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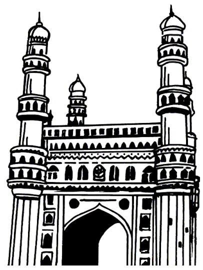

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BASICS OF MARKETING

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BASICS OF MARKETING

C O N T E N T S

STUDY MANUAL

SOLVED PREVIOUS QUESTION PAPERS

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SYLLABUS

UNIT - I

Introduction of Marketing: Nature, Scope and Importance of Marketing, Evolution of Marketing; Core marketing concepts; Production concept, Product concept, Selling concept, Marketing concept. Marketing Environment: Micro and Macro Environment

UNIT - II

Market Segmentation, Target Market and Product Positioning: Levels of Market Segmentation, Bases for Segmenting Consumer Markets, Bases for Segmenting Industrial Markets. Target Market and Product Positioning Tools.

UNIT - III

New Product Development: Introduction, Meaning of a New Product. Need and Limitations for Development of a New Product, Reasons for Failure of a New Product, Stages in New Product Development and Consumer Adoptions Process.

UNIT - IV

Product & Pricing Decisions: Concept of Product, Product Life Cycle (PLC), PLC marketing strategies, Product Classification, Product Line Decision, Product Mix Decision, Pricing Decisions: Concept of Price, Pricing Methods and Pricing Strategies

UNIT - V

Promotion Mix: Concept of Promotion Mix, Factors determining promotion mix, Promotional Tools –Types of Advertisement, Sales Promotion, Public Relations & Publicity and Personal Selling; Distribution: Designing Marketing Channels Channel functions, Types of Intermediaries.

Contents

Frequently Asked & Important Questions

UNIT - I

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

Ans : **(Dec.-19, Dec.-17, Imp.)**

Refer Unit-I, Q.No. 1.

---

2. Explain the nature of marketing.

Ans : **(May-19, Dec.-18, May-18)**

Refer Unit-I, Q.No. 3.

---

3. Explain the scope of marketing.

Ans : **(May-19, Dec.-18, May-18, Imp.)**

Refer Unit-I, Q.No. 5.

---

4. Explain the evolution of marketing.

Ans : **(Dec.-20, Dec.-17)**

Refer Unit-I, Q.No. 8.

---

5. Explain the functions of marketing.

Ans : **(Dec.-16)**

Refer Unit-I, Q.No. 10.

---

6. Explain briefly about various marketing concepts.

Ans : **(Dec.-19)**

Refer Unit-I, Q.No. 11.

---

7. What are the differences between Marketing and Selling.

Ans : **(Dec.-17, Dec.-16)**

Refer Unit-I, Q.No. 13.

---

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

Ans : **(Dec.-20, May-19, May-18, Dec.-16)**

Refer Unit-I, Q.No. 15.

---

9. Micro environmental factors are very cruical for a business to operate smoothly comment on the statement.

Ans : **(Dec.-20, Dec.-19)**

Refer Unit-I, Q.No. 19.

---

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

Ans : **(Aug.-21, Dec.-20)**

Refer Unit-I, Q.No. 20.

UNIT - II

1. **What do you mean by market segmentation? Explain the features of market segmentation.**

Ans : **(Aug.-21, Dec.-20, Dec.-19, May-18, Dec.-17, Dec.-16)**

Refer Unit-II, Q.No. 1.

---

2. **Explain the various levels of market segmentation?**

Ans : **(Dec.-17)**

Refer Unit-II, Q.No. 5.

---

3. **What are the bases of market segmen-tation?**

Ans : **(Dec.-20, May-18, Dec.-16)**

Refer Unit-II, Q.No. 6.

---

4. **Discuss the basis for segmenting cons-umer market with suitable examples.**

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

Refer Unit-II, Q.No. 7.

---

5. **What are the bases for segmenting industrial markets.**

Ans : **(May-19)**

Refer Unit-II, Q.No. 8.

---

6. **What do you understand by target marketing? Explain the levels of target market with suitable examples?**

Ans : **(Dec.-20)**

Refer Unit-II, Q.No. 11.

---

7. **What do you understand by positioning? Explain the process of positioning.**

Ans : **(Aug.-21, Dec.-19, May-18, Dec.-17, Dec.-16)**

Refer Unit-II, Q.No. 15.

---

8. **Explain briefly about product positioning tools / approaches.**

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

Refer Unit-II, Q.No. 16.

---

9. **Explain the criteria for successful positioning.**

Ans : **(May-19, Dec.-18)**

Refer Unit-II, Q.No. 19.

UNIT - III

1. What is new product development? What are the features of new product development?

Ans : **(Aug.-21, Dec.-19, May-19, Dec.-18)**

Refer Unit-III, Q.No. 1.

2. Explain need and limitations of a new product.

Ans : **(May-19)**

Refer Unit-III, Q.No. 3.

3. What are the various reasons for failure of a new product?

Ans : **(Dec.-19, Dec.-16)**

Refer Unit-III, Q.No. 5.

4. What are the various stages in new product development.

Ans : **(Aug.-21, Dec.-20, Dec.-19, May-19, Dec.-18, Dec.-17, Dec.-16)**

Refer Unit-III, Q.No. 6.

5. Write about consumer adoption process. Explain its stages.

Ans : **(Dec.-20, Dec.-19, May-18)**

Refer Unit-III, Q.No. 7.

UNIT - IV

1. Define Product.

Ans : **(Dec.-17)**

Refer Unit-IV, Q.No. 1.

2. Discuss the stages of product life cycle ?

Ans : **(Aug.-21, Dec.-19, Dec.-18, May-18, Dec.-17, Dec.-16)**

Refer Unit-IV, Q.No. 5.

3. Explain the various marketing strategies for product life cycle.

Ans : **(Aug.-21, Dec.-19, Dec.-17)**

Refer Unit-IV, Q.No. 6.

4. What are the different types of Product Classification?

Ans : **(Dec.-17)**

Refer Unit-IV, Q.No. 7.

5. Explain briefly about various decision of product line.

Ans : **(May-19)**

Refer Unit-IV, Q.No. 8.

6. Define Product Mix? Explain characteristic of a prodcuct mix.

Ans : **(Dec.-20, Dec.-17)**

Refer Unit-IV, Q.No. 10.

7. Define Pricing. What are the objective of pricing?

Ans : **(Dec.-18, May-18, Dec.-17)**

Refer Unit-IV, Q.No. 13.

8. Explain the different pricing methods.

Ans : **(Dec.-20)**

Refer Unit-IV, Q.No. 18.

9. Explain different types of Pricing Strategies.

Ans : **(Dec.-19)**

Refer Unit-IV, Q.No. 19.

10. Explain Factors Influencing Pricing Decision.

Ans : **(May-19)**

Refer Unit-IV, Q.No. 20.

UNIT - V

1. Discuss various promotion tools.

Ans : **(Dec.-19, Dec.-16)**

Refer Unit-V, Q.No. 4.

2. Define advertising? Explain the features of advertising.

Ans : **(Dec.-19, Dec.-18, Dec.-16)**

Refer Unit-V, Q.No. 5.

3. Define sales promotion? Explain the need for sales promotion.

Ans : **(Dec.-19, May-18, Dec.-16)**

Refer Unit-V, Q.No. 11.

4. Define Public Relations? What are the Characteristics of Public Relations?

Ans : **(Dec.-19, May-18, Dec.-16)**

Refer Unit-V, Q.No. 17.

5. What are the different types of Public Relations?

Ans : **(May-19)**

Refer Unit-V, Q.No. 21.

6. Define Publicity. Explain different types of Publicity.

Ans : **(Dec.-19, Dec.-17, Dec.-16)**

Refer Unit-V, Q.No. 24.

7. What is personal selling ? Explain the objectives of personal selling.

Ans : **(Dec.-18, May-18, Dec.-17, Dec.-16)**

Refer Unit-V, Q.No. 25.

8. Define Distribution? What are the characteristics of Distribution?

Ans : **(Dec.-17)**

Refer Unit-V, Q.No. 30.

9. Explain Factors Affecting Channels of Distribution.

Ans : **(Dec.-17)**

Refer Unit-V, Q.No. 32.

10. Explain various types of Channels Of Distribution.

Ans : **(May-19, Dec.-18)**

Refer Unit-V, Q.No. 36.

UNIT I	**Introduction of Marketing:** Nature, Scope and Importance of Marketing, Evolution of Marketing; Core marketing concepts; Production concept, Product concept, Selling concept, Marketing concept. Marketing Environment: Micro and Macro Environment

1.1 Introduction to Marketing

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

Ans : **(Dec.-19, Dec.-17, Imp.)**

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

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".

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".

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 & 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.

Q2. 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 of Marketing

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".

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".

According to E. Clark, "Marketing consists of those efforts which affect transfer in ownership of goods and care for their physical distribution".

According to Cundiff & Still, "Marketing is the business process by which products are matched with markets and through which transfer of ownership are affected".

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".

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".

1.1.1 Nature and Scope of Marketings

Q3. Explain the nature of marketing.

Ans : **(May-19, Dec.-18, May-18)**

The nature of marketing is as follows :

1. Marketing is an Integrated Process

Marketing is not a single activity. It is rather a coordination of several interrelated activities. The interaction between different activities gives a unique character to marketing. Marketing is a managerial process in so far as it involves the functions of planning and control. Marketing is also a social process as it is concerned with the satisfaction of human needs and this is one of the most important characteristics of marketing.

2. Marketing is Customer Oriented

Marketing exists to identify and satisfy the wants of present and potential consumers. Customer is the focus of all marketing activities.

3. Marketing is a System

Another important characteristic of marketing is its function as a system. Marketing is a system comprising several subsystems. Under marketing inputs are drawn from the society and converted into outputs which are supplied to the society.

4. Marketing is Creative

Marketing creates time, place and possession utilities. Time utility is created by preserving goods for use in future. Place utility is created by carrying goods to places where they are needed the most. Marketing creates possession utility by transferring products and services from producer to customer. Exchange process between buyer and seller is the essential element in marketing.

5. Marketing is Goal Oriented

Of the many important characteristics of marketing; one very important aspect is it is goal oriented. Marketing seeks to achieve benefits, for both buyer and seller. It results in mutually beneficial relationship by satisfying wants of customers and by generating revenues for customers.

6. Marketing is Pervasive

Marketing is required in business as well in social and other organisations. In other organisations, marketing is necessary for spreading socially useful ideas and programmes, family planning, adult education, communal harmony, national integration, environmental protection, etc. Such marketing is called social marketing.

7. Marketing is a Science as well as Art

Marketing has evolved from the economics but it has a closer relationship with social and behavioural sciences. Marketing is closely associated with streams of science as well as humanities and subject lines such as Economics, Law, Psychology, Anthropology, Sociology, Information Technology, etc. Marketing heavily depends upon the demographic features of the target market, political environment, philosophy, mathematics, statistics, etc.

8. Exchange is Essence of Marketing

Marketing revolves around commercial exchange. This also involves exchange of technology, exchange of information and exchange of ideas.

9. Marketing is a Continuous Process

Marketing is not an isolated, static process but is a complex, continuous and interrelated process. It involves continuous planning, implementation and control. It is an important functional area of the management.

10. Selection of Target Markets

No marketer can satisfy everyone in the market. A marketer has to select target markets rather than a quixotic attempt to win every market and be all things to all men. Therefore, marketers start with market segmentation, choosing a target group(s), identifying target group needs and requirements and meeting these needs in a better way than the competitors through suitable marketing mix.

Q4. What are the differences between market and marketing.

Ans : **(Aug.-21)**

Basis for Comparison	Market	Marketing
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.
What is it?	A set up i.e. a place.	A set of processes, i.e. a means of creating utility.
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.
Concept	Market is a narrow concept.	Marketing is a wide concept that includes diverse activities.
Consistency	Market varies by products, place, factors and so on.	Marketing philosophy remains same, no matter where it is applied.
Facilitates	Trade between parties.	Link between customer and company.

Q5. Explain the scope of marketing.

Ans : **(May-19, Dec.-18, May-18, Imp.)**

Some of the most important scope of marketing are as follows:

1. Goods
2. Services
3. Events
4. Experiences
5. Persons
6. Places
7. Properties
8. Organizations
9. Information
10. Idea.

The scope of marketing deals with the question, 'what is marketed?' According to Kotler, marketing people are involved with ten types of entities.

1. Goods

Physical goods constitute the major part of a country's production and marketing effort. Companies market billions of food products, and millions of cars, refrigerators, television and machines.

2. Services

As economies advance, a large proportion of their activities is focused on the production of services. Services include the work of airlines, hotels, car rental firms, beauticians, software programmers, management consultants, and so on. Many market offerings consist of a mix of goods and services. For example, a restaurant offers both goods and services.

3. Events

Marketers promote events. Events can be trade shows, company anniversaries, entertainment award shows, local festivals, health camps, and so on. For example, global sporting events such as the Olympics or Common Wealth Games are promoted aggressively to both companies and fans.

4. Experiences

Marketers create experiences by offering a mix of both goods and services. A product is promoted not only by communicating features but also by giving unique and interesting experiences to customers. For example, Maruti Sx4 comes with Bluetooth technology to ensure connectivity while driving, similarly residential townships offer landscaped gardens and gaming zones.

5. Persons

Due to a rise in testimonial advertising, celebrity marketing has become a business. All popular personalities such as film stars, TV artists, and sports persons have agents and personal managers. They also tie up with PR agencies for better marketing of oneself

6. Places

Cities, states, regions, and countries compete to attract tourists. Today, states and countries are also marketing places to factories, companies, new residents, real estate agents, banks and business associations. Place marketers are largely real estate agents and builders. They are using mega events and exhibitions to market places. The tourism ministry is also aggressively promoting tourist spots locally and globally.

7. Properties

Properties can be categorized as real properties or financial properties. Real property is the ownership of real estates, whereas financial property relates to stocks and bonds. Properties are bought and sold through marketing.

Marketing enhances the need of ownership and creates possession utility. With improving income levels in the economy, people are seeking better ways of saving money. Financial and real property marketing need to build trust and confidence at higher levels.

8. Organizations

Organizations actively work to build image in the minds of their target public. The PR department plays an active role in marketing an organization's image. Marketers of the services need to build the corporate image, as exchange of services does not result in the owner-ship of anything. The organization's goodwill promotes trust and reliability. The organization's image also helps the companies in the smooth introduction of new products.

9. Information

Information can be produced and marketed as a product. Educational institutions, encyclopedias, nonfiction books, specialized magazines and newspapers market information. The production, packaging, and distribution of information is a major industry. Media revolution and increased literacy levels have widened the scope of information marketing.

