radio. It now stresses a variety of uses for soup/ recipes are on labels and a broader time for consumption, with the more general theme "Soup is good food".

4) Positioning by Product User

Another positioning approach is to associate a product with a user or a class of users. Some cosmetics companies seek a successful, highly visible model as their spokesperson as the association for their brand. Michael Jordan, for example was used by products as diverse as Nike, McDonald's etc.

5) Positioning by Product Class

Some products need to make critical positioning decisions that involve product-class associations. For example, Dove positioned itself apart from the soap category, as a cleansing cream product, for women with dry skin.

6) Positioning by Cultural Symbols

Many marketers use deeply entrenched cultural symbols to differentiate their brand from competitors. The essential task is to identify something that is very meaningful to people that other competitors are not using and associate the brand with that symbol. Pillsbury's "doughboy" is an example that illustrates this type of positioning strategy.

7) Positioning by Competitors

In most positioning strategies, an explicit or implicit frame of reference is one or more competitors. In some cases the reference competitors can be the dominant aspect of the positioning strategy. It is useful to consider positioning with respect to a competitor for two reasons.

First, a competitor may have a firm, well crystallized image developed over many years.

Second, sometimes it is not important how good customers think you are; it is just important that they believe you are better than a given competitor.

3.4.2 Bases**Q18. What are the bases and approaches to positioning strategy?**

Ans :

There are 7 approaches to positioning strategy:

- i) Product Attributes/benefit
- ii) Price and quality Approach
- iii) Use or application Approach
- iv) Product user Approach
- v) Product class Approach
- vi) Cultural Symbol Approach
- vii) Competitor Approach

i) Using product characteristics (or) customer benefits

In this case, segmentation is done keeping in mind the product characteristics or customer benefits.

Sometimes, a new product is positioned with respect to a product characteristic that competitors have ignored. Bend was positioned as a provider of morphing-enabled mobile pictures, a feature absolutely new in the market. Sometimes a product attempts to position itself along two or more product characteristics simultaneously. For example, Mahindra & Mahindra Scorpio was positioned as both reliable and trendy MUV.

a) Physical characteristics

These are the most objective criteria and can be measured on some physical scale such as temperature, colour intensity, distance, strength of fragrance etc.

b) Pseudo-physical characteristics

These reflect physical properties that are not easily measured. The examples are spiciness, type of fragrance, shininess, creaminess etc.

c) Benefits

These refer to advantages that promote the well being of the consumer. Examples are thirst quenching, hunger satisfying, not harming the skin etc.

ii) The price and quality approach

This approach justifies various price-quality categories of the products. Manufacturers deliberately attempt to offer more in terms of service, features or performance in case of certain products known as Premium products and in return, they charge higher price, partly to cover higher costs and partly to help communicate the fact they are of higher quality. On the other hand, there are some products known as mass products, where the main matter concern is price keeping a minimum quality standard commitment.

For example, if you consider a company like Maruti Suzuki in Indian automobile market, you will see that they have Maruti 800 and Maruti Omni in A segment (2-2.2 lakhs), Maruti Zen and Wagon R in lower A segment (2.2-3.5 lakhs), Maruti Alto Vxi in upper A segment (3.5-5 lakhs), Maruti Suzuki Baleno in N segment (5-7 lakhs), Maruti Grand Vitara XL-7 in high-end SUV segment and Maruti Baleno Altura in Estate segment.

iii) The use or applications approach

Another way to position is to consider the use or application. One good example is Itch Guard skin ointment (cream base) from Paras Pharmaceuticals, which has been positioned as an Over the Counter (OTC) medicine (i.e. the medicine that does not require prescription) to "relieve sweat itch due to INTERTRIGO".

iv) The product-user approach

This deals with positioning a product keeping in mind a specific user or a class of users. Cosmetics brands like Revlon, Lakme position themselves targeting fashion-conscious women.

v) The product-class approach

Some products need to make critical positioning decisions that involve product-class associations. For example, Nescafe Bru positioned itself as instant coffee.

vi) The cultural symbol approach

Many companies use deeply entrenched cultural symbols to differentiate their brands from their competitors. The use of a character named Gattu by Asian Paints helps them to position itself as a brand that is always ready to help, quick in decision-making and very much young and contemporary.

vii) The competitor approach

The positioning can be made with an explicit or implicit frame of reference of one or more competitors. There are 2 reasons behind this:

- a) The competitor may have a firm, well-defined image developed over many years and this image can be used as a bridge to help to communicate another image referenced to it. It is like when you give your address, you mention some well known landmarks like bank, office, school etc.
- b) Sometimes it is not only important how good the consumers think about you, but also it is important that they believe you are better than a competitor.

The very good example can be found in newspapers' and magazines' market, where the newspaper like Dainik Jagran or magazine like Business World compare themselves with competitors like Punjab Kesari or Business Today respectively in terms of circulation and readership.

Q19. Describe the significance of Product Positioning.

Ans : (Jan.-20, Imp.)

1. To Make Entire Organization Market-Oriented

Product positioning is a part of the broader marketing philosophy. It concerns with identifying superior aspects of product and matching them with consumers more effectively than competitions. This philosophy makes the entire organization market oriented.

2. To Cope with Market Changes

Once the product is positioned successfully doesn't mean the task of manager is over. He has to constantly watch the market. As per new developments in the marketplace, new competitive advantages should be identified, discovered or developed to suit the changing expectations of the market. It makes the manager active, alert, and dynamic.

3. To Meet Expectation of Buyers

Generally, the advantages to be communicated are decided on the basis of expectations of the target buyers. So, product positioning can help realize consumers' expectations.

4. To Promote Consumer Goodwill and Loyalty

Systematic product positioning reinforces the company's name, its product and brand. It popularizes the brand. The company can create goodwill and can win customer loyalty.

5. To Design Promotional Strategy

More meaningful promotional programme can be designed. Based on what advantages are to be communicated, appropriate means are selected to promote the product.

6. To Win Attention and Interest of Consumers

Product positioning signifies those advantages that are significant to consumers. When such benefits are promoted through suitable means of advertising, it definitely catches the interest and attention of consumers.

7. To Attract Different Types of Consumers

Consumers differ in terms of their expectations from the product. Some want durability; some want unique features; some want novelty; some want safety; some want low price; and so on. A company, by promoting different types of competitive advantages, can attract different types of buyers.

8. To Face Competition

This is the fundamental use of product positioning. Company can respond strongly to the competitors. It can improve its competitive strength.

9. To Introduce New Product Successfully

Product positioning can assist a company in introducing a new product in the market. It can position new and superior advantages of the product and can penetrate the market easily.

10. To Communicate New and Varied Feature Added subsequently

When a company changes qualities and/or features of the existing products, such improvements can be positioned against products offered by the competitors. Product positioning improves competitive strength of a company. Normally, consumers consider product advantages before they buy it. So, product positioning proves superiority of company's offers over competitors. It may also help consumers in choosing the right product.

Q20. What are the criteria for successful positioning?

(OR)

What are the criteria for successful positioning ? Discuss with suitable examples.

Ans :

Following points are the criteria which is to be fulfilled for a successful positioning.

1. Creating Unique Product Proposition

Product proposition refers to the utility offered by different features of a product. The proposition expected by a consumer should match with the proposition which a firm is willing to offer. Effective product proposition enhances customer satisfaction and increases the sales. Maximum profitability can be achieved through product proposition by presenting the unique features and utility of the product effectively. Moreover, it provides the firm with competitive advantage over its competitors.

2. Availability of Competition

Efficiency of positioning strategy depends upon the availability of competition. This is because, position strategy is a plan which is designed to deal with any challenging situations created by opponents or competitors. Generally, positioning or repositioning of products is done whenever the competitors of the firm position or re-position their products. A positioning strategy is said to be successful, if it is capable to beat the competitors strategy in the market.

3. Suitable Market Segment

Market segment should be wide and extensive, so that a well-positioned product can survive in the market. It encourages the manufacturer to produce products and continue their business in the market. The market segment should have people with suitable knowledge and expertise which is required for making the market profitable. It also helps in understanding customer's needs, tastes and identification of such customers. It enables the marketer to reach those customers and implement the positioning strategy.

4. Sensitive Market Segment

A sensitive market segment is a market segment which readily responds to any query or message communicated by the manufacturer. It should take necessary steps to fulfil the requirement of the manufacturer. The marketing segment should receive the message or information and provide a sufficient response. Each message or piece of information is specifically designed for a particular market segment. It should be understood and communicated to the consumers and potential consumers effectively. When there is effective flow of information from the manufacturer to end user, then positioning strategy can be implemented effectively.

5. Information on Consumer Behaviour

Product positioning is considered as an alternative for linking the company's product image with self-image of consumer. It involves collecting consumer behaviour information, understanding and interpreting it. The information should be sufficient, detailed and latest. Such consumer behaviour information is essential for proper positioning of the product. It helps in understanding various aspects of a buyer's decision such as consumer's needs, cause of the need, type of consumer, mode of purchase, time, source of purchase, quantity of goods purchased etc. All this information can be used to formulate a product positioning strategy which satisfies the consumer needs and company's objective.

Rahul Publications

Short Question & Answers

1. What do you mean by market Segmentation?

Ans :

Market segmentation is a marketing strategy which involves dividing a broad target market into subsets of consumers, businesses, or countries that have, or are perceived to have, common needs, interests, and priorities, and then designing and implementing strategies to target them.

Market segmentation is the first step in defining and selecting a target market to pursue. Basically, market segmentation is the process of splitting an overall market into two or more groups of consumers. Each group (or market segment) should be similar in terms of certain characteristics or product needs.

Definitions

- i) **According to W.J. Stanton** The process of talking to total heterogeneous market for product and dividing it into several sub-markets or segments, each of which tends to be homogeneous in all significant aspects.
- ii) **According to Philip Kotler** Market segmentation is subdividing of a market into distinct and increasing homogeneous subgroups of customers where any group can conceivably selected as a target market to be met with a distinct marketing mix.

2. Explain the need for Market segmentation.

Ans :

In general, customers are willing to pay a premium for a product that meets their needs more specifically than does a competing product. Thus marketers who successfully carry out market segmentation and adapt their products to the needs of one or more smaller segments stand to gain in

terms of increased profit margins and reduced competitive pressures. There are several important reasons why market segmentation needs to be done carefully. Some of the reasons are outlined below.

i) Better Matching of Customer Needs

Customer needs differ. Creating separate offers for each segment makes sense and provides customers with a better solution.

ii) Enhanced Profits for Business

Customers have different disposable income. They are, therefore, different in how sensitive they are to price. By segmenting markets, businesses can raise average prices and subsequently enhance profits.

iii) Better Opportunities for Growth

Market segmentation can build sales. For example, customers can be encouraged to "trade-up" after being introduced to a particular product with an introductory, lower-priced product

iv) Retain More Customers

Customer circumstances change, for example they grow older, form families, change jobs or get promoted, change their buying patterns. By marketing products that appeal to customers at different stages of their life ("life-cycle"), a business can retain customers who might otherwise switch to competing products and brands.

3. Geographic Segmentation.

Ans :

In geographic segmentation, the market is subdivided on the basis of area.

a) Region

Regional segmentation is made because regional differences exist in respect of demand for products. For example, buyers from south India are different from the buyers in north.

b) Urban/Rural

There are differences in buying behaviour of urban and rural customers. Accordingly, marketing strategies must be designed depending upon their likes, dislikes, moods, preferences, fashions and buying habits.

c) Locality

Consumer's buying behaviour is also reflected by the locality within a particular city. For instance, there are differences in terms of buying patterns of people residing at Parel and Parle, within a city like Mumbai.

4. Demographic Segmentation.

Ans :

Demography refers to study about the different aspects of population. Markets can be divided on demographic factors like age, gender, education etc. The various demographic factors are:

a) Age

The primary method of analysing markets by age is to divide the total population into age groups and analyse the wants and needs of each group.

b) Gender

Marketers devote much attention to male and female differences in purchasing. Today, marketers segment female groups into college girls, working women, housewives, etc. Again, male groups can be further classified.

c) Income

Buying patterns depends on income of the consumers. No two individuals or families spend money in exactly the same way. If a researcher knows a person's income, he can predict with some accuracy wants and needs of that person and how those wants are likely to be satisfied.

d) Education

Market can be segmented on the basis of education – matriculation or less, under graduates, graduates, post-graduation, etc. Most studies show that the highly educated people spend more than the poorly educated in respect of housing, clothing, recreation, etc.

e) Family Size

The consumption patterns of certain products definitely vary with the number of people in the household. Manufacturers of certain products such as ice-cream market family packs.

f) Family Life Cycle

The market can be segmented as bachelors, newly married couples, married with grown up children, older married couples, etc. For selling tours and vacations, Life Insurance policies etc., this segmentation is of use.

5. Sociographic Segmentation.

Ans :

a) Cultural Influences

The marketer must consider cultural influences while segmenting markets. People in urban areas are influenced to a certain extent by western culture, whereas, many people in villages follow more or less traditional culture. Culture is influenced by our socio-cultural institutions like family, religion, language, education, and so on.

b) Influence of Social Class

Buying behaviour is reflected by the influence of social class to which the consumers belong. The social class can be segmented as – lower-lower, middle-lower, upper-lower, lower-middle, middle-middle, upper-middle, lower-upper, middle-upper and upper-upper. Firms dealing in clothing, home furnishing, automobiles, etc. can design products for specific social class.

c) Influence of Reference Groups

A reference group may be defined as a group of people who influence a person's attitudes, values and behaviour. Consumer behaviour is influenced by the small groups to which they belong or aspire to belong. These groups include family, religious groups, a circle of close friends or neighbours, etc. Each group develops its own set of attitudes and beliefs that serve as guidelines for members' behaviour.

6. Behavioural Segmentation.

Ans :

In this case, buyers are divided into groups on the basis of their response to the product – usage rate, user status, loyalty status, buying motives, and so on.

a) Sage Rate

One possible way to define target market is by product usage. There can be heavy users, medium users, light users, and nonusers. Targeting on this basis may be useful to the seller who want to increase consumption by present users and to convince and induce nonusers to become users.

b) User Status

Market can be segmented on the basis of user status such as: non-user, ex-user, potential user, first-time user, regular-user, and so on.

c) Readiness Stage

Market can be segmented on the basis of people's readiness to buy the product. Some people are well informed and are interested to buy the product. Some other may be well informed but not interested to buy the product.

d) Buying Motives

Buyers buy the product with different buying motives such as economy, convenience, prestige, etc. Accordingly promotional appeals can be directed to the target audience.

7. Target Marketing.

Ans :

Target Marketing involves breaking a market into segments and then concentrating your marketing efforts on one or a few key segments. Target marketing can be the key to a small business's success.

Definition

A specific group of consumers at which a company aims its products and services.

8. Niche Marketing.

Ans :

The third coverage strategy concentrated or (niche marketing) is especially appealing when company resources are limited. Instead of going after a small share of a large market, the firm goes after a large share of one or a few segments or niches.

Through concentrated marketing, the company achieves a strong marketing position because of its greater knowledge of consumer needs in the niches. It serves and the special reputation it acquires. It can market more effectively by fine tuning its products, prices, and programs to the needs of carefully defined segments.

It can also market efficiently, targeting its products & services, channels and communication programs towards only consumers that it serve best and most profitably.

9. Guidelines in Selecting a Target Market.

Ans :

A target market can be selected with the help of following four guidelines.

1. A target market must be consistent with the image and objectives of the firm.
2. The market opportunities of the target market should match with the resources of the organization.
3. For surviving in a market, the firm should earn profit. A firm should try to enter the markets which helps in producing sufficient sales volume at a low cost for earning profit.
4. A firm should enter a market in which there are very less competitors or weak competitors. It must not enter a market which is already over loaded with the competitors.

Thus, with the help of these guidelines a target market should be selected.

10. What do you understand by positioning?

Ans :

Positioning can be in the form of product, price, promotion, service, distribution channel, image, people, advertising, publicity, public relation or selling differentiation.

Positioning is what the customer believes about your product's value, features, and benefits; it is a comparison to the other available alternatives offered by the competition. These beliefs tend to be based on customer experiences and evidence, rather than awareness created by advertising or promotion.

Definitions of Positioning

According to Kotler, "Positioning is the act of designing the company's offering and image to occupy a distinctive place in the target market's mind".

According to Ries and Trout, "Positioning starts with a product a piece of merchandise, a service, a company, an institution, or even a person. But positioning is not what you do to a product. Positioning is what you do to the mind of the prospect. That is, you position the product in the mind of the prospect".

11. Clustered Market.

Ans :

"Cluster analysis is a method of analyzing data based on grouping it by similarities and differences. Market segmentation is a method of categorizing customers based on their behaviors and the products they purchase. Cluster analysis helps a company reach a target audience and meet its market goals".

12. Diffused Market.

Ans :

Diffusion is the process by which a new idea or new product is accepted by the market. The rate of diffusion is the speed with which the new idea spreads from one consumer to the next. Adoption (the reciprocal process as viewed from a consumer perspective rather than distributor) is similar to diffusion except that it deals with the psychological processes an individual goes through, rather than an aggregate market process.

Choose the Correct Answers

1. Which of the following market is aim on the Group of customers. [a]
(a) Target Market (b) Diffused Market
(c) General Market (d) None
2. Which are the bases for segmenting the markets. [d]
(a) Customer based segmentation (b) Product related segmentation
(c) Competition related segmentation (d) All of the above
3. Segmentation on basis of value and attitudes is an example of. [b]
(a) Geographic location (b) Cultural factors
(c) Economic (d) Political and legal
4. Targeting affluent customers with luxrlous goods is an example of . [b]
(a) Geographic segmentation (b) Income segmentation
(c) Psychographic segmentation (d) Behavioral segmentation
5. Segmentation of international markets on basis of monetary regulation is an example of. [d]
(a) Geographic location (b) Cultural factors
(c) Economic factors (d) Political and legal factors
6. Segmentation of international markets on basis of common language, religions and customs is example of. [b]
(a) Geographic (b) Cultural
(c) Economic (d) Political and legal
7. Customer market division done on basis of compulsive, a midhous, and out going customers classified as. [c]
(a) Geographic (b) Demographic
(c) Psychological (d) Behavioral
8. Customer Market division done on the basis of age, Gender community is. [b]
(a) Geographic (b) Demographic
(c) Psychological (d) Behavioral
9. Marketing strategy is built on. [c]
(i) Segmentation (ii) Targeting (iii) Positioning
(a) Only (i) (b) ii and iii
(c) All three (d) None
10. The way the product is define by consumers an important atributes is called [c]
(a) Market segment (b) Image psychology
(c) Product position (d) Market target

Fill in the Blanks

1. _____ is a marketing strategy that aims to make a brand occupy a distinct position.
2. _____ is a person who may have a reason or benefit to purchase your product.
3. _____ is a group of customers with in a business.
4. In _____ market many related and unrelated products or services are sold.
5. _____ means, breaking down the entire consumer market into the subdivision of customers.
6. _____ is the practice of marketing programs to sult the tastes of specific individuals and location.
7. _____ relies on identifying key differentiators that divide customers into group.
8. Market can segment by nations, states regions, countries belongs to _____ .
9. _____ focuses on analyzing occasions, independent of the customers
10. _____ segmentation divided consumers into into according to their knowledge of, attitude towards, usage rate, response.

ANSWERS

1. Positioning
2. Potential buyer
3. Target market
4. Cluster
5. Market segmentation
6. Taste and Preference
7. Customer segmentation
8. Geographic
9. Occasional segmentation
10. Behavioral segmentation

UNIT IV

Consumer Behaviour

Consumer Behavior - Nature-Scope-Importance - Factors influencing Consumer Behavior - Economic - psychological - Cultural-Social and Personal - Models of Consumer Behavior - Marshallian-Maslow Freudian-Howard-Sheth - Steps in consumer Decision Process - Post Purchase Behavior - Cognitive Dissonance - Organizational Buyer - Industrial Markets-Reseller Market-Government Market. Characteristics of Organizational Buyer - Organizational Buying Process - Organizational Buyer Vs Consumer Behavior.

4.1 CONSUMER BEHAVIOUR

Q1. Define consumer behaviour. Explain customer & consumer.

(OR)

What do you mean by consumer behaviour ?

Ans : (Jan.-20, Jan.-18, Imp.)

Meaning

Consumer behavior may be defined as, "the decision process and physical activity individuals engage in when evaluating, acquiring, using, or disposing of goods and services."

Definitions

- (i) **According to Belch and Belch,** "Consumer behavior is the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires".
- (ii) **According to Engel, Blackwell and Miniard,** "Consumer behavior includes those activities directly involved in obtaining, consuming and disposing of products and services including the decision processes that precede and follow these actions."
- (iii) **According to Solomon,** "Consumer behavior is the process involved when individuals or groups select, purchase, use, or dispose of products, services, ideas or experiences to satisfy needs and wants."
- (iv) **Consumer behavior may also be defined as,** "The study of individuals, groups, or

organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society".

Several aspects of this statement need emphasis and elaboration so that their meanings can be more fully appreciated.

Customers

The term "customer" is typically used to refer to someone who regularly purchases from a particular store or company.

Consumers

The term "Consumer" more generally refers to anyone engaging in any of the activities used in our definition of consumer behavior.

Therefore, a customer is defined in terms of a specific firm while a consumer is not.

1. The Ultimate Consumer

Those individuals who purchase for the purpose of individual or household consumption are the ultimate consumers. Some have argued that studying ultimate consumers also reveals much about industrial and intermediate buyers and other involved in purchasing for business firms and institutions. While not denying this, we must recognize that much industrial purchasing behavior is unique because it often involves different buying motives and the influence of a large variety of people.

2. Individual Buyer

The most commonly thought of consumer situation is that of an individual making a

purchase with little or no influence from other. However, in some case a number of people can be jointly involved in a purchase decision. For example, planning a vacation or deciding on a new car can involve an entire family.

3. The Decision Process

The way in which our definition characterizes "behavior": also deserves special attention. That is, consumer behavior is seen to involve a mental decision process as well as physical activity. The actual act of purchase is just one stage in a series of mental and physical activities that occur during a period of time. Some of these activities precede the actual buying, while others follow it. However, since all are capable of influencing the adoption of products or services, they will be considered as part of the behavior in which they are interested. :

4. A Subset of Human Behavior

Viewing consumer behavior in such a broad context suggests it is actually a subset of human behavior. That is, factors affecting individuals in their daily lives also influence their purchase activities. Internal influences, such as learning and motives, as well as external factors, such as in our other capacities. In fact, it is often difficult to draw a distinct line between consumer-related and other aspects of human behavior.

4.1.1 Nature and Scope of Consumer Behavior

Q2. Explain the nature of consumer behaviour.

Ans : (Dec.-20, Dec.-15, Imp.)

1. Systematic process

Consumer behavior is a systematic process relating to buying decisions of the customers. The buying process consists of the following steps :

- Need identification to buy the product
- Information search relating to the product
- Listening and evaluating the alternative
- Purchase decision
- Post purchase evaluation by the marketer.

2. Influenced by various factors

Consumer behavior is influenced by a number of factors the factors that influence consumers include marketing, personal, psychological, situational, social and cultural etc.

3. Different for different customers

All consumers do not behave in the same manner. Different consumers behave differently. The different in consumer behavior is due to individual factors such as nature of the consumer's life-style, culture etc.

4. Different for different products

Consumer behavior is different for different products there are some consumers who may buy more quantity of certain items and very low quantity of some other items.

5. Vary across regions

The consumer behavior vary across States, regions and countries. For instance, the behaviour of urban consumers is different from that of rural consumers. Normally rural consumers are conservative (traditional) in their buying behavior.

6. Vital for marketers

Marketers need to have a good knowledge of consumer behavior they need to study the various factors that influence consumer behavior of the target customers. The knowledge of consumer behaviour enables marketers to take appropriate marketing decisions.

7. Reflect status

Consumer buying behavior is not only influenced by status of a consumer come but it also reflect it. Those consumers who owned luxury cars, watches and other items are considered by others as persons of higher status.

8. Result in spread effect

Consumer behavior as a spread effect. The buying behavior of one person may influence the buying behavior of another person. For instance, a customer may always prefer to buy premium brands of clothing, watches and other items etc. This may influence some of his friends, neighbors and colleagues. This is one of the reasons why marketers use

celebrities like Shahrukh Khan, Sachin to endorse their brands.

9. Undergoes a change

The consumer behavior undergoes a change over a period of time depending upon changes in age, education and income level etc, for example, kids may prefer colorful dresses but as they grow up as teenagers and young adults, they may prefer trendy clothes.

10. Information search

Search for information is a common consumer behavior. Consumers cannot purchase goods and services if they are unaware that a good or service exists. When a consumer decides to buy a certain item, his decision must be based on the information he has gathered about what products or services are available to fulfill his needs. There might be a product available that would be better suited to the consumer's needs, but if he is not aware of the product, he will not buy it.

11. Brand loyalty

Brand loyalty is another characteristic of consumer behaviour. Brand loyalty is the tendency of a consumer to buy product or services from a certain company that one likes or equates with having high quality goods and services. For example, if Naina's first car was a Honda as a teenager and the car lasted 2,00,000 miles, she might have a tendency to buy Hondas again in the future due to her previous positive experience. This brand loyalty may be so strong that she forgoes the information search all together when considering for next vehicle.

Q3. Explain the scope of Consumer Behaviour.

Ans : (Dec.-20, Dec.-15, Imp.)

1. Consumer behaviour and marketing management

Effective business managers realize the importance of marketing to the success of their firm. A sound understanding of consumer

behavior is essential to the long run success of any marketing program. In fact, it is seen as a corner stone of the Marketing concept, an important orientation of philosophy of many marketing managers. The essence of the Marketing concept is captured in three interrelated orientations: consumer's needs and wants, company integrated strategy.