10. Idea

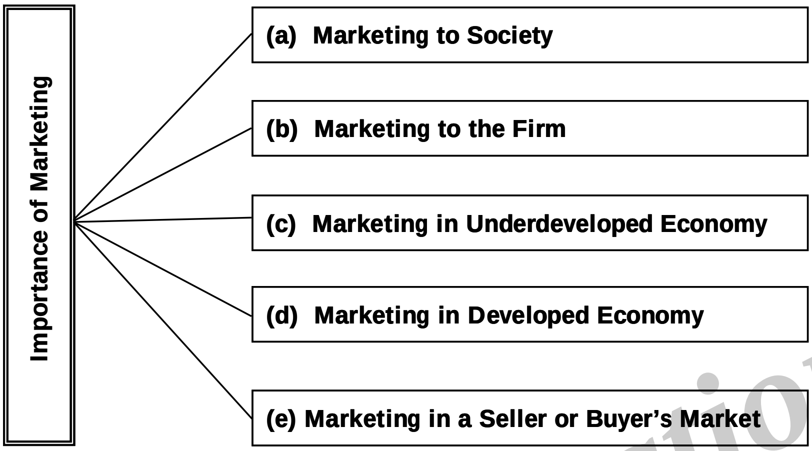
Every market offering includes a basic idea. Products and services are used as platforms for delivering some idea or benefit. Social marketers widely promote ideas. Maruti Udyog Limited promoted safe driving habits, need to wear seat belts, need to prohibit children from sitting near the driver's seat, and so on.

1.1.2 Importance of Marketing

Q6. Expalin the importance of marketing.

Ans :

The essential important points given below:



(a) Importance of Marketing to Society

(i) Delivery of Standard of Living

The main objective of marketing is to provide goods and services to the people in the society to satisfy their needs and wants at a reasonable price. Therefore producing goods and services accordingly, there by creating demand for these goods, encourage people to use them and there by improving the standard of living of the people.

(ii) Provides Employment

According to an estimate, 40 percent of the labor force in developed economies (USA, Germany, and Japan etc.) are engaged in different marketing processes such as marketing research work, wholesale and retail business, transport, communications, storing, warehousing, publicity work etc. In underdeveloped economies like, India, there is a great scope for increasing opportunities for employment by developing marketing processes.

(iv) Decreases in Distribution Cost

Marketing aims at reducing the cost of distribution as far as possible so that the commodities might be within the reach of maximum number of consumers. It increases the level of consumption in the society. Reduction in the cost of distribution directly affects the price of the commodity and it will also be reduced. As a result, the product can now be purchased by customers who were unable to purchase it due to high prices. Even if, we assume that the price is not reduced, it will increase the profits of the producer, which will filter down to the shareholders. A part of the profit may also be utilized for further research work. Thus indirectly the society is benefited in the long run.

(iv) Increase in National Income

Sound marketing system is associated with creation of increased demand for goods and services. An increased demand stimulates production activity in the country which in turn increases the national income which is in the interest of the whole economy.

(b) Importance of Marketing to the Firm

(i) Helpful in Business Planning and decision making: Marketing is helpful not only to plan the production but it is also helpful in business planning and in taking various decisions regarding the business. In today's economy, production is planned according to the sales forecasts and not according to the production capacity of the firm. A firm will produce what it can sell or as much quantity as it can sell and not what and how much it can produce. Thus marketing decisions affect the business decisions. All other activities such as planning, production, purchase, finance revolve around the marketing decisions.

(ii) Helpful in Increasing Profits: Every business is carried on with the profit motive. Marketing helps in increasing the business profits by reducing the selling cost on one hand and by increasing the demand of the product through advertising and sales promotion activities on the other hand.

(iii) Helpful in communication between firm and society: Business collects various information regarding consumers' behaviour and the changes in their behaviour from time to time through marketing. Marketing also provides information to the firm about the competitors, price, policies and distribution policies. Marketing provides extensive information of the product regarding its quality, price, utility and place of availability to the society. Thus, society comes to know about the new products

(c) Importance of Marketing in Under developed Economy

Marketing has a special significance in underdeveloped economies. A rapid development of the economy is possible only by adopting the modern methods of marketing. Marketing in underdeveloped economies is still in its infancy. Industrialisation and organization goes hand in hand with application of modern refinements in the field of marketing. An effective marketing system alone can bring the fruits of production to the people. India provides the best example in this regard. One of the main reasons for recession is actually the result of recollecting the development of marketing. "Marketing" is an effective engine for development. It mobilizes latent economic energy and thus it is the creator of small business. Thus, the concept of marketing in underdeveloped economies has to go a long way to catch up with the requirements of rapid industrial growth.

(d) Importance of Marketing in a Developed Economy

The economy of abundance is indicated by the way of life itself, which connotes a certain degree of development in marketing. In such countries the volume of production with all its up- to-date technology is generally more than the demand. In order to maintain the level of production it is absolutely necessary that the produced amount is disposed off readily in the country itself or abroad on the basis of non price competition. This is possible only by a very sound and advanced marketing system because of still competition in the market.

(e) Importance of Marketing in a seller or Buyer's Market

A seller's market is one in which the demand for goods and services exceeds the supply. In such a situation there is tendency of growing monopolies. On the other hand buyer's market is one in which the supply of goods exceeds the demand. Every firm is eager to sell its goods but only that the firm succeeds which adopts the scientific ways of marketing of goods, which means adopting the designs and quality of goods in accordance with the changing tastes and likings of the common consumers. Thus the importance of marketing in both the sellers and the buyers market is great indeed.

Q7. What are the objectives of marketing?

Ans : **(Aug.-21)**

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

1.2 Evolution of Marketing

Q8. Explain the evolution of marketing.

Ans : **(Dec.-20, Dec.-17)**

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 are.

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.

1. **Production era:** 'Cut costs. Profits will take care of themselves'
2. **Product era:** 'A good product will sell itself'
3. **Sales era:** 'Selling is laying the bait for the customer'
4. **Marketing era:** 'The customer is King!'
5. **Relationship marketing era:** 'Relationship with customers determine our firm's future'.

Q9. Explain 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.

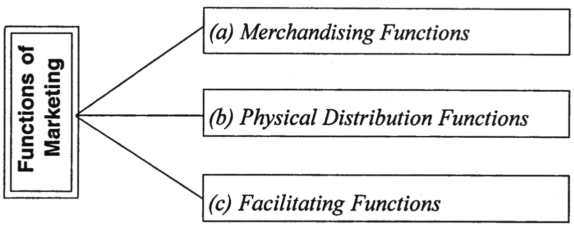
8. Addresses Issues

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.

Q10. Explain the functions of marketing.

Ans : **(Dec.-16)**



(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.

(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 alluding 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 customary 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. Sale promotion techniques are indirect and non-personal. While personal selling is quite direct and personal. The main purpose of the sale 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 resea+rch 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 Core Marketing Concepts

1.3.1 Production Concept, Product Concept, Selling Concept, Marketing Concept

Q11. Explain briefly about various marketing concepts.

Ans : **(Dec.-19)**

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 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.

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 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 in to 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.

Q12. Explain the components of marketing concept.

Ans :

1. Customer Orientation

The marketing concept calls for a basic customer orientation of the company from looking inward towards its products to looking outwards the consumers needs. According to ***Leavitt,*** "Selling focuses on the needs of the seller, marketing on the needs of the buyer. Selling is preoccupied with the sellers need to convert his product into cash, marketing on the other hand goes with the idea of satisfying the needs of the customers by means of the product and the whole cluster of things associated with creating, delivering, and finally consuming it".

For effective customer orientation the firm has to first, satisfy the basic needs of customers. Secondly, market segments; serve better, taking into account its limited resources. Thirdly, color, size and design of the product, it can choose to satisfy the specific needs of specific customers and introduce it in the market through product differentiation.

The concept of consumer orientation assumes that:

(i) Consumer is the king of the market and the producer depends upon consumers. Consumer does not depend upon producers.

(ii) Producer produces only those goods which are according to taste and liking of customers.

(iii) The producer should produce new products which may attract the customers.

2. Integrated Marketing

The second pillar of marketing concept is integrated marketing. Many companies agree with Ducker, that is-"The purpose of the company is to create customers" but they fail to take the necessary organizational steps to implement the marketing concept.

Integrated marketing means a number of things. The various departments in the company must recognize that the action they take, are not just the actions of the sales and marketing, it must have a profound effect on the company's ability to create and retain customers. Of course the central logic of the business firm is profit.

Integrated marketing also means that within the marketing function proper care is intelligently adapted and these is co-ordination of the four P's i.e. Product, Price, Place, and Promotion to built strong exchange relationships with customers. To achieve this type of integration many companies have created product managers and market managers. All said, the marketing oriented company is one which has developed effective mechanisms for coordinating the various customer forces. It is reflected in satisfied and loyal company customers.

3. Profitable Sales through Customers' Satisfaction

The main aim of every business is earning and maximizing its profits. Manufacturer cannot ignore the wants and expectations of customers. Customer is the supreme and he determines the products to be produced by the manufacturer. Marketing starts with the generation of a product idea and continues until the customer's wants are completely satisfied. Marketing is successful only when it is capable of maximizing profitable sales and achieves long run customer satisfaction.

4. Customer Welfare

Happiness of a customer can be best achieved by rendering substantial forms of assistance rather than by direct forms. The aim of the marketing concept is to help them and please them. It is interesting to note slogans that the employee of Marshall Field and company, one of the world's greatest department stores has constantly to kept in view:

(i) Customer is always right if he/she thinks they are right,

(ii) We are more interested in pleasing a customer than in marketing a sales,

(iii) Every sale of merchandise or service includes the obligation to accept the article for credit refund, exchange for adjustments promptly and courteously to the customer's satisfaction,

(iv) We strive to give complete satisfactory service to every customer. Therefore, we can safely say that modem marketing starts and ends with the consumer.

Q13. What are the differences between Marketing and Selling.

Ans : **(Dec.-17, Dec.-16)**

Marketing		Selling	
1.	Marketing focuses on customers needs.	1.	Selling focuses on the needs of the seller.
2.	Customer enjoys supreme importance.	2.	Product enjoys supreme importance.
3.	Integrated approach to achieve long term goals	3.	Fragmented approach to achieve immediate goals.
4.	Converting customers needs into products.	4.	Converting customers needs into products.
5.	Caveat Vendor (Let the seller beware)	5.	Caveat Emptor (Let the buyer beware)
6.	Profits through customer satisfaction.	6.	Profits through sales volume.

Q14. Explain the role of marketing manager.

Ans :

Marketing managers play many roles, and we can describe them with words that begin with the letter:

1. Detective

The marketer is charged with understanding markets and thus must spend considerable time learning about consumers, competitors, customers and conditions in the markets. This learning takes many forms: formal marketing research studies, analysis of market data, market visits and discussions with people in the markets. The result of these studies includes insights about market conditions and the identification of problems and opportunities in the various markets.

2. Designer

Once a problem or opportunity has been identified, the marketer turns her/his attention to designing marketing programs that solve the problems and/or capture the opportunities.

3. Decision Maker

Marketing is a group process that involves many different people, each of whom may be designing marketing programs and events. Thus the marketer must make decisions about which programs to execute.

4. Decision Influencer

Marketers exist in corporate structures that require higher level executives to approve the marketing plans, programs, and events that come out of the marketing group's work. Thus the marketer must influence the decisions of these senior executives.

5. Diplomat

Marketers design marketing events that others must execute: the sales force must execute the sales plan; the advertising agency must execute the advertisements, etc. These units do not usually "report to" the marketing managers, and they are undertaking tasks given to them by multiple marketing managers. Thus, each manager must plays a diplomatic role while inducing these units to execute his/her program in a timely and high quality way.

6. Discussant

All of these roles require considerable discussion among many parties within and outside the company. Thus the marketing manager spends most of his/her time in discussions with others.

1.4 Marketing Environment

Q15. What is marketing environment? Explain the importance of marketing environment.

(Dec.-20, May-19, May-18, Dec.-16)

Ans :

Marketing Environment is ever changing; modem marketers realize that environmental scantling 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 modem 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".

Importance of Marketing Environment

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.

Q16. 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 interrelationships 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 organisations. The growth and profitability of an organisation depends critically on the environment change has an impact on the organisation 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.

Q17. 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.

Q18. 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 organisation'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 organisation's strategic position, i.e., how it stands in relation to those other organisations 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 organisation and which will contribute to strategy choice is very important.

1.4.1 Types of Marketing Environment

1.4.1.1 Micro Environment Factors

Q19. Micro environmental factors are very cruical for a business to operate smoothly comment on the statement.

Ans : **(Dec.-20, Dec.-19)**

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,

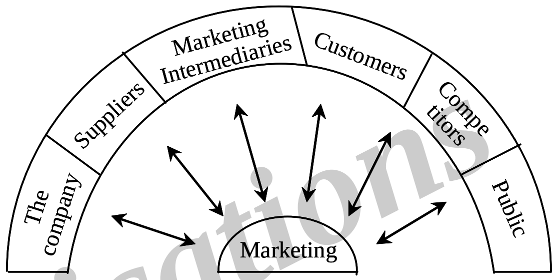


Figure: Micro Environment Factors

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

Agent middlemen arean important part of the distribution network and renderimportant 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 ofothercountries 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 finds 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.

Accounts department has to measure, renew & cost to help marketing. How it is achieving its targets, together all of those departments have an impact on the marketing department's plans and actions under the marketing concept all of these functions must think consumer. They should work for customer value & satisfaction.

1.4.1.2 Macro Environment Factors

Q20. Explain briefly various macro environmental factors to a business?

Ans : **(Aug.-21, Dec.-20)**

These factors are divided in different as follows:

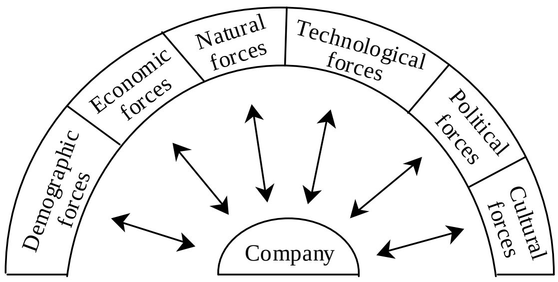


Fig.: Major forces in the companies macro environment

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 form 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 arc 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, and Pfizer 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 underprivi-leged, 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 some-thing 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. Let's look at both.

Q21. Distinguish between Micro Environment and Macro Environment factors.

Ans :

BASIS FOR COMPARISON	MICRO (INTERNAL) ENVIRONMENT	MACRO (EXTERNAL) ENVIRONMENT
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.
Alternatively known as	Internal Environment	External Environment
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.
Nature of elements	Specific	General
Are these factors controllable?	Yes	No
Influence	Directly and Regularly	Indirectly and Distantly

Short Question and Answers

1. Define market.

Ans :

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

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".