2. Consumer behaviour and non profit and social marketing

In today's world even the non-profit organizations like government agencies, religious sects, universities and charitable institutions have to market their services for ideas to the "target group of consumers or institution." At other times these groups are required to appeal to the general public for support of certain causes or ideas. Also they make their contribution towards eradication of the problems of the society. Thus a clear understanding of the consumer behavior and decision making process will assist these efforts.

3. Consumer behaviour and government decision making

In recent years the relevance of consumer behavior principles to government decision making. Two major areas of activities have been affected:

i) Government services

It is increasingly and that government provision of public services can benefit significantly from an understanding of the consumers, or users, of these services.

ii) consumer protection

Many Agencies at all levels of government are involved with regulating business practices for the purpose of protecting consumer's welfare.

4. Consumer behavior and de marketing

It has become increasingly clear that consumers are entering an era of scarcity in terms of some natural gas and water. These scarcities have led to promotions stressing conservation rather than consumption. In

other circumstances, consumers have been encouraged to decrease or stop their use of particular goods believed to have harmful effects. Programs designed to reduce drug abuse, gambling, and similar types of conception examples. These actions have been undertaken by government agencies non profit organizations, and other private groups. The term "demarketing" refers to all such efforts to encourage consumers to reduce their consumption of a particular product or services.

5. Consumer behaviour and consumer education

Consumer also stands to benefit directly from orderly investigations of their own behaviour. This can occur on an individual basis or as part of more formal educational programs. For example, when consumers learn that a large proportion of the billions spend annually on grocery products is used for impulse purchases and not spend according to pre planned shopping list, consumers may be more willing to plan effort to save money. In general, as marketers that can influence consumers' purchases, consumers have the opportunity to understand better how they affect their own behaviour.

4.1.2 Importance of Consumer Behavior

Q4. Explain the importance of consumer behaviour.

Ans : (Dec.-15)

The field of consumer behavior holds great interest for us as consumers, as marketers, and as students of human behavior.

1. Importance for Consumers

As consumers, we benefit from insights into our own consumption-related decisions: what we buy, why we buy, how we buy, and the promotional influences that persuade us to buy.

2. Importance for Marketers

As future marketers, it is important for us to recognize why and how individuals make their consumption decisions, so that we can make

better strategic marketing decisions. If marketers understand consumer behavior, they are able to predict how consumers are likely to react to various informational and environmental cues, and are able to shape their marketing strategies accordingly. Without doubt, marketers who understand consumer behavior have great competitive advantage in the marketplace.

3. Importance for Students of Human Behavior

As students of human behavior, we are concerned with understanding consumer behavior, with gaining insights into why individuals act in certain consumption-related ways and with learning what internal and external influences impel them to act as they do. Indeed, the desire for understanding consumption-related human behavior has led to a diversity of theoretical approaches to its study.

4. Application to Decision Making

Consumers are often studied because certain decisions are significantly affected by their behavior. For this reason, consumer behavior is said to be an applied discipline. Such applications can exist at two different levels of analysis. The micro perspective seeks applications of this knowledge to problems faced by the individual firm or organization. The societal perspective applies knowledge of consumers to aggregate-level problems faced by large groups or by society as a whole.

Q5. What are the Major Activities of Consumer Behavior?

Ans :

- Several major activities can be undertaken by an organization that is marketing-oriented. These include market-opportunity analysis, target-market selection, and marketing-mix determination, which include decisions on the proper combination of marketing variables to offer consumers.

i) **Market Opportunity Analysis** : This activity involves examining trends and conditions in the marketplace to identify consumers' needs and wants that are not being fully satisfied. The analysis begins with a study of general market trends, such as consumers' life-styles and income levels, which are unsatisfied wants and needs.

ii) **Target-Market Selection** : The process of reviewing market opportunities often results in identifying distinct groupings of consumers who have unique wants and needs. This can result in a decision to approach each market segment with a unique marketing offering.

Consider the soft-drink market. Here, major segments of ultimate consumers are distinguished by the type of purchase situation: (1) the food-store segment, (2) the "cold bottle" or vending-machine segment, and (3) the fountain market, which includes fast-food outlets.

iii) **Marketing-Mix Determination** : This stage involves developing and implementing a strategy for delivering an effective combination of want satisfying features to consumers within target markets. A series of decisions are made on four major ingredients frequently referred to as the marketing-mix variables: product, price, place and promotion.

2. **Consumer Behavior and Nonprofit and Social Marketing**

A number of writers have suggested that various social and nonprofit organizations can be viewed as having services or ideas that they are attempting to market to target group of "consumers" or constituents. Such organizations include governmental agencies, religious orders, universities and charitable institutions. Often these groups must also appeal to the public for support in addition to attempting to satisfy some want or need in

society. Clearly, a sound understanding of consumer decision processes can assist their efforts.

3. **Consumer Behavior and Governmental Decision-Making**

In recent years the relevance of consumer-behavior principles to governmental decision-making has become quite evident. Two major areas of activity have been affected: (i) government policies that provide services to the public or result in decisions that influence consumer behavior and (ii) the design of legislation to protect consumers or to assist them in evaluating products and services.

i) **Government Services** : It is increasingly evident that government provision of public services can benefit significantly from an understanding of the consumers, or users, of these services. Numerous analysts have noted that our frequently failing mass-transportation systems will not be viable alternatives to private automobile travel until government planners fully understand how to appeal to the wants and needs of the public.

ii) **Consumer Protection** : Many agencies at all levels of government are involved with regulating business practices for the purposes of protecting consumers' welfare. Some government programs are also designed to influence certain consumer action directly and discourage others.

4. **Consumer Behavior and demarketing**

It has become increasingly clear that we are entering an era of scarcity in terms of some natural gas, and even water. These scarcities have led to promotions stressing conservation rather than consumption. The effort of electric power companies to encourage reduction of electrical use serves as one illustration. In other circumstances, consumers have been

encouraged to decrease or stop their use of particular goods believe to have harmful effects.

5. Consumer Behavior and Consumer Education

Consumer also stands to benefit directly from orderly investigations of other own behavior. This can occur on an individual basis or as part of more formal educational programs. As we study what has been discovered about the behavior of others, we can gain insight into our own interactions with the marketplace.

Q6. Draw the Framework for studying consumer behavior.

Ans :

1. External environmental variables influencing behavior,
2. Individual determinants of behavior, and
3. The consumer's decision process.

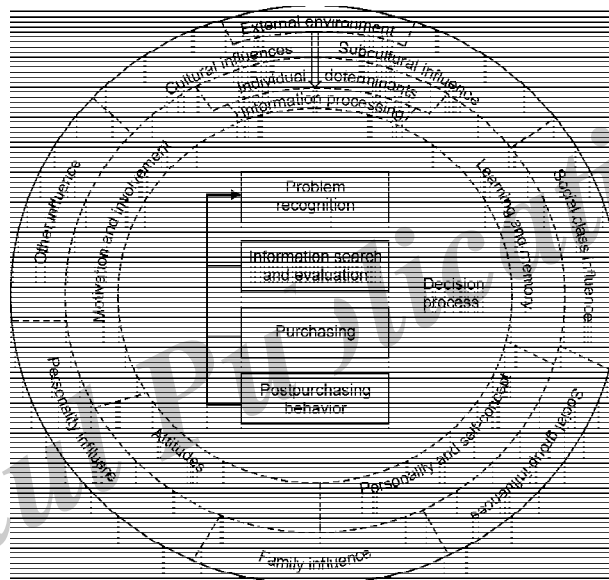


Fig.: A Simplified Decision Process Framework for Studying Consumer Behavior

1. External Environmental Variables

The external environment depicted in the outer circle is made up of six specific influences and one catch-all grouping for all other factors. The six specific influences are culture, subculture, social class, social group, family, and personal influences. The open partitions (dotted lines) denote the influence of these variables on individual determinants of each other.

- i) Cultural Influence :** The concept of culture has been characterized as "that complex whole that includes knowledge, belief, morals, law, custom, and any other capabilities and habits acquired by man as a member of society." As such, it provides a basis for many of our values, beliefs, and actions as consumers.
- ii) Subcultures Influence :** The emphasis is on segments of a given culture that have values, customs, traditions, and other ways of behaving that are unique and that distinguish them from others sharing the same cultural heritage. These aspects of uniqueness can have significant implications for the understanding of consumers and the development of successful marketing strategies. Subcultures distinguished on the basis of age and ethnic dimensions receive particular attention.

- iii) **Social Class Influences** : The term "social stratification" refers to the process by which people in a society rank one another into different social position. The result is a hierarchy often referred to as a set of social classes. People within a given social class tend to share beliefs, values, and methods of behaving. They also tend to associate more closely with one another than with people from different social classes. The values, wants, and interactions that develop in these distinct groupings tend to have significant influences on consumers.
- iv) **Social Group Influences** : A social group be viewed as a collection of people who have a sense of relatedness resulting from some form of interaction with one another. These groups can have many functions. One that is particularly important from a consumer behavior perspective is the influence that group members can have on the individual. That is, the group can serve to persuade and guide the individual's values and behavior.
- v) **Family Influences** : The family is a special form of social groups. That is distinguished, at least in part, by numerous and strong face-to-face interactions among its members. The influence of different family members on purchase decisions in one area of interest in the field of consumer behavior. In some cases, decisions are made by one individual with little influence from family members.
- vi) **The Process of Personal Influences** : The process of personal influence, which can be described as the effects on an individual resulting from communications with others, of interest to marketers. Interest in the subject is strong because personal influence has an important effect on the amount and type of information that consumers obtain about products. It is also considered to be a significant force acting

on a consumer's values, attitudes, brand evaluations, and interest in a product. In fact, personal influences is an important function of opinion leaders. Personal influence also strongly affects the process of diffusion by which new products and service innovations spread in the marketplace.

2. Individual Determinants of behaviour

Major individual determinants of consumer behavior are portrayed in the inner ring of. These variables influence how the consumer proceeds through a decision process regarding products and services.

There are five major groups of individuals determinants.

- i) **Personality and Self-concept** : Personality and self-concept provide the consumer with a central theme. That is, they provide a structure for the individual so that a consistent pattern of behavior can be developed.
- ii) **Motivation** : Moves are internal factors that energize behavior and provide guidance to direct the activated behavior. Involvement describes the personal relevant or importance that the consumer perceives in a given purchase situation. High involvement will lead to a motivated state.
- iii) **The term "Information Processing"** : The term "information processing" refers to the activities that consumers engage in when acquiring, integrating, and evaluating information. These activities involve actively seeking information or passively receiving it, attending to only certain parts of the information, integrating that which has been attended to with information from other sources, and evaluating the information for the purpose of making decisions. Such alternatives are varied and occur, at all stages of the decision process. They also strongly involve some individual factors, including motivation, learning, and attitudes.

iv) **Learning** : What consumers learn, how they learn, and what factors govern the retention of learned material in memory are all issues of considerable importance for understanding consumers. Not only do consumers acquire and remember product names and characteristics, but they also learn standards for judging products, places to shop, problem-solving abilities, behavior patterns, and tastes. Such learned material stored in memory significantly influences how consumers react to each situation that they control.

v) **Attitude** : Attitudes guide our basic orientation toward objects, people, events, and our activities. As such, attitudes strongly influence how consumers will act and react to products and services, and how they will respond to communications that marketers develop to convince them to purchase their products.

3. The Consumers Decision Process

The inner portion of details the consumer decision process regarding products and services. The major steps in this process are shown as problem recognition, information search and evaluation, purchasing, and post purchase behavior.

i) **Problem Recognition** : Problem recognition occurs when the consumer is activated by awareness of a sufficient difference between the actual state of affairs and the concept of the ideal situation. This can occur through internal activation of a motive such as hunger, by confronting some external stimulus such as an advertisement, or by being affected by additional variables such as social or situational influences. In either case, however, action occurs only when the consumer perceives a sufficiently large discrepancy between the actual and ideal states.

ii) **Information Search and Evaluation** : This usually starts with internal search – a quick and largely unconscious review of memory for stored information and experiences regarding the problem. This information is in the form of beliefs and attitudes that have influenced the consumer's preferences toward brands. Often such a review results in recognizing a strong brand preference, and a routine purchase occurs.

However, if an internal search does not provide sufficient information about products, or how to evaluate them, the consumer continues with a more involved external search for information. This results in exposure to numerous informational inputs, called stimuli which can arise from a variety of sources, including advertisements, printed product reviews, and comments from friends.

iii) **Purchasing Process** : A purchasing process usually follows strong purchase intentions. This process, involves a series of selections, including the type of retail outlet as well as the specific brand or service to use.

iv) **Post Purchase Behavior** : The consumer's purchase then leads to various outcomes. One such outcome is satisfaction as a result of direct experience in using the brand. Satisfaction will affect the consumer's beliefs about the brand. Other outcomes are dissatisfaction and post sale doubt. These can generate a heightened desire for additional information and influence subsequent problem recognition. In both cases, post purchase experiences result in feedback to the protection-recognition stage.

Q7. What are the tools to Study Buyer Behavior?*Ans :*

It is important for the marketer to regularly study buyer behavior. Different tools available to him or her are :

1. Survey

This is the most common technique used in studying buyer behavior. It involves the use of questionnaires. Different scaling techniques like Likert and Thurstone are used to measure consumer attitudes. The problem with survey methodology is that it gives to the marketer only conscious responses of the customer. Often these responses are guarded and may even be prejudiced.

2. Projective Technique

To throw the customer off his or her conscious level and to get to know subconscious level responses, projective techniques like word association, picture association and thematic appreciation tests (TAT) have been used. Increasingly the marketer turning to these qualitative techniques as they provide valuable information on his or her product or brand, as perceived by the target customer group, and also about the customer's life style and self-concept.

3. Focus Group Discussions

This is another qualitative technique used to assess how customers perceive the product as per the use situations. It also provides the marketer with valuable information on the target market.

4.2 FACTORS INFLUENCING CONSUMER BEHAVIOR
4.2.1 Economic - Psychological - Cultural-Social and Personal**Q8. Explain the Factors Influencing Consumer Behavior.****(OR)**

Write about the factors influencing consumer behaviour.

(OR)

Discuss about the Economic, Cultural and psychological factors influencing consumers behavior.

*Ans :***(Dec.-18, Dec.-16)****1. Cultural Factors**

Cultural factors exert the broadest and deepest influence on consumer behavior. It is the role played by the buyer's culture, sub-culture and social class.

(a) Culture : People living in this society learn on basic set of values, perceptions, preferences and behaviors through a process of socialization involving the family and other key institutions. The behavior of the individuals is influenced by the culture they acquired from their environment.

(b) Sub-culture : Each culture contains smaller groups of sub-cultures. They are (i) National groups (ii) Religious groups (iii) Racial groups (iv) Geographical areas.

(c) Social-class : Social class shows distinct product and brand preferences in such areas as clothing, home furnishing, leisure activities and automobiles.

2. Social Factors

A consumer's behavior is also influenced by social factors, such as the consumer's reference groups, family and social roles and statuses.

(a) Reference Groups : A person's reference groups are those who have a direct (face-to face) or indirect influence on the person's attitudes or behavior. The reference groups are (i) Membership groups (ii) Primary groups (iii) Secondary groups (iv) Aspiration groups. Marketers try to identify the reference groups of their target customers.

Reference groups have a strong influence in brand choice of Group influence will

be stronger for products that will be visible to others whom the buyer respects.

- (b) **Family** : The family orientation consists of one's parents. A more direct influence on every day buying behavior is one's family of procreation, namely, one's spouse and children. The wife has traditionally been the main purchasing agent for the family, especially in the areas of food, sundries and staple clothing items.
- (c) **Roles and Statuses** : A person participates in many groups through out life family, clubs, and organization. The person's position in each group can be defined in terms of role and status. The role of Supreme Court justice carries more status than the role of brand-manager, and the role of brand manager carries more status than the role of office clerk.

Cultural	Social	Personal	Psychological	Economic factors	Buyer
<ul style="list-style-type: none"> Cultural Sub-Culture Social class 	<ul style="list-style-type: none"> Reference Groups Family Roles and statuses 	<ul style="list-style-type: none"> Age and life Cycle stage Occupation Economic circumstances Life Style Personality and self -concept 	<ul style="list-style-type: none"> Motivation Perception Learning Beliefs and attitudes 	<ul style="list-style-type: none"> Personal Income Family Income Consumer Credit Liquid Assets Savings 	

3. Personal Factors

A buyer's decisions are also influenced by his or her personal characteristics, notably the buyer's age and life cycle stage, occupation, economic circumstances, life style, personality and self-concept.

- (a) **Age and life-cycle stage** : People change the goods and services they buy over their life time. The eat baby food in the early years, most of the foods in the growing and mature years, and special diets in the later years. People's taste in cloths, furniture and recreations is also age related.
- (b) **Occupation** : Marketers try to identify the occupational groups that have an above average interest in their products and services.
- (c) **Economic Circumstances** : A person's economic circumstances will greatly affect product choice.
- (d) **Life Style** : A person's life style then is the person's pattern of living in the world as expressed in the person's activities, interests and opinions.

4. Psychological Factors

A person's buying choices are also influenced by four major psychological factors – motivation, perception, learning and beliefs and attitudes.

- (a) **Motivation** : A person has many needs at any given time. Some needs are biogenic and others are psychogenic. Psychologists have developed theories of human motivation. The most popular of these are the theories of Segment Freud, Abraham Maslow, and Fredrick Herzberg.
- (b) **Perception** : Perception is the process by which an individual selects, organizes, and interprets information inputs to create meaningful picture of the world. How the motivated person acts

is influenced by his or her perception of the situation. People can emerge with different perceptions of the same stimulus object because of three perceptual processes. They are (i) Selective exposure (ii) Selective – distortion, and (iii) Selective retention.

- (c) **Learning** : When people act, they learn. Learning describes changes in an individual's behavior arising from the experience. Most human behavior is learned. Learning theorists say that a person's learning is produced through the interplay of drives, stimuli, cues, responses, and reinforcement.

(d) **Beliefs and attitudes**

Through acting and learning, people acquire their beliefs and attitudes. These in turn influence their buying behavior. A belief is a descriptive thought that a person holds about something manufactures, of course, are interested in the beliefs that people carry in their heads about their products and services.

An attitude describes a person's enduring favorable or unfavorable cognitive evaluations, emotional feelings, and action tendencies towards some object or ideas. People have attitudes towards everything: religion, politics, clothes, music, food and so on.

5. **Economic Factors**

The consumer buying habits and decisions greatly depend on the economic situation of a country or a market. When a nation is prosperous, the economy is strong, which leads to the greater money supply in the market and higher purchasing power for consumers. When consumers experience a positive economic environment, they are more confident to spend on buying products.

Whereas, a weak economy reflects a struggling market that is impacted by

unemployment and lower purchasing power. Economic factors bear a significant influence on the buying decision of a consumer. Some of the important economic factors are:

- (i) **Personal Income** : When a person has a higher disposable income, the purchasing power increases simultaneously. Disposable income refers to the money that is left after spending towards the basic needs of a person.

When there is an increase in disposable income, it leads to higher expenditure on various items. But when the disposable income reduces, parallelly the spending on multiple items also reduced.

- (ii) **Family Income** : Family income is the total income from all the members of a family. When more people are earning in the family, there is more income available for shopping basic needs and luxuries. Higher family income influences the people in the family to buy more. When there is a surplus income available for the family, the tendency is to buy more luxury items which otherwise a person might not have been able to buy.

- (iii) **Consumer Credit** : When a consumer is offered easy credit to purchase goods, it promotes higher spending. Sellers are making it easy for the consumers to avail credit in the form of credit cards, easy installments, bank loans, hire purchase, and many such other credit options. When there is higher credit available to consumers, the purchase of comfort and luxury items increases.

- (iv) **Liquid Assets** : Consumers who have liquid assets tend to spend more on comfort and luxuries. Liquid assets are those assets, which can be converted into cash very easily. Cash in hand, bank savings and securities are some examples of liquid assets. When a consumer has higher liquid assets, it gives him more confidence to buy luxury goods.

- (v) **Savings** : A consumer is highly influenced by the amount of savings he/she wishes to set aside from his income. If a consumer decided to save more, then his expenditure on buying reduces. Whereas if a consumer is interested in saving more, then most of his income will go towards buying products.

4.3 MODELS OF CONSUMER BEHAVIOR

4.3.1 Marshallian

Q9. Discuss Marshallian models of consumer behavior.

Ans : (Jan.-20, Imp.)

This theory was first advanced by the economists. They gave formal explanation of buyer behaviour. According to this theory the consumers are assumed to be rational and conscious about economic calculations. They follow the law of marginal utility. An individual buyer seeks to spend his money on such goods which give maximum satisfaction (utility) according to his interests and alternative cost. The buying behaviour is determined by the income – its distribution and level - affects the purchasing power. The economic factors which affect the buyers behaviour are:

Disposable Income

The economists attempted to establish relationship between income and spending. Disposable personal income represents potential purchasing power that a buyer has. The change in income has direct relation on buying habits. Personal consumption spending tends both to rise and fall at a slower rate than what disposable personal income does

1. Size of family income

Size of family and of family income affect the spending and saving patterns. Usually large families spend more and small families spend less in comparison.

2. Income Expectation

The income expected to get in future has direct relation with the buying behaviour. The expectation of higher or lower income has a direct effect on spending plans.

3. Tendency to Spend and to Save

This goes to the habit of spending or saving with the disposable income of buyers. If the buyers give importance to the present needs, they dispose of their income. And buyers spend less if they give importance to future needs.

4. Liquidity of Funds

The present buying plans are greatly influenced by liquidity of assets readily convertible into cash. For example, readily marketable shares and bonds, bank balances come into this category. However, this converts able assets influence and offer freedom to buyer, who actually buys with current income.

5. Consumer Credit

Facility of consumer credit system - hire purchase, installment purchase etc., play an important role in purchase decision. A buyer can command more purchasing power. 'Buy now and pay later' plays its role effectively in the rapid growth of market for car, scooter, washing machine, furniture, television and soon. The economic model of consumer behaviour is unidimensional. It is based on certain predictions of buying behavior. They are:

- Lower the price of the product, higher the sales
- Lower the size of substitute product; lower the sale of this product
- Higher the real income, higher the sales of this product
- Higher the promotional expenses, higher are the sales,

However 'lower the price of a product, higher the sales' may not hold well, as buyer

may feel that the product is sub-standard one. The behavioral researchers believe that this model ignores all the other aspects such as perception, motivation, learning, attitude and personality, and socio-cultural factors. Further, it is also observed that consumer also gets influenced by other marketing variables such as products, effective distribution network and marketing communication. Hence, it is felt that the economic model is inadequate. It assumes that market is homogeneous where markets are assumed to be heterogeneous.

4.3.2 Maslow

Q10. Explain Maslow model of consumer behaviour.

Ans.: (Jan.-20)

In theories of motivation, we will be discussing the two theories 1) Maslow's Theory of Need Hierarchy and 2) the Trio of Needs.

I) Maslow's Theory of Need Hierarchy

Abraham H. Maslow, a psychologist, presented his theory of human needs in 1943. It is called as 'Maslow's Need-hierarchy theory'. Maslow has studied anthropology and closely followed the Gestalt approach on cognitive theories of human behaviour. Gestalt study states that people understand stimuli or process data by viewing it along with the environment or background in which it is presented (as a whole) rather than distinguishing it from the environment.

Gestalt study of human personality helps us understand how people interpret the things around them and how this influences their behaviour. Maslow felt that apart from the obvious influences of behaviour and learning there was something more important and fundamental that motivated people or influenced their actions.

He listed some common human needs, and further classified them into a hierarchy of five levels. Maslow stated that people in general would try to satisfy their needs in an ascending manner, starting from the lowest level of needs. Let us examine each of these levels.



Fig.: Maslow's Hierarchy of Needs

- (i) **Physiological Needs** : These needs are at the first level. They refer to the primary or physiological needs of a person, such as need for air, water, shelter, and clothing.
- (ii) **Safety Needs** : Once the above needs are satisfied, a person wishes to satisfy his safety needs all elements that contribute to a stable, safe are protected life. An individual not only needs physical of security and steadiness that people desire in life such as regular income, a permanent shelter, etc.
- (iii) **Social Needs** : These relate to the need for affiliation of a person. When the study needs are satisfied, the person craves to meet his/her social needs. The need for love, affection, acceptance by the group and need to maintaining good social relationships are some of the social needs of people, in general. Thus, many of us feel the need to be accepted by society, and to spend time with other people (either at the work place or at home.)
- (iv) **Egoistic Needs or Self Esteem Needs** : After satisfying the social needs a person desires to satisfy his egoistic or self esteem needs. Maintenance of status, self respect, acquiring wealth and fame in the society and other such needs come under this category.

Maslow termed the physical needs, safety needs, social needs and self

esteem needs as deficiency needs as these needs stop motivating the person once they are fulfilled. They motivate people to take action only when they are not fully met.

- (v) **Self Actualization Needs** : These refer to the need for self fulfillment or development of one's potential. For example person who wishes to be a singer, would try to put in his or her best effort to master the art. The same person might want to learn different types of music such as classical, folk and even western music, and the person might also aspire to sing in several languages. In short, he or she aspires to be a proficient and versatile singer; Maslow refers to these needs as growth needs. People are thus, motivated by the desire to perform to the best of their ability and strive to enrich themselves at the same time. Maslow called such people who pursued these needs as 'self actualizers'.

Maslow's need hierarchy theory is universally applicable. He states that all people have a common set of goals, and then they prioritize and go about satisfying the most vital or basic needs first and then move up to the next level of needs.

II) Trio of Needs

Maslow's Theory of Need Hierarchy gives an explanation of how a person perceives needs differently according to their intensity and tries to satisfy them, one after another. However, it is argued that people will not always follow an order in satisfying their needs or go by levels in satisfying their needs, for instance a painter may try to realize his artistic potential by painting his best portrait which is a self-actualization need, while at the same time he may still be trying to satisfy his basic physiological needs of food, clothing and shelter.

Some psychologists have tried to explain three sets of needs called the "Trio of needs", which can be correlated to Maslow's classification

of needs. They explained that human behaviour was influenced by the need for power, need for affiliation and need for achievement.

- (i) **Need for Power** : The need for a person to control his environment can be attributed to the need for power. This need belongs to the individual's desire to control the people and other objects in his or her environment. The need for power could be considered as similar to the esteem need in Maslow's hierarchy of needs, since here the individual is driven by the desire to control his environment. This need is also considered as somewhat related to the safety need in Maslow's hierarchy because the need for power could be people's desire to feel protected and safe in their environment.

- (ii) **Need for Affiliation** : These are similar to the social needs described by Maslow. People generally have the need to be accepted as a part of society. The need to spend time with friends, relatives and to mingle with like minded people and to feel a sense of belonging within a social environment - all such desires relate to the affiliation need a person.

- (iii) **Need for Achievement** : When a person is completely consumed with the need to accomplish his or her personal, professional goals and combination, such a person is said to be driven by need for achievement. Hence all the efforts that such people make are directed towards achievement of their goals. These needs are similar to egoistic and self actualization needs.

4.3.3 Freudian Model

Q11. Discuss the Freudian Model of Consumer behaviour.

Ans :

Sigmund Freud, the father of psychology, became famous with his psychoanalytic theory of personality. In fact, the theory is regarded as the cornerstone of modern psychology. Sigmund based his theory on certain assumptions which are as follows

Unconscious needs or drives lie at the heart of human motivation and personality.

The socialization process that takes place within people in a social set up has a huge impact on individual behavior. Freud explained much of how the psyche or the mind operates, and proposed that, human psyche is composed of parts within our awareness and beyond our awareness.

He said that all behavior within an individual cannot be explained, much lies in the subconscious.

- (i) **Id** : According to Freud's psychoanalytic theory of personality, the id operates based on the pleasure principle, which stresses on immediate fulfillment of needs. The id is the personality component made up of unconscious psychic energy which satisfies basic urges, needs, and desires.
- (ii) **Ego** : Ego is that state of awareness which thinks of you as separate from the other. It always thinks of the glories of the past and hopes of the future and focuses on guiltiness. It always thinks of what was and what could be.
- (iii) **Super Ego** : The superego provides guidelines for making judgments. It is the aspect of personality that holds all our moral standards and ideals that we acquire from both parents and society.

4.3.4 Howard - Sheth Model

Q12. Explain Howard Sheth Model of Consumer Behaviour.

Ans :

(Jan.-20, Imp.)

This model basically serves two purposes :

1. It indicates how complex the whole question of consumer behaviour really is.
2. It provides the frame work for including various concepts like learning, perception, attitudes etc.. which play a role in influencing consumer behaviour.

➤ Inputs

In the Howard-Sheth theory, the most significant stimulus affecting the buying behaviour are the information cues about the characteristics of the product. These cues may be significant if it comes to the buyer from the product itself when he is involved in a shopping activity. A similar set of cues, which are symbolic in nature may also act as information sources.

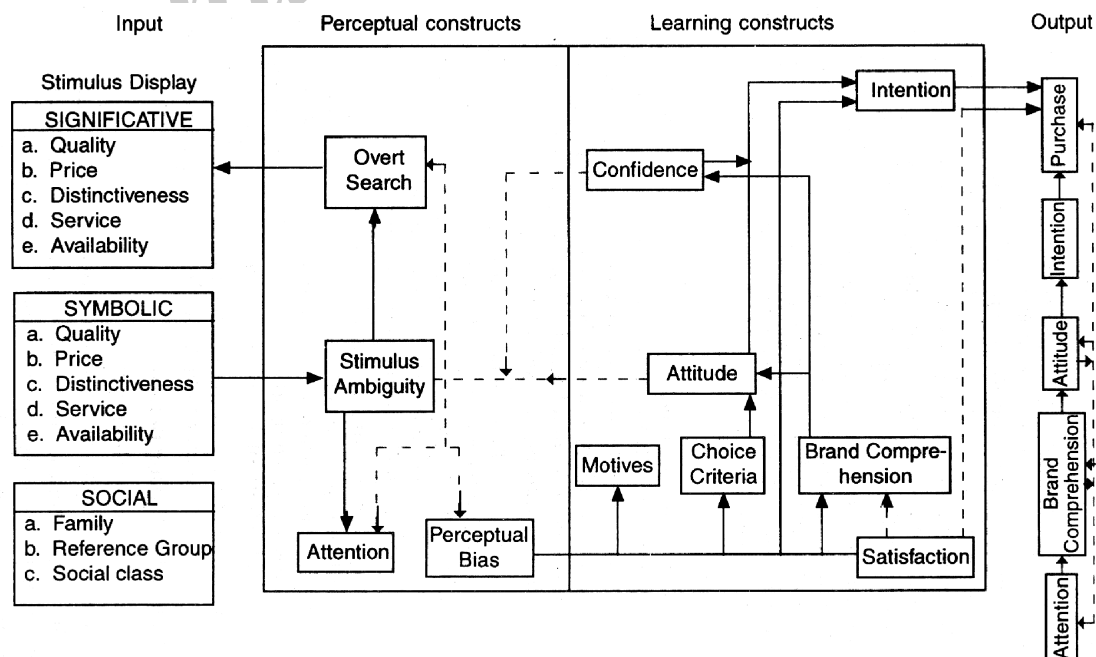


Fig.: Howard -Sheth Model of buying behaviour

Both these significant and symbolic information cues represent the firm's marketing efforts. The product or broad characteristics acting as information cues are quality, price, distinctiveness, service and availability. There are impersonal sources like mass media communication and advertising, over which the firm has no control. However, the information sources also include sales and service personnel who can add and help the marketing efforts of the firm. The third source is social information cues which could affect buying behaviour towards the product or brand and these include family, friends or other members of the groups with whom the buyer comes into contact or to which he aspires to be in. This social source is personal and the company/ marketer has no control over this source.

➤ **Perceptual Constructs**

This refers to all the complex states or psychological processes (perception) and how the individual deals with the information cues received from various sources. It can be seen that all information available is not attended to (attention) and may not always be crystal clear in its meanings (stimulus ambiguity). Although the individual may be engaged in an overt search for information, sometimes he/she may be bombarded with unwanted information. Moreover, any information cues to which the individual may attend may be distorted (perceptual bias) as a result of his own frame of reference.

➤ **Learning Constructs**

The second set of hypothetical constructs in this theory are more complex and numerous. 'Motives' refers to the goals the individual attempts to achieve through his/her buying behaviour. These goals are derived from the various drives (needs) which may be acting as a cue for his/her motive.

More closely related to the buyer's intention is his attitude towards the product/brand. Whether he/she has formed a positive attitude and if not will there be a change in the attitude etc., are some of the factors which may affect

the attitude an individual has towards the product/ brand.

Other learning constructs include 'brand comprehension' i.e., knowledge/awareness about the brand characteristic features that forms the basis for the buyer's evoked set of alternatives; choice criteria, and the confidence the individual has about his/her brand comprehension, attitudes or intentions. Finally, the model includes a construct, 'satisfaction'. This refers to "feedback" mechanism, i.e., the post purchase and post use evaluation of the output of the process.

➤ **Exogenous Variables**

This theory also includes a number of variables which are not explained but have a bearing on some or all of the constructs discussed above and indirectly influences the output or consumer response.

(i) **Social and Organizational Setting:**

Man is basically a social animal. Because of his interactions with various groups and society, they look to each other for guidance regarding what to buy, how to buy/dress, etc.

(ii) **Social Class :** In order to conform to the norms of the social class to which he/she belongs, the individual will be engaged in a behaviour which will be acceptable to the social class to which he belongs.

(iii) **Culture :** Refers to the shared, somewhat consistent pattern of behaviour of a group of people. Each culture has a set of beliefs, values, etc. So the pattern of buyer behaviour will be based on a pattern of behaviour shared in a specific subset of the larger culture a subculture trait.

(iv) **Purchasing Power/Financial Status:**

The money/ income available for purchasing goods and services during some specified time period also plays a role in influencing the consumption pattern and thereby his buying behaviour. 4.6 Steps in Consumer decision Process

4.4 STEPS IN CONSUMER DECISION PROCESS

Q13. Define consumer decision making? Explain the steps involved in Consumer Decision Process?

(OR)

What are the steps involved in consumers decision process

Ans : (Jan.-18, Dec.-16, Imp.)

Introduction

A decision is defined as choosing an option of the few/many available. Decision making is the process of choosing between two or more alternatives; It is the selection of an alternative out of the few/many choices that are available.

Decision making is :

- A goal oriented process.
- It is a problem solving process: helps take advantage of opportunities and fight threats.

Types of Decision making

Decisions Making can be of two types

- Programmed decision making
- Non-programmed decision making.

(a) Programmed decision making

This is applied for problems that are routine and regular. Such problems are simple to deal with and guidelines to sort out such problems exist. Such decisions are made without much thought. With respect to marketing, these are decisions related to day to day purchases or convenience and shopping goods; these are generally low involvement purchases. They may also be habitual in nature, and brand loyalty could easily develop. Examples: Purchases made for staples, toiletries etc.

(b) Non-programmed decision making

This is applied for problems that arise suddenly and are unique or novel. As the problem is sudden and novel, it is complex and requires a lot of information gathering, deliberation and thought. With respect to marketing, these

are decisions related to infrequent purchases or specialty goods and emergency goods; these are high involvement purchases.

Examples: Purchases made for laptops, real estate etc.

Stages

1. Systematic process

Consumer behavior is a systematic process relating to buying decisions of the customers. The buying process consists of the following

Steps :

- Need identification to buy the product
- Information search relating to the product
- Listening and evaluating the alternative
- Purchase decision
- Post purchase evaluation by the marketer

2. Influenced by various factors

Consumer behavior is influenced by a number of factors the factors that influence consumers include marketing, personal, psychological, situational, social and cultural etc.

3. Different for different customers

All consumers do not behave in the same manner. Different consumers behave differently. The different in consumer behavior is due to individual factors such as nature of the consumer's lifestyle, culture etc.

4. Different for different products

Consumer behavior is different for different products there are some consumers who may buy more quantity of certain items and very low quantity of some other items.

5. Vary across regions

The consumer behavior vary across States, regions and countries. For instance, the behaviour of urban consumers is different from that of rural consumers. normally rural consumers are conservative (traditional) in their buying behavior.

6. Vital for marketers

Marketers need to have a good knowledge of consumer behavior they need to study the various factors that influence consumer behavior of the target customers. The knowledge of consumer behaviour enables marketers to take appropriate marketing decisions.

7. Reflect status

Consumer buying behavior is not only influenced by status of a consumer but it also reflects it. Those consumers who owned luxury cars, watches and other items are considered by others as persons of higher status.

8. Result in spread effect

Consumer behavior as a spread effect. The buying behavior of one person may influence the buying behavior of another person. For instance, a customer may always prefer to buy premium brands of clothing, watches and other items etc. This may influence some of his friends, neighbors and colleagues. This is one of the reasons why marketers use celebrities like Shahrukh Khan, Sachin to endorse their brands.

9. Undergoes a change

The consumer behavior undergoes a change over a period of time depending upon changes in age, education and income level etc, for example, kids may prefer colorful dresses but as they grow up as teenagers and young adults, they may prefer trendy clothes.

10. Information search

Search for information is a common consumer behavior. Consumers cannot purchase goods and services if they are unaware that a good or service exists. When a consumer decides to buy a certain item, his decision must be based on the information he has gathered about what products or services are available to fulfill his needs. There might be a product available that would be better suited to the consumer's needs, but if he is not aware of the product, he will not buy it.

11. Brand loyalty

Brand loyalty is another characteristic of consumer behaviour. Brand loyalty is the tendency of a consumer to buy product or services from a certain company that one likes or equates with having high quality goods and services. For example, if Naina's first car was a Honda as a teenager and the car lasted 200,000 miles, she might have a tendency to buy Hondas again in the future due to her previous positive experience. This brand loyalty may be so strong that she forgoes the information search all together when considering for next vehicle.

Q14. Explain factors involved in consumer decision making.

Ans :

1. Relative Advantage

The first characteristic is the new product's relative advantage i.e., the degree to which it appears to be better and superior than the existing products. If the consumer perceives the new product to be relatively superior as compared to the existing products, more is the chance of the innovation being adopted. For example 'E-mail' and Fax were considered to be better and superior to Telex. This perception of greater relative advantage in using 'E-mail' as a communication network, resulted in sooner acceptance of this concept or new idea.

2. Compatibility

The degree to which the new product or innovation matches the values and experiences of the consumers in a particular community. Greater the degree of compatibility, sooner will the innovation be acceptable to the consumer, for example 'Laptop' computers are highly compatible with the life-style of senior executives of companies.

3. Complexity

The third characteristic is the innovation's complexity. This means the extent or degree to which the new product is relatively difficult

to understand or use. Greater the degree of complexity, more the time it will take to be accepted. For example, 'personal computer' are complex and will therefore take a lot of time to penetrate Indian homes. This issue of complexity is important when entering market with hi-tech consumer products.

4. Divisibility (or) Trialability

The degree to which the new product may be tried on a limited basis. This means the extent to which the new product can be tried on a small scale basis before going for full fledged use of the same. If the consumers have got the option of trying out the product and then decide to buy if trial result found satisfactory, the innovation's rate of adoption increases. For instance, when 'Braun India' pioneered the 'epilator' in a market, where its target consumers were using the traditional method of waxing, the company needed to convince women that using 'Silk Epil' was more convenient, so it offered a six day money back trial offer to its consumers, reassuring that if she didn't feel comfortable with the product, she (the consumer) could always return it.

5. Communicability

The fifth characteristic is the innovation's communicability. The degree to which the results are observable or described to others or the ease with which a new product's salient features are observed. A new product concept will work if the new technology or new product usage can be described and demonstrated. For example, 'Eureka Forbes' has been able to gain easy acceptance of its products like 'Aquaguard' and 'Vacuum cleaner' through adopting the method of observation through demonstration.

The above are the typical product characteristics which can influence an innovation's diffusion process but, apart from the above, there are certain other characteristics which could influence the rate of adoption like initial costs, ongoing costs, risk and uncertainty, scientific credibility, selection of channel of communication and

social system or social approval. These characteristics are also important determinants affecting the rate of adoption. So marketers involved in new products marketing have to undertake research on the above factors. The key factor affecting the diffusion process may vary from product to product. So marketers have to pay maximum attention to the key ones while developing new products and also design a suitable marketing programme accordingly.

4.5 POST PURCHASE BEHAVIOUR

Q15. Define post purchase behaviour explain the behavioural factors involved in purchase.

Ans :

Post-Purchase Behavior is the stage of the Buyer Decision Process when a consumer takes additional action, based purely on their satisfaction or dissatisfaction. The consumer's level of satisfaction or dissatisfaction is directly related to the varying relationship between their initial expectations of the product (pre-purchase), and their perception of the actual performance of the product (post-purchase) in their hands.

Behavioural Factors Related to the Purchase

The consumer's decisions to purchase a product is associated with many different types of behaviour. However, the following three decisions have been identified as the most important decisions for purchase purpose. They are as follows,

(a) Decisions in Relation to Payment for Purchases Made

These decisions are related to how payment are to be made for purchase of product i.e., either through cash or credit. In America it is witnessed that most of the payments are credit based. About 57 percent of payments are made using cheques, About 36% of customers use cash whereas, the 6% use credit cards for payments. The purchase decision mainly involves the selection of method of payment i.e., cash or credit. The consumer has two options either cash or credit.

However, banks offer large credit facilities today and therefore play a crucial role in payment for consumer purchases.

(b) Decisions on Product Setup and Use

The consumer is also required to make a crucial decision of setting up or installing the product, at the time of its purchase. The product may be ready to use but need to be set-up or installed appropriately for the consumer satisfaction. Example, Car, Television, Refrigerator etc., require a proper set-up.

Whereas, sometimes small products may prove to be more complicated to set-up. The manufacturers usually provide manuals or instructions booklets for such products. The Air-conditions, Micro ovens are some of the example of such products.

(c) Decision on Products or Services of Similar Nature

Usually, a consumer purchasing a particular product turns out to be the purchaser of related product or service. For Example, A car seller may offer other extended services that may attract the buyer of the car and he may also purchase the extended services offered. Therefore, it is crucial for the buyer to take decisions related to similar products.

Marketing Implications

The marketers mainly focus on the consumer's post purchase decisions. The markets focus on providing easy payment options to consumers. They do so by accepting cash or cheque or credit issued by consumers. The banks and financial institutions offer extend credit facilities and various alternatives to consumers.

Secondly, the marketers offer further services such as explanation to buyers on products use and set-up. These activities are crucial to ensure consumer satisfaction.

For the products purchased from self-service stores the information is more crucial as the set-up or installation of product is not undertaken by the store. Therefore, the manufacturers must ensure that the information is easily understandable.

The products use and installation should be clearly understood by the manufactures. This enables the manufacturer to introduce a better and improved quality product.

Lastly, the marketer focuses on creating awareness on the related products or services offered by them to the consumers. This may make the consumer interested in the additional related products or services.

4.5.1 Impact of Post Purchase Behaviour on Consumer Goods

Q16. Explain the impact of post purchase behaviour on consumer goods.

Ans :

The post-purchase decisions of consumer leads to some important marketing implications which are as follows,

(I) Product Set-up and Use

The implications that flows from the decisions related to product set-up and use are,

1. Providing information and assistance
2. Understanding the user's consumption system and
3. Decisions about warranties.

1. Providing Information and Assistance

When a consumer buys a major durable good like large-screen television, washer, etc., from a retailer then it is the responsibility of the store to install or set-up the product and explain its functions to the user. If the after sale services are not good then it may result in customer dissatisfaction which may in turn lead to poor word-of-mouth communication about the product. The information on product set-up and use has become very important in the present self-service economy as the consumer mainly depends on the literature provided with the product for operating it.

2. Understanding the User's Consumption System

The marketers need to first understand the consumption system of the consumer instead

of providing information to the consumers. It is very essential for the marketers to improve the quality and functionality of the product. It is also essential for the marketer to understand the consumption system of the user so that the consumers can complete their task by using the product. The suitability of the product with other products in terms of consumption behaviour may provide new marketing opportunities.

3. Decisions about Warranties

A factor related to product set-up and use is the product or service warranty which is the promise given by the manufacturer or seller that if any problem occurs during the warranty period then it is corrected by the seller or manufacturer. Usually, an effective warranty provides various benefits to consumers such as,

- i) It gives assurance for quality and value of product/ service.
- ii) Self confidence is increased which in turn relates to correctness of product/service selection.
- iii) The risk of ownership is minimized by providing return or refund privileges.
- iv) Dissonance will also be reduced by the warranty assurance of quality.

The warranties greatly affect the consumers and their consumption systems. If strong warranty is given on new high-performance brand then it has a positive impact on product evaluation.

(II) Related Products and Services

The second factor which must be considered by the marketer with respect to post purchase activities is the interest of the buyers in related products and services. If buyers are interested in related products then they must have adequate knowledge about the potential products which are existing in the market, hence the literature available with product must represent the other products in line. The main task of the marketer is to identify an appropriate product mix which is suitable for the firm. The function significantly deals with implementing the marketing concept for recognizing the products which are related in nature and can be marketed effectively.

4.6 COGNITIVE DISSONANCE

Q17. Explain the concept of Cognitive Dissonance.

Ans :

A) History and Orientation

Leon Festinger (1951) synthesized a set of studies to distill a theory about communication's social influences. Cognitive dissonance enjoyed great popularity from the late 1950s through the mid-1970s. Theoretical problems and conflicting findings lead to temporary replacement by similar "self" theories in the early 1980s, but cognitive dissonance regained its place as the umbrella theory for selective exposure to communication by the late 1980s.

B) Core Assumptions and Statements

Cognitive dissonance is a communication theory adopted from social psychology. The title gives the concept: cognitive is thinking or the mind; and dissonance is inconsistency or conflict. Cognitive dissonance is the psychological conflict from holding two or more incompatible beliefs simultaneously. Cognitive dissonance is a relatively straightforward social psychology theory that has enjoyed wide acceptance in a variety of disciplines including communication.

The theory replaces previous conditioning or reinforcement theories by viewing individuals as more purposeful decision makers; they strive for balance in their beliefs. If presented with decisions or information that creates dissonance, they use dissonance-reduction strategies to regain equilibrium, especially if the dissonance affects their self-esteem.

The theory suggests that 1) dissonance is psychologically uncomfortable enough to motivate people to achieve consonance, and 2) in a state of dissonance, people will avoid information and situations that might increase the dissonance. How dissonance arises is easy to imagine: It may be unavoidable in an information rich-society. How people deal with it is more difficult.

C) Reduce Cognitive Dissonance

According to Festinger's theory of cognitive dissonance, people try to seek consistency in their thoughts, beliefs, and opinions. So when there are conflicts between cognitions, people will take steps to reduce the dissonance and feelings of discomfort. They can go about doing this a few different ways. There are three key strategies to reduce or minimize cognitive dissonance:

1. Focus on more supportive beliefs that outweigh the dissonant belief or behavior.

For example, people who learn that greenhouse emissions result in global warming might experience feelings of dissonance if they drive a gas-guzzling vehicle. In order to reduce this dissonance, they might seek out new information that disputes the connection between greenhouse gases and global warming. This new information might serve to reduce the discomfort and dissonance that the person experiences.

2. Reduce the importance of the conflicting belief.

For example, a man who cares about his health might be disturbed to learn that sitting for long periods of time during the day are linked to a shortened life-span. Since he has to work all day in an office and spends a great deal of time sitting, it is difficult to change his behavior in order to reduce his feelings of dissonance. In order to deal with the feelings of discomfort, he might instead find some way to justify his behavior by believing that his other healthy behaviors make up for his largely sedentary life-style.

3. Change the conflicting belief so that it is consistent with other beliefs or behaviors.

Changing the conflicting cognition is one of the most effective ways of dealing with dissonance, but it is also one of the most difficult. Particularly in the case of deeply held values and beliefs, change can be exceedingly difficult.

4.7 ORGANIZATIONAL BUYER

Q18. Define Organizational Buyer.

(OR)

Who is an Organizational Buyer.

Ans : (Jan.-20)

Buyer behavior is concerned with the selection and purchase of Products or services to satisfy a need for individuals or groups. It is focused on the needs of individuals, groups and organizations. Buyer behavior occurs either for an individual consumer on his own; an individual consumer in the context of a group (where others in the group influence how a person behaves); or an organization (where employees make decisions about which products or services the firm should use).

Consumer buyer behavior has developed, since the 1960s, as a separate discipline within marketing, to enable manufacturers and distributors to research and understand the needs and preferences of the increasingly sophisticated customer, and to respond accordingly. The field of organizational buyer behavior - initially called industrial buyer behavior - also surfaced in the 1960s, but most of the research in this area has taken place since 1980. Progress in this field has led to a new occupation of professional buyers.

Buyer behavior is influenced by many factors, namely the internal mental processes of individuals; external factors; the availability of resources; the characteristics of the product, service or idea required; availability of the requisite skills; and socio-demographic variables.

4.7.1 Industrial Markets

Q19. Explain about Industrial Markets.

Ans :

An industrial market involves one business dealing goods or services to another business instead of a consumer base. Also known as the business-to-business market, this market encompasses three distinct variations, including businesses selling goods, businesses selling raw materials and businesses selling services. Each of these three happen in a variety of individual businesses. There are many advantages of this type of market over the traditional consumer market.

The industrial market focuses solely on the goods and services provided for producing a separate end product. This is an organizational market with its own advertising, distribution and sales. From automobiles to food, clothes and more, consumer industrial products would not be available without the industrial market first being utilized.

Many companies within an industrial market specialize in selling goods to other industries in order to help them produce an end product. These companies normally do not offer these products to the general public, because there would be little use for them to an individual consumer. A company producing an industrial loom for creating garments would be one example of a company utilizing this market. Computer programs are another example, especially networks or specialized programs that aid in the production of goods and services.

The industrial market equally benefits from groups that sell raw materials to other companies that use them to create end products. The selling companies tend to have some products that would be useful to individual consumers, but they generally sell goods in bulk numbers that are not practical for consumers. Some of these companies focus a small portion of the business on consumer goods but generally do only business-to-business deals. An excellent example would be selling raw wool to the same company that bought industrial looms, with that company using the wool and looms to produce sweaters, socks and scarfs.

The third type of industrial market deals solely with selling services to other businesses. These groups do not provide any physical goods but supply manpower and expertise in particular areas. This can be a physical act, such as cleaning up hazardous materials that are produced by industrial machinery. It also can be more data-based, such as providing business accounting for companies.

Size is the one great advantage that the industrial market has over the consumer market. This does not refer to the size of the product but to the pool of potential outlets. Unlike consumer products that must be marketed to fit many life-styles and preferences, these products and services are aimed a handful of specific business models. This makes refining a product and communicate to buyers.

4.7.2 Reseller Market

Q20. Explain about Reseller Market.

Ans :

A reseller is a company or individual (merchant) that purchases goods or services with the intention of selling them rather than consuming or using them. This is usually done for profit (but could be resold at a loss). One example can be found in the industry of telecommunications, where companies buy excess amounts of transmission capacity or call time from other carriers and resell it to smaller carriers.

Examples of Reseller Organizations

Manufacturers sell most of their products through at least one type of reseller organization. These organizations act as intermediaries between manufacturers and customers and help manufacturers get their products into consumer's hands by providing marketing, transportation, pricing and customer service. Reseller organizations also allow manufacturers to move large amounts of inventory at once, decreasing the chances of holding on to the unsellable inventory.