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".

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 of Marketing

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".

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".

According to E. Clark, "Marketing consists of those efforts which affect transfer in ownership of goods and care for their physical distribution".

According to Cundiff & Still, "Marketing is the business process by which products are matched with markets and through which transfer of ownership are affected".

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".

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. 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.

4. 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.

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.

7. Marketing Concept

Ans :

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 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 in to 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.

8. What are the differences between Marketing and Selling.

Ans :

Marketing	Selling
1. Marketing focuses on customers needs.	1. Selling focuses on the needs of the seller.
2. Customer enjoys supreme importance.	2. Product enjoys supreme importance.
3. Integrated approach to achieve long term goals	3. Fragmented approach to achieve immediate goals.
4. Converting customers needs into products.	4. Converting customers needs into products.
5. Caveat Vendor (Let the seller beware)	5. Caveat Emptor (Let the buyer beware)
6. Profits through customer satisfaction.	6. Profits through sales volume.

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

Ans :

Marketing Environment is ever changing; modem marketers realize that environmental scantling 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 modem 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'.

10. 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.

11. Marketing mix

Ans :

Marketing Mix is a set of marketing tool or tactics, used to promote a product or services in the market and sell it. It is about positioning a product and deciding it to sell in the right place, at the right price and right time. The product will then be sold, according to marketing and promotional strategy. The components of the marketing mix consist of 4Ps Product, Price, Place, and Promotion. In the business sector, the marketing managers plan a marketing strategy taking into consideration all the 4Ps. However, nowadays, the marketing mix increasingly includes several other Ps for vital development.

(i) Product: A product is a commodity, produced or built to satisfy the need of an individual or a group. The product can be intangible or tangible as it can be in the form of services or goods. It is important to do extensive research before developing a product as it has a fluctuating life cycle, from the growth phase to the maturity phase to the sales decline phase.

(ii) Price: Price is a very important component of the marketing mix definition. The price of the product is basically the amount that a customer pays for to enjoy it. Price is the most critical element of a marketing plan because it dictates a company's survival and profit. Adjusting the price of the product, even a little bit has a big impact on the entire marketing strategy as well as greatly affecting the sales and demand of the product in the market. Things to keep on mind while determining the cost of the product are, the competitor's price, list price, customer location, discount, terms of sale, etc.,

(iii) Place: Placement or distribution is a very important part of the marketing mix strategy. We should position and distribute our product in a place that is easily accessible to potential buyers/ customers.

(iv) Promotion: It is a marketing communication process that helps the company to publicize the product and its features to the public. It is the most expensive and essential components of the marketing mix, that helps to grab the attention of the customers and influence them to buy the product. Most of the marketers use promotion tactics to promote their product and reach out to the public or the target audience. The promotion might include direct marketing, advertising, personal branding, sales promotion, etc

Choose the Correct Answers

1. The products are sold in huge quantities in ________market. [a]
   (a) Wholesale market (b) Retail market
   (c) Both (a) and (b) (c) None of the above.
2. ________ is the major source of money to government. [c]
   (a) Incentives (b) Bonus
   (c) Tax (d) Commission
3. Unethical practices are not entertained in which component of holistic marketing? [b]
   (a) Internal marketing (b) Social responsibility marketing
   (c) Integrated marketing (d) Relationship marketing.
4. ________ concept focuses on producing products as per the needs and requirements of the customers. [c]
   (a) Product concept (b) Selling concept
   (c) Marketing concept (d) Production concept
5. The four elements of marketing mix are ________ [b]
   (a) Product price, potential and plan
   (b) Product, price, place and promotion
   (c) Planning, pricing, placing and promotion
   (d) Planning, producing, pricing and promoting
6. Business is considered as a process of manufacturing goods and sen ice- in - hich concept? [a]
   (a) Selling concept (b) Product concept
   (c) Marketing concept (d) Production concept.
7. ________ factors are concerned with population characteristics like ________ age, gender, size of the population, income, birth rates etc., [c]
   (a) Economic factors (b) Social factors
   (c) Demographic factors (d) Technological factors.
8. ________ is a set of objectives, policies and rules that guide over time firms marketing efforts. [a]
   (a) Marketing strategy (b) Marketing philosophy
   (c) Marketing management (d) Marketing policy
9. A ________ comprises of homogenous group of customers. [c]
   (a) Business market (b) Potential market
   (c) Target market (d) Strategic market
10. Marketing plan plus other marketing plans is equal to ________. [b]
   (a) Marketing strategy (b) Marketing program
   (c) Marketing techniques (d) Marketing tactic.

Fill in the Blanks

1. Modern concept of marketing is a ________ marketing.
2. The term ________ may be defined as a place where buyers and sellers come together for buying or selling goods and services.
3. Business markets can be divided in two. They are, wholesale markets and ________ markets.
4. Recognizing and integrating marketing activities are the two main tasks of marketing management in ________ marketing.
5. ________ is popularly known as 4P's of marketing.
6. The four main sub-elements of 'promotion' are ________, public relations, sales promotion and personal selling.
7. The 4C's of customer are customer solutions, customer cost, convenience and ________.
8. ________ is the part of marketing.
9. The marketing environment of the company can be divided into ________ and ________ environment.
10. According to 'William. J. Stanton' ________ is the marketing concept in action".

Answers

1. Customer-oriented
2. Market
3. Retail
4. Integrated
5. Marketing mix
6. Advertising
7. Communication
8. Selling
9. Micro, macro
10. Marketing management.

UNIT II

Market Segmentation, Target Market and Product Positioning: Levels of Market Segmentation, Bases for Segmenting Consumer Markets, Bases for Segmenting Industrial Markets. Target Market and Product Positioning Tools.

2.1 Market Segmentation

Q1. What do you mean by market segmentation? Explain the features of market segmentation.

(Aug.-21, Dec.-20, Dec.-19, May-18, Dec.-17, Dec.-16)

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 of Market Segmentation

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.

- W.J. Stanton

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.

- Philip Kotler

Features / Characteristics of Market Segmentation

The Characteristics of Market Segmentation can be summarized as follows:

1. Measurable

Consumers who belong to a particular target market and segment should be clearly identifiable. The characteristics to include or exclude in identification of a market segment are also well defined and measurable. Target markets are quantifiable in terms of population, income and age bracket, among other factors.

2. Accessible

Market segments should be accessible in terms of geography and economy, To enable accessibility of goods and services, there should be use of appropriate marketing strategies. This is because the marketing strategy used for one group should differ from the strategy used for another, as their needs differ. For example, different age groups have different fashions, styles and consume different products. The way of communicating to this market segment should correspond to the relevant needs of consumers in this segment.

3. Profitable

A market segment should be large enough to be worth pursuing. The main aim of market segmentation is to be able to tailor marketing techniques toward specific segments. This enables a firm to enjoy economies of scale while at the same time fulfilling consumers' needs. The amount of disposable income the target market is willing to spend in purchasing the goods and services should be enough to enable the firm to earn profits. For example, 'If a product's target market is young consumers, the price range should be attainable, considering that majority of the young people are dependent on their parents or guardians.

4. Market Responsiveness

Consumers in a given market segment should be responsive to the products meant for them. Unless consumers in market segments are willing to respond to the products developed, there is little reason to develop these products. The success of products introduced in the markets depends on whether they meet consumer or organization needs. Consumers' decisions on whether to purchase or not to purchase will be an indicator of the performance of the product in the market.

Q2. 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 outmarket 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.

1. Better Matching of Customer Needs

Customer needs differ. Creating separate offers for each segment makes sense and provides customers with a better solution.

2. 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.

3. 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

4. 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

5. Target Marketing Communications

Businesses need to deliver their marketing message to a relevant customer audience. If the target market is too broad, there is a strong risk that

(i) The key customers are missed and

(ii) The cost of communicating to customers becomes too high / unprofitable. By segmenting markets, the target customer can be reached more often and at lower cost.

6. Gain Share of the Market Segment

Unless a business has a strong or leading share of a market, it is unlikely to be maximizing its profitability. Minor brands suffer from lack of scale economies in production and marketing, pressures from distributors and limited space on the shelves.

Q3. What are the benefits of market segmentation.

Ans :

Market segmentation consists of identifying a sufficient number of common buyers. It enables subdivision of the total aggregate demand for a product into economically viable segments. Segments fall between the two extremes of total homogeneity and total heterogeneity. Segments benefit the marketer in several ways which may be discussed under four heads:

1. Proper choice of target market
2. Tapping a particular market
3. Efficient and economic marketing efforts; and
4. Benefits to the customers.

1. Proper choice of target market

The market for any product is made up of several segments. A market is the aggregate of consumers of a given product. Consumers are not a homogeneous lot. They differ a lot in their characters and buying behavior. Thus, many differing segments exist in a market. Market segmentation helps the marketer divide the heterogeneous market. It is possible to distinguish one customer group from another.

2. Tapping a particular market

Segmentation enables the marketer to understand the needs of the customers and serve them well. Prediction of the likely response from each segment is possible. With homogeneous responses from each segment, marketer finds it easy to develop an appropriate marketing programme. By tailoring the marketing programmes to individual market segments, marketers perform their tasks effectively.

Specialization can be achieved in product distribution, promotion and pricing for catering to a particular segment.

3. Efficient and economic marketing efforts

Segmentation makes marketing efforts both efficient and economic. Marketers segment the market and try to fulfill the needs of that segment. It helps in designing the kinds of promotional devices that are effective from the view point of customers.

Marketing efforts are focused on the well defined needs of the segment. Thus, marketing efforts undertaken by the marketer become more productive. They help the marketer to evaluate the results of his marketing programme. Best time to introduce new products, advertising etc., could be easily determined.

4. Benefits to the customer

Segmentation benefits not only the marketer but the customer as well. It distinguishes one customer group from another within a given market. It helps the marketer concentrate on the fulfillment of the well defined needs of the specific segment. Now-a-days, segmentation has attained a high degree of sophistication.

Though market segmentation offers a lot of advantages, it has some limitations with respect to cost and market coverage.

Q4. Outline the process of market segmentation.

Ans :

The various stages in market segmentation process are as follows:

Stage-1 : Establish a Sample of Customers

Divide the specified market into identifiable groups of customers and, taking each group in turn, develop it into a micro-segment by carefully listing what the customers in the group regard as their key features for discriminating between competing offers. When meaningful differences are known to occur within a group, capture these differences as separate micro-segments.

Identifying key discriminating features from the customer's point of view will provide the link to understanding the needs that customers are trying to satisfy. This is because customers seek out specific features not for their own sake but for the particular benefits that they deliver. It is all based on the well established principle that customers don't buy features, they buy the benefits delivered by the features. For this sequence to be successful, however, you need to think of features as consisting of both the tangible and intangible components of an offer.

Stage-2 : Record Personal Details about the Decision-makers

This step can be obtained for each completed micro-segment, add some details about which it represents using applicable profiling characteristics. As these may not apply to every customer in the micro-segment, indicate the proportion each characteristic represents. Knowing how to identify and reach the members of each concluding segment will be a crucial element to the success of a segmented approach to marketing.

Stage-3 : Understand the Real Needs of Customers

This step can be obtained by talking with a cross-section of people within the organization who have customer contact and by referring to sales and lost sales reports and appropriate past market surveys. Benefits are identified by taking each micro-segment in turn and determining the needs that are being satisfied by its key discriminating feature both individually and as a 'package'. These are the buying criteria that customers regard as being decisive when choosing between alternative offers and are referred to as 'Decisive Buying Criteria'. Price is included as decisive buying criteria for every micro-segment.

Stage-4 : Bring together those Micro segments that Illustrate Similar Patterns

The simplest approach is to represent the important levels for each segment's decisive buying criteria (DBCs) in a way which enables you to look for matching patterns across the micro-segments, such as by using stars. It is also possible to form clusters mathematically which requires importance levels to be indicated numerically. Once the clusters have been formed the information associated with each cluster's micro-segments (size, decisive buying criteria importance levels and profiling characteristics) should be consolidated.

Stage-5 : Verify that the concluding Clusters can be Regarded as Segments

This step answer the three most important questions:

(a) Is each cluster large enough to justify the development and marketing of a specific offer?

(b) Is the offer required by each cluster sufficiently different from that required by the other clusters?

(c) Can you identify which customers are to be found in each cluster so that you can target them with their appropriate offer?

Stage-6 : Establish the Attractiveness of Each Segment

The factors that are important to the company when having to decide where it should focus its resources, along with their relative importance to each other. Each segment is then assessed against these factors in terms of how well it can met the requirements and by taking the relative importance of these factors into account an attractive score is determined.

Stage-7 : Determine the Relative Competitive Strength

The ability of the company to deliver against the buying criteria of each segment is assessed from the segment's perspective and by taking the relative importance of these criteria into account a competitiveness score is determined. This is also determined for each of the main competitors. A relative competitiveness score for any company is then calculated for each segment by comparing the competitiveness score with the highest score of the competitors.

2.2 LEVELS OF MARKET SEGMENTATION

Q5. Explain the various levels of market segmentation?

Ans : **(Dec.-17)**

Dividing the market into different groups because of the different needs, wants, choice, characteristics and behavior of customer might require different products and marketing mixes.

It discussed in importance of segmentation that consumers have different needs and good sellers have to satisfy them by designing a separate marketing program for each buyer. Thats why market segmentation can be carried out at different levels segments, niches, local areas, individuals and mass marketing.

1. Mass Marketing

In simple words seller offer same product for all the buyers with different needs and seller engages in the mass production, mass distribution, and mass promotion of one product for all buyers.

2. Niche Marketing

A niche is a more closely defined group, it is dividing the segment in to sub segment and it can be divided by identifying the distinct trait of consumer which might need special combination of benefits this sub segments are made for those consumers whose needs and wants are not satisfied.

3. Local Marketing

Local marketing focus on brands and promotion to the needs and wants of local consumer and design marketing program according to the need of local consumer groups cities, neighborhoods and even specific stores.

4. Individual Marketing

Individual marketing focus on satisfying the needs and wants of individual customer it's also know as one-to-one marketing and customized marketing it's the segmentation level where seller offer customized product to the consumer in other words a product according to the needs and preference of consumer.

2.3 Bases for Market Segmentation

Q6. What are the bases of market segmentation?

Ans : **(Dec.-20, May-18, Dec.-16)**

There are several ways or methods to segment a market. Such ways or methods depends upon consumer characteristics and their responses to the products or services.

A paradigm shift has taken place in the way the Indian corporate (is) viewing customers. There has been a shift from organizing by-products to organizing by-market segments. For example, Maruti is segmenting is customers on the basis of economic and premium class, which was not done previously.

I) Geographic Segmentation

In geographic segmentation, the market is sub divided 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.