Retail

Most resellers are retail organizations. These include grocery stores, department stores and

specialty stores, such as home improvement or pet supply stores. Retail stores purchase goods from the manufacturer at the base price, called the wholesale price, and sell the items at a higher amount, called the retail price, for a profit. Retailers provide the face of products and take care of sales details, such as marketing and promotion, setting prices, and being the first line of defense in handling consumer problems and complaints. Retail stores also develop relationships and reputations with customers, providing individual products with additional credibility simply by being sold by a store with good standing.

Online Resellers

Online resellers work much like retail stores, except they usually do not have traditional brick-and-mortar locations. Resellers that conduct business exclusively online, such as Amazon.com, do not incur the high overhead expenses of retail locations. These usually include sales staff, utilities, rent and loss protection. The lower costs mean that the reseller can offer lower prices to the customers, leading to more sales. Manufacturers can often send customers' orders directly from their own warehouse, leading to less chance of loss and delays than sending items to retailers who must then send the products to customers.

Mail Order

Mail-order resellers offer customers catalogs that list the merchandise they have for sale. Like retailers, mail-order organizations purchase products wholesale and sell them at a higher price. And, similar to online resellers, mail-order companies do not have physical locations. While mail ordering was traditionally only done via postal service, modern mail order services allow customers to place orders by phone and even online. Manufacturers that utilize mail-order organizations to get their products out to customers benefit from the wide availability of delivery services all over the world, opening the manufacturer up to new markets.

Distributors

Distributors have agreements with manufacturers to sell products or services to retail, online and mail-order organizations, as well as direct to customers. Some distributors only work with noncompeting manufacturers. Other distributors are sanctioned by manufacturing companies as official selling partners and handle all promotion, advertisement and sales activities. Distributors that sell directly to consumers take care of customer needs, including exchanges, returns and repair service.

4.7.3 Government Market

Q21. Write about Government Market.

Ans :

A government market is a market where the consumers are federal, state, and local governments. Governments purchase both goods and services from the private sector. Governments buy the same types of products and services as private sector consumers, plus some more exotic products such as aircraft carriers, fighter jets, tanks, spy satellites, and nuclear weapons. A growing trend in the past decades has been the out sourcing of traditional government services to private firms, such as prisons.

Government Procurement

The biggest difference between private sector market transactions and government market transactions is the process you must go through to obtain the government as a customer. This process is known as government procurement.

Contract Acquisition

Unlike private sector consumers, governments are subject to laws that are enacted to ensure that taxpayer money is spent judiciously, and contracts are awarded fairly and for legitimate public purposes. Additionally, after you win a government contract, you will be subject to a significant degree of government oversight during your fulfillment of the contract. In other words, the government will

be looking over your shoulder to make sure you are holding up your end of the bargain.

Since procurement may differ from government to government, we'll focus on the federal government in this discussion. The United States generally utilizes two types of methods to procure goods and services. Let's take a quick look at each.

Sealed bidding is used when the government can publish a solicitation that clearly describes what the government needs and the required specifications. For example, the government may be soliciting for computer equipment and can easily specify the type and quantity. The process starts with issuing an Invitation For Bid (IFB), which describes the government requirements and the deadline for bid submission. After the deadline has passed, the government will have a public bid opening and then will review the bids. The lowest bid that is responsive and responsible will win the contract.

A responsive bid complies with the requirements of the IFB and a responsible bid means the contractor has the resources to perform the contract, a satisfactory performance history, the necessary technical skills and facilities to complete the bid, and is ethical with integrity.

Negotiated procurements are used when the government's needs and wants are too complex for a sealed bid and factors other than price must be taken into account. Many defense contracts involve negotiated procurements. Negotiated procurements start with a Request for Proposal (RFP), which will include a Statement of Work (SOW). The SOW provides the government needs and includes evaluation criteria that the government will use in evaluating offers. The RFP will tell you the relative importance of the evaluative factors and it will also provide the standard by which the government will make the award.

4.7.4 Characteristics of Organizational Buyer

Q22. What are the Characteristics of Organizational Buyer?

(OR)

List out the features of Organizational Buyers.

Ans :

(June.-16, Imp.)

1. **Derived Demand**

Organizational buying is based on derived demand. Demand made by the ultimate consumers creates demand for industrial goods or services. For instance, demand of electricity generator is determined according to the demand made by the consumers. Demand of organizational buyer changes in keeping with the changes in consumers' demand.

2. **Geographical Concentration**

Organizational buyers remain concentrated in certain geographical area whereas consumers' market remains scattered all around. Producers want to establish industry near by supply source. Mostly, industrial market is determined considering transport facilities and cost. Along with this, raw materials, labor supply, climate condition etc. are also considered.

3. **Few Buyers And Large Volume**

The number of organizational buyers remains small but volume of sale is large. So, organizational marketers focus on their efforts on very small number of main buyers who buy goods or services in large volume paying big amount of price.

4. **More Direct Channel of Distribution**

High quantity of consumer goods or services is sold out through complex structure of wholesalers and retailers. This structure keeps producers and consumers separate or it works as the bridge between them. But in organizational selling, direct contact is established between buyers and sellers. The organization, which buys in large volume,

buys necessary goods directly goods from producers.

5. Rational Buying

Organizational buyers use rational in buying goods or services compared to the ultimate consumers. They want to take more information about the features, quality, technical use, utility etc of products. Organizational buyers become aware of quality, services, delivery, price etc. of any products.

6. Professional buying

Compared to consumer buyer, organizational buyers become systematic, rational and professional. Buying agents become skilled professional. They should take frequent trainings on buying process, contract, material management and legal aspects of buying. Professional buyers develop formal methods of buying.

7. Complexity

Under organizational buying process, different persons participate in buying decision. So it becomes difficult to take buying decision. While taking decision on buying, it becomes necessary to know the role of users, motivator, decision maker and buyer whose effect goes on buying product.

Q23. What are the Factors of Organization Buyer.

(OR)

Explain the factors influencing Organization Consumer behaviour.

Ans : (Dec.-20, Jan.-20, Imp.)

- In an organization, the purchase decisions are influenced by several individuals and are not made in isolation by an individual.
- Organizational buyers are more concerned about the price and quality of the product along with the service being provided by the vendor. Price plays of major role, since the price of the raw materials is the investment from which profits are generated.

- Price is a major factor which affects the profitability of the firm. Service also plays an important role, because no organization would like to buy goods from a vendor who cannot provide timely and efficient service.
- Organizations adopt certain methods for buying products such as checking a sample before the actual purchase.
- Most organizational purchases involve purchase of products in large lots. So it is not feasible to individually inspect each and every item in the lot. In such situations, a sample is checked assuming that this sample represents the entire lot. Like the consumer markets, organizational markets also possess certain demand characteristics.
- The organizational demand for products or services may be inelastic, derived, joint or fluctuating in nature.
- Organizational markets normally purchase the goods or services for producing other goods and services, using these as raw materials. There are also resellers, who purchase the products to sell directly to other customers without any modifications. Apart from producers and resellers, there are also government and institutional customers who buy the goods.
- Government buys goods for public utility or for use in their departments or for production purposes.
- The buying decisions of organizations are influenced by environmental factors, organizational factors, social factors and personal factors.
- Participants in the organizational buying process play as many as seven different roles, namely those of initiator, influencer, user, decider, approver, buyer and gate keeper.
- Although organizations differ significantly from each other in their purchasing process, the various stages of industrial buying comprise problem recognition, general need recognition, product specification, value analysis, vendor analysis, order routine

specification, multiple sourcing and performance review. Marketers need relevant information about the characteristics of the industries for marketing their goods and services effectively. To search for such information, the prime sources are government and industrial publications.

- The Standard Industrial Classification is a process where such characteristics of manufacturing, financial and service sectors are depicted in a coded format.

4.7.5 Organizational Buying Process

Q24. Explain the Process of Organizational Buying .

(OR)

Write about the stages of organizational consumer behaviour.

Ans :

(June-16)

Organizational buying behavior refers to the process of how companies or organizations buy goods and services. Organizational Buying is not an easy activity as most people think of it. Following are the stages in the Organizational Buying process:

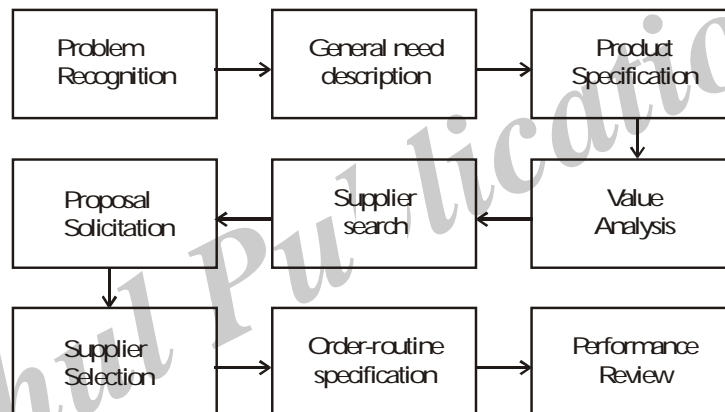


Fig.: Process of Organizational Buying

(a) Problem recognition

The first stage of the business buying process in which someone in the company recognizes a problem or need that can be met by acquiring a good or a service.

(b) General need description

At this stage of business buying process company describes the general characteristics and quantity of a needed item.

(c) Product specification

At this stage of the business buying process buying organization decide on the product and specifies the best technical product characteristics for a needed item.

(d) Value analysis

An approach to cost reduction, in which components are studied carefully to determine if they can be redesigned, standardized or made by less costly methods of production.

(e) Supplier search

At this stage of the business buying process buyer tries to find the best vendors.

(f) Proposal solicitation

The stage of the business buying process in which the buyer invites qualified suppliers to submit proposals.

(g) Supplier Selection

The stage of the business buying process in which the buyer reviews proposal & selects a supplier or suppliers

(h) Order-routine Specification

The stage of the business buying process in which the buyer writes the final order with the chosen supplier(s), listing the technical specifications, quantity needed, expected time of delivery, return policies, & warranties.

)i) Performance Review

The stage of the business buying process in which the buyer rates its satisfaction with suppliers, deciding whether to continue, modifies, or drops them.

4.8 ORGANIZATIONAL BUYER VS CONSUMER BEHAVIOR

Q25. Discuss Organizational Buyer Vs Consumer Behavior.

(OR)

How do you differentiate Organizational Buyer and Consumer Behaviour.

Ans :

(Dec.-16)

S.No.	Nature	Organizational Buying Behavior	Consumer Buying Behavior
1.	Purpose of Buying	The organizations buy goods and services for their business needs. The buying purpose of them is to earn profit by using and reselling the goods and services.	The individual consumers buy goods and services for ultimate use or satisfy their needs. The buying purpose of such consumers is not to earn profit by reselling the goods and services.
2.	Quantity	Organization buying is done in large quantities. There are several reasons why organizations must buy the goods they need in bulk. In the first place, they use large quantities of each item and must maintain inventories at a level high enough that they will not run out of stock. Secondly, it is cheaper and more efficient to make large-volume purchases.	Although consumers buy various kinds of goods, the quantity of goods remains small. They buy only the necessary quantity of goods, which they need for regular use.
3.	Purchase Decision	Organizational purchasing is a rational process because the purchasing behavior of organizations is guided by objective factors having to do with production and distribution. It takes long time than consumer buying.	Consumer buying takes decision by consumers themselves. Sometimes they can consult with family members and friends. They need not fulfill any formality like organizational buying.

4.	Market knowledge	Organizational purchase criteria are specifically defined. Organizational buyers usually have fewer brands to choose from than individuals, and their purchases must be evaluated on the basis of criteria that are specific to the overall needs of the organization. The organizational buyers have full knowledge of market and suppliers.	Most of the consumers may not have adequate knowledge and information about market situation, available goods and services etc. The educated customers may be aware and have knowledge about market and goods.
5.	Types of Goods	Organizational buyers buy limited goods to use to conduct business.	Consumers buy many goods to use to satisfy personal or family needs.
6.	Effect	Many individuals are involved in the buying process. Within large organizations, rarely is one individual solely responsible for the purchase of products for the purchase of products or services. Instead, many individuals and departments may be involved and departments may be involved and departments may be involved in the buying process.	Consumer buying behavior is effected by age, occupation, income level. Education, gender etc. of consumers.
7.	Buying process	Buyers and sellers in the organizational market must maintain extensive contact.	The consumer buying process is very simple. No need to fulfill any formality. There is also no need to maintain extensive contact with sellers.

Short Question & Answers

1. Define consumer behaviour.

Ans :

Consumer behavior may be defined as, "the decision process and physical activity individuals engage in when evaluating, acquiring, using, or disposing of goods and services.

- (i) **According to Belch and Belch**, "Consumer behavior is the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires".
- (ii) **According to Engel, Blackwell and Miniard**, "Consumer behavior includes those activities directly involved in obtaining, consuming and disposing of products and services including the decision processes that precede and follow these actions."
- (iii) **According to Solomon**, "Consumer behavior is the process involved when individuals or groups select, purchase, use, or dispose of products, services, ideas or experiences to satisfy needs and wants."
- (iv) **Consumer behavior may also be defined as**, "The study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society".

2. Importance of Consumer Behaviour.

Ans :

The field of consumer behavior holds great interest for us as consumers, as marketers, and as students of human behavior.

1. Importance for Consumers

As consumers, we benefit from insights into our own consumption-related decisions: what we buy, why we buy, how we buy, and the promotional influences that persuade us to buy.

2. Importance for Marketers

As future marketers, it is important for us to recognize why and how individuals make their consumption decisions, so that we can make better strategic marketing decisions. If marketers understand consumer behavior, they are able to predict how consumers are likely to react to various informational and environmental cues, and are able to shape their marketing strategies accordingly. Without doubt, marketers who understand consumer behavior have great competitive advantage in the marketplace.

3. Importance for Students of Human Behavior

As students of human behavior, we are concerned with understanding consumer behavior, with gaining insights into why individuals act in certain consumption-related ways and with learning what internal and external influences impel them to act as they do. Indeed, the desire for understanding consumption-related human behavior has led to a diversity of theoretical approaches to its study.

3. Define Culture

Ans :

Culture is everything that is socially learned and shared by the members of a society. Culture consists of material and non-material components. Non-material culture includes the words people use; the ideas, customs, and beliefs they share; and the habits they pursue.

Culture is "the sum total of learned beliefs, values and customs that serve to direct the consumers behavior of members of a particular society".

Mr. Edward B. Tyler defines culture as "that complex whole that includes knowledge, belief, art, morals, law, custom and any other capabilities and habits acquired by man as a member of society".

4. Characteristics of Culture.*Ans :***1. Culture is Invented**

Culture does not simply “exist” somewhere waiting to be discovered. People invent their culture. This invention consists of three interdependent systems or elements:

- i) An **ideological system**, or mental component, that consists of the ideas, beliefs, values and ways of reasoning that human beings learn to accept in defining what is desirable and undesirable and undesirable;
- ii) A **technological system** that consists of the skills, crafts, and arts that enable humans to produce material goods derived from the natural environment; and
- iii) An **organizational system** (such as the family system an social class) that makes it possible for humans to coordinate their behavior effectively with the actions of others.

2. Culture is Learned

Culture is not an innate or instinctive, but is learned in the beginning and is charged with a good deal of emotion. The great strength of this cultural stamp handed down from one generation to another is such that at an early age, children are firmly imbued with their cultural ways of acting, thinking, and feeling. This obviously has important implications for the behavior of consumers, because these preconditions of that behavior are molded by their culture from birth.

3. Culture is Socially Shared

Culture is a group phenomenon, shared by human beings living in organized societies and kept relatively uniform by social pressure. The group that is involved in the sharing may range from a whole society to a smaller unit such as a family.

4. Cultures are Similar But Different

All cultures exhibit certain similarities. For example, each of the following elements is found in all societies: athletic sports, bodily adornment, a calendar, cooking, courtship, dancing, education, family, gestures, government, housing, language, law, music, religious ritual, and numerous other items. There is, however, great variation from society to society in the nature of each of these elements, which may results in important consumer-behavior differences around the world.

5. Define Social Class*Ans :*

Social class is defined as the division of members of a society into a hierarchy of distinct status classes, so that members of each class have relatively the same status and members of all other classes have either more or less status.

Social Class and Social Status

Social class is often measured in terms of status; that is, they define each social class by the amount of status the members of that class have in comparison with members of other social classes. In social-class research (sometimes called “social stratification”), status is frequently thought of as the relative rankings of members of each social class in terms of specific status factors.

6. Explain the Categories of Social Class.*Ans :*

Socioeconomic criteria have been, employed to categorize the social classes (type and source of income-inherited or earned, occupational status – self employed or otherwise, educational level, geographical location, etc). Various social classes are:

1. Upper Class

This is the wealthy, aristocratic landed class. It acts as a reference group for rest of the social classes. Since its size is very small, it is not a major number segment; but it provides scope for niche marketing.

2. Lower Upper Class

Here we find novel rich consisting of those who have attained success and earned wealth. Successful professionals like doctors, lawyers, first generation successful entrepreneurs belong here. These provide market for specialized luxury goods.

3. Upper Middle Class

This group comprises of moderately successful people who have attained reasonable heights in their careers. They believe in good things of life and indulge in conspicuous consumption.

4. Lower Middle Class

The so-called 'common man' comprises this class. Small self-employed business people, non-managerial workers, etc., fall in this category. Not very highly educated, they buy bulk of mass marketed goods.

7. Consumer Decision Making

Ans :

A decision is defined as choosing an option of the few/many available. Decision making is the process of choosing between two or more alternatives; It is the selection of an alternative out of the few/many choices that are available.

Decision making is

- a) A goal oriented process.
- b) It is a problem solving process: helps take advantage of opportunities and fight threats.

Types of Decision Making

Decisions Making can be of two types

- a) Programmed decision making
 - b) Non-programmed decision making.
-

8. Define Organizational Buyer.

Ans :

Buyer behavior is concerned with the selection and purchase of Products or services to satisfy a need for individuals or groups. It is focused on the needs of individuals, groups and organizations. Buyer behavior occurs either for an individual consumer on his own; an individual consumer in the context of a group (where others in the group influence how a person behaves); or an organization (where employees make decisions about which products or services the firm should use).

Consumer buyer behavior has developed, since the 1960s, as a separate discipline within marketing, to enable manufacturers and distributors to research and understand the needs and preferences of the increasingly sophisticated customer, and to respond accordingly. The field of organizational buyer behavior initially called industrial buyer behavior also surfaced in the 1960s, but most of the research in this area has taken place since 1980. Progress in this field has led to a new occupation of professional buyers.

Buyer behavior is influenced by many factors, namely the internal mental processes of individuals; external factors; the availability of resources; the characteristics of the product, service or idea required; availability of the requisite skills; and socio-demographic variables.

9. Reseller Market.*Ans :*

A reseller is a company or individual (merchant) that purchases goods or services with the intention of selling them rather than consuming or using them. This is usually done for profit (but could be resold at a loss). One example can be found in the industry of telecommunications, where companies buy excess amounts of transmission capacity or call time from other carriers and resell it to smaller carriers.

Examples of Reseller Organizations

Manufacturers sell most of their products through at least one type of reseller organization. These organizations act as intermediaries between manufacturers and customers and help manufacturers get their products into consumer's hands by providing marketing, transportation, pricing and customer service. Reseller organizations also allow manufacturers to move large amounts of inventory at once, decreasing the chances of holding on to the unsellable inventory.

10. Government Market.*Ans :*

A government market is a market where the consumers are federal, state, and local governments. Governments purchase both goods and services from the private sector. Governments buy the same types of products and services as private sector consumers, plus some more exotic products such as aircraft carriers, fighter jets, tanks, spy satellites, and nuclear weapons. A growing trend in the past decades has been the outsourcing of traditional government services to private firms, such as prisons.

Government Procurement

The biggest difference between private sector market transactions and government market transactions is the process you must go through to obtain the government as a customer. This process is known as government procurement.

11. Cognitive Dissonance*Ans :*

According to Festinger's theory of cognitive dissonance, people try to seek consistency in their thoughts, beliefs, and opinions. So when there are conflicts between cognitions, people will take steps to reduce the dissonance and feelings of discomfort. They can go about doing this a few different ways. There are three key strategies to reduce or minimize cognitive dissonance:

1. Focus on more supportive beliefs that outweigh the dissonant belief or behavior.

For example, people who learn that greenhouse emissions result in global warming might experience feelings of dissonance if they drive a gas-guzzling vehicle. In order to reduce this dissonance, they might seek out new information that disputes the connection between greenhouse gases and global warming. This new information might serve to reduce the discomfort and dissonance that the person experiences.

2. Reduce the importance of the conflicting belief.

For example, a man who cares about his health might be disturbed to learn that sitting for long periods of time during the day are linked to a shortened life-span. Since he has to work all day in an office and spends a great deal of time sitting, it is difficult to change his behavior in order to reduce his feelings of dissonance. In order to deal with the feelings of discomfort, he might instead find some way to justify his behavior by believing that his other healthy behaviors make up for his largely sedentary life-style.

3. Change the conflicting belief so that it is consistent with other beliefs or behaviors.

Changing the conflicting cognition is one of the most effective ways of dealing with dissonance, but it is also one of the most difficult. Particularly in the case of deeply held values and beliefs, change can be exceedingly difficult.

12. Nature of consumer behaviour.

Ans :

1. Systematic process

Consumer behavior is a systematic process relating to buying decisions of the customers. The buying process consists of the following steps :

- Need identification to buy the product
- Information search relating to the product
- Listening and evaluating the alternative
- Purchase decision
- Post purchase evaluation by the marketer.

2. Influenced by various factors

Consumer behavior is influenced by a number of factors the factors that influence consumers include marketing, personal, psychological, situational, social and cultural etc.

3. Different for different customers

All consumers do not behave in the same manner. Different consumers behave differently. The different in consumer behavior is due to individual factors such as nature of the consumer's life-style, culture etc.

4. Different for different products

Consumer behavior is different for different products there are some consumers who may buy more quantity of certain items and very low quantity of some other items.

5. Vary across regions

The consumer behavior vary across States, regions and countries. For instance, the behaviour of urban consumers is different from that of rural consumers. Normally rural consumers are conservative (traditional) in their buying behavior.

6. Vital for marketers

Marketers need to have a good knowledge of consumer behavior they need to study the various factors that influence consumer behavior of the target customers. The knowledge of consumer behaviour enables marketers to take appropriate marketing decisions.

7. Reflect status

Consumer buying behavior is not only influenced by status of a consumer come but it also reflect it. Those consumers who owned luxury cars, watches and other items are considered by others as persons of higher status.

13. Post purchase behaviour.

Ans :

Post-Purchase Behavior is the stage of the Buyer Decision Process when a consumer takes additional action, based purely on their satisfaction or dissatisfaction. The consumer's level of satisfaction or dissatisfaction is directly related to the varying relationship between their initial expectations of the product (pre-purchase), and their perception of the actual performance of the product (post-purchase) in their hands.

14. Life style marketing

Ans :

Lifestyle marketing is a marketing technique that positions the product or service to possess ideals, aspirations, and aesthetics that the target audience identifies with. In layman's terms, it means that brands marketed in this way are a way of life for their audience. They are immersive, encapsulate their customers' ideas or values, and fit seamlessly into the consumer's life.

Choose the Correct Answers

1. _____ refers to the buyer's acceptance that the product or service is necessary to remove or to satisfy. [a]
(a) Need recognition (b) Need control
(c) Both a and b (d) None
2. The desire to have a commodity or service is called. [a]
(a) Want (b) Utility
(c) Goods (d) None
3. Which one of the following is not the stage that customer go through in the process of adopting a new product. [d]
(a) Awareness (b) Interest
(c) Evaluation (d) Culture
4. Adding new features to a product is advocated by which of the approaches [a]
(a) Product (b) Production
(c) Selling (d) Marketing
5. What is the last stage of consumer decision process. [b]
(a) Problem recognition (b) Post purchase behaviour
(c) Alternative evaluation (d) Purchase
6. _____ Markets are made up of members of distribution chains. [b]
(a) Consumer (b) Channels
(c) Omstotitutional (d) None
7. Motivation also affects the _____ behaviour of customers. [a]
(a) Buying (b) Selling
(c) Thinking (d) None
8. The buyer decision process consist of five stages which of the following is not one of these stages [c]
(a) Evaluation of Alternatives (b) Information search
(c) Variety-seeking buying behaviour (d) Post purchase behaviour
9. Atleast how many parties should be included in "Exchange Process". [a]
(a) Two (b) Three
(c) Four (d) Five
10. How many stages are involved in consumer buying process. [d]
(a) Six (b) Seven
(c) Three (d) Five

Fill in the Blanks

1. _____ comprises both mental and physical activities of a consumers.
2. Knowledge, belief, morals, law, customs are the factor of _____ .
3. _____ refers to the process by which people in a society rank one another into different social position.
4. _____ is a special form of social group.
5. _____ which can be described as the effects on an individual resulting from communication with others.
6. _____ occurs when the consumer is activated by awareness of a sufficient difference between the actual state of affairs.
7. _____ usually follows strong purchase intention.
8. _____ is the process by which an individual select, organizes and interprets
9. _____ describes changes in an individuals behavior arising form the experience.
10. Consumer decision model was proposed by _____ .

ANSWERS

1. Consumer behavior
2. Cultural influence
3. Social satisfaction
4. Family
5. Personal inflence
6. Problem recognition
7. Purchase process
8. Perception
9. Learning
10. Howard's

UNIT V

Marketing Planning and Strategy

Corporate Strategic Planning - Vision-Mission – Strategic Business Units – Planning new businesses - Business Strategic Planning - SWOT Analysis - Goal Formulation-Strategy Formulation-Program Formulation – Implementation - Feedback and Control- Marketing Process - Nature and Contents of a Marketing Plan - marketing control - Annual Plan Control – Profitability Control- Efficiency Control – Strategic Control.

5.1 CORPORATE STRATEGIC PLANNING

Q1. Define corporate strategic planning.