II) Demographic Segmentation

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.

g) Race and Religion

Consumption patterns of certain products differ on the basis of religion and race, such as alcohol and meat products.

III) Sociographic Segmentation

The market can be segmented on the basis of sociological factors such as :

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.

IV) Psychographic Segmentation

It refers to individual aspects like life style and personality.

a) Life-Style

Sellers study the life-styles of the consumers. For example, a manufacturer of readymade garments may design his clothes differently matching different life styles of college-students (more fashionable), office-goers (more sober) and so on.

b) Personality

Personality characteristics such as leadership, independence, masculine, impulsive, ambitious - etc., do influence buying behaviour.

V) Behavioural Segmentation

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.

2.3.1 Bases for Segmenting Consumer Markets

Q7. Discuss the basis for segmenting consumer market with suitable examples.

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

Market segment variables for consumer market.

1. Geographic Segmentation

Market is divided into different geographical units such as Nations, Regions, States, Countries, Cities or even neighborhoods. The company may decide to operate in one or geographical differences in needs & wants. Many companies today are localizing their products, advertising, promotion and sales efforts to fit the needs of individual regions, cities, and even neighborhoods.

2. Demographic Segmentation

The market divide into group based on variables such as age, gender, family, size, family life cycle, income, occupation, education, religion, race, generation and nationality. Demographic factors are the most popular bases for segmenting customer groups. One reason is that consumer needs, wants and usage rates often very closely with demographic variables.

3. Psychographic Segmentation

This divides different groups based on social class, life style, or personality characteristics.

Social class – lower class, working class, middle class, upper class etc.,

Life style – Achievers, strivers, survivors etc.,

Personality – Compulsive, ambitious etc.,

4. Behavioral Segmentation

This divides buyers in group based on their knowledge, attitudes, uses or responses to products. Many marketers believe that behavior variables are the best starting point for building market segments.

a) **Occasions :** Regular occasion, special occasion.

b) **Benefits :** Quality, Service, Economy, Convenience, Speed.

c) **User Status :** Ex user, potential user, first time user, regular user.

d) **Loyalty Status :** None, Medium, Strong.

e) **User Rates :** Light user, Medium user, Heavy user.

f) **Attitude :** Positive, Indifferent, Negative.

2.3.2 Bases for Segmenting Industrial Markets

Q8. What are the bases for segmenting industrial markets.

Ans : **(May-19)**

Consumer and business marketers use many of the same variables to segment their markets. Business buyers can be segmented as:

1. Geographically
2. Demographically (Industry, Company size) or by benefits sought, user status, user rate and loyalty status & location.

Yet business marketers also use some individual variables such as :

1. **Customer operating characteristics:** Technology, user status & customer capability
2. **Purchasing Approaches:** Purchasing, Function, quality.
3. **Situational Factors:** Agency, size of orders.
4. **Personal characteristics:** Loyalty & Attitude.

By going after segments instead of whole market, companies can deliver he right proposition to each segment served and capture more value in return. Industrial marketing can also be divided into following four categories.

Comman Bases for Segmenting Industrial Market

Traditionally, the segmentation strategy has been used for consume product marketing. But recent developments in industrial marketing suggests the fact that segmentation is now being used there too. The area of segmentation has therefore, now dawned on industrial markets also. Let us look at some of the commonly used basis for segmenting the industrial product markets.

➢ **Size of the Customer**

This has been one of the traditional methods of segmenting industrial market. Based on the size and purchases, we may have

(a) Large buyers

(b) Medium sized buyers

(c) Small buyers

Generally firms have different payment terms, product packaging and sales call frequencies for each of these customer groups. The size of a customer can help a firm determine its sales potential and competitive position in that customer group. This type of segmentation can also help the marketer correct any imbalances that may exist in selling efforts.

➢ **Geographical Location**

The geographical location of a customer or customer accounts is another basis for segmenting the industrial products market. For example firms located at Software Technology Park at Ameerpet could be one segment, while software firms located at Madhapur could be another market segment.

➢ **End User**

Another way of segmenting the industrial market is by differentiating the end users who use the firm's product. For example, for a steel manufacturer, some of end user segments include automobiles, construction, office furniture, cable sets. Each of these segments have their characteristics and require a different marketing approach.

➢ **Buyer Behaviour/Motivation or Purchase Criteria**

Within a specified end-use segment, we can further segment the market on the basis of purchase criteria. For example, using price as an input we can segment buyers into insensitive, sensitive and highly sensitive to price changes.

➢ **Benefits Sought**

As with consumer market segmentation, benefits sought is potentially the most powerful direct form of segmentation. In other words the organizational market is segmented on the basis of benefits that the organisational buyers seek from the products.

➢ **Type of Customer**

The types of customers may differ from retail customers, which might be independent shops or part of a multiple group or light engineering customers versus heavy engineering customers. The customers may be those who want to purchase for the end use or those who are looking forward to use the purchase further in production.

➢ **Usage Rate**

The organisational users depending on their requirement may vary in the frequency of purchase. This can vary form heavy or frequent users to light or infrequent users.

➢ **Purchasing Procedures**

The various purchasing procedures like centralised or decentralized buying arrangements, the degree to which buyers are allowed any latitude in specification, the extent to which purchasing is by tender or closed bidding or by open negotiation influence the business buying segmentation.

➢ **Situational Factors**

Some purchasing situations call for a more personal approach whereas in others it is formal and businesslike.

Q9. State the requisites for effective marketing segmentation.

Ans :

The important questions for the organization are how a policy should be purposefully adopted in segmenting the markets. This questions the basic elements that influence the following:

1. **Company Resources**

   Market segmentation involves heavy expenditure in implementing it. It is not a mere blue print in paper. Unless the company has got enough resources market segmentation cannot be undertaken at all.

2. **Products Characteristics**

   Most products are heterogeneous in character but some other products show homogeneity. In the case of former type, market differentiated strategy is adopted but in the latter case the necessity of segmentation is disputed salt, kerosene etc., comes under this group of articles and in their case undifferentiated marketing is to be selected.

3. **Homogenous Nature of Market**

   When the market is of homogenous nature (i.e. where the consumers have a common taste and preference) there is not much use of segmentation. Proper segmentation of market is required only when the customer preferences vary from group to group.

4. **Competitive Marketing Strategies**

   Sometimes it becomes quite necessary to fall in line with the competitor's activity of market segmentation. Similar arrangements by competitors have to be made to meet the competition effectively. Experience shows that it is difficult for an organization to be successful through undifferen-tiated marketing when competitors and practicing active segmen-tation.

5. **Government Policy**

   This also affects the decision of adapting marketing strategy. When the government orders. For example, if government orders to produce cloth, it is better to select concentrated strategy. In case, government does not interfere, differentiated or undifferentiated strategy may be selected.

Q10. Explain the criteria for market segmen-tation.

Ans :

Segmentation Success Criteria: Since a company can rarely cover an entire market, it aims at selecting a few market segments most suited for its products.

Different criteria are explained as follows:

1. **Measurable**

   The size, purchasing power and profile of the segments can be measured, certain segmentation variables are difficult to measure. An illustration would be the size of the segment of teenage smokers who smoke primarily to rebel against their parents.

2. **Substantial**

   If the segments are large and profitable enough to serve. A segment should be largest possibly homogeneous group, it is worth going after it with a tailored marketing program. It would not pay, for example, for an automobile manufacturer to develop cars, for persons who are shorter than four feet as the segment is too small.

3. **Accessible**

   The segments can be effectively reached and served. Suppose a perfume company finds that heavy users of its brand are single women who are out late at night and frequently visit bars. Unless the marketer doesn't study where these women live or shop and if they are not exposed to the product through certain product, they will be difficult to reach.

4. **Differentiable**

   The segments are conceptually distinguishable and respond differently to different marketing-mix elements and programs. If married and unmarried respond similarly to a sale of a fur coat, they do not constitute separate segments.

5. Actionable

Effective program can be formulated for attracting and serving the segments. A small airline, for example identified seven market segments, but its staff was too small to develop separate marketing programs for each segment.

6. Definable

This means we should be able to describe the market segment and for this the key characteristics of the segments should show a degree of homogeneity. This helps in measuring the market size and defining the boundaries of market segment.

7. Intensity in Competition

Another parameter in determining the segment is inter firm rivalry. The more the competition, the less attractive the segment.

2.4 Target Marketing

Q11. What do you understand by target marketing? Explain the levels of target market with suitable examples?

Ans : **(Dec.-20)**

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.

Levels of Target Market

Generally target marketing can be carried out in several different levels.

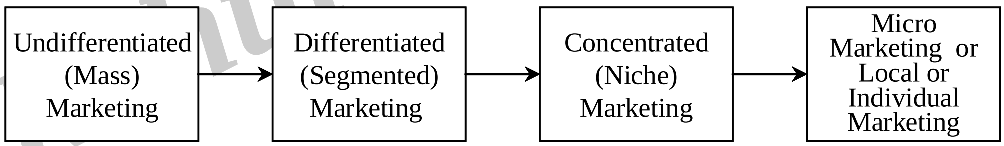


Fig.: Target Marketing Strategies

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.

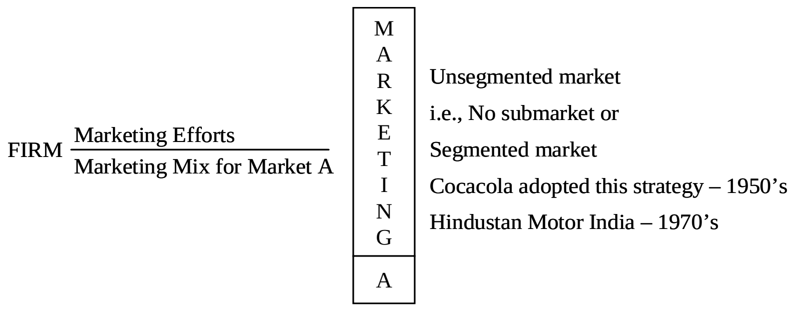


Fig.: Undifferentiated Marketing or Single Market Approach

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.

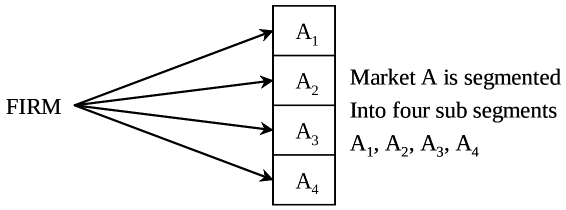


Fig.: Multiple Target Market Approach

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.

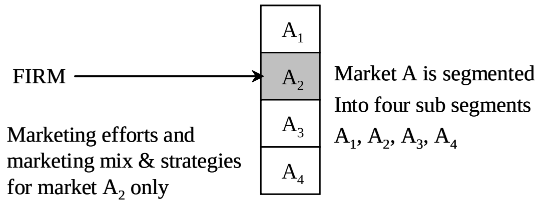


Fig.: Concentrated Marketing

(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.

Q12. Explain the basis for identifying target customers?

Ans :

i) Characteristics

Members of a target market share common needs and characteristics. These similarities are typically explained in terms of their demographic information and the specific need the company hopes to fill. Common target market characteristics identified include age, gender, income, education and location. For instance, a target market for a neighborhood coffee shop could be well-educated people age 25 to 55 who live or work within a three block radius from the shop and have high paying, white collar jobs.

ii) Importance

Identifying the target market is important for a company because doing so allows it to tailor its advertising, pricing and promotions to appeal directly to the targeted audience. In contrast, a company that does not define its target market narrowly could end up with promotions and products that do not fully meet most customers' needs. Further, when a company fails to establish a target audience, it does not give itself the opportunity to compete directly with its competitors, such as the laptop company that comes on the market offering a super low cost laptop. In this case, because it did not try to address any specific needs other than cost, cost becomes its only basis for competition and likely its eventual undoing.

iii) Process

Companies determine who to target by looking at segments of the population and comparing them based on their size and relative growth. A good example of this is examining age groups, although segments maybe identified through a combination of factors, such as single professional female. Next, companies look at each segment's attractiveness. To use the example of the coffee shop, a neighborhood may have a large concentration of high school and college students, but if that population is not likely to stick around, targeting students could be a mistake. Older people may start to classify that place as a place students hang out and choose a different coffee shop to frequent as a result; when the students move away, the coffee shop would have to try to win back its older clientele; clientele that may have already developed a strong preference for another coffee shop.

iv) Considerations

Lastly, the company has to look at its own objectives, capabilities and resources, carefully examining the profit to be had by targeting a particular audience. For example, the baby boomer generation may be the largest segment of the population by age, but they are also less willing to spend on luxury items than their younger counterparts. For a luxury retailer, this is an important distinction; it needs to target the segment that is likely to spend the most on its products. Likewise, if a company cannot compete with the low-price providers, it is not going to target customers focused solely on the bottom line, but may instead try to demonstrate value or feature desirability.

Q13. What are the different strategies followed by the target markets?

(or)

Discuss about targeting strategies.

Ans :

Targeting/Target Market Strategies

After segmenting a market, the management of a firm should choose one or more segments as its target markets. It can follow any one strategy out of the follow-ing three strategies.

1. Market aggregation strategy
2. Single segment strategy
3. Multiple segment strategies.

1. Market Aggregation Strategy

In a market aggregation strategy, the seller considers its whole market as a single segment. It is also called as mass market strategy or an undifferentiated market strategy. In this strategy, the total members of the markets are same and have the same product demand. All the customer are ready to make small compromises for obtaining the benefits of the product. In such type of cases, the whole market is the target of the firm. So, the management creates a single marketing mix for reaching maximum customers in the whole market. A single product is offered by the firm for its mass audience with one pricing structure and one distribution system. A single promotional program is used for the whole market.

A firm selects an aggregation strategy after analyzing a market and had found that most of the customers in the whole market will respond same towards one marketing mix. This strategy is mostly suitable for the firms which are marketing undifferentiated and staple products like salt or sugar. A market aggregation strategy helps the firm to minimize its cost and produce, distribute and promote its products effectively.

2. Single Segment Strategy

In a single segment strategy, a seller selects one segment from the total market as the target market. It is also called as concentration strategy. In this strategy, one marketing mix is designed for reaching this single segment. A single segment strategy helps a seller to enter one market and earn a reputation of expert or specialist in this market. The companies which chase single segments are considered as niche marketers and their targeted segments are considered as niche markets. A firm can make use of single segment strategy with its limited resources.

3. Multiple Segment Strategy

In a multiple segment strategy, two or more different groups of customers are considered as target markets. A distinct marketing mix is designed for reaching all the targeted segments. In this strategy, a seller regularly designs various forms of basic product for each segment.