(OR)

What do you mean by corporate strategic planning.

Ans :

(Dec.-20)

Meaning

Strategic plans often mean a change in organizational structure or a move toward change. Change can be a difficult process and sometimes requires time. It is important to get employees on board with the decision making process. This can be articulated through the mission and vision statement of the organization. Articulating and repeating the positives of the move toward change in the organization will help employees stay engaged and motivated in the process.

Change is an essential component of strategic planning. This involves moving the organization or program forward to create or change something. Some plans are created out of the need for the organization to move in a certain direction, and other plans develop organically. Mission and vision statements will be important to help communicate the goals of the plan to employees and the public.

Strategic planning is mainly concerned with:

- Future – the long-term dynamics of the firm
- Growth – direction, extent, pace, and timing of growth of the firm
- Environment – the fit between the enterprise and its environment

- The basket of businesses the firm should have Strategy is its concern, not the nuts and bolts of routine tasks
- Competitive advantages required to execute the strategies of the firm
- Integration, not a particular function is its concern; views the organization in its totality.

Q2. Explain the Importance of Corporate Strategic Planning.

Ans :

(Dec.-20)

1. Firms that make strategic plans have better sales, lower costs, higher EPS (earnings per share) and higher profits. Firms have financial benefits if they make strategic plans.

2. Guide to Organizational Activities

Strategic planning guides members towards organizational goals. It unifies organizational activities and efforts towards the long-terms goals. It guides members to become what they want to become and do what they want to do.

3. Competitive Advantage

In the world of globalization, firms which have competitive advantage (capacity to deal with competitive forces) capture the market and excel in financial performance. This is possible if they foresee the future; can be predicted through strategic planning. It enables managers to anticipate problems before they arise and solve them before they become worse.

4. Minimizes Risk

Strategic planning provides information to assess risk and frame strategies to minimize risk and invest in safe business opportunities. Chances of making mistakes and choosing wrong objectives and strategies, thus, get reduced.

5. Beneficial for Companies with Long Gestation Gap

The time gap between investment decisions and income generation from those investments is called gestation period. During this period, changes in technological or political forces can disrupt implementation of decisions and plans may, therefore, fail. Strategic planning discounts future and enables managers to face threats and opportunities.

6. Promotes Motivation and Innovation

Strategic planning involves managers at top levels. They are not only committed to objectives and strategies but also think of new ideas for implementation of strategies. This promotes motivation and innovation.

7. Optimum Utilization of Resources

Strategic planning makes best use of resources to achieve maximum output. General Robert E. Wood remarks, "Business is like war in one respect. If its grand strategy is correct, any number of tactical errors can be made and yet the enterprise proves successful." Effective allocation of resources, scientific thinking, effective organization structure, co-ordination and integration of functional activities and effective system of control, all contribute to successful strategic planning.

5.1.1 Vision**Q3. Define vision.**

Ans :

Meaning

A vision statement is sometimes called a picture of your company in the future. Vision statement is your inspiration; it is the dream of what you want your company to accomplish.

A strategic vision is defined as an imaginary view of future which all the organizational members believe in and is not easily achieved. Strategic vision provides an overview of an organization in the coming future.

Definitions

Vision has been defined in several different ways.

- i) **According to Kotter** "Description of something (an organization, corporate culture, a business, a technology, an activity) in the future."
- ii) **According to El Namaki**, "Mental perception the kind of environment and individual, or an organization, aspires to create within a broad time horizon and the underlying conditions for the actualization of this perception."
- iii) **According to Oren Harari**, "Vision should describe a set of ideals and priorities, a picture of the future, a sense of what makes the company special and unique, a core set of principles that the company stands for, and a broad set of compelling criteria that will help to define organizational success."

The common strand of thought evident in these definitions and several others available in strategic management literature relates to 'visions' being future aspirations that lead to inspiration to be the best in one's field of activity.

Q4. What are the characteristics of Effective vision statement.

Ans :

A well-stated vision paints a picture of the kind of company that management is trying to create and the market position the company is striving to stake out.

➤ Directional

A well-stated vision says something about the company's journey or destination and signals the kinds of business and strategic changes that will be forthcoming.

➤ **Focused**

A well-stated vision is specific enough to provide managers with guidance in making decisions and allocating resources.

➤ **Flexible**

A well-stated vision is not a once-and-for-all-time pronouncement-visions about a company's future path may need to change as events unfold and circumstances change.

➤ **Feasible**

A well-stated vision is within the realm of what the company can reasonably expect to achieve in the time.

➤ **Desirable**

A well-stated vision appeals to the long-term interests of stakeholders—particularly share owners, employees and customers.

➤ **Easy**

A well-stated vision is explainable in less than 10 minutes and ideally can be reduced to a communicate simple, memorable slogan (like Henry Ford's famous vision of "a car in every garage").

Q5. What are the benefits of strategic vision.*Ans :*

- Good visions are inspiring and exhilarating.
- Visions represent a discontinuity, a step function and a jump ahead so that the company knows what it is to be.
- Good visions help in the creation of a common identity and a shared sense of purpose.
- Good visions are competitive, original and unique. They make sense in the marketplace as they are practical.
- Good visions foster risk-taking and experimentation.
- Good visions foster long-term thinking.
- Good visions represent integrity; they are truly genuine and can be used for the benefit of people.

5.1.2 Mission**Q6. Define Mission.***Ans :***Meaning**

Mission is what an organization is and why it exists. Organizations relate their existence to satisfying a particular need of the society. They do this in terms of their mission.

Mission is "a statement which defines the role that an organization plays in a society".

Definition

i) **According to Thompson (1997)** "Mission is the essential purpose of the organization, concerning particularly why it is in existence, the nature of the business(es) it is in, and the customers it seeks to serve and satisfy".

ii) **According to Hunger and Wheelen (1999)** "Mission is the purpose or reason for the organization's existence".

iii) **According to Drucker** "Mission focuses the organization on action. It defines the specific strategies needed to attain goal. It creates a disciplined organization. The business purpose and business mission are so rarely given adequate thought, is perhaps the most important single cause of business failure and business frustration".

Q7. Describe the Essential characteristics of a Mission statement.*Ans :***1. It should be feasible**

A mission should always aim high but it should not be an impossible statement. It should be realistic and achievable its followers must find it to be credible. But feasibility depends on the resources available to work towards a mission.

2. It should be precise

A mission statement should not be so narrow as to restrict the organization's activities nor should it be too broad to make itself

meaningless. 'Manufacturing bicycles' is a narrow mission since it severely limits the organization's activities while 'mobility business' is too broad a term, as it does not define the reasonable contour within which an organization could operate.

3. It should be clear

A mission should be clear enough to lead to action. It should not be a high-sounding set of platitudes meant for publicity purposes. Many organizations do adopt such statements but probably they do so for emphasizing their identity and character.

4. It should be motivating

A mission statement should be motivating for members of the organization and of the society, and they should feel it worthwhile working for such an organization or being customers.

5. It should be distinctive

A mission statement, which is indiscriminate, is likely to have little impact. If all Scooter manufacturers defined their mission in a similar fashion, there it would not be much of a difference among them. But if one defines it as providing scooters that would provide value for money, for 1 year it creates an important distinction in the public mind.

6. It should indicate major components of strategy

A mission statement, along with the organizational purpose, should indicate the major components of the strategy to be adopted.

7. It should indicate how objectives are to be accomplished

Besides indicating the broad strategies to be adopted, a mission statement should also provide clue regarding the manner in which the objectives are to be accomplished. These mission statements specifically deal with objectives to be achieved within a given time period.

Q8. Explain the Need for mission statement.

Ans :

1. The mission statement gives a unified direction to the company's growth.
2. The utilization of the company's resources is also unified, and people get motivated to exploit these resources in a specific direction for the company's growth.
3. Allocation of resources is based on the mission statement.
4. The mission statement while giving a direction for growth also tends to build up a professional climate for maintenance and improvement of the company's status in any desired area.
5. The mission statement outlines a framework for organizational planning, assigning definite tasks and responsibilities to each business unit.
6. The mission statement helps to setup and develops a control mechanism for achievement of objectives.

5.1.3 Strategic Business Units

Q9. Define Strategic business units.

Ans : (Dec.-20, June-16, Dec.-15, Imp.)

When a corporation is engaged in several businesses and a large number of products, it is not practical to take up every product/business separately and do the planning. Nor can it go to the other extreme and bundle up all its varied businesses and products into one lot and plan for them. It has to opt for a practical as well as wise solution. The SBU is one such solution; under this concept, the firm groups its products/businesses into a manageable number of strategically related groups and then take up each group for planning. They are called Strategic Business Units (SBUs). An SBU is a group of related businesses that can be treated as a unified entity for the purpose of strategic planning.

Attributes

The principle underlying the SBU grouping is that all related products related from the standpoint of function should fall under one SBU. Each SBU is a separate business from the strategic planning standpoint. In basic factors mission,

objectives, competition, and strategy one SBU will be distinct from another. Each SBU will have its own distinct set of competitors and its own distinct strategy. Each SBU will have a CEO, who will be responsible for planning for the SBU and its profit performance. Today more and more corporations are resorting to the SBU idea in their planning task.

Examples

- i) Titan Industries has different businesses ranging from watches to precision engineering. Titan management has structured its entire operations into six SBUs: Titan Watches, Sonata Watches, jewellery business, eye wear, personal accessories, and precision engineering. Though both Titan brand and Sonata brand are watches, the company has kept them as separate SBUs as they are entirely different offerings catering to entirely different customer segments, growing under different conditions and requiring distinctive strategic supports. At present the Titan SBU contributes 45 per cent to the top-line, Sonata 35 per cent, and the balance is contributed by the other SBUs, which are yet to stabilize.
- ii) P&G has a long list of products ranging from medicines to diapers. All these products are organized into four SBUs: Home, Health & beauty care, Oral care, Baby care, and Feminine care. The grouping is based mainly on the market and the functions the products serve.

5.1.3.1 BCG Matrix

Q10. How to you evaluate the strategic alternatives using the BCG Matrix ?

Ans :

The Boston Consulting Group - a leading management consulting firm devised a four-square grid. This grid was first portfolio matrix to be widely used. The BCG - type matrix is presented in Fig. The matrix is formed using industry growth rate on the vertical axis and relative market share on the horizontal axis. Each business unit appears as a circle on the four cell matrix with the size of each circle scaled to the per cent of revenues it represents in the overall corporate portfolio.

Relative market share is the ratio of business's market share to the market share held by the largest rival company in the industry, with market share measured in terms of quantity of sales but not value of sales. In other words, relative market share is calculated by dividing a business's percentage share of total industry's sales volume by the percentage share held by its largest rival.

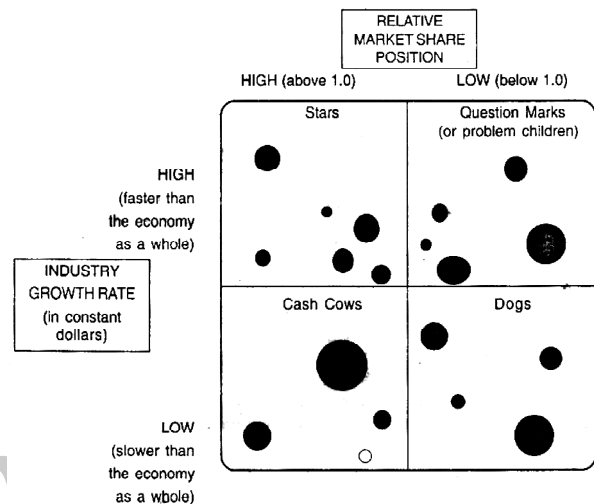


Fig.: BCG Matrix

1. Question Marks

BCG labeled the business units falling in the upper right quadrant of the growth-share matrix as "question marks" or "problem children." Rapid market growth makes such businesses attractive from an industry stand point. But their low relative market share raises a question about whether, they can compete successfully against larger and most cost-efficient rivals. Hence, the BCG designated such business units as question marks or problem children. Question mark businesses are also 'cash hogs' as the cash needs of such businesses are high. This is because of investment requirements of rapid growth and product development. Further, the internal cash generation of such businesses is low due to low market share, absence of large scale economies and low profit margins. Large inflow of cash is required for a question mark or cash hog businesses just to keep up with rapid market growth.

2. Stars

Business units falling in the upper left quadrant (high relative market position and high industry' growth rate) of the growth share matrix were labeled by BCG as, "Stars." They offer excellent profit and growth opportunities. The company can depend on these business units to increase overall performance of the total portfolio. Stars, generally require large cash investments to expand production facilities and meet working capital requirements.

Stars generate their own large internal cash flows in view of:

- (i) low cost advantage,
- (ii) large scale economies, and
- (iii) cumulative production experience.

BCG designated the businesses with a high relative market share in a low growth market as "cash cows." Cash cow business units fall in the lower left quadrant of the Fig.

3. Cash cows

Cash cow business units generate substantial cash surpluses than what it needs for reinvestment and expansion. This is due to the low industry growth rate and as much the fresh investment opportunities are less. The cash cow business unit generates more cash flows and profits due to high relative market share and industry leadership. But the reinvestment opportunities are less.

- ▶ Dividend payments
- ▶ Investing in emerging stars
- ▶ Finance acquisitions
- ▶ Investing in problem children that be groomed as future stars.

4. Dogs

Business units falling under the lower right quadrant of the growth share matrix were labeled by BCG as "Dogs." Dogs are the businesses with a low relative market share in a slow growth industry. These business units are called dogs because of:

- i) their dim growth prospects,
- ii) their trailing market position,
- iii) squeeze that being behind the leaders.

These business units fail to generate cash flows on long-term basis. These units, sometimes fail even to generate cash flows that are necessary for working capital requirements. Therefore, BCG suggests that weak dog businesses be harvested, divested or liquidated depending upon the ability of the strategy to yield more cash.

Q11. Explain the strength and weaknesses of BCG Matrix.

Ans :

Strengths

The BCG business portfolio matrix has the following strengths:

- (i) It makes definite contribution to the strategist's tool kit.
- (ii) It provides strategy-situation match by prescribing broad guidelines and providing direction to the companies.
- (iii) It provides guidelines for maximizing the financial performance of a diversified company.
- (iv) It highlights the interaction within a corporate portfolio.
- (v) It helps for fixing priorities for corporate resource allocation.
- (vi) It provides rationalization for both invest, expand and divest strategies.

Weaknesses

The legitimate shortcomings of the BCG Matrix are:

- (i) This matrix based on ' high-low classifications ignores many businesses with an average growth rate.
- (ii) The matrix has classified all businesses into four categories, viz., stars, problem children, cash cow and dog. But, some market share leaders have never really been stars in terms

of profitability. All businesses with low relative market shares are not dogs or question marks. In many cases runner-up firms have proven track records in terms of growth, profitability and competitive ability. Therefore, a key characteristic to assess a firm is the trend in a firm's relative market share.

- (iii) The BCG Matrix is not a reliable indicator of relative investment opportunities across business units. For example, investing in a star is not necessarily more attractive than investing in a lucrative cash cow.
- (iv) Being a market leader in a slow growth industry does not guarantee cash cow status.
- (v) Strategists should examine more than just industry growth and relative market share variables to assess the long term attractiveness of the portfolio's business units.
- (vi) The relationship between relative market share and profitability is not as tight as the experience curve effect implies. The significance of length production experience in lowering production cost per unit varies from industry to industry. Sometimes, the large market share is due to cost advantage and sometimes it is not.

5.1.4 Planning new businesses

Q12. Explain briefly about planning of new businesses.

Ans :

A business plan is a document describing a venture's opportunity, its product or service, context, strategy, team, required resources, and potential financial returns

- 1. It is guided by three basic questions
- 2. Where are we now? Where do we want to be? How are we going to get there? There is ample material available on how to structure and write a successful business plan. We could even go so far as to say that the art of writing business plans has been commoditized over the years. Therefore, the mechanism behind the document should not present the entrepreneur with insurmountable challenges. What makes successful business

planning so difficult is the time and thinking. Planning the New Venture necessary for the entire process. It requires – usually for the first time – sitting down and carving out and putting in writing every single detail about the what, whys, and how-toss of the business.

Strategy is Focus

Allocate resources where they will do the most good. Work towards your strengths and away from your weaknesses. Develop the company by doing the most important things, according to your long-term objectives.

1. Strategy is consistent over the long term

Better a strategy consistently applied over several years, than a series of brilliant strategies. It takes time to develop and implement a strategy, more time for the world to react and turn in the right direction. It's very hard to stick with a strategy, because the people executing the strategy tire of it long before the rest of the world does.

2. Business' strategy is unique

Context is everything. Formulas and generalizations don't apply. Understand your situation, both external and internal, and develop your strategy to work towards your strengths and away from your weaknesses. Understand your situation, where you are, and what knows you can turn. Imagine yourself sitting in the driver's seat of a vehicle, and recognize that your controls are limited. You have controls for faster and slower, but not for up and down. Look at your business in the same way, understanding what you can do, and what you can't do.

3. Understand the problem of displacement

Strategy is subject to displacement, meaning that everything you do rules out something else that you can't do. Drop a brick into a full pail of water and watch what happens: splashing. That's displacement. Small business strategy has to deal with displacement.

Main elements of the strategic plan

A strategic plan should probably include some or all of the following main points:

1. High-level strategy

Strategy is focus. It guides your growth. Strategy assigns priorities. Of the whole range of possible market segments, and the whole range of services and possible sales and marketing activities, which are your main priorities? Strategy is often a matter of understanding when and how to say no, selecting among opportunities.

2. Tactical foundations of strategy

In the real world, strategy by itself isn't enough. It's just too easy to develop strategy and then forget about it. A strategic plan should base its strategy on specific tactics that make that strategy realistic, implementable, and trackable.

3. Specific responsibilities, activities, deadlines, and budgets

We call these Milestones. They are the bricks and mortar of business planning, critical to business success.

4. Financial plan

One of the most important gains from an annual plan is the financial plan, which of course hinges on cash flow. A business needs to stress its priorities by making sure they get the right amount of money. Growth costs cash.

5.1.5 Business Strategic Planning

Q13. Explain briefly about Business strategic planning.

(OR)

What is Business Strategic Planning.

Ans :

(Jan.-18, Imp.)

Business planning is necessary for company growth and success. Business plans provide companies with the tools to track growth, establish a budget and prepare for unforeseen changes in the market place. A strategic plan includes many

elements a business can utilize to attract financing and manage company objectives. To optimize strategic business planning, businesses must clearly define company goals and conduct extensive research to properly understand industry trends.

1. Definition

A strategic business plan is a written document that pairs the objectives of a company with the needs of the market place. Although a strategic business plan contains similar elements of a traditional plan, a strategic plan takes planning a step further by not only defining company goals but utilizing those goals to take advantage of available business opportunities. This is achieved by carefully analyzing a particular business industry and being honest about your company's strength and weakness in meeting the needs of the industry.

2. Significance

A strategic business plan is necessary to optimize market research and to attain optimum market share for your business. The plan allows businesses to focus on a particular niche in the marketplace, which makes sales, advertising and customer management more effective. The plan allows a company to know as much as possible about the needs of its customers and gaps in the marketplace that need to be filled. A strategic business plan helps a company provide better, more targeted service to its clients.

3. Characteristics

A strategic business plan includes extensive market research, industry trends and competitor analyses. A strategic plan will include the components of a traditional plan, such as an executive summary, marketing analysis and financial statements, but a strategic plan will be more specific on how the company will go about achieving company goals. For example, a strategic business plan will attempt to identify a target market, narrow it down to a manageable size, and establish a strategy for acquiring those customers.

4. Benefits

Writing a strategic business plan has many advantages. The plan can serve as an outline for successful completion of company milestones. Company owners are in a better position to not only understand their business but become experts in their industries. A strategic plan helps executives understand the direction in which their company is headed by reviewing past progress and making changes to improve and grow. The plan is an organizational tool that helps to keep a company on track to meet growth and financial objectives.

Q14. Explain the strategic planning process of a marketing organization.**(OR)****Write about the steps in strategic planning***Ans :* **(Dec.-16, June-16, Imp.)**

Developing a strategic plan is an essential component of every successful business. It requires imagination, patience and a diligent approach, but can yield tremendous rewards. A business strategy is a road map that the company follows to reach a desired state. It provides the organization with a direction, clearly articulated goals and the plan to achieve those goals. Strategic planning need not be a difficult undertaking.

1. Determine Desired State

Even before the planning process begins, decide what you want to achieve through the planning process. First, determine the length of the plan. Many strategies consider a five-year plan, but that can be longer or shorter if desired. Many strategies are based on a revenue value, with the strategy aimed at achieving a certain value by a certain date. Other strategies are based on launching a number of new products, creating markets in new territories or planning for the departure of the founder upon retirement.

2. Identify Participants

Determine who in your company should be included in the planning process. Some companies limit strategic planning to a few key executives, while others find including a cross section of the staff to be helpful. Attendees must be able to consider the big picture without getting mired in detail. Operational details should not hijack a strategy session. Some companies find hiring a facilitator, who keeps the meeting focused on the strategic goal, a helpful addition to the process.

3. Brainstorm

As a group, brainstorm as many ideas as possible that could be used to achieve the goal. Write the ideas on a whiteboard or flip-chart as they are spoken. Encourage stream-of-consciousness ideas and embrace the good, the crazy and the impossible as they are spoken, as great strategic ideas often grow out of those that cannot be implemented. Ideally, you will spend an hour or more considering as many different ideas as possible before proceeding to the next step.

4. Create a Shortlist

Using the brainstormed ideas as a baseline, choose which ideas should be considered in more detail. This shortlist can be chosen by one person or selected as a group. Some companies use a scoring system that assigns each individual three votes they can assign to their favorite ideas. The participants can use all three votes on one idea or spread them across three. At the end of this process, the ideas with the most votes are taken to the next level.

Q15. What are the Advantages of business Strategic Planning ?*Ans :* **(Jan.-18, Imp.)****1. Creates a sense of direction**

A strategic plan helps to create a sense of purpose and to define the direction in which an organization must travel, and aids in establishing realistic objectives and goals that

are in line with the vision and mission charted out for it. It also creates the necessary foundation and boundaries to determine resource allocation and efficient decision-making in the following areas (e.g. budget allocation, hiring decisions, operational processes, marketing strategy etc.)

2. Increase operational efficiency

With a clear plan and direction in place, resources could be channelled and monitored more effectively to ensure that effectiveness is enhanced and wastage is reduced. Effective goals and KPIs could be set and measured to determine the progress and growth of the organization.

3. Increase market share and profitability

By crafting and adopting a dedicated strategic plan, organizations can get valuable insights on market trends, consumer segments, buying behaviour/patterns. With a well-planned and targeted approach, a clear strategic intent could be channelled into sales and marketing efforts, leading onto a higher possibility of increasing profitability and market share.

4. Increase durability and sustainability

Businesses are constantly adapting to change, especially in a digitally-led economy. The purpose of strategic planning is to flag out potential internal/external shocks and prepare the business to be more effective in adapting. With industry trends and consumer demands constantly changing, organizations that lack a strong foundation, focus and foresight will have difficulties riding the next wave.

5. Being proactive instead of reactive

The current dynamic business environment requires every business to be equipped with a good strategic plan. Strategic planning enables your business to stay ahead of the curve and be on top of the competition. It will also enable your business to find and benefit from potential opportunities present in the market.

5.2 SWOT ANALYSIS

Q16. Explain briefly about SWOT analysis.

Ans : (Jan.-20, Jan.-18, Imp.)

SWOT stands for Strengths, Weaknesses, Opportunities and Threats. For each selected idea, discuss the SWOT to determine feasibility. If the strategic idea is to introduce a new widget, the company's strength might be that it already knows the marketplace and has the manufacturing capabilities. The company's weakness may be that it does not have relationships with any appropriate retailers.

The opportunities could include a projected increase in revenue, development of new partners and the gaining of new expertise. Identified threats might include the fear the product won't work as planned or that larger competitors will undercut the price, bankrupting the organization. Using SWOT analysis as a guideline, companies usually determine if an opportunity is feasible and attainable. The desired outcome is the selection of one or more ideas to become part of the strategic plan.

Strategy Creation

Examine each idea individually to establish which tasks must be accomplished to achieve the goal. A new service might require researching the competitive climate, hiring an employee and developing marketing materials. One helpful idea is to write each necessary task on an index card and, when all the tasks have been identified, stick each card on a wall to create a rough time-line for execution.

Assign a Champion

Assign a senior staff member to each strategic initiative. The champion is responsible for writing his chapter of the strategy document, outlining the initiative, its role in the company's strategic plan and how it is to be executed. The champion is also responsible for the assignment of tasks to individual employees, the management of a project timeline and oversight of his initiative.

SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats

By definition, Strengths (S) and Weaknesses (W) are considered to be internal factors. Opportunities (O) and Threats (T) are considered to be external factors over which you have essentially no control.

SWOT Analysis is the most renowned tool for audit and analysis of the overall strategic position of the business and its environment. Its key purpose is to identify the strategies that will create a firm specific business model that will best align an organization's resources and capabilities to the requirements of the environment in which the firm operates.

In other words, it is the foundation for evaluating the internal potential and limitations and the probable/likely opportunities and threats from the external environment. It views all positive and negative factors inside and outside the firm that affect the success. A consistent study of the environment in which the firm operates helps in forecasting/predicting the changing trends and also helps in including them in the decision-making process of the organization.

An overview of the four factors (Strengths, Weaknesses, Opportunities and Threats) is given below :

1. Strengths

Strengths are the qualities that enable us to accomplish the organization's mission. These are the basis on which continued success can be made and continued/sustained.

Strengths can be either tangible or intangible. These are what you are well-versed in or what you have expertise in, the traits and qualities your employees possess (individually and as a team) and the distinct features that give your organization its consistency.