A multiple segment strategy leads to greater sales volume when compared to a single segment strategy. This strategy is mostly suitable for a firm having seasonal demand.

Thus, the above mentioned were the various targeting strategies.

Q14. Explain the guidelines in selection of a target market.

Ans :

Guidelines in Selecting a Target Market

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.

2.5 Product Positioning

Q15. What do you understand by positioning? Explain the process of positioning.

Ans : **(Aug.-21, Dec.-19, May-18, Dec.-17, Dec.-16)**

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 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".

Positioning: the Battle for the Mind/ Need for positioning

After identifying segments and selecting which one (s) to address, the consumers and the business customers within the targeted segments must be offered relevant propositions that have direct relevance to their characteristics, needs, and buying behaviour. The concept of positioning was articulated by Al Ries and Jack Trout as early as 1972. Positioning is about identity – what you are in the marketplace vis-a-vis your competitors. The positioning concept is the same as it was 40 years back but the world is different. Positioning is concerned about creating a perception in a consumer's mind about the nature of company and its products relative to competitors. It refers to developing a Unique Selling Proposition (USP) or identification of particular appeal that the firm can present to the customers in each target segment. It is now that marketing mix is designed to implement target market strategy and marketing communications convey the intended positioning.

Positioning Process

1. Identify relevant set of competitive products serving a target market.
2. Identify the set of determinant attributes that define the "product space" in which positions of current offerings are located.
3. Collect information from a sample of customers and potential customers about perceptions of each product on the determinant attributes.
4. Determine product's current location (positioning) in the product space and intensity thereof
5. Determine customers' most preferred combination of determinant attributes.
6. Examine the fit between preferences of market segments and current position of product (market positioning) Identify positions where additional new products might be placed.
7. Write positioning statement or value proposition statement of value proposition to guide development and implementation of market strategy.

2.5.1 Product Positioning Tools

Q16. Explain briefly about product positioning tools / approaches.

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

The main positioning strategy is to either developing or reinforcing a particular image for the brand in the mind of the customer. The main approaches to positioning strategy are :

1. Customer benefits approach
2. The price-quality approach
3. The use or application approach
4. The product user approach
5. The product class approach
6. The cultural symbol approach
7. The competitor approach

1. Customer Benefit Approach

This is an important positioning strategy. It involves putting the brand above competitors, based on specific brand attributes and customer benefit. In the automobiles sector we can see many car manufacturer give emphasis on different technical aspects such as fuel efficiency, safety, engine performance, power windows etc. Generally marketers identify positioning in respect of product characteristics that have been ignored by the competitor.

Often we can see that firms attempts to position their brands along with two or more characteristic simultaneously, this is done to give an extra edge to the product from its rival and also helps increase the product's life cycle. Thus a single product can solve many problem is the main theme behind the product. Example: Procter &Gamble's Head & shoulder shampoo functions as anti dandruff and anti hairfall shampoo.

Head & Shoulder positioned as both antidandruff & anti-hairfall shampoo.

2. Price Quality Approach

Sometimes brands attempts to offer more in term of service, feature, quality, or performance. Manufacturer of such brands charge higher prices partly to cover the cost and partly to communicate the fact that they are of high quality. In fact in the same product category there are brands, through comparable in qualities, which appeal on the basis of price.

For example brands like Rado and Timex use quality and price positioning technique respectively. Rado competes for quality and Timex competes for price. It is difficult to use both quality and price positioning together because there is a risk that high quality-low price positioning technique may infer the image of the product in the mind of the consumer.

3. The Use And Application Approach

In this strategy the product is positioned with a use or application approach.

For example : Largest Mobile manufacturer in the world Nokia positioned its few variant of N-series mobiles as music phones with enhanced memory and multimedia capabilities. Nokia N-70 Music edition Nokia N-73 Music edition With 1GB memory.

4. The Product User Approach

In this approach, the brand identifies and determines the target segment for which the product will be positioned. Many brand uses a model or a celebrity to position their product. The expectation are that a model or a celebrity is likely to influence the product's image by reflecting their own image to it.

For example : Dabur Chyvanprash is positioned for all age groups.

5. The Product Class Approach

This approach is use so that the brand is associated with a particular product category. This is generally used when a category is too crowded.

For example: HLL has positioned Dove toilet soap as a cleansing cream product for young woman with dry skin and its is positioned as a premium segment toilet soap.

6. The Cultural Symbol Approach

The positioning strategy is based on deeply entrenched cultural symbol. The use of cultural symbol can help to differentiate the brand from competitors brands.

For example : The positioning technique of Marlboro cigarettes use the image of typical American cowboy. Marlboro gives its cigarette brand a American cowboy image Example of cultural symbol approach.

7. The Competitor Approach

Many brands use competitor as a dominant plank in their campaign. These brands are positioned following its competitor. This is an offensive strategy.

Q17. Explain various errors /risks in positioning.

Ans :

There are certain errors that might creep up while positioning a product :

1. Obvious Aspects of the Product Features

Quite often, it happens that a product is positioned on the basis of the obvious aspects of the product stares; this become too predictable and the charm in positioning is lost.

2. Living in the Future

Most companies try to live in the future rather than position their products based on their current capabilities.

3. Under Positioning

This occurs when buyers know much less about the brand or do not know anything special about the brand. Marketers often commit the mistake of diluting the positioning strategy to make it more attractive.

4. Over Positioning

Just as under owning of a brand is a possibility, there is also scope for over positioning a brand. In this situation, buyers nay have a very narrow image of the company's brand.

5. Short-term Gains

Companies often position their products such that it helps them achieve short-term sales and profits. Issues like stocks and share prices are a major reason for this type of positioning. But positioning has to be done keeping in mind long-term gains in the market and not short-term gains.

6. Confused Positioning

Another error is confused positioning. Marketers should not confuse consumers by meddling too much with the positioning strategies of their established brands.

7. Doubtful Positioning

Sometimes company try to create brand awareness among customers even before positioning the brand clearly in the market. This phenomenon, known as doubtful positioning, can lead to a bad positioning of the product in the market, and often generates a negative attitude towards the brand.

8. Positioning on the Wrong Attributes

Companies quite often do not realise what customers expect from a product. As a result, they position the product based on the wrong attributes or on attributes that are of no interest to the customers.

Q18. Explain briefly about product positing strategies?

Ans :

Positing is the act of designing. The company's offer and image so that it occupies a distinct and valued place in the target customer's minds. Positioning calls for the company to decide how many differences and which differences to promote to the target customers. In the following we discuss the positioning strategies of four products namely:

Car

Probably the most frequently sued positioning strategy is associating a product with an attribute, a product feature or a customer's benefit. We take the case of imported cars. Datsum and Toyata have emphasized economy and reliability. Vokswagen has used a "value for money" association. Vaolve has stressed durability and safety showing commercials of "crash tests" and citing statistics on the long average life of their cars. Fiat, in contrast, has made a distinct effort to position itself as a European car with 'European craftsmanship." BMW has emphasised handling and engineering efficiency, using the tag line "the ultimate driving machine and showing BMWs demonstrating their performance capabilities at a race track.

Toothpaste

Beecham promotes its Aquafresh toothpaste as offering three benefits: "anticavity protection", "better breath" and "whiter teeth." Clearly, many people want all three benefits, and the challenge is to convince them that the brand delivers all three. Beecham's solution was to create a toothpaste that squeezed out of the tube in three colours, thus visually confirming the three benefits. Colgate became a dominant brand by positioning itself as a cavity fighter a position supported by a medical group endorsement. Forhans positions itself along two attributes, good taste and cavity prevention. These are all cases when a product attempts to position itself along two or more attributes simultaneously.

Soft Drinks

The soft drink 7 Up was for a long time positioned as a beverage with a "fresh clean taste" that was "thirst quenching". However, research discovered that most people regarded 7-Up as a mix rather than a soft drink. The successful "uncoal" campaign was then developed to position 7-up as a soft drink, with a better taste then the "colas." Coca-Cola, the world's largest soft drink company positions its drink "Coke" as being the coolest drink. It has got a new tag line, "THANDA MAT - LAB COCA-COLA." Pepsi has positioned itself as a bubbly drink with an ability to quench thirst. Its famous tag line is: "YEH PYAAS HAI BADI."

Soaps

The leading brands are Dove, Lux, Dettol, Liril and Pears. Dove and Pears are positioned as skin softening soap. The' difference being, Dove is a creamy soap whereas Pears is flycerine based. Lux is positioned as the soap of the stars and celebrities, its famous tag line being: "MUJHME STAR JAGAYE." Dettol is positioned as a clean hygienic soap and is endorsed mainly by doctors. HLL positions Liril as a skin-care soap bringing freshness into life.

Q19. Explain the criteria for successful positioning.

Ans : **(May-19, Dec.-18)**

1. Clarity

The positioning idea must be clear in terms of both target market and differential advantage. The target market should be clearly demarcated and identifiable in terms of demographic or geographic parameters, or a combination of both. Each target market of the company should be different from the other. The target market should be clearly defined in terms of being served by a distinct value proposition. The value proposition should be clearly communicated.

Most companies do not clearly communicate the corresponding value proposition because they also want their offerings to be acceptable to customers other than those in their target market. They feel that defining value propositions will narrowly restrict their market.

Sometimes companies may not have researched their target markets well enough to know their requirements. So the value proposition that they communicate and deliver is not suitable for the intended market.

The value proposition is communicated mostly through advertising. Advertising agencies are responsible for communicating the value proposition. Though the company briefs the agency, a third party can never completely understand the subtle elements embedded in the value proposition. Therefore, advertising may do a poor job of communicating the value proposition.

Advertising, in an effort to be more creative tries to create images, stories, jingles and these cannot truly convey or represent the value proposition. In fact, the more 'creative' the advertising, the more likely it is to deviate from its intended goals of effective communication of conveying the value proposition to the intended target market.

2. Consistency

Confusion will arise if changes in positioning planks occur frequently. For instance, if a company positions on quality of service in one year, and then next year if changes its positioning to superior product performance, the consumer would not know what to expect from the offering of the company. Customers who were attracted to the previous positioning of the company now desert it. New customers do not find the new positioning of the company credible, as their image of the company being something other than what it is claiming to become, persists.

A company which changes its positioning planks frequently will leave customers confused about its real identity. Customers will not know what the company stands for. A company has to stick to a positioning plank for a reasonable length of time so that the new image sinks into customers. A company feels that all that a new positioning requires is an ad campaign posturing the new status

3. Credibility

The differential advantage must be credible to customers. Credibility means believability and trustworthiness. Positioning is a promise made to the customer. The customer must believe that the company will deliver what is promises, and is capable of delivering the promise. Through advertisement and its public relation efforts the company should be able to demonstrate its capability to deliver the promised utility.

Every time a customer buys the company' s product he should have got what the company promised in its positioning strategy. Through word of mouth the company develops a reputation for delivering its promised value. Credibility built through personal use of the product and word of mouth are stronger than credibility built through advertising and public relations.

4. Competitiveness

The differential advantage should offer something of value to the customer which the competition is failing to supply. The company should be able to develop or acquire a distinct set of resources and processes. This unique set of resources and processes are used to deliver a distinctive value which no other company can possibly deliver, since they lack the set of resources and processes used to create it. Therefore the key to be able to provide differential value to customers is to possess a distinctive set of resources and processes which competition does not possess.

Short Question and Answers

1. What do you mean by market segmentation? Explain the features of 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 of Market Segmentation

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.

- W.J. Stanton

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.

- Philip Kotler

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 outmarket 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 sub divided 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 based on customer experiences and evidence, rather than awareness created by advertising or promotion.

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Choose the Correct Answers

1. _________ is a type of target marketing in which the marketing programs are created according to the needs and wants of the local customer groups [c]
   (a) Market segmentation (b) Niche marketing
   (c) Local marketing (d) Sales forecasting
2. In _________ segmentation, the buyers are classified into various groups depending on the psychological or personality traits, life style or values. [d]
   (a) Geographic (b) Demographic
   (c) Behavioural (d) Psychographic
3. _________ is a type of segmentation in which the buyers are classified into groups depending on their knowledges attitude, use and response towards the product. [a]
   (a) Behavioural segmentation (b) Geographical segmentation
   (c) Psychographic segmentation (d) Demographic segmentation
4. The variables used for segmenting business markets are [d]
   (a) Location of the customer (b) Type of customer
   (c) Transaction conditions (d) All the above
5. In a _________ strategy, two or more different groups of customers are considered as target markets. [a]
   (a) Multiple segment strategy (b) Single segment strategy
   (c) Market aggregation strategy (d) None
6. In effective target market, marketers should focus on: [d]
   (a) Market segmentation (b) Market Targeting
   (c) Market positioning (d) All of the above
7. Crack, an famous ointment from Paras Pharmaceuticals is an example of _______ [c]
   (a) Mass marketing (b) Local marketing
   (c) Niche marketing (d) None of the above
8. ________ reflects a growing trend named grassroots marketing. [a]
   (a) Local marketing (b) Niche marketing
   (c) Mass marketing (d) Individual marketing
9. Which bank has tagline of "World's Local Bank" ? [b]
   (a) ICICI Bank (b) HSBC Bank
   (c) HDFC Bank (d) None of the above
10. Socioeconomic classification, lifestyle and personality are major segmentation variables in which category? [d]
   (a) Geographic (b) Behavioral
   (c) Demographic (d) Psychographic

Fill in the Blanks

1. _________ is a process of classifying a diverse mar-ket into identical and similar subunits.
2. In _________ marketing marketers recognize niches by classifying a segment into sub-segments.
3. The consumers who are not loyal towards a particular brand or product are called as _________.
4. In _________ segmentation the markets are classified into groups on the basis of the variables like age, family size, family lifecycle, income, gender, religion, race etc.
5. A group of people or organizations for which a firm develops, executes and maintain a marketing mix for fulfilling the needs of that group and for having a mutually satisfying exchanger is called as _________.
6. In a _________ strategy, the total members of the markets are same and have the same product demand.
7. _________ is the place which the product finds in a consumer's mind from his perception of offer rather than the product itself.
8. _________ includes those qualities or benefits with which the buyers relate with a brand and evaluates it positively.
9. _________ who belong to a particular target market and segment should be clearly identifiable.
10. Market segments should be accessible in terms of _________ and _________ .

Answers

1. Market segmentation
2. Niche marketing
3. Switchers
4. Demographic segmentation
5. Target market
6. Market aggregation strategy
7. Positioning
8. Points of difference
9. Consumers
10. Geography, economy

UNIT III	**New Product Development:** Introduction, Meaning of a New Product. Need and Limitations for Development of a New Product, Reasons for Failure of a New Product, Stages in New Product Development and Consumer Adoptions Process.

3.1 New Product Development

3.1.1 Introduction

Q1. What is new product development? What are the features of new product development?