Strengths are the beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process capabilities, financial resources, products and services, customer

goodwill and brand loyalty. Examples of organizational strengths are huge financial resources, broad product line, no debt, committed employees, etc.

2. Weaknesses

Weaknesses are the qualities that prevent us from accomplishing our mission and achieving our full potential. These weaknesses deteriorate influences on the organizational success and growth. Weaknesses are the factors which do not meet the standards we feel they should meet.

Weaknesses in an organization may be depreciating machinery, insufficient research and development facilities, narrow product range, poor decision-making, etc. Weaknesses are controllable. They must be minimized and eliminated. For instance - to overcome obsolete machinery, new machinery can be purchased. Other examples of organizational weaknesses are huge debts, high employee turnover, complex decision making process, narrow product range, large wastage of raw materials, etc.

3. Opportunities

Opportunities are presented by the environment within which our organization operates. These arise when an organization can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable. Organizations can gain competitive advantage by making use of opportunities.

Organization should be careful and recognize the opportunities and grasp them whenever they arise. Selecting the targets that will best serve the clients while getting desired results is a difficult task. Opportunities may arise from market, competition, industry/government and technology. Increasing demand for telecommunications accompanied by deregulation is a great opportunity for new firms to enter telecom sector and compete with existing firms for revenue.

4. Threats

Threats arise when conditions in external environment the reliability and profitability of the organization's business. They compound the vulnerability when they relate to the weaknesses. Threats are uncontrollable. When a threat comes, the stability and survival can be at stake. Examples of threats are - unrest among employees; ever changing technology; increasing competition leading to excess capacity, price wars and reducing industry profits; etc.

Q17. What are the advantages of SWOT analysis?

Ans :

SWOT Analysis is instrumental in strategy formulation and selection. It is a strong tool, but it involves a great subjective element. It is best when used as a guide, and not as a prescription. Successful businesses build on their strengths, correct their weakness and protect against internal weaknesses and external threats. They also keep a watch on their overall business environment and recognize and exploit new opportunities faster than its competitors.

SWOT Analysis helps in strategic planning in following manner :

- a) It is a source of information for strategic planning.
- b) Builds organization's strengths.
- c) Reverse its weaknesses.
- d) Maximize its response to opportunities.
- e) Overcome organization's threats.
- f) It helps in identifying core competencies of the firm.
- g) It helps in setting of objectives for strategic planning.
- h) It helps in knowing past, present and future so that by using past and current data, future plans can be chalked out.

SWOT Analysis provide information that helps in synchronizing the firm's resources and capabilities with the competitive environment in which the firm operates.

Q18. Explain the limitations of SWOT analysis.

Ans :

SWOT Analysis is not free from its limitations. It may cause organizations to view circumstances as very simple because of which the organizations might overlook certain key strategic contact which may occur. Moreover, categorizing aspects as strengths, weaknesses, opportunities and threats might be very subjective as there is great degree of uncertainty in market. SWOT Analysis does stress upon the significance of these four aspects, but it does not tell how an organization can identify these aspects for itself.

There are certain limitations of SWOT Analysis which are not in control of management. These include-

- a) Price increase;
- b) Inputs/raw materials;
- c) Government legislation;
- d) Economic environment;
- e) Searching a new market for the product which is not having overseas market due to import restrictions; etc.

Internal limitations may include-

- a) Insufficient research and development facilities;
- b) Faulty products due to poor quality control;
- c) Poor industrial relations;
- d) Lack of skilled and efficient labour; etc

The overall evaluation of a company's strengths, weaknesses, opportunities, and threats is called SWOT analysis. It's a way of monitoring the external and internal marketing environment.

A business unit must monitor key macro-environment forces and significant micro-environment factors that affect its ability to earn profits. It should set up a marketing intelligence system to track trends and important developments or if any related opportunities and threats.

Good marketing is the art of finding, developing, and profiting from these opportunities. A marketing opportunity is an area of buyer need and interest that a company has a high probability of profitably satisfying.

Marketers need to be good at spotting opportunities. Consider the following:

- **A company may benefit from converging industry trends and introduce hybrid products or services that are new to the market**

Major cell manufacturers have released phones with digital photo and video capabilities, and Global Positioning Systems (GPS).

- **A company may make a buying process more convenient or efficient**

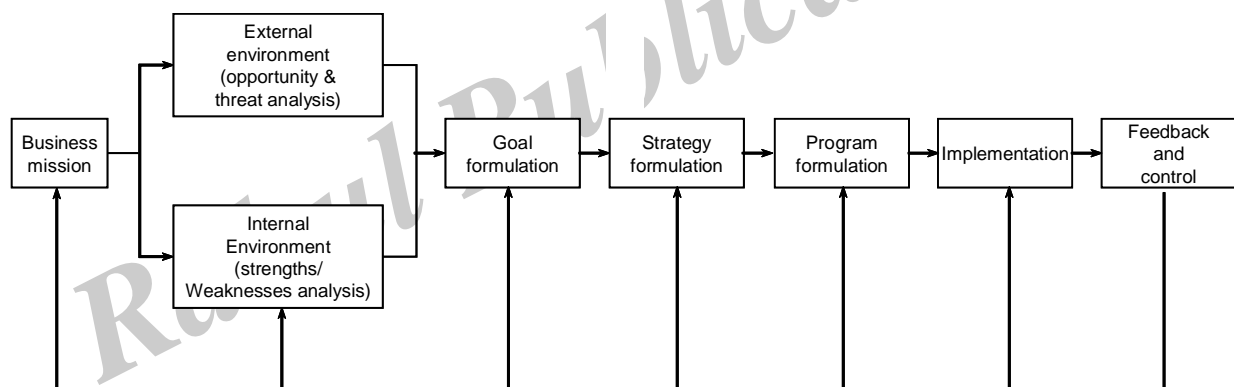
Consumers can use the Internet to find more books than ever and search for the lowest price.

- **A company can meet the need for more information and advice**

104 Advice, a Health Management and Research Institute (Hyderabad) initiative, provides medical information, advice, and counseling services 24/7 to about 80 million people in Andhra Pradesh in English, Hindi, and Telugu.

- **A company can customize a product or service**

PUMA Creative Factory, located at PUMA Store, Linking Road, Mumbai, allows customers to build their own sneakers from an assortment of fabrics and material, using an iPad.



- **A company can introduce a new capability**

Consumers can create and edit digital “iMovies” with the iMac and upload them to an Apple Web server or a Web site such as YouTube to share with friends around the world.

- **A company may be able to deliver a product or service faster**

Fed Ex discovered a way to deliver mail and packages much more quickly than the U.S. Post Office.

- **A company may be able to offer a product at a much lower price**

Pharmaceutical firms have created generic versions of brand-name drugs, and mail-order drug companies often sell for less.

- **An environmental threat** is a challenge posed by an unfavorable trend or development that, in the absence of defensive marketing action, would lead to lower sale. The threats in the upper-left cell are major, because they have a high probability of occurrence and can seriously effect the company To deal with them, the company needs contingency plans.

Internal Environment (Strengths and Weaknesses) Analysis

It's one thing to find attractive opportunities, and another to be able to take advantage of them. Each business needs to evaluate its internal strengths and weaknesses.

Businesses can evaluate their own strengths and weaknesses by using a form like the one shown in "Marketing Memo: Checklist for Performing Strengths/Weaknesses Analysis."

5.2.1 Goal Formulation

Q19. Explain briefly about goal formulation.

Ans :

Once the company has performed a SWOT analysis, it can proceed to goal formulation, developing specific goals for the planning period. Goals and objectives that are specific with respect to magnitude and time.

Most business units pursue a mix of objectives, including profitability, sales growth, market share improvement, risk containment, innovation, and reputation. The business unit sets these objectives and then manages by objectives (MBO).

1. They must be arranged from most to least important

The business unit's key objective for the period may be to increase the rate of return on investment. Managers can increase profit by increasing revenue and reducing expenses. They can grow revenue, in turn, by increasing market share and prices.

2. Objectives should be quantitative whenever possible

The objective "to increase the return on investment (ROI)" is better stated as the goal "to increase ROI to 15 percent within two years."

3. Goals should be realistic

Goals should arise from an analysis of the business unit's opportunities and strengths, not from wishful thinking.

4. Objectives must be consistent

It's not possible to maximize sales and profits simultaneously.

Other important trade-offs include short-term profit versus long-term growth, deep penetration of existing markets versus development of new markets, profit goals versus nonprofit goals, and high growth versus low risk. Each choice calls for a different marketing strategy.

5.2.2 Strategy Formulation

Q20. Define strategy formulation. Explain the steps involved in strategy formulation.

Ans :

Marketing strategy formulation is the process of defining an organization's marketing goals and objectives. This allows formulators to create a guide. They examine the market and in doing so, use that information to determine what marketing approaches will be best at reaching clients and enticing them to seek out the business' services.

Steps in Strategy Formulation

Strategy formulation refers to the process of choosing the most appropriate course of action for the realization of organizational goals and objectives and thereby achieving the organizational vision. The process of strategy formulation basically involves six main steps. Though these steps do not follow a rigid chronological order, however they are very rational and can be easily followed in this order.

1. Setting Organizations' objectives

The key component of any strategy statement is to set the long-term objectives of the organization. It is known that strategy is generally a medium for realization of organizational objectives. Objectives stress the state of being there whereas Strategy stresses upon the process of reaching there. Strategy includes both the fixation of objectives as well the medium to be used to realize those objectives. Thus, strategy is a wider term which believes in the manner of deployment of resources so as to achieve the objectives.

While fixing the organizational objectives, it is essential that the factors which influence the selection of objectives must be analyzed before the selection of objectives. Once the objectives and the factors influencing strategic decisions have been determined, it is easy to take strategic decisions.

2. Evaluating the Organizational Environment

The next step is to evaluate the general economic and industrial environment in which the organization operates. This includes a review of the organizations competitive position. It is essential to conduct a qualitative and quantitative review of an organizations existing product line. The purpose of such a review is to make sure that the factors important for competitive success in the market can be discovered so that the management can identify their own strengths and weaknesses as well as their competitors' strengths and weaknesses.

After identifying its strengths and weaknesses, an organization must keep a track of competitors' moves and actions so as to discover probable opportunities or threats to its market or supply sources.

3. Setting Quantitative Targets

In this step, an organization must practically fix the quantitative target values for some of the organizational objectives. The idea behind this is to compare with long term customers, so as to evaluate the contribution that might be made by various product zones or operating departments.

4. Aiming in context with the divisional plans

In this step, the contributions made by each department or division or product category within the organization is identified and accordingly strategic planning is done for each sub-unit. This requires a careful analysis of macroeconomic trends.

5. Performance Analysis

Performance analysis includes discovering and analyzing the gap between the planned or desired performance. A critical evaluation of

the organizations past performance, present condition and the desired future conditions must be done by the organization. This critical evaluation identifies the degree of gap that persists between the actual reality and the long-term aspirations of the organization. An attempt is made by the organization to estimate its probable future condition if the current trends persist.

Goals indicate what a business unit wants to achieve; strategy is a game plan for getting there. Every business must design a strategy for achieving its goals, consisting of a marketing strategy and a compatible technology strategy and sourcing strategy.

5.2.3 Program Formulation

Q21. What do you understand by program formulation.

Ans.:

Even a great marketing strategy can be adopted by poor implementation. If the unit has decided to attain technological leadership, it must strengthen its R&D department, gather technological intelligence, develop leading-edge products, train its technical sales force, and communicate its technological leadership.

Today's businesses recognize that unless they nurture other stakeholders - customers, employees, suppliers, distributors - they may never earn sufficient profits for the stockholders. A company might aim to delight its customers, perform well for its employees, and deliver a threshold level of satisfaction to its suppliers. In setting these levels, it must not violate any stakeholder group's sense of fairness about the treatment it is receiving relative to the others.

According to McKinsey and Company, strategy is only one of seven elements all of which start with the letters - in successful business practice. The first three - strategy, structure, and systems - are considered the "hardware" of success. The next four - style, skills, staff, and shared values - are the "software".

The first "soft" element, style, means company employees share a common way of thinking and behaving. The second, skills, means employees have

the skills needed to carry out the company's strategy. Staffing means the company has hired to people, trained them well, and assigned them to the right jobs. The fourth element, shared values, means employees share the same guiding values. When these elements are present, companies are usually more successful at strategy implementation.

1. Implementation

Putting an instrument or plan into action. Implementation as a phase of the nursing process involves putting the plan of care (nursing INTERVENTIONS) into effect. The nurse coordinates her activities with those of others responsible for contributing to patient care and delegates responsibility to other professional and technical care-givers as appropriate. During implementation the care PLAN is tested for effectiveness. Nursing interventions may not have had the desired effect, or a change in the patient's condition may present more critical problems that have a higher priority, thus requiring revision of the plan and different interventions.

2. Strategy Implementation

Successful strategy implementation is critical to the success of the business venture. This is the action stage of the strategic management process. If the overall strategy does not work with the business' current structure, a new structure should be installed at the beginning of this stage. Everyone within the organization must be made clear of their responsibilities and duties, and how that fits in with the overall goal. Additionally, any resources or funding for the venture must be secured at this point. Once the funding is in place and the employees are ready, execute the plan.

3. Feedback and Control

This type of control focuses on the outputs of the organization after transformation is complete. Sometimes called postaction or output control, fulfils a number of important functions. For one thing, it often is used when feed forward and concurrent controls are not feasible or are too costly.

Sometimes, feedback is the only viable type of control available. Moreover, feedback has two advantages over feed forward and concurrent control. *First*, feedback provides managers with meaningful information on how effective its planning effort was. If feedback indicates little variance between standard and actual performance, this is evidence that planning was generally on target.

If the deviation is great, a manager can use this information when formulating new plans to make them more effective. *Second*, feedback control can enhance employees motivation.

The major drawback of this type of control is that, the time the manager has the information and if there is significant problem the damage is already done. But for many activities, feedback control fulfils a number important functions.

A company's strategic fit with the environment will inevitably erode, because the market environment changes faster than the company's seven. Thus, a company might remain efficient yet lose effectiveness. Peter Drucker pointed out that it is more important to "do the right thing" to be effective than "to do things right" to be efficient. The most successful companies, however, excel at both.

Organizations, especially large ones, are subject to inertia. It's difficult to change one part without adjusting everything else. Yet, organizations can be changed through strong leadership, preferably in advance of a crisis. The key to organizational health is the willingness to examine the changing environment and adopt new goals and behaviors.

5.3 MARKETING PROCESS

Q22. Outline the process of marketing.

Ans :

Under the marketing concept, the firm must find a way to discover unfulfilled customer needs and bring to market products that satisfy those needs. The process of doing so can be modeled in a sequence of steps: the situation is analyzed to identify opportunities, the strategy is formulated for a value proposition, tactical decisions are made, the plan is implemented and the results are monitored.

1. Situation Analysis**2. Marketing Strategy****3. Marketing Mix Decisions****4. Implementation & Control****1) Situation Analysis**

A analysis of the situation in which the firm finds itself serves as the basis for identifying opportunities to satisfy unfulfilled customer needs. In addition to identifying the customer needs, the firm must understand its own capabilities and the environment in which it is operating.

The situation analysis thus can be viewed in terms an analysis of the external environment and an internal analysis of the firm itself. The external environment can be described in terms of macro-environmental factors that broadly affect many firms, and micro-environmental factors closely related to the specific situation of the firm.

The situation analysis should include past, present, and future aspects. It should include a history outlining how the situation evolved to its present state, and an analysis of trends in order to forecast where it is going. Good forecasting can reduce the chance of spending a year bringing a product to market only to find that the need no longer exists.

If the situation analysis reveals gaps between what consumers want and what currently is offered to them, then there may be opportunities to introduce products to better satisfy those consumers. Hence, the situation analysis should yield a summary of problems and opportunities. From this summary, the firm can match its own capabilities with the opportunities in order to satisfy customer needs better than the competition.

There are several frameworks that can be used to add structure to the situation analysis :

➤ **5 C Analysis**

Company, customers, competitors, collaborators, climate. Company represents the internal situation; the other four cover aspects of the external situation

➤ **PEST analysis**

For macro-environmental political, economic, societal, and technological factors. A PEST analysis can be used as the "climate" portion of the 5 C framework.

➤ **SWOT analysis**

Strengths, weaknesses, opportunities, and threats - for the internal and external situation. A SWOT analysis can be used to condense the situation analysis into a listing of the most relevant problems and opportunities and to assess how well the firm is equipped to deal with them.

2) Marketing Strategy

Once the best opportunity to satisfy unfulfilled customer needs is identified, a strategic plan for pursuing the opportunity can be developed. Market research will provide specific market information that will permit the firm to select the target market segment and optimally position the offering within that segment. The result is a value proposition to the target market. The marketing strategy then involves:

- Segmentation
- Targeting (target market selection)
- Positioning the product within the target market
- Value proposition to the target market

3) Marketing Mix Decisions

Detailed tactical decisions then are made for the controllable parameters of the marketing mix. The action items include:

- Product development - specifying, designing, and producing the first units of the product.

- Pricing decisions
- Distribution contracts
- Promotional campaign development

4) Implementation and Control

At this point in the process, the marketing plan has been developed and the product has been launched. Given that few environments are static, the results of the marketing effort should be monitored closely. As the market changes, the marketing mix can be adjusted to accommodate the changes. Often, small changes in consumer wants can be addressed by changing the advertising message. As the changes become more significant, a product redesign or an entirely new product may be needed. The marketing process does not end with implementation - continual monitoring and adaptation is needed to fulfill customer needs consistently over the long-term.

5.3.1 Nature and Contents of a Marketing Plan

Q23. Define Marketing Plan. Explain the Nature and Contents of a Marketing Plan.

(OR)

Explain the Component of a Marketing Plan .

(OR)

What are the Essentialities of an Effective Marketing Plan

Ans :

(Jan.-20, Jan.19, Dec.15, Imp.)

Marketing managers follow a marketing process to carry out their responsibilities effectively. Working within the plans set up by the top management product managers come up with a marketing plan for individual products, lines, brands, channels, or customer groups. Each product level (product line, brand) must develop a marketing plan for achieving its goals.

A marketing plan is a written document that summarizes what the marketer has learned about the marketplace and indicates how the firms plan to reach its marketing objectives. It contains tactical guidelines for the marketing programs and financial allocations over the planning period. It is one of the most important outputs of the marketing process.

Marketing plans are becoming more customer- and competitor-oriented and better reasoned and more realistic than in the past. The plans draw more inputs from all the functions and are team-developed. Marketing executives increasingly see themselves as professional managers first, and specialists second. Planning is becoming a continuous process to respond to rapidly changing market conditions.

At the same time, marketing planning procedures and content vary considerably among companies. The plan is variously called a business plan marketing plan and sometimes a battle plan. Most marketing plans cover one year. The plans vary in length from under 5 to over 50 pages. Some companies take their plans very seriously, whereas others see them only a rough guide to action. Eisenhower once observed: In preparing for the battle I have always found that plans are useless but planning is indispensable. The most frequently cited shortcomings of current marketing plans, according to marketing executives, are lack of realism, insufficient competitive analysis, and a short-run focus.

S.No.	Plan Element	Description
1.	Executive Summary	Summary of key points from the marketing plan and what it will accomplish. It's an at-a-glance overview for a manager who may not have time to look over the whole thing. N/A
2.	Company Profile	Basic information about the organization, its offerings, and competitive set.
3.	Market Segmentation and Targeting	Description of the market for the product or service in question, segments in this market, and targeting strategy the marketing plan will address. Segmentation and Targeting
4.	Situation and Company Analysis	SWOT analysis of the external marketing environment and the internal company environment, and marketing goals aligned with the company mission and objectives. Marketing Strategy
5.	Ethics and Social Responsibility	Recommendations for how to address any issues around ethics, social responsibility, and sustainability. Ethics and Social Responsibility
6.	Marketing Information and Research	Discussion of key questions that need to be answered, the information needed, and recommendations for how marketing research can provide answers. Marketing Information and Research
7.	Customer Decision-Making Profile	Profile of the primary buyer(s) targeted in the marketing plan and factors that impact their choices. Consumer Behavior
8.	Positioning and Differentiation	List of competitive advantages, positioning recommendations, and how to convince the market you are different and better. Positioning
9.	Branding	Brand platform describing the brand: promise, voice, personality, positioning, and strategic recommendations for building the brand. Branding
10.	Marketing Mix (Four Ps)	This question is addressed by the strategic recommendations around each of the four Ps below. Marketing Function
	• Product Strategy	Description of the product or service being marketed and recommended improvements to fit the needs of target segments. Product Marketing
	• Pricing Strategy	Recommendations on pricing strategy and why this approach makes sense. Pricing Strategies
	• Place: Distribution Strategy	Recommendations on distribution strategy and channel partners to improve the availability of your offering, and explanations of why this approach makes sense. Place: Distribution Channels
	• Promotion	Overview of marketing strategy, objectives, messaging, and tactical approach for marketing campaign(s) to reach your target audiences. Promotion: IMC Strategy
11.	Measurement and KPIs	Identification of key performance indicators (KPIs) and other metrics to monitor effectiveness of marketing campaign activities and provide clues about when to adjust course. Promotion: IMC Strategy

12.	Budget	List of resources required to execute the marketing plan, how much they will cost, and how to stay within the allocated budget. Promotion: IMC Strategy
13.	Action Plan	A detailed, step-by-step plan about what needs to happen, when, and who's responsible for each step to execute the marketing Promotion: IMC Strategy campaign.
14.	Risk Factors	Discussion of any significant risks or threats associated with this plan and contingency plans for addressing them. Promotion: IMC Strategy

5.4 MARKETING CONTROL

Q24. What is Marketing Control ? Explain its Process.

Ans :

(Jan.-20)

Meaning

Marketing control refers to the measurement of the company's marketing performance in terms of the sales revenue generated, market share captured, and profit earned. Here, the actual result is compared with the standard set, to find out the deviation and make rectifications accordingly. Marketing is one of the crucial functions of any organization. Therefore, the management must exercise proper control over the marketing operations to ensure error-free results, optimum utilization of the resources and achievement of the planned objectives.

Process

Marketing control is a systematic and integrated process. A marketer follows the following steps while exercising control over the marketing operation in an organization:

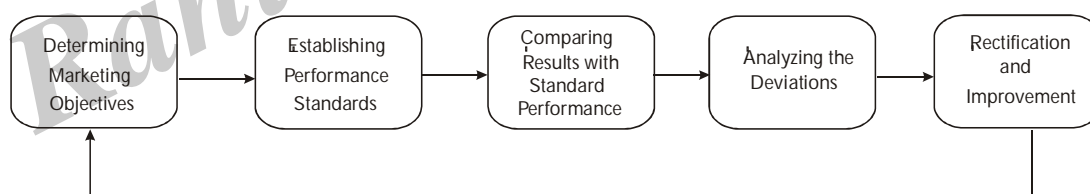


Fig.: Process of Marketing Control

1. Determining Marketing Objectives

The initial step in marketing control is the setting up of the marketing goals, which are in alignment with the organizational objectives.

2. Establishing Performance Standards

To streamline the marketing process, benchmarking is essential. Therefore, performance standards are set for carrying out marketing operations.

3. Comparing Results with Standard Performance

The actual marketing performance is compared and matched with the set standards and variation is measured.

4. Analyzing the Deviations

This difference is then examined to find out the areas which require correction, and if the deviation exceeds the decided range, it should be informed to the top management.

5. Rectification and Improvement

After studying the problem area responsible for low performance, necessary steps should be taken to fill in the gap between the actual and expected returns.

5.4.1 Annual Plan Control

Q25. Explain briefly about Annual plan control.

Ans :

(Dec.-20, Jan.-20, Jan.-16, Dec.-15)

In this method, annual plans are prepared for various activities. Each plan includes setting objectives (expected results or standards), allocating resources, defining time limit, and formulating rules, policies and procedures. Annual plan control relates to sales. Periodically (mostly annually) the actual results are measured and compared with standards to judge whether annual plans are being (or have been) achieved.

Depending on the degree of difference between the planned and the actual results, causes are detected and suitable corrective actions are undertaken. Thus, it contains checking ongoing performance against annual plan and taking corrective action. Figure shows five measures of annual plan control.

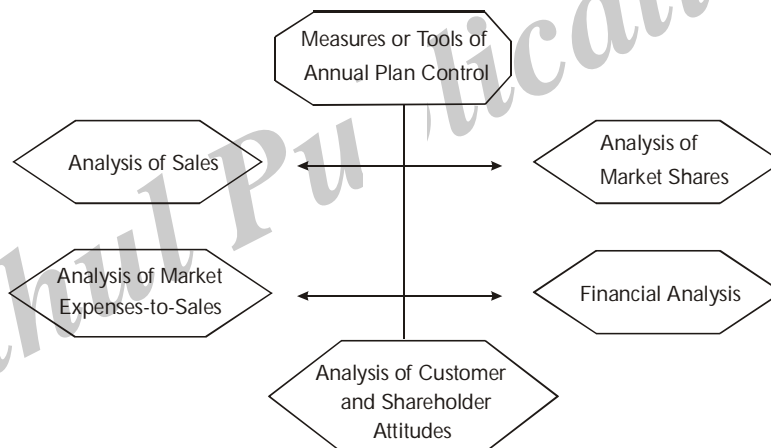


Fig. : Five measures of annual plan control

Measures

Following five measures are used in annual plan control

1. Analysis of Different Sales

Analysis of different sales contains measuring and evaluating different sales (total sales, territory-wise sales, distribution channel-wise, product-wise sales, customer-wise sales, etc.) With annual sales goals. Targets are set for different types of sales and actual sales of different categories are compared to find out how far company can achieve its sales goals.

2. Analysis of Market Share

Here, market share is used as base for measuring, comparing, and correcting results. Market share is a proportion of company's sales in the total sales of the industry. It helps to know how well the company is performing relative to its close competitors. Thus, the performance is assessed against expected market share and competitors' market share.