Ans : **(Aug.-21, Dec.-19, May-19, Dec.-18)**

New product development is essential to any business that must keep up with market trends and changes. Process of developing a new product or service for the market. This type of development is considered the preliminary step in product or service development and involves a number of steps that must be completed before the product can be introduced to the market. New product development may be done to develop an item to compete with a particular product/ service or may be done to improve an already established product.

Concept of a new product is important for the managers. Both newly established as well as existing companies face the problem of developing of a new product. Buyers do want some elements of newness in a product. Newness may be in terms of production, marketing, place, service, use, or price.

New product is one that offers new benefits or features. It differs significantly from the products currently available in the market in terms of uses, appearance, performance, taste, price, and construction. New product is one, which is perceived as a new by consumers.

It may be original product, improved product, modified product, or new brand. Various issues are related to a new product, such as how to develop a new product, how to launch it, how to manage it, why it fails, what precautions should be taken to reduce its failure rate, and many other such aspects.

New product development is one of the most important components of the most important components of product policy and product management, so far you have learn in the previous unit about product, it's positioning in the market. A progressive firm will always be considering the introduction of a new product in order to expand its market share in order to have higher profits.

Meaning of New Product Development

Product development is a series of steps that includes the conceptualization, design, development and marketing of newly created or newly rebranded goods or services. It is also called new product management. The objective of product development is to cultivate, maintain and increase a company's market share by satisfying a consumer demand.

Features of a New Product

A product can be said as a new one if it satisfies following conditions:

1. It must be perceived as a new one by buyers.
2. It must differ significantly from the products offered by the competitors.
3. Consumer must accept it.
4. It must be distributable safely and normally.
5. It must have effective packing, branding, and labeling.
6. It must provide satisfactory performance.
7. It must be produced within permissible limit of costs.

Q2. Explain the classification of new product?

Ans :

New products can be classified into the following categories:

1. **New-to-the-world Products**

   These types of new products create an entirely new market. For example, introduction of products like laptops and palmtops has created a new market of mobile computing.

2. **New Product Lines**

   New products may allow a company to enter an established market for the first time. Philips has developed flat TV to target a new segment of already crowded CTV market.

3. **Additions to Existing Product Lines**

   New products can supplement a company's established product lines. For instance, McDonald's introduced pudina flavoured burgers for Indian consumers.

4. **Improvements and Revisions of Existing Products**

   These are the new products that replace existing products by providing improved performance or greater perceived value. For example, Microsoft replaced its MS-DOS by Windows as an improved, user-friendly GUI (Graphical User Interface) based operating system. They also updated Windows regularly and launched the versions of Windows 95, 98, 2000 and XP.

5. **Repositioning**

   Existing products can be targeted to new markets or market segments. For example, Sahara Airlines is revising its fares to. Target the railway AC 2/3 tier passengers.

6. **Cost Reductions**

   New products may be developed that provide similar performance at lower cost. The mobile service providers like Airtel, Hutch and Reliance India Mobile are introducing new post-paid schemes with low rental and outgoing facility.

3.1.2 Need / and limitations for development of a New Product

Q3. Explain need and limitations of a new product.

Ans : **(May-19)**

A new product, may be called innovation, seems to be necessary due to an enormous number of factors. The dynamic nature of business environment offers only two options – be innovative, or die. Marketer has to search for superior ways to meet increasing expectations.

Those companies fail to respect or respond the need of time have to withdraw from the market. Innovation or new product development directly concerns with firm's survival, growth, and development. A marketer continuously tries to offer superior product to his consumers.

He desires to offer more satisfaction than competitors. He also attempts to match goods and services with changing needs and wants of the target market. As per change in the fashion, preference, habits, and attitudes of consumers, a company must change its offer/product. New products are primarily developed to meet market expectations. However, there are some other dominants factors forcing a marketer to go for developing new products.

Main factors or reasons for developing a new product have been described as follows:

1. **Changes in Market**

   Today's market is much dynamic as compared to the past. Due to increased education, borderless marketing, severe competition, and availability of a number of substitutes have posed tremendous challenges for today's marketers. Market fashion, preference, and habits are constantly changing and marketer finds no option except to respect such market changes, by positive response in terms of innovation. Thus, consumer behaviour is one of the dominant reasons for innovation.

2. **Changes in Technology**

   Due to continuous technological development, new production methods are invented. Old technology and production methods are replaced by newer ones. A company spends a large amount of money for technological research. To match the technological changes, new products are developed.

3. **Increasing Competition**

Increasing competition is one of significant reasons leading to go for innovation. Every company struggles to attract and maintain consumers by offering superior products. To offer more competitive advantages and to satisfy consumer more effectively and efficiently, the product innovation seems to be necessary.

4. **Diversification of Risk**

In many cases, a company develops new products just to diversify risk. Existing products may not be capable to match with market needs and wants. By offering more varieties, a company can minimize the degree of obsolescence. Thus, the need for continuous innovation arises because older products are thrown out of market.

5. **Reputation and Goodwill**

To create image and reputation as an innovative and dynamic firm, the innovation is adopted. Company wishes to convince the market that it tries seriously to meet consumer's expectations. Obviously, a company developing new products periodically has more reputation, and can attract consumers easily.

6. **Utilization of Excess Capacity**

Excess capacity may be in form of production capacity or human skills. To utilize maximum plant and material capacity, a company may go for developing a new product. Sometimes, excess managerial or human capacity may also tempt the company to opt for innovation.

7. **Seasonal Fluctuations**

Sometimes, new products are developed just to minimize seasonal fluctuations in demand. By producing new product, a company can meet seasonal requirements of market. Market is satisfied due to matching products in each of the seasons, and company can get attractive business.

8. **Growth and Development**

Innovation is an effective way to win more market share or sales. Marketer can exploit emerging opportunities by innovative products. When it is not possible to accelerate growth rate by the existing products, a company prefers to develop new products to expand its market, maximize sales, and earn more profits.

Limitations for Development of a New Product

1. Portfolio management, specifically, that process which optimizes the right mix and correct number of products that support business strategy in light of limited resources, will continue to be among the top concerns for new product development in the first decade of the 21st century.

2. The classic shape of the new product development process is a funnel, where lots of product ideas enter, but few come out. If management doesn't have the guts to kill projects, the company ends up with a tunnel. Everything that enters the funnel continues on through the development, research and testing phases.

3. Virtually everything that is products could have another life as a service. And conversely, everything that was considered to have been a service can now be marketed as a product. Currently people purchase word processors or word processing programs. In the not so very distant future they will log on and use a word processor. During the nineties, telephone answering machine was a product and during this decade, it has been replaced with the service known as voice mail.

4. With the advent of pace as the fifth P of the marketing mix elements, the companies are trying to bring new products at a faster rate so that they enter the market first. There is greater risk of launching a under-developed, under-researched second-rate product, which may fail before the marketers can tune the offering after launch.

5. Companies are expected to contract R & D, or outsourcing R & D in a bid to reduce the costs of new product development and the increasing failure rate of the new products. There is also scope for collaborative R&D through partnership.

Q4. Explain various reasons for a success of a new product.

Ans : **(Aug.-21)**

Some of the recent studies have shown that in order to succeed, there needs to be flexibility in NPD activities. There are certain practices that may influence on new product time and cost minimization.

According to Sanchez and Perez, the following are the practices that need to be done for new product successes :

1. Open Organizations

Open or entrepreneurial organizations are characterized by a lean staff, an open horizontal communications, and a relaxation of traditional hierarchy. An entrepreneurial culture is significantly related to new product performance.

2. Broacl Jobs

This is a job design that permits employees to do many different things at work, using a variety of skills and talents.

3. Employee Autonomy

This is the practice to empowering employees to decide on their own on how to go about doing their work. Autonomy or empowerment speeds cycle times by allowing those closest to the work to determine how the work can be simplified, and/or speeded up.

4. Cross-training/Job Rotation

Training employees to do more than one job to enable job rotation. This practice enables employees to understand the interrelationships among tasks and processes, which it makes concurrent engineering and parallel processing easier.

5. Standardization

This is the use of standard procedures, materials, parts, and/or processes for designing and manufacturing a product. Standardization simplifies and creates expertise with processes to a point where it is much easier to identify sources of delay.

6. Group Technology

This is the classification of products that have similar design properties (size, function, shape, etc.) or manufacturing characteristics (process, process routing, etc.) into product families to simplify design and manufacturing. Group technology simplifies the use of materials which allows to use a higher percentage of components from previous or parallel designs.

7. Computer-Aided-Design/Computer-Aided-Engineering (CAD/CAE)

The use of computers either in interactive engineering drawing or in the storage of design for interrelationship components analysis, speeds up new product design and engineering changes.

8. Cross-functional teams for innovation

Cross-functional teams are frequently used to integrate employees from several company departments and give opportunities for simplification and parallel processing. Many empirical studies have found that this practice increases a project innovation success rate.

9. Supplier development

This involves the policies and practices for assessing and improving the capability and performance of suppliers in multiple areas such as quality, design support, and delivery. The importance of supplier development - as well as supplier partnership - for new product time and cost minimization has already been proved in the automotive industry.

10. Supplier partnership

This is constituted by those practices that bring all participants including suppliers into the process early in the product life cycle so as to provide input to each others' processes. The introduction of new Information and Telecommunication Technologies has made possible the virtual development of components along the supply chain.

11. Just-in-Time purchasing

Just-in-Time delivery is a common practice in the automotive industry. This practice accelerates product development time because it eliminates delays and offers opportunities for parallel processing.

12. Benchmarking

Comparison with other companies is an important source of information and ideas to improve and innovate process and products, and therefore to reduce development cycle times.

13. Concurrent Engineering

New product and process development may benefit from the use of overlapping activities which enables time savings. This practice requires a high degree of coordination between a company's departments (i.e., cross-functional teams) and suppliers (i.e., supplier partnership).

14. Rapid Prototyping

Prototype development is a phase of new product development which recently has been supported by computing, engineering and manufacturing techniques aimed to reduce time prototyping and the product development times.

15. Value Analysis

This technique is used to find non value-added components or process stages. Their elimination saves design and manufacturing time, or reduces the number of engineering changes.

16. Design for Manufacturability

This is an approach which implies the early coordination of product design with its manufacturing process. This coordination can minimize costly delays due to mismatches between desired product design specifications and actual manufacturing process specifications. The use of computers (CAD/CAE) and concurrent engineering in the design process enables the checking of all possible mismatches before going into manufacturing.

3.2 Reasons for Failure of a New Products

Q5. What are the various reasons for failure of a new product?

Ans : **(Dec.-19, Dec.-16)**

Organisations invest enough time, money, energy and skill to develop a new product. In spite of all these efforts, the new products may experience failure in many cases. A failure brings loss to the company in terms of money, time, motivation and image. So it is important to find out the possible reasons for failure of new products.

A number of reasons may cause failure of new products, some of which are :

1. Over-Estimation of Market Size

If the market of the product is over-estimated, a new product, in spite of being good in quality, cannot generate the desired level of revenue, and may fail.

2. Under-Estimation of Competition

If the marketer fails to anticipate the competitors' strength and reaction, the new product has to face stiff competition, for which they are not prepared. It may cause failure of the new products.

3. Poor Market Research

Seeds of failure may lie in its origin. If the market is not studied properly, and the marketer makes wrong predictions about customers' need, the product, in spite of being perfect, may fail to satisfy customers.

4. Lack of Uniqueness

If the new product is incapable of providing meaningful difference(s) in comparison with competitors' offering, customers find no reason to accept it.

5. Poor Design

When the new product is designed poorly and is inconvenient to use, the product may fail.

6. Lack of Superiority

A new product is bound to justify its existence by providing something better, in true sense, than what competitors provide. Only superfluous claims made by the marketers cannot create sale of the new offerings.

7. Wrong STP Approach

When the marketer fails to segment the market properly, target the right group and position the new product rightly, it fails to get a toehold in the market, and experiences failure.

8. Technical Problem

If the new product suffers from any technical problem, observed by the customer during its use, it fails.

9. Huge Cost of Production

When the actual cost of production exceeds the expected cost of production to a large extent, the company has to set high price for the product, which may also result in product failure.

10. Wrong Entry Timing

If the management takes a hasty decision to enter the market or gets late in entering the market, the product may fail.

11. Poor Promotion

When the marketer is incapable of utilising its promotional tools properly to make customers aware of the new product and motivated towards purchase of the product, the product may fail to perform its desired functions.

3.3 Stages in New Product Development

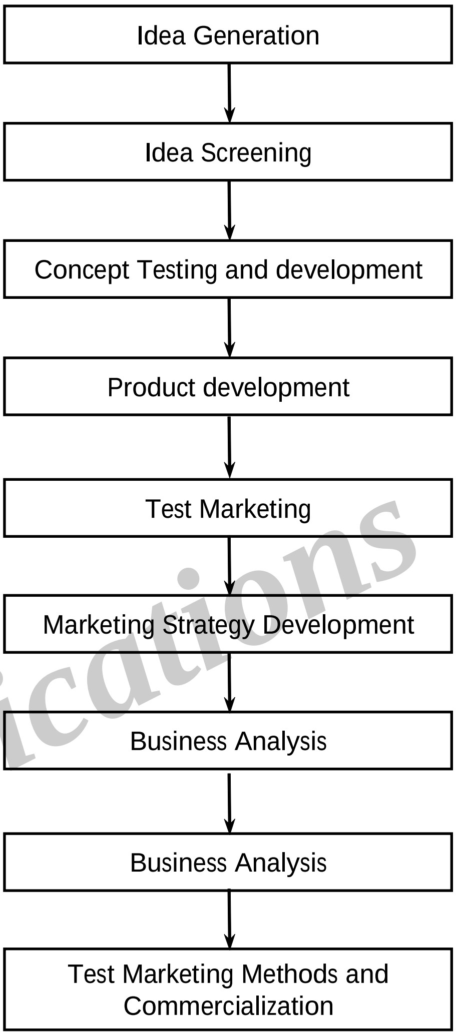
Q6. What are the various stages in new product development.

(Aug.-21, Dec.-20, Dec.-19, May-19, Dec.-18, Dec.-17, Dec.-16)

Ans :

The Overall guide to the New product development is the product strategies of the organization. The development of new products proceeds in the following eight stages. At each stage, the firm has to decide whether to move ahead to the Next stage or abandon the product or seek additional information.