It involves considering three types of market shares:

- i. Overall market share
- ii. Served market share
- iii. Relative market share

3. Analysis of Market Expenses-to-Sales:

This type of control checks marketing expenses. It ensures that the firm is not overspending to achieve its annual sales goals. Different marketing expenses are watched in relations to sales.

Normally, company considers five components to calculate expenses-to-sales ratios and compares them with standard ratios to find out how far expenses are under control, such as:

- i. Sales force-to-sales ratio
- ii. Advertising-to- sales ratio
- iii. Sales promotion-to-sales ratio
- iv. Marketing research-to-sales ratio
- v. Sales administration-to-sales ratio

Marketing managers needs to monitor these expenses in relation to sales. If the expenses fall beyond permissible limits, it should be taken as a serious concern and needed steps are taken to keep them under control.

4. Financial Analysis

Financial control consists of evaluating sales and sales-to-expense ratios in relation to overall financial framework. It means net profits, net sales, assets, and expenses are studied to find out rate return on total assets, and rate of return on net worth.

Financial analysis determines firm's capacity of earnings, profits, or income. Attempts are made to find out factors influencing firm's rate of return on net worth. Here, various ratios are calculated such as profit margin ratio (net profits + net sales), asset turnover ratio

(net sales + total assets), and return on assets ratio (net profits + total assets), financial leverage (total assets + net worth) and return on net worth (net profits – net worth). Profit margin can be improved either by cutting expenses and/or increasing sales.

5. Analysis of Customer and Stakeholder Attitudes

The measures of annual plan control discussed in former part are financial and quantitative in nature. Qualitative measures are more critical because they give early warning about what is going to happen on sales as well as profits.

Manager can initiate precautionary actions to minimize adverse impacts of forces on the future outcomes. Under this tool, customers' attitudes are tracked to project the way they will react to the company's offers. Alert company prefers to set up a system to monitor attitudes of customers, dealers, and other participants.

Base on their attitudes, preference and satisfaction, management can take early actions. This tool is preventive in nature as adverse impact on the future results can be prevented by advanced steps. Market- based preference scorecard analysis is used to measure (score) attitudes of customers and other participants. Such analysis reflects actual company's performance and provides early warnings.

Measuring Customers' Attitudes

A firm tries to measure attitudes of customers by using various methods like, complaints and suggestions, customer panels, customer survey, etc. It provides details about new customers created, existing customers lost, dissatisfied customers, relative product quality, relative service quality, target market awareness, target market preference, and other valuable information.

Measuring Stakeholders' Attitudes

It consists of measuring or recording stakeholders' attitudes. It shows the pattern of stakeholders' preference, attitudes, and overall response toward company and its offers. Stakeholders include suppliers, dealers, employees, stockholders, service providers, etc. They have critical interest and impact on company's performance.

Without their cooperation and contribution, a company cannot realize its goals. When one or more of these stakeholders register dissatisfaction, management must take suitable actions. Methods used to track attitudes of customers can also be used for measuring attitudes of stakeholders.

5.4.2 Profitability Control

Q26. What do you understand by Profitability Control?

(OR)

Examine the role of Profitability Control in Marketing Planning.

Ans :

(Dec.-20, Jan.- 20, June-16, Jan.-16, Dec.-15, Imp.)

In this method, the base of exercising control over marketing activities is the profitability. Certain profitability (and expenses) related standards are set and compared with actual profitability results to find out how far company is achieving profits. Profitability control calls for measuring profitability of various products, channels, territories, customer groups, order size, etc. It provides necessary information to management to determine whether products, channels, or territories should be expanded, reduced, or eliminated.

Process of Marketing-Profitability Analysis

Systematic and logical process is used for analysis of profitability.

1. Identifying Functional Expenses

It consists of determining expenses to be incurred for the marketing activities like salaries, rents, advertising, selling and distribution, packing and delivery, billing and collection, etc.

2. Assigning Function Expenses to Marketing Entities

Simply, expenses of particular head (for example, salary or advertising) are associated with different entities like products, channels, territories or customers groups.

3. Preparing Profits and Loss statement

A profit and loss statement is prepared for each type of products, channels, territories, etc., to evaluate their relative performance. Based on relative performance in form of profitability, management can decide on products, channels or territories to be expanded, reduced or eliminated.

For example, a firm has five products, like A, B, C, D, and E. If profit and loss statement shows that:

- (1) Product C is more profitable, and therefore, it must be expanded;
- (2) Product B is poor, and, therefore, it must be reduced;
- (3) Product D is making loss, and therefore, it must be eliminated, and

- (4) Product A and product E are satisfactory, and therefore they must be maintained. In the same way, it can be applied to different territories and segments.

Table 1 shows how to prepare profit and loss statement for different products.

4. Taking Action

On the basis of the profit and loss statement, necessary actions can be directed.

Actions include one or more of followings:

- i) Expanding product(s)
- ii) Reducing product(s)
- iii) Eliminating product(s)
- iv) Reducing any of the expenses
- v) Increasing sales, etc.

Particulars	Products					
	Total	A	B	C	D	E
Sales	—	—	—	—	—	—
Cost of good sold	—	—	—	—	—	—
Gross Profit	—	—	—	—	—	—
Expenses:						
Selling	—	—	—	—	—	—
Distribution	—	—	—	—	—	—
Advertising	—	—	—	—	—	—
Packing and delivery	—	—	—	—	—	—
Billing and collection	—	—	—	—	—	—
Total costs:	—	—	—	—	—	—
Net profit margin (%)	—	—	—	—	—	—

Table : Profit and Loss statement for products (in ₹ 00,000)

5.4.3 Efficiency Control

Q27. Explain briefly about Efficiency Control.

Ans :

(Jan.-20, Jan.-16, Dec.-15)

This control, particularly, concerns with measuring spending efficiency. While profitability control reveals the relative (in relation to different entities like products, territories, channels, etc.) Profits a company is earning, the efficiency control shows the ways to improve efficiency of various marketing entities like sales force, advertising, distribution, sales promotion, and so forth.

Sometimes, a post of marketing controller is created to work out a detailed programme to measure and improve efficiency of expense-centered marketing activities. Here also, in order to evaluate efficiency level of different marketing activities, the efficiency standards (of ideal performance) are set and are compared with actual performance.

Efficiency control can improve efficiency of marketing department in two ways – one is, improving ability of various marketing activities to contribute more in reaching the goals, and the second is, reducing expenses or wastage.

Types of Efficiency Control

Figure shows major types of efficiency control. Main types of efficiency control involve controlling sales force efficiency, advertising efficiency, sales promotion efficiency, distribution efficiency, and marketing research efficiency.

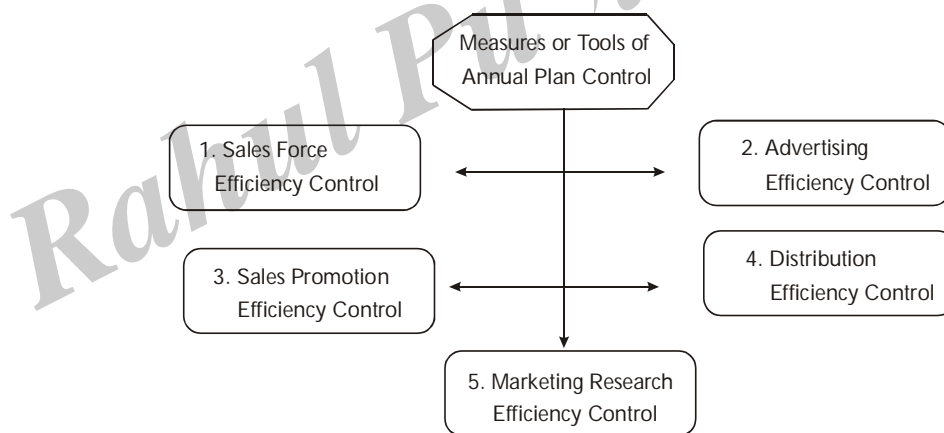


Fig :: Major types of efficiency control

1. Sales Force Efficiency Control

To measure efficiency of sale force (salesmen), certain key indicators/criteria are developed. A manager has to make a lot of calculations and paperwork.

Common criteria used to measure and evaluate the sales force efficiency include:

- i. Average number of sales calls per salesman in a day
- ii. Average sales calls time spared per contact
- iii. Average revenue generated per call
- iv. Average costs incurred per call

- v. Entertainment cost per calls
- vi. Percentage of orders per specific number of calls, i.e., how many orders have been received from 100 calls made
- vii. Number of new customers created during specific period
- viii. Number of customers lost in a given period
- ix. Contribution of salesmen in total sales, revenue, and profits
- x. Sales force costs as percentage of total sales.

Questionnaire, discussion, inspection, observation, salesman's report, etc., methods are used for the purpose. However, most companies use salesman's report. A unique computer-based programme or software can also be developed for speedy and accurate measurement of sales forces efficiency on a regular basis. Simply, actual performance of sales force is compared with these criteria to find out deviation, and, accordingly, necessary actions are taken.

This measurement of sales force efficiency can provide satisfactory answers of following questions:

- i. What is role/contribution of sales force in selling efforts?
- ii. Who are the most efficient, less efficient and inefficient sales people?
- iii. Which are reasons responsible for poor efficiency of sales force?
- iv. What can/should be done to improve efficiency?

2. Advertising Efficiency Control

Advertising is the most expensive among all the promotional tools. Major part of promotion budget is consumed by advertising alone. So, it is extremely necessary to find out efficiency level of advertising efforts. A company sets advertising goals (standards) and compared actual contribution of advertising to decide how far advertising has

been capable to fulfill firm's expectations. Advertising efficiency control mainly involves measuring cost efficiency or contribution efficiency.

Practically, it is difficult to measure the exact contribution of advertising efforts/costs. Systematic tools can be developed to measure impact of advertising qualitatively – in forms of increasing awareness, changing attitudes, and creating brand loyalty – and quantitatively – in forms of impact on sales and profits. Survey of dealers and customers can be made to collect needed data.

Common criteria used for measuring advertising efficiently include:

- i. Advertising cost per thousand target customers reached by a specific media vehicle, for example, television medium.
- ii. Percentage of audience who read, noted, or saw message from print media.
- iii. Customer opinion on advertising contents and effectiveness.
- iv. Measurement of pre-post (before-after) advertising impact on attitudes of people toward the product.
- v. Number of inquiries generated by advertising.
- vi. Cost per inquiry.
- vii. Media suitability.
- viii. Impact of advertising on personal selling, sales promotion, public relations, publicity, and distribution.
- ix. Need and performance of advertising agency, etc.

Manager can compared efficiency of advertising programme with internal as well as external standards to judge comparative efficiency. He must find out causes leading to inefficiency.

One or more of following actions are initiated:

- i. To changes advertising objectives and policies.
- ii. To change advertising message.

- iii. To change advertising media.
- iv. To change media scheduling and frequencies.
- v. To change and/or train the staff.
- vi. To change advertising agency.
- vii. To change advertising budget, etc.

3. Sales Promotion Efficiency Control

This control is exercised by sale manager. Sometimes, sales promotion manager is also appointed to deal with the issue. Sales promotion efficiency measures the impact of sales promotion efforts on sales, profits, competitiveness, and consumer satisfaction. Such efforts include offering a wide range of short-term incentives to stimulate buyer interest and consumer trial. Sales promotion is, no doubt, costly, but it seems essential. Here, manager tries to measure costs and impact of each of sales promotion tools. Normally, sales promotion tools are applied at three levels – customer level, dealer level, and sale force level.

Common criteria used for measuring sales promotion efficiency include:

- i. Percentage of total sales promotion expenses to sales.
- ii. Costs of display, sample, coupons, and other tools per unit selling price.
- iii. Number of inquiries generated due to display, demonstration, other such incentives.
- iv. Joint and individual impact of various tools on dealer interest, consumer purchase, and competitiveness.

Analysis of costs and contribution of sales promotion tools helps in selecting the most cost-effective sales promotion tools to use. A firm can reduce unnecessary costs and/or can improve contribution of each of the tools of sales promotion. It helps design suitable sales promotion strategies in term of costs, level of sales promotion, timing, and types of techniques at each of the levels.

4. Distribution Efficiency Control

In an average, distribution costs account for 20 to 30 per cent of selling price. By a suitable distribution network, company can improve its profitability on one end and consumer satisfaction on the other end. Therefore, it is necessary to review or assess the entire distribution system periodically. Distribution efficiency control measures how far company's distribution system is efficient to achieve marketing goals.

Common criteria used for the purpose include:

- i. Percentage of total distribution costs per unit price.
- ii. Percentage of physical distribution (warehousing, inventory, ordering, transportation, communication, insurance, etc.) costs per unit price.
- iii. Percentage of channel members' (wholesalers, retailers, agents, etc.) costs per unit price.
- iv. Costs and contribution of direct v/s indirect channels.
- v. Potentials of using online marketing, network marketing, and by retailing chains.
- vi. Assessing costs of marketing channels in relation to services they offer to the company as well consumers.

Distribution efficiency gives valuable information to select the most cost-effective distribution option and sub-options. Company can minimize distribution costs and/or improve profits and competitiveness. In the same way, it can increase consumer satisfaction, too.

5. Marketing Research Efficiency Control

Marketing research is process of gathering, analyzing, and interpreting data relating to any marketing problem. Due to dynamic

nature of marketing environment, a company needs data on various relevant variables time to time. Marketing research is an expensive option. It is imperative for a firm to know how far marketing research efforts and costs are instrumental in achieving marketing goals. It provides necessary details to improve research policies and practices.

Common criteria used to measure marketing research efficiency include:

- i. Annual budget of marketing research department.
- ii. Costs of research projects conducted in a year.
- iii. Effectiveness of tools and methods used for collecting and analyzing data.
- iv. Usefulness of findings of marketing research in decision-making.
- v. Relative advantages of company's research department v/s professional research firms, etc.

5.4.4 Strategic Control

Q28. Explain briefly about Strategic Control.

(OR)

Examine the role of Strategic Control in Marketing Planning.

Ans :

(Dec.-20, Jan.-20, June-16, Jan.-16, Dec.-15, Imp.)

Strategic control implies a critical review of overall marketing effectiveness in relation to broad and long-term objectives and firm's response to marketing environment. It deals with assessing firm's ability to define and achieve marketing goals, and response pattern to environment. Normally, strategic control verifies company's long-term performance with reference to the close competitors. Here, entire marketing system is reviewed to judge firm's overall strengths and weaknesses. It answers the question: How far is the firm capable to exploit emerging marketing opportunities and face challenges and threats?

Methods or Tools

As shown in Figure four tools are used for strategic control – the marketing effectiveness review, the marketing audit, the marketing excellence review, and the ethical and social responsibility review. Let's discuss each of them.



Fig : . Tools of strategic control

1. The Marketing Effectiveness Review

It involves a review of overall marketing performance. It helps finding effectiveness of several business plans in term of sales growth, market share, and profitability. Attempts are made to detect causes for good-performing marketing department and poor-performing department.

Common criteria:

Some criteria are used to review marketing effectiveness.

They include:**i. Company's Customer Philosophy**

It shows company's approach toward customers.

ii. Integrated Marketing Efforts

It shows the way company integrates efforts of all divisions and departments for achieving marketing goals.

iii. Marketing Information

It studies company's policies and practices to collect, use, and disseminate critical information on a regular basis.

iv. Company's Strategic Orientation

It shows company's broad and long-term plans for survival and growth. It also indicates firm's long-term plans for profits, sales, and expansion.

v. Operational Efficiency

It shows how efficiently a company managing its current operations.

vi. Public Relations Practices

It shows company's policies and practices to establish, maintain, and improve relations with various publics, which have direct interest in the company's operations, and whose cooperation seems critical in achieving marketing goals.

Here, we have considered only six criteria. As per need, more criteria can be developed and used for the purpose.

A special instrument can be developed by using these criteria to measure marketing effectiveness. The instrument (a type of questionnaire or form with questions and certain number of options or intensity in each of the questions) is filled by managers of marketing and various other departments.

On the basis of this instrument, controller can calculate score of each managers of each of the departments. Level of scores received by manager or department clearly indicates the effectiveness of particular manager and/or department. Accordingly, each department is awarded class like excellent, very good, good, fair, or poor. Necessary actions can be taken on the basis of performance.

2. The Marketing Audit

Another alternative tool for critical review of overall marketing performance is the marketing audit. Audit means to examine systematically. It is systematic examination/investigation of all critical aspects of marketing department.

Definition

Philip Kotler defines: "A marketing audit is a comprehensive, systematic, independent, and periodical examination of a company's marketing environment, objectives, strategies, and activities with a view to determine problem areas and opportunities, and recommending a plan of action to improve the company's marketing performance."

Key characteristics of marketing audit have been discussed below:**i. Comprehensive**

The marketing audit covers all the major marketing activities of a business unit.

ii. Systematic

It is a systematic examination of all marketing operations. It is a well-planned and orderly task. All aspects are audited minutely. It indicates corrective actions to improve firm's marketing performance.

iii. Independent

Marketing audit is conducted objectively (bias-free) or neutrally. It includes self-audit, internal, or external audit. However, the external audit is considered as the best one.

iv. Periodical

The marketing audit should be conducted regularly to detect problems and avoid crisis.

v. Purposive

Its purpose is to find out marketing problem areas and opportunities. It recommends actions to improve company's marketing performance.

Key Issues or Decisions of Marketing Audit:

A detailed plan is prepared to conduct marketing audit.

The main decisions/issues of marketing audit include:

- i. Deciding on marketing audit objectives (why).
- ii. Deciding on marketing audit responsibility (who).
- iii. Deciding on data to be collected (what).
- iv. Deciding on respondents (whom).
- v. Deciding on time (when and how long).
- vi. Deciding on areas of marketing audit (Where).
- vii. Deciding on intensity of examination (How much).
- viii. Deciding on methods and tools (how)
- ix. Deciding on audit report format
- x. Deciding on actions to be taken on the basis of report.

Components of Marketing Audit

The marketing audit examines six major components of company's marketing operations, such as:

a. Marketing Environment Audit

It examines impacts of micro and macro factors of marketing environment. Macro marketing environment consists of demographic, economic, environmental (ecological), technological, political and cultural factors. Micro marketing environment includes market segments, customers, competitors, dealers, suppliers, facilitators, and general public's.

b. Marketing Strategy Audit

It examines company's business mission, marketing goals and objectives, resources capacity, and marketing strategies.

c. Marketing Organization Audit

It examines suitability of marketing organization (structures) to implement marketing operations effectively. It includes level, relations, authority-responsibility, communication, facilities, organization manual, etc.

d. Marketing System Audit

It examines major systems like marketing information and research system, marketing planning system, marketing control system, new product development system, etc.

e. Marketing Productivity Audit

It examines company's profitability for different products, territories, and channels. It also examines cost-effectiveness for various operations.

f. Marketing Function Audit

It examines marketing mix elements such as product, price, promotion (advertising, sales promotion, personal selling-sales force, publicity, and public relations), and distribution. For each of the components, appropriate auditing questions are designed to examine how effectively the company is performing. All relevant respondents like customers, suppliers, managers, dealers, etc., are interviewed using these questions.

Finally, the auditor prepares marketing audit report. The audit report contains individual and joint evaluation of main audit components (marketing areas). It detects strengths and weakness, and recommends actions for improving marketing performance.

3. The Marketing Excellence Review

This is more or less similar to market effectiveness review. But, here, some excellently performing business units are taken as the base for evaluating firm's performance. Here, performance is reviewed relatively.

The marketing excellence review is used to judge how excellently the company is performing with reference to high performing business units. A special instrument with adequate number of criteria and appropriate scaling can be developed to judge poor, good or excellent performance.

Criteria used for the purpose include

- a. Market/customer orientation
- b. Market segmentation
- c. Product quality
- d. Quality of services
- e. Approach toward competition
- f. Integration and alliance
- g. Approach toward dealers
- h. Dealing with other stakeholders
- i. Social responsibility and national services, etc.

Depending on result of the marketing excellent review, necessary actions are taken. Company's actions mainly include undertaking all possible steps to reach the level of excellently performing business units.

4. The Ethical and Social Responsibility Review

This review/verification decides whether firm's marketing policies and practices are ethically and socially true. Ethics are moral principles,

norms, or standards of right or wrong. Every business unit has social responsibilities toward a number of stakeholders.

In same way, marketing practices should be ethical with reference to moral norms, standards, and values. Company's products, policies, and practices should not have adverse impact on customers, other stakeholders, and larger interest of society. Thus, here company tries to assess its ethical and social responsibility. As per need, necessary actions are taken.

Criteria used to review social and ethical responsibility include:

- a. Clear definitions of illegal, immoral, and antisocial activities.
- b. Company's active efforts to practice, promote, and disseminate moral principles and to hold its employees fully responsible to observe them in practice.
- c. Company's direct contribution for social welfare of people.
- d. Fulfillment of social responsibility toward various parties.
- e. The adherence to all laws and regulations in force.
- f. Use of business ethics in areas of product, price, promotion and distribution.

On the basis of ethical and social review, company can evaluate its performance in this regard and, if necessary, appropriate actions are taken.

Short Question & Answers

1. Define corporate strategic planning.

Ans :

Strategic plans often mean a change in organizational structure or a move toward change. Change can be a difficult process and sometimes requires time. It is important to get employees on board with the decision making process. This can be articulated through the mission and vision statement of the organization. Articulating and repeating the positives of the move toward change in the organization will help employees stay engaged and motivated in the process.

Strategic Planning

Change is an essential component of strategic planning. This involves moving the organization or program forward to create or change something. Some plans are created out of the need for the organization to move in a certain direction, and other plans develop organically. Mission and vision statements will be important to help communicate the goals of the plan to employees and the public.

Strategic planning is mainly concerned with:

- Future—the long-term dynamics of the firm
- Growth—direction, extent, pace, and timing of growth of the firm
- Environment—the fit between the enterprise and its environment
- The basket of businesses the firm should have Strategy is its concern, not the nuts and bolts of routine tasks
- Competitive advantages required to execute the strategies of the firm
- Integration, not a particular function is its concern; views the organisation in its totality.

2. Define vision.

Ans :

A vision statement is sometimes called a picture of your company in the future. Vision statement is

your inspiration; it is the dream of what you want your company to accomplish.

A strategic vision is defined as an imaginary view of future which all the organizational members believe in and is not easily achieved. Strategic vision provides an overview of an organization in the coming future.

Definitions of Vision

Vision has been defined in several different ways.

According to Kotter "Description of something (an organization, corporate culture, a business, a technology, an activity) in the future."

According to El Namaki, "Mental perception the kind of environment and individual, or an organization, aspires to create within a broad time horizon and the underlying conditions for the actualization of this perception."

3. Need for mission statement.

Ans :

1. The mission statement gives a unified direction to the company's growth.
2. The utilization of the company's resources is also unified, and people get motivated to exploit these resources in a specific direction for the company's growth.
3. Allocation of resources is based on the mission statement.
4. The mission statement while giving a direction for growth also tends to build up a professional climate for maintenance and improvement of the company's status in any desired area.
5. The mission statement outlines a framework for organizational planning, assigning definite tasks and responsibilities to each business unit.
6. The mission statement helps to setup and develops a control mechanism for achievement of objectives.

4. Advantages of SWOT analysis.*Ans :*

SWOT Analysis is instrumental in strategy formulation and selection. It is a strong tool, but it involves a great subjective element. It is best when used as a guide, and not as a prescription. Successful businesses build on their strengths, correct their weakness and protect against internal weaknesses and external threats. They also keep a watch on their overall business environment and recognize and exploit new opportunities faster than its competitors.

SWOT Analysis helps in strategic planning in following manner :

- a) It is a source of information for strategic planning.
- b) Builds organization's strengths.
- c) Reverse its weaknesses.
- d) Maximize its response to opportunities.
- e) Overcome organization's threats.
- f) It helps in identifying core competencies of the firm.
- g) It helps in setting of objectives for strategic planning.
- h) It helps in knowing past, present and future so that by using past and current data, future plans can be chalked out.

5. Limitation of SWOT analysis.*Ans :*

SWOT Analysis is not free from its limitations. It may cause organizations to view circumstances as very simple because of which the organizations might overlook certain key strategic contact which may occur. Moreover, categorizing aspects as strengths, weaknesses, opportunities and threats might be very subjective as there is great degree of uncertainty in market. SWOT Analysis does stress upon the significance of these four aspects, but it does not tell how an organization can identify these aspects for itself.

There are certain limitations of SWOT Analysis which are not in control of management. These include -

- a) Price increase;
- b) Inputs/raw materials;
- c) Government legislation;
- d) Economic environment;
- e) Searching a new market for the product which is not having overseas market due to import restrictions; etc.

Internal limitations may include-

- a) Insufficient research and development facilities;
- b) Faulty products due to poor quality control;
- c) Poor industrial relations;
- d) Lack of skilled and efficient labour; etc

6. Goal formulation.*Ans :*

Once the company has performed a SWOT analysis, it can proceed to goal formulation, developing specific goals for the planning period. Goals and objectives that are specific with respect to magnitude and time.

Most business units pursue a mix of objectives, including profitability, sales growth, market share improvement, risk containment, innovation, and reputation. The business unit sets these objectives and then manages by objectives (MBO).

1. **They must be arranged from most to least important:** The business unit's key objective for the period may be to increase the rate of return on investment. Managers can increase profit by increasing revenue and reducing expenses. They can grow revenue, in turn, by increasing market share and prices.
2. **Objectives should be quantitative whenever possible:** The objective "to increase the return on investment (ROI)" is better stated as the goal "to increase ROI to 15 percent within two years."
3. **Goals should be realistic:** Goals should arise from an analysis of the business unit's opportunities and strengths, not from wishful thinking.

7. Feedback and Control

Ans :

This type of control focuses on the outputs of the organization after transformation is complete. Sometimes called postaction or output control, fulfils a number of important functions. For one thing, it often is used when feedforward and concurrent controls are not feasible or are too costly.