Stages of New product development process:



1. Idea Generation

The Process of Generating New ideas may consist of brainstorming, Attribute listening, Focus Group discussion, or probable inventory Analysis. Broadly Speaking, it involves creative thinking and Technological development. But sources of New ideas could be varied.

a) Customers

b) Competitors

c) Distributors

d) Creative Techniques

e) External world

f) Research and development

2. Idea Screening

It is relatively easy to find a large Number of opportunities in the form of initial ideas. Who have to consider, Now which of them are really worth the while for a follow up. Some of the ideas are rejected for obvious reasons like.

a) Lousy idea

b) Unsuitable idea for the Firm

c) Obvious problem in production and marketing

d) Too little potential

e) Some one else is already exploiting it.

f) No long – term potential

g) Other reasons: unsuitable for the main customers of the company.

It should be possible to reduce the idea from several hundreds to thirty to forty having some prima facie merit.

3. Concept Testing and development

During this stage, the New product idea is Transformed from concept to a prototype, out lining the physical characteristics of the product, package design, Brand Name etc. While the concept is evaluated from many marketing angles, Apart from examining production requirements, cost and other modifications necessary before entering into the test marketing stage. Here, a major activity involves obtaining consumer feedback on different prototype models. Typically, Consumers are given a sample to test the proposed new product. This activity is popularly known as concept testing.

In this stage the following estimations are required to business analysis.

- Sales estimation
- Estimating First time Sales
- Estimating the Repeat Sales
- Survey of Buyer Intentions
- Estimating the Cost and Profits.

4. Product development

Once the product concept has been developed, this should be briefed to the product development or research and development departments, who will undertake to design and develop few physical prototypes of the desired product concept.

In this stage, design and quality is in part and to achieve the goals.

5. Test Marketing

Test marketing is an experimental procedure that provides an opportunity to examine the prospect of the new product under realistic market conditions to obtain a first hand measure of the potential sales volumes in National distribution. The New product is marketed on the experimental basis in a few pockets of the market, choosing some cities and small geographic Areas.

Test market serves two important functions. It provides on opportunity to assess the out come of an alternative course of action. This allows management to identify and correct weakness in either the product or its marketing programme before launching the product on a national scale.

The setting up of a test markets can provide valuable data on the Nature of the market, marketing strategy changes and product modifications necessary to ensure a successful launch.

6. Marketing Strategy development

In order to put the product into the market, the company must develop its marketing strategy. The strategy decide on the size of market, the target market and financial goals sought to be achieved are specified.

The second part of the strategy spells out product's price, distribution strategy and promotional. Budget for the first year.

The last part of the marketing strategy is to state the long-term financial and marketing goals.

7. Business Analysis

We have already developed the product concept and the marketing strategy. It is now time to examine the proposals business or financial worth. Here projections are made about the sales, cost and profits to see whether these meet our objectives. It yes, the proposal proceeds to the prototype development stage.

8. Test marketing methods Commercialsation

The following methods are used in test marketing

- Consumer goods market testing
- Sales wave research
- Simulated test market
- Controlled test market
- Selection of test market
- Time of the test markets
- Data collected in test marketing
- Action taken

Test marketing feed back enables management to take a decision regarding the launching of a product. A product launch is the costliest stage of new product development. The company either sets up the manufacturing facilities for production on itself and hires the same.

As a precautionary measure, the company may setup a plant smaller than the one demanded by the sales forecast. Apart from production costs, the company has to bear heavy marketing costs packaging, promotion, advertising, distribution etc., marketing expenditures are the highest in the year of the launch, reaching in some cases almost 60 percent of sales. Here, times & cost, timing of the launch coverage and target, markets are important.

Finally this refers to the decision to market the new product at the full scale of operation, which involves a significant commitment of resources and managerial effort.

3.4 Consumer Adoptions Process

Q7. Write about consumer adoption process. Explain its stages.

Ans : **(Dec.-20, Dec.-19, May-18)**

When any product or brand is accepted and used continuously, it implies "adoption". The adoption process involves six stages, they are awareness, comprehension, attitude, legitimation, trial and adoption. The consumer adoption process emphasize on the mental process in which an individual pass on from first hearing of an innovation to final adoption. Following are the stages of adoption process.

1. Awareness

Awareness is the first step in adoption process in which adopter enquire about the existence of a product in the market. Adopter possess very less information about the product and no specific attitude towards it.

2. Comprehension

The next step in adoption process is comprehension in which consumers have complete knowledge about the product and identify all uses of it.

3. Attitude

In this stage, consumer develops some suitable or inadequate behavioural characteristics towards the product. The consumer may end up the adoption process if he finds inappropriate features and unfavorable behaviour towards the product.

4. Legitimation

At this stage, consumer become assured that the product must be adopted. This stage of adoption process depends on favourable/ suitable behaviour towards the innovation. In order to make an effective decision, consumer utilizes the information gathered in the past and some additional information.

5. Trial

Sometimes, the consumer evaluate or tries the product to identify its uses. Trial is conducted cognitively in which individual indirectly use the product in an imaginary situation or for limited period in actual situation depending on nature of innovation.

6. Adoption

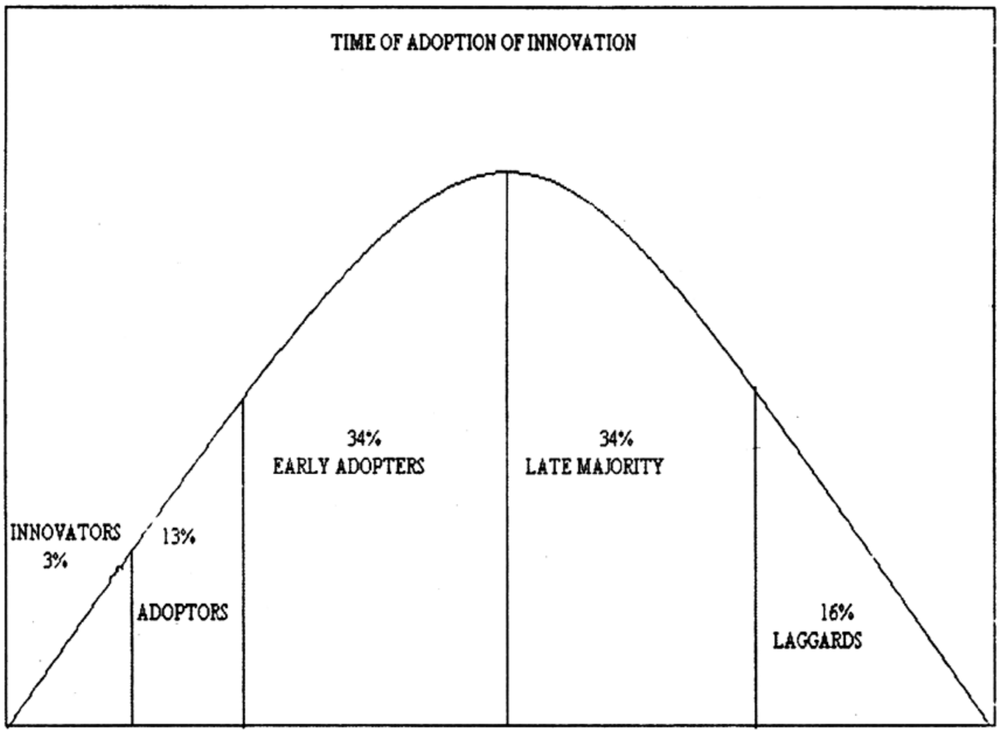
In this stage, consumer decides to use the product thoroughly and completely or not. Consumer also decides to purchase the product continuously which completes the adoption process.

Hence the adoption process go through allaboye stages over a period of time.

Q8. Explain the categories of adopters?

Ans :

Some individuals will adopt an innovation soon after it is introduced, while others never adopt. Research has identified five innovation adopter categories on the basis of time of Adoption of Innovations.



- **Innovators**

  It usually represents only 3 percent of the market. The innovators are called Venturesome Consumers who are the first to adopt an innovation. Innovations are young with higher social status, financially well balanced, concerned much about socializing and rely more on non-personal information, such as advertising rather than personal selling.

- **Early Adopters**

  It represents 13 percent of the market. The early adopters are respected since they purchase a new product after innovators. Early adopters involve socially within a local community. They usually referred as "Opinion Leaders". The marketers pay more attention to this category than any other adopter category.

- **Early Majority**

  This category represents 34 percent of the market. The early majority are more deliberate consumers which accept "Innovation" just before the average adopter. They are average in their economic and social status. Early majority are not much influenced by advertising, sales personal and early adopters.

- **Late Majority**

  This category represents 34 percent of the market. They are usually referred as “skeptical group” who adopt innovation due to social pressure in the society. This group relies more on late or early majority as sources of information. Advertising and personal selling do not have much impact on this group. Word-of-mouth communication does play a great role.

- **Laggards**

  This group represent 16 percent of the market these are the last to adopt an innovation. Laggards are traditional and suspicious about innovations. They are at low end of the economic social status. Laggards resist buying new products and never favoring a new concept.

Short Question and Answers

1. What is new product development?

Ans :

New product development is essential to any business that must keep up with market trends and changes. Process of developing a new product or service for the market. This type of development is considered the preliminary step in product or service development and involves a number of steps that must be completed before the product can be introduced to the market. New product development may be done to develop an item to compete with a particular product/ service or may be done to improve an already established product.

Concept of a new product is important for the managers. Both newly established as well as existing companies face the problem of developing of a new product. Buyers do want some elements of newness in a product. Newness may be in terms of production, marketing, place, service, use, or price.

New product is one that offers new benefits or features. It differs significantly from the products currently available in the market in terms of uses, appearance, performance, taste, price, and construction. New product is one, which is perceived as a new by consumers.

2. Features of a New Product

Ans :

i) It must be perceived as a new one by buyers.

ii) It must differ significantly from the products offered by the competitors.

iii) Consumer must accept it.

iv) It must be distributable safely and normally.

v) It must have effective packing, branding, and labeling.

vi) It must provide satisfactory performance.

vii) It must be produced within permissible limit of costs.

3. Idea Generation

Ans :

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Ans :

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Ans :

When any product or brand is accepted and used continuously, it implies “adoption”. The adoption process involves six stages, they are awareness, comprehension, attitude, legitimation, trial and adoption. The consumer adoption process emphasize on the mental process in which an individual pass on from first hearing of an innovation to final adoption.

Choose the Correct Answers

1. New-product development process consists of detailed steps and number of steps are [d]
   (a) Five steps (b) Six steps
   (c) Seven steps (d) Eight steps
2. New product development stage in which concept is tested whether idea has strong appeal is called [b]
   (a) Concept development (b) Concept testing
   (c) Material testing (d) Market screening
3. Management of new product development strategy includes [d]
   (a) Customer centered development (b) Team based development
   (c) Systematic product development (d) All of above
4. Testing of new product concepts in group of targeted segment of market is called [b]
   (a) Concept development (b) Concept testing
   (c) Material testing (d) Market screening
5. Finding new ways to create more satisfying products for customers is called [a]
   (a) Customer centered product development (b) Team based product development
   (c) Systematic product development (d) Concentration based development
6. Customers, distributors and suppliers collectively provide ideas for new-product development are classified as [a]
   (a) idea's external sources (b) Acquisition of ideas
   (c) Primary sources (d) Secondary sources
7. Overlapping of steps for more efficient and effective product development with closely working departments is classified as [b]
   (a) Customer centered product development (b) Team based product development
   (c) Systematic product development (d) Concentrated product development
8. Fifth step in process of new product development is [a]
   (a) Business analysis (b) Analyzing marketing strategy
   (c) Deciding marketing medium (d) Attracting new engineers
9. Marketing logistics are also called as [a]
   (a) Physical distribution (b) Supply chain management
   (c) Exclusive distribution (d) Exclusive dealing
10. Process of systematic search for gathering new product ideas is called [a]
    (a) Idea generation (b) Product generation
    (c) Market development (d) Business development

Fill in the Blanks

1. Concept of a __________ is important for the managers.
2. __________ is a series of steps that includes the conceptualization, design, development and marketing of newly created or newly rebranded goods or services.
3. __________ products can be targeted to new markets or market segments.
4. New products may be developed that provide similar performance at __________ .
5. CAD stands for __________.
6. __________ teams are frequently used to integrate employees from several company departments and give opportunities for simplification and parallel processing.
7. __________ simplifies and creates expertise with processes to a point where it is much easier to identify sources of delay.
8. __________ delivery is a common practice in the automotive industry.
9. __________ invest enough time, money, energy and skill to develop a new product.
10. When any product or brand is accepted and used continuously, it implies __________ .

Answer

1. New product
2. Product development
3. Existing
4. Lower cost
5. Computer aided design
6. Cross-functional
7. Standardization
8. Just-in-Time
9. Organisations
10. Adoption

UNIT IV	**Product and Pricing Decisions :** Concept of Product, Product Life Cycle (PLC), PLC marketing strategies, Product Classification, Product Line Decision, Product Mix Decision, **Pricing Decisions :** Concept of Price, Pricing Methods and Pricing Strategies

4.1 Concept of Product

Q1. Define Product.

Ans : **(Dec.-17)**

Concept of product is the understanding of the dynamics of the product in order to showcase the best qualities of the product. Marketers spend a lot of time and research in order to target their attended audience. Marketers will look into a product concept before marketing a product towards their customers.

The product is the most tangible and important single component of the marketing programme. The product policy and strategy is the cornerstone of a marketing mix. Without a product, there is nothing to distribute, nothing to promote, nothing to price. If the product fails to satisfy consumer demand, no additional cost on any of the other ingredients of the marketing mix will improve the product performance in the marketplace.

To the marketer products are the building blocks of a marketing plan. Good products are key to market success. Product decisions are taken first by the marketers and these decisions are central to all other marketing decisions such as price, promotion and distribution. Product is the vehicle by which a company provides consumer satisfactions. It is the engine that pulls the rest of the marketing programme. Products fill in the needs of society. They represent a bundle of expectations to consumers and society.

Product

A product is the item that is developed and refined for sale in the market. It aims to meet the customers' needs and wants. The concept of product can be categorised into two, i.e., narrow concept and wide concept. In its narrow concept, a product is a combination of physical or chemical characteristics which has some utilities. It is not just a non-living object or a physical substance.

A product also has other functions than its utility like satisfying customer needs and wants, e.g., fan, table, pen, cooler, chair, etc. In its wider concept, a product having a variety of colours, designs, packaging and brand is said to be a different product. For example, if a shampoo is made available in three different variants and smells, then these are three products, as they are fulfilling needs of customers with varied choices. Hence, product is defined as a complete package of benefits received by a consumer.

Definitions of Product

According to George Fisk, "Product is a cluster of psychological satisfactions".

According W. Alderson, "A product is a bundle of utilities consisting of various features and accompanying services".

According to Rustom S. **Davar, "A** product may be regarded from the marketing point of view as a bundle of benefits which are being offered to consumer".

According to Philip Kotler, "A product is a bundle of physical services and symbolic particulars expected to yield satisfactions or benefits to the buyer".