Sometimes, feedback is the only viable type of control available. Moreover, feedback has two advantages over feedforward and concurrent control. *First*, feedback provides managers with meaningful information on how effective its planning effort was. If feedback indicates little variance between standard and actual performance, this is evidence that planning was generally on target.

If the deviation is great, a manager can use this information when formulating new plans to make them more effective. *Second*, feedback control can enhance employees motivation.

The major drawback of this type of control is that, the time the manager has the information and if there is significant problem the damage is already done. But for many activities, feedback control fulfils a number of important functions.

A company's strategic fit with the environment will inevitably erode, because the market environment changes faster than the company's seven Ss. Thus, a company might remain efficient yet lose effectiveness. Peter Drucker pointed out that it is more important to "do the right thing" to be effective than "to do things right" to be efficient. The most successful companies, however, excel at both.

8. Annual plan control.

Ans :

In this method, annual plans are prepared for various activities. Each plan includes setting objectives (expected results or standards), allocating resources, defining time limit, and formulating rules, policies and procedures. Annual plan control relates to sales. Periodically (mostly annually) the actual results are measured and compared with standards

to judge whether annual plans are being (or have been) achieved.

Depending on the degree of difference between the planned and the actual results, causes are detected and suitable corrective actions are undertaken. Thus, it contains checking ongoing performance against annual plan and taking corrective action.

9. Marketing audit.

Ans :

Audit means to examine systematically. It is systematic examination/investigation of all critical aspects of marketing department.

Philip Kotler defines: "A marketing audit is a comprehensive, systematic, independent, and periodical examination of a company's marketing environment, objectives, strategies, and activities with a view to determine problem areas and opportunities, and recommending a plan of action to improve the company's marketing performance."

Key characteristics of marketing audit have been discussed below:

i. Comprehensive

The marketing audit covers all the major marketing activities of a business unit.

ii. Systematic

It is a systematic examination of all marketing operations. It is a well-planned and orderly task. All aspects are audited minutely. It indicates corrective actions to improve firm's marketing performance.

iii. Independent

Marketing audit is conducted objectively (bias-free) or neutrally. It includes self-audit, internal, or external audit. However, the external audit is considered as the best one.

iv. Periodical

The marketing audit should be conducted regularly to detect problems and avoid crisis.

10. Components of marketing audit.

Ans :

The marketing audit examines six major components of company's marketing operations, such as:

a) Marketing Environment Audit

It examines impacts of micro and macro factors of marketing environment. Macro marketing environment consists of demographic, economic, environmental (ecological), technological, political and cultural factors. Micro marketing environment includes market segments, customers, competitors, dealers, suppliers, facilitators, and general public's.

b) Marketing Strategy Audit

It examines company's business mission, marketing goals and objectives, resources capacity, and marketing strategies.

c) Marketing Organization Audit

It examines suitability of marketing organization (structures) to implement marketing operations effectively. It includes level, relations, authority- responsibility, communication, facilities, organisation manual, etc.

d) Marketing System Audit

It examines major systems like marketing information and research system, marketing planning system, marketing control system, new product development system, etc.

e) Marketing Productivity Audit

It examines company's profitability for different products, territories, and channels. It also examines cost-effectiveness for various operations.

11. SWOT analysis.

Ans :

i) Strengths

Strengths are the qualities that enable us to accomplish the organization's mission. These are the basis on which continued success can be made and continued/sustained.

Strengths can be either tangible or intangible. These are what you are well-versed in or what you have expertise in, the traits and qualities your employees possess (individually and as a team) and the distinct features that give your organization its consistency.

Strengths are the beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process capabilities, financial resources, products and services, customer goodwill and brand loyalty. Examples of organizational strengths are huge financial resources, broad product line, no debt, committed employees, etc.

ii) Weaknesses

Weaknesses are the qualities that prevent us from accomplishing our mission and achieving our full potential. These weaknesses deteriorate influences on the organizational success and growth. Weaknesses are the factors which do not meet the standards we feel they should meet.

Weaknesses in an organization may be depreciating machinery, insufficient research and development facilities, narrow product range, poor decision-making, etc. Weaknesses are controllable. They must be minimized and eliminated. For instance - to overcome obsolete machinery, new machinery can be purchased. Other examples of organizational weaknesses are huge debts, high employee turnover, complex decision making process, narrow product range, large wastage of raw materials, etc.

iii) Opportunities

Opportunities are presented by the environment within which our organization operates. These arise when an organization can take benefit of conditions in its environment to plan and execute

iv) Threats.

Threats arise when conditions in external environment the reliability and profitability of the organization's business. They compound the vulnerability when they relate to the weaknesses. Threats are uncontrollable. When a threat comes, the stability and survival can be at stake. Examples of threats are - unrest among employees; ever changing technology; increasing competition leading to excess capacity, price wars and reducing industry profits; etc.

12. Marketing Plan.

Ans :

Marketing managers follow a marketing process to carry out their responsibilities effectively. Working within the plans set up by the top management product managers come up with a marketing plan for individual products, lines, brands, channels, or customer groups. Each product level (product line, brand) must develop a marketing plan for achieving its goals.

A marketing plan is a written document that summarizes what the marketer has learned about the marketplace and indicates how the firms plan to reach its marketing objectives. It contains tactical guidelines for the marketing programs and financial allocations over the planning period. It is one of the most important outputs of the marketing process.

Marketing plans are becoming more customer- and competitor-oriented and better reasoned and more realistic than in the past. The plans draw more inputs from all the functions and are team-developed. Marketing executives increasingly see themselves as professional managers first, and specialists second. Planning is becoming a continuous process to respond to rapidly changing market conditions.

Q13. Define Strategic business units.

Ans :

When a corporation is engaged in several businesses and a large number of products, it is not practical to take up every product/business separately and do the planning. Nor can it go to the other extreme and bundle up all its varied businesses and products into one lot and plan for them. It has to opt for a practical as well as wise solution. The SBU is one such solution; under this concept, the firm groups its products/businesses into a manageable number of strategically related groups and then take up each group for planning. They are called Strategic Business Units (SBUs). An SBU is a group of related businesses that can be treated as a unified entity for the purpose of strategic planning.

Choose the Correct Answers

1. Marketing must develop strategies for range of services and products _____ the organization. [a]
(a) Within (b) Out side
(c) Both a & b (d) None
2. _____ is the essence of strategic marketing. [a]
(a) STP - Segmentation, Targetting, Positioning
(b) CRM - Customer, Relationship Management
(c) TPD - Targeting Positioning Distribution
(d) None
3. _____ is want for specific good backed by an ability to pay. [a]
(a) Demand (b) Need
(c) Want (d) Customer
4. Marketing is a process which aim at _____. [c]
(a) Production (b) Profit Making
(c) Customer Satisfaction (d) Selling
5. According to SWOT analysis, an alyis of opportunities and threats is part of [b]
(a) Internal Environment (b) External Environment
(c) Botha a and b (d) None
6. Generic Strategies was developed by. [a]
(a) Michael porter (b) Philip kotler
(c) Both a and b (d) None
7. SWOT Analysis helps in formulation of. [a]
(a) Strategy (b) Plan
(c) Promotion (d) None

8. _____ refers to any feature of an organization or brand perceived by customers to be desirable and different from those of the competition. [b]
- (a) Sales orientation (b) Differential advantage
(c) Customer orientation (d) Market orientation
9. Marketing mix which scope of product support the element. [d]
- (a) Warrantee (b) Quality
(c) Packaging (d) All the above
10. Which is not a part of 4C's in marketing [d]
- (a) Communication (b) Consumer
(c) Cost (d) None of these

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Fill in the Blanks

1. _____ statements also include the organization values.
2. Expand SWOT _____ .
3. Expand SBU's _____ .
4. _____ are the qualities that enables us to accomplish the organization's mission.
5. _____ are the qualities that prevent us from accomplishing our mission and achieving our full potential.
6. _____ all presented by environment within which organization operates.
7. _____ arise when condition in external environment jeo paradize the reliable and profitability of organization.
8. _____ is not free from its limitation.
9. _____ formulation is the process of defining an organization's marketing goals and objectives.
10. _____ and _____ that are specific with respect to magnitude and time.

ANSWERS

1. Vision
2. Strengths, weakness, opportunities, threats
3. Strategic business units
4. Strengths
5. Weakness
6. Opportunities
7. Threats
8. SWOT analysis
9. Marketing strategy
10. Goals, objectives

FACULTY OF COMMERCE
M.Com. I - Semester (CBCS) Examination
December - 2020
PRINCIPLES OF MARKETING

Time : 2 Hours]

[Max. Marks : 80

PART - A (4 × 5 = 20)

Note: Answer any four questions.

ANSWERS

- | | | |
|---|--|--------------------|
| 1 | Write a short note about Product Concept | (Unit-I, SQA.5) |
| 2 | WTO Vs GATT | (Unit-II, SQA.13) |
| 3 | Clustered Market | (Unit-III, SQA.11) |
| 4 | Post Purchase Behavior | (Unit-IV, SQA.13) |
| 5 | Strategic Business Units | (Unit-V, SQA.13) |

PART - B (4 × 15 = 60 Marks)

Note: Answer any four questions.

- | | | |
|----|--|----------------------------|
| 6 | Define Rural Market and state the differences between Rural and Urban Markets. | (Unit-I, Q.No.15,16) |
| 7 | Discuss the role of Marketing in Economic Development. | (Unit-I, Q.No.14) |
| 8 | What are the factors of Micro Environment ? Explain in detail. | (Unit-II, Q.No.5) |
| 9 | Explain the role of WTO in facilitating of trade across the world. | (Unit-II, Q.No.23) |
| 10 | Write about the various bases of Segmentation and state the requirements for Effective Segmentation. | (Unit-III, Q.No.12,9) |
| 11 | Write short note about various Positioning Strategies with suitable example. | (Unit-III, Q.No.17) |
| 12 | Discuss in detail about the nature and scope of Consumer Behaviour. | (Unit-IV, Q.No.2,3) |
| 13 | Write the factors influencing Organizational Consumer Behaviour. | (Unit-IV, Q.No.23) |
| 14 | What do you mean by Corporate Strategic Planning ? Explain its importance. | (Unit-V, Q.No.1,2) |
| 15 | Write short note about various Marketing Controls. | (Unit-V, Q.No.25,26,27,28) |

FACULTY OF COMMERCE
M.Com. I - Semester (CBCS) Examination
January - 2020
PRINCIPLES OF MARKETING

Time : 3 Hours]

[Max. Marks : 80

Note: Answer all the questions from Part - A and any Five questions from Part - B. Each question carries 4 marks in Part A and 12 marks in Part - B.

PART - A (5 × 4 = 20)

	<u>ANSWERS</u>
1 Marketing intermediates	(Unit-I, SQA.19)
2 Demographic Environment	(Unit-II, SQA.12)
3 Product Positioning	(Unit-III, SQA.10)
4 Consumer Behavior	(Unit-IV, SQA.1)
5 SWOT Analysis	(Unit-V, SQA.11)

PART - B (5 × 12 = 60 Marks)

Note : Answer all the questions by using internal choice in not exceeding 4 pages each.

6. (a) Explain various marketing concepts as per its evolution. (Unit-I, Q.No.10)
- OR
- (b) What is on-line marketing? Explain various challenges and opportunities of it. (Unit-I, Q.No.27,28,29)
7. (a) What is the micro environmental factor? Explain them in the context of Indian Market. (Unit-II, Q.No.5)
- OR
- (b) What are the major trends in demographic environment in India ? (Unit-II, Q.No.7)
8. (a) Differentiate between market segmentation and target marketing. (Unit-III, Q.No.15)
- OR
- (b) Describe the significance of product positioning. (Unit-III, Q.No.19)
9. (a) Explain various models of consumer behavior. (Unit-IV, Q.No.9,10,11,12)
- OR
- (b) Who is an organizational buyer ? Explain the factors influencing organizational consumer behavior. (Unit-IV, Q.No.18,23)
10. (a) What are the essentialities of an effective marketing plan ? Explain the compcmnts of a marketing plan. (Unit-V, Q.No.23)
- OR
- (b) What is Marketing Control ? Explain its process and types. (Unit-V, Q.No.24,25,26,27,28)

FACULTY OF COMMERCE
M.Com. I - Semester (CBCS) Examination
January - 2018
PRINCIPLES OF MARKETING

Time : 3 Hours]

[Max. Marks : 80

Note: Answer all the questions from Part - A and Part - B. Each question carries 4 marks in Part - A and 12 marks in Part - B.

PART - A (5 × 4 = 20)

- | | <u>ANSWERS</u> |
|--|-----------------------|
| 1. Marketing myopia | (Unit-I, SQA.7) |
| 2. What do you mean by Micro Environment ? | (Unit-II, SQA.14) |
| 3. Diffused Market. | (Unit-III, SQA.12) |
| 4. Cognitive Dissonance. | (Unit-IV, SQA.11) |
| 5. SWOT Analysis | (Unit-V, SQA.11) |

PART - B (5 × 12 = 60)

Note : Answer all the questions by using internal choice in not exceeding 4 pages each.

- | | |
|--|-----------------------|
| 6. (a) What is marketing ? Explain the objectives of marketing. | (Unit-I, Q.No.2,7) |
| OR | |
| (b) Describe various marketing management tasks in detail. | (Unit-I, Q.No.21) |
| 7. (a) What are the macro environmental factors ? Explain any three in detail. | (Unit-II, Q.No.6) |
| OR | |
| (b) What is international marketing? Explain the role of WTO in international marketing. | (Unit-II, Q.No.18,23) |
| 8. (a) Explain the bases of market segmentation in detail. | (Unit-III, Q.No.12) |
| OR | |
| (b) What is meant by product positioning? How do you position a product ? Explain with suitable example. | (Unit-III, Q.No.16) |
| 9. (a) What do you mean by consumer behaviour? Explain the factors influencing consumer behaviour. | (Unit-IV, Q.No.1,8) |
| OR | |
| (b) What are the steps involved in consumer decision process ? | (Unit-IV, Q.No.13) |
| 10. (a) What is business strategic planning? What are its advantages ? | (Unit-V, Q.No.13,15) |
| OR | |
| (b) Explain the components of a marketing plan in detail. | (Unit-V, Q.No.23) |

FACULTY OF COMMERCE
M.Com. I - Semester (CBCS) Examination
December - 2016
PRINCIPLES OF MARKETING

Time : 3 Hours]

[Max. Marks : 80

Note : Answer all questions from Part - A and Part - B Each question carries 4 marks in Part - B and 12 marks in Part - B

PART - A (5 × 4 = 20)

1. Marketing Myopia
2. GATT Vs WTO
3. Clustered market
4. Lifestyle marketing
5. Marketing plan

ANSWERS

(Unit-I, SQA.7)

(Unit-II, SQA.13)

(Unit-III, SQA.11)

(Unit-IV, SQA.14)

(Unit-V, SQA.12)

PART - B (5 × 12 = 60)

Note : Answer all the questions by using internal choice in not exceeding 4 pages each.

6. (a) In the light of Online marketing growing fast internationally, what are the challenges for the marketers of FMCG ?
(Unit-I, Q.No.28)
OR
(b) What is the role of marketing in the process of economic development ?
(Unit-I, Q.No.14)
7. (a) Explain macro environmental factors in the context of Indian market.
(Unit-II, Q.No.6)
OR
(b) What is the significance of micro environmental factors on marketing strategy formulation ?
(Unit-II, Q.No.5)
8. (a) What are the bases for market segmentation? Suggest a segmentation plan for a fast food company.
(Unit-III, Q.No.12)
OR
(b) What is product positioning ? Explain positioning strategies with suitable examples.
(Unit-III, Q.No.16,17)
9. (a) Explain the steps in consumer decision process ? Also write about the factors influencing consumer behaviour.
(Unit-IV, Q.No.13,8)
OR
(b) How do you differentiate organizational buyer and consumer behaviour?
(Unit-IV, Q.No.25)
10. (a) Explain the strategic planning process of marketing organization ?
(Unit-V, Q.No.14)
OR
(b) What are the marketing control techniques ?
(Unit-V, Q.No.25,26,27,28)

FACULTY OF COMMERCE
M.Com. I - Semester (CBCS) Examination
June - 2016
PRINCIPLES OF MARKETING

Time : 3 Hours]

[Max. Marks : 80

Note : Answer all the questions in not more than one page each.**PART - A (5 × 4 = 20 Marks)****ANSWERS**

- | | |
|------------------------------------|--------------------|
| 1. Rural markets Vs. Urban markets | (Unit-I, SQA.18) |
| 2. GATT | (Unit-II, SQA.9) |
| 3. Product positioning | (Unit-III, SQA.10) |
| 4. Nature of consumer behavior | (Unit-IV, SQA.12) |
| 5. SBUs | (Unit-V, SQA.13) |

PART - B (5 × 12 = 60 Marks)**Note : Answer all the questions by using internal choice in not exceeding 4 pages each.**

- | | |
|--|-----------------------|
| 6. (a) What is meant by societal marketing ? Explain its objectives. | (Unit-I, Q.No.12) |
| OR | |
| (b) Write about various marketing tasks. | (Unit-I, Q.No.21) |
| 7. (a) Discuss in detail about the macro environmental factors of marketing. | (Unit-II, Q.No.6) |
| OR | |
| (b) Explain the origin and objectives of WTO. | (Unit-II, Q.No.23) |
| 8. (a) On what basis market's are segmented? Explain with suitable examples. | (Unit-III, Q.No.12) |
| OR | |
| (b) Explain the concept and types of market targeting. | (Unit-III, Q.No.1,3) |
| 9. (a) List out the features of organizational buyers and write about the stages in organizational consumer behaviour. | (Unit-IV, Q.No.22,24) |
| OR | |
| (b) Discuss about the economic, cultural and psychological factors influencing consumer behavior. | (Unit-IV, Q.No.8) |
| 10. (a) Write about the steps in strategic planning. | (Unit-V, Q.No.14) |
| OR | |
| (b) Examine the role of profitability control and strategic control in marketing planning. | (Unit-V, Q.No.26,28) |

FACULTY OF COMMERCE
M.Com. I - Semester Examination
December - 2015
PRINCIPLES OF MARKETING

Time : 3 Hours]

[Max. Marks : 80

Note : Answer all the questions in not more than one page each.**PART - A (5 × 4 = 20)****ANSWERS**

- | | |
|----------------------------|--------------------|
| 1. Marketing Myopia | (Unit-I, SQA.7) |
| 2. Economic Environment | (Unit-II, SQA.15) |
| 3. Positioning | (Unit-III, SQA.10) |
| 4. Post-purchase behaviour | (Unit-IV, SQA.13) |
| 5. SBUs | (Unit-V, SQA.13) |

PART - B (5 × 12 = 60)**Note : Answer all the questions by using internal choice in not exceeding 4 pages each.**

- | | |
|--|----------------------------|
| 6. (a) Discuss in detail about various marketing management tasks. | (Unit-I, Q.No.21) |
| OR | |
| (b) State the issues involved in marketing of services. | (Unit-I, Q.No.35) |
| 7. (a) Describe the functions of WTO related to international marketing. | (Unit-II, Q.No.23) |
| OR | |
| (b) What are the various macro economic factors that influence the marketing environment ? | (Unit-II, Q.No.6) |
| 8. (a) Explain the concept of market segmentation and state the benefits of segmentation. | (Unit-III, Q.No.6,10) |
| OR | |
| (b) Describe the process and strategies of product positioning. | (Unit-III, Q.No.16,17) |
| 9. (a) Explain the nature, scope and significance of consumer behaviour. | (Unit-IV, Q.No.2,3,4) |
| OR | |
| (b) Distinguish between consumer and organizational buyer behaviour. | (Unit-IV, Q.No.25) |
| 10. (a) Write about the contents of a marketing of plan. | (Unit-V, Q.No.23) |
| OR | |
| (b) Write about the various types of control applied in marketing. | (Unit-V, Q.No.25,26,27,28) |

FACULTY OF COMMERCE
M.Com. I - Semester (CBCS) Examination
Model Paper - I
PRINCIPLES OF MARKETING

Time : 3 Hours]

[Max. Marks : 80

Note: Answer all the questions from Part - A and Part - B. Each question carries 4 marks in Part - A and 12 marks in Part - B.

PART - A (5 × 4 = 20)

ANSWERS

- | | |
|--|-------------------|
| 1. Marketing Mix. | (Unit-I, SQA.11) |
| 2. Micro Environment | (Unit-II, SQA.14) |
| 3. What do you mean by market Segmentation ? | (Unit-III, SQA.1) |
| 4. Define consumer behaviour. | (Unit-IV, SQA.1) |
| 5. SWOT analysis. | (Unit-V, SQA.11) |

PART - B (5 × 12 = 60)

Note: Answer all the questions by using internal choice in not exceeding 4 pages each.

- | | |
|--|---------------------|
| 6. (a) Explain briefly about various marketing concepts. | (Unit-I, Q.No.10) |
| OR | |
| (b) List out the Differences Between Rural and Urban Marketing | (Unit-I, Q.No.16) |
| 7. (a) "Micro environmental factors are very crucial for a business to operate smoothly" comment on the statement. | (Unit-II, Q.No.5) |
| OR | |
| (b) What are the differences between GATT and WTO ? | (Unit-II, Q.No.27) |
| 8. (a) List out the Requirements of Market Segments. | (Unit-III, Q.No.9) |
| OR | |
| (b) Describe the significance of Product Positioning. | (Unit-III, Q.No.19) |
| 9. (a) Explain the scope of Consumer Behaviour. | (Unit-IV, Q.No.3) |
| OR | |
| (b) Discuss Organizational Buyer Vs Consumer Behavior. | (Unit-IV, Q.No.25) |
| 10. (a) Explain the strategic planning process of a marketing organization. | (Unit-V, Q.No.14) |
| OR | |
| (b) What do you understand by Profitability Control ? | (Unit-V, Q.No.26) |

FACULTY OF COMMERCE
M.Com. I - Semester (CBCS) Examination
Model Paper - II
PRINCIPLES OF MARKETING

Time : 3 Hours]

[Max. Marks : 80

Note: Answer all the questions from Part - A and Part - B. Each question carries 4 marks in Part - A and 12 marks in Part - B.

PART - A (5 × 4 = 20)

ANSWERS

- | | |
|-----------------------------|-------------------|
| 1. Define online marketing. | (Unit-I, SQA.13) |
| 2. Objectives of GATT. | (Unit-II, SQA.10) |
| 3. Geographic Segmentation. | (Unit-III, SQA.3) |
| 4. Define Social Class | (Unit-IV, SQA.5) |
| 5. Marketing audit. | (Unit-V, SQA.9) |

PART - B (5 × 12 = 60)

Note: Answer all the questions by using internal choice in not exceeding 4 pages each.

- | | |
|--|---------------------|
| 6. (a) Explain role of marketing in the Economic development. | (Unit-I, Q.No.14) |
| OR | |
| (b) What are the various marketing Management Tasks ? | (Unit-I, Q.No.21) |
| 7. (a) Explain briefly various macro environmental factors to a business ? | (Unit-II, Q.No.6) |
| OR | |
| (b) What is WTO. Explain its objectives and functions of WTO ? | (Unit-II, Q.No.23) |
| 8. (a) What are the Bases for Segmenting Market? | (Unit-III, Q.No.12) |
| OR | |
| (b) Explain the various Positioning Strategies. | (Unit-III, Q.No.17) |
| 9. (a) Explain the Factors Influencing Consumer Behavior. | (Unit-IV, Q.No.8) |
| OR | |
| (b) What are the Factors of Organization Buyer. | (Unit-IV, Q.No.23) |
| 10. (a) Explain briefly about SWOT analysis. | (Unit-V, Q.No.16) |
| OR | |
| (b) Explain briefly about Annual plan control. | (Unit-V, Q.No.25) |

FACULTY OF COMMERCE
M.Com. I - Semester (CBCS) Examination
Model Paper - III
PRINCIPLES OF MARKETING

Time : 3 Hours]

[Max. Marks : 80

Note: Answer all the questions from Part - A and Part - B. Each question carries 4 marks in Part - A and 12 marks in Part - B.

PART - A (5 × 4 = 20)

ANSWERS

- | | |
|---|-------------------|
| 1. Define marketing myopia. | (Unit-I, SQA.7) |
| 2. What is marketing environment ? | (Unit-II, SQA.1) |
| 3. Target Marketing. | (Unit-III, SQA.7) |
| 4. Post purchase behaviour. | (Unit-IV, SQA.13) |
| 5. Define corporate strategic planning. | (Unit-V, SQA.1) |

PART - B (5 × 12 = 60)

Note: Answer all the questions by using internal choice in not exceeding 4 pages each.

- | | |
|--|---------------------|
| 6. (a) What are the objectives of marketing ? | (Unit-I, Q.No.7) |
| OR | |
| (b) Explain briefly about challenges and measures of marketing. | (Unit-I, Q.No.30) |
| 7. (a) Define International marketing. Explain the nature of international marketing. | (Unit-II, Q.No.18) |
| OR | |
| (b) Explain the Organization structure of the WTO. | (Unit-II, Q.No.26) |
| 8. (a) Explain Variables Requirements for Effective Segmentation. | (Unit-III, Q.No.13) |
| OR | |
| (b) Define Positioning. Explain the process of Product Positioning. | (Unit-III, Q.No.16) |
| 9. (a) Explain Howard Sheth Model of Consumer Behaviour. | (Unit-IV, Q.No.12) |
| OR | |
| (b) Define consumer decision making? Explain the steps involved in Consumer Decision Process ? | (Unit-IV, Q.No.13) |
| 10. (a) Define Marketing Plan. Explain the Nature and Contents of a Marketing Plan. | (Unit-V, Q.No.23) |
| OR | |
| (b) Explain briefly about Strategic Control. | (Unit-V, Q.No.28) |