Characteristics of Product

The important characteristics of a product are as follows:

1. Tangibility

It should be perceptible by the touch. An item to be called a product should have a tangibility character - touch, seen or feeling. For example, car, shirt, book, etc.

2. Intangible Attributes

The product may be intangible, in the form of services, for instance, banking insurance services, repairing, etc. It is an associated feature. For example, scooter is a tangible product, and when free servicing is offered by the seller, then the product is not only a tangible item but also an intangible one.

3. Associated Attributes

Such attributes may be brand, package, warranty, etc. For example, Hindustan Lever's "vanaspathi ghee" has a brand name DALDA and with its package it can be identified by the consumers. It has developed an image that all kinds of vanaspathi ghee sold are being referred to as DALDA ghee.

4. Exchange Value

Whether the product is tangible or intangible, it should have exchange value and must be capable of being exchanged between seller and buyer for mutually agreed price.

5. Consumer Satisfaction

Products should have the ability to offer value satisfaction to the consumer. The satisfaction may be both real or/and psychological.

For example, when we buy SNOW we also buy beauty a product with a bundle of utilities.

Q2. Define product level ? Explain the five levels of product ?

Ans :

In the 1960's, the economist Philip Kotler changed the perception of marketing. He described what marketing is rather than what marketers do, thereby changing marketing from a departmental specialisation into a corporate wide doctrine. For Kotler, marketing was a 'social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others'.

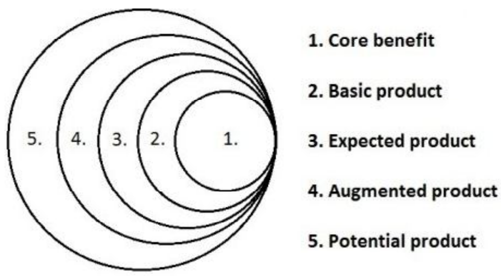
For him, a product is more than physical. A product is anything that can be offered to a market for attention, acquisition, or use, or something that can satisfy a need or want. Therefore, a product can be a physical good, a service, a retail store, a person, an organisation, a place or even an ide(a) Products are the means to an end wherein the end is the satisfaction of customer needs or wants.

Kotler distinguished three components :

- **need:** a lack of a basic requirement;
- **want:** a specific requirement for products or services to match a need;
- **demand:** a set of wants plus the desire and ability to pay for the exchange.

Customers will choose a product based on their perceived value of it. Satisfaction is the degree to which the actual use of a product matches the perceived value at the time of the purchase. A customer is satisfied only if the actual value is the same or exceeds the perceived value. Kotler defined five levels to a product:

The 5 levels of the product



1. Core Benefit

The fundamental need or want that consumers satisfy by consuming the product or service.

2. Generic / Basic Product

A version of the product containing only those attributes or characteristics absolutely necessary for it to function.

3. Expected Product

The set of attributes or characteristics that buyers normally expect and agree to when they purchase a product.

4. Augmented Product

Inclusion of additional features, benefits, attributes or related services that serve to differentiate the product from its competitors.

5. Potential Product

All the augmentations and transformations a product might undergo in the future.

Kotler noted that much competition takes place at the Augmented Product level rather than at the Core Benefit level or, as Levitt put it: 'New competition is not between what companies produce in their factories, but between what they add to their factory output in the form of packaging, services, advertising, customer advice, financing, delivery arrangements, warehousing, and other things that people value.'

Kotler's model provides a tool to assess how the organisation and their customers view their relationship and which aspects create value.

Q3. What are the Dimensions of Product?

Ans :

In business and marketing products are marketed by a company may be classified broadly as goods and services. The quality of goods is generally defined in terms of the physical characteristics of the product or the goods marketed. However, it is not possible to define quality of services in terms of physical characteristics alone. Quality of service is judged by the customers on many different dimensions in addition to the physical characteristics associated with the service. There are five aspects or dimensions of service which are found to be very important in determining customer perception of service quality. These are:

1. Reliability

The extent to which the service performed matches implicit or explicit promises made by the service provider regarding the nature of service. For example, the basic quality of room decor, food, and facilities provided in a hotel.

2. Responsiveness

The willingness to help the customer promptly in case of special and unforce seen requirements. For example helping a customer who falls sick when staying in the hotel.

3. Assurance

The extent to which the service provider and the staff is able to inspire trust and confidence. For example the customer dining in a restaurant may not be able to directly judge the level of hygiene maintained by the restaurants. Here it is not only important to actually provide hygienic food but also to inspire confidence that the food is hygienic. The assurance is regarding giving the customer peace of mind that everything will be taken care of as required, rather than just actually taking care when the need arises. For example a doctor with MD degree may inspire more assurance than a doctor with just an MBBS degree, although the basic treatment provided by them may be of same quality.

4. Empathy

This is being able to understand the needs of the customer as an individual and meet the special requirements of the customer. This is more about customizing the service and the general service provider behavior for each customer, rather than providing a uniform high quality treatment to all. Many companies try to create this sense of empathy by employing tactics like addressing each customer by name. However, true empathy means understanding the special characterizes and needs of individual customer, and modifying service to them accordingly.

5. Tangibles

This is the parallel of physical characteristics of quality of goods. This refers to the physical characteristics of facilities, equipments, consumable goods and personnel used in or associated with the service provided. However here also the quality is judged not by some uniform specifications in terms of physical characteristic, but by the impact these physical characteristics have on customer assessment of the service quality.

Q4. Define Product Attributes.

Ans :

A product attribute is a characteristic that defines a particular product and will affect a consumer's purchase decision. Product attributes can be tangible (or physical in nature) or intangible (or not physical in nature).

1. Tangible Attributes

Tangible attributes can include such product characteristics as size, color, weight, volume, smell, taste, touch, quantity, or material composition.

2. Intangible Attributes

Intangible attributes may include such characteristics as price, quality, reliability, beauty and aesthetics, (an indefinable, elusive pleasing quality).

4.2 Product Life Cycle (PLC)

Q5. Discuss the stages of product life cycle ?

(Aug.-21, Dec.-19, Dec.-18, May-18, Dec.-17, Dec.-16)

Ans :

A new product progresses through a sequence of stages from introduction to growth, maturity, and decline. This sequence is known as the product life cycle and is associated with changes in the marketing situation, thus impacting the marketing strategy and the marketing mix.

The product life cycle goes through many phases and involves many professional disciplines and requires many skills, tools and processes. Product life cycle (PLC) has to do with the life of a product in the market with respect to business/ commercial costs and sales measures.

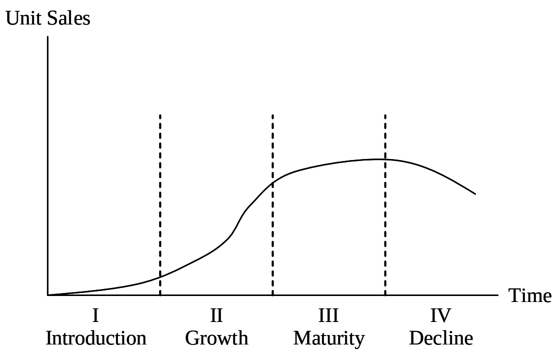


Figure : Stages of the Product Life Cycle

Stages of Product Life Cycle

The different stages in a product life cycle are :

a) Introduction stage

b) Growth stage

c) Mature stage

d) Decline or Stability stage

(a) Introduction Stage

In the introduction stage, the firm seeks to build product awareness and develop a market for the product. The impact on the marketing mix is as follows :

- **Product** branding and quality level is established and intellectual property protection such as patents and trademarks are obtained.
- **Pricing** may be low penetration pricing to build market share rapidly, or high skim pricing to recover development costs.
- **Distribution** is selective until consumers show acceptance of the product.
- **Promotion** is aimed at innovators and early adopters. Marketing communications seeks to build product awareness and to educate potential consumers about the product.

(b) Growth Stage

In the growth stage, the firm seeks to build brand preference and increase market share.

- **Product** quality is maintained and additional features and support services may be added.
- **Pricing** is maintained as the firm enjoys increasing demand with little competition.
- **Distribution** channels are added as demand increases and customers accept the product.
- **Promotion** is aimed at a broader audience.

(c) Maturity Stage

At maturity, the strong growth in sales diminishes. Competition may appear with similar products. The primary objective at this point is to defend market share while demagnetizing profit.

- **Product** features may be enhanced to differentiate the product from that of competitors.
- **Pricing** may be lower because of the new competition.
- **Distribution** becomes more intensive and incentives may be offered to encourage preference over competing products.
- **Promotion** emphasizes product differentiation.

(d) Decline Stage

In the Decline Stage, the market is shrinking, reducing the overall amount of profit that can be shared amongst the remaining competitors. At this stage, great care has to be taken to manage the product carefully.

As sales decline, the firm has several options :

- **Maintain the product**, possibly rejuvenating it by adding new features and finding new uses.
- Harvest the product - reduce costs and continue to offer it, possibly to a loyal niche segment.
- Discontinue the product, liquidating remaining inventory or selling it to another firm that is willing to continue the product.

The marketing mix decisions in the decline phase will depend on the selected strategy. For example, the product may be changed if it is being rejuvenated, or left unchanged if it is being harvested or liquidated. The price may be maintained if the product is harvested, or reduced drastically if liquidated.

Criticisms for Product Life Cycle

- The life-cycle patterns are too variable in shape and duration.
- Marketers can seldom tell what stage the product is in.
- A product may appear to be mature when actually it has reached a plateau prior to another upsurge.
- In reality very few products follow such a prescriptive cycle.
- The length of each stage varies enormously.
- The decisions of marketers can change the stage, for example from maturity to decline by price-cutting.
- Not all products go through each stage. Some go from introduction to decline.

4.2.1 PLC Marketing Strategies

Q6. Explain the various marketing strategies for product life cycle.

Ans : **(Aug.-21, Dec.-19, Dec.-17)**

Product passes through four stages of its life cycle. Every stage poses different opportunities and challenges to the marketer. Each of stages demands the unique or distinguished set of marketing strategies. A marketer should watch on its sales and market situations to identify the stage in which the product is passing through, and accordingly, he should design appropriate marketing strategies. Here, strategy basically involves four elements – product, price, promotion, and distribution.

By appropriate combination of these four elements, the strategy can be formulated for each stage of the PLC. Every stage gives varying importance to these elements of marketing mix. Let us analyze basic strategies used in each of the stages of the PLC, as described by Philip Kotler.

(A) Marketing Strategies for Introduction Stage

Introduction stage is marked with slow growth in sales and a very little or no profit. Note that product has been newly introduced, and a sales volume is limited; product and distribution are not given more emphasis. Basic constituents of marketing strategies for the stage include price and promotion. Price, promotion or both may be kept high or low depending upon market situation and management approach. Observe Figure 3.

Following are the possible strategies during the first stage:

		Promotion: High	Promotion: Low
Price	High	Rapid Skimming Strategy	Slow Skimming Strategy
	Low	Rapid Penetration Strategy	Slow Penetration Strategy

Fig.: Marketing Strategies for Introduction Stage

1. Rapid Skimming Strategy

This strategy consists of introducing a new product at high price and high promotional expenses. The purpose of high price is to recover profit per unit as much as possible. The high promotional expenses are aimed at convincing the market the product merits even at a high price. High promotion accelerates the rate of market penetration, in all; the strategy is preferred to skim the cream (high profits) from market.

This strategy makes a sense in following assumptions

(a) Major part of market is not aware of the product.

(b) Customers are ready to pay the asking price.

(c) There possibility of competition and the firm wants to build up the brand preference.

(d) Market is limited in size.

2. Slow Skimming Strategy

This strategy involves launching a product at a high price and low promotion. The purpose of high price is to recover as much as gross profit as possible. And, low promotion keeps marketing expenses low. This combination enables to skim the maximum profit from the market.

This strategy can be used under following assumptions:

(a) Market is limited in size.

(b) Most of consumers are aware of product.

(c) Consumers are ready to pay high price.

(d) There is less possibility of competition.

3. Rapid Penetration

The strategy consists of launching the product at a low price and high promotion. The purpose is the faster market penetration to get larger market share. Marketer tries to expand market by increasing the number of buyers.

It is based on following assumptions:

(a) Market is large.

(b) Most buyers are price-sensitive. They prefer the low-priced products.

(c) There is strong potential for competition.

(d) Market is not much aware of the product. They need to be informed and convinced.

(e) Per unit cost can be reduced due to more production, and possibly more profits at low price.

4. Slow Penetration

The strategy consists of introducing a product with low price and low-level promotion. Low price will encourage product acceptance, and low promotion can help realization of more profits, even at a low price.

Assumptions of this strategy:

(a) Market is large.

(b) Market is aware of product.

(c) Possibility of competition is low.

(d) Buyers are price-sensitive or price-elastic, and not promotion-elastic.

B) Marketing Strategies for Growth Stage

This is the stage of rapid market acceptance. The strategies are aimed at sustaining market growth as long as possible. Here, the aim is not to increases awareness, but to get trial of the product. Company tries to enter the new segments. Competitors have entered the market. The company tries to strengthen competitive position in the market. It may forgo maximum current profits to earn still greater profits in the future.

Several possible strategies for the stage are as under:

1. Product qualities and features improvement
2. Adding new models and improving styling
3. Entering new market segments
4. Designing, improving and widening distribution network
5. Shifting advertising and other promotional efforts from increasing product awareness to product conviction
6. Reducing price at the right time to attract price-sensitive consumers
7. Preventing competitors to enter the market by low price and high promotional efforts

C) Marketing Strategies for Maturity Stage

In this stage, competitors have entered the market. There is severe fight among them for more market share. The company adopts offensive/ aggressive marketing strategies to defeat the competitors.

Following possible strategies are followed:

1. To Do Nothing

To do nothing can be an effective marketing strategy in the maturity stage. New strategies are not formulated. Company believes it is advisable to do nothing. Earlier or later, the decline in the sales is certain. Marketer tries to conserve money, which can be later on invested in new profitable products. It continues only routine efforts, and starts planning for new products.

2. Market Modification

This strategy is aimed at increasing sales by raising the number of brand users and the usage rate per user. Sales volume is the product (or outcome) of number of users and usage rate per users. So, sales can be increased either by increasing the number of users or by increasing the usage rate per user or by both. Number of users can be increased by variety of ways.

There are three ways to expand the number of users:

i) Convert non-users into users by convincing them regarding uses of products

ii) Entering new market segments

iii) Winning competitors' consumers

Sales volume can also be increased by increasing the usage rate per user.

This is possible by following ways:

i) More frequent use of product

ii) More usage per occasion

iii) New and more varied uses of product

3. Product Modification

Product modification involves improving product qualities and modifying product characteristics to attract new users and/or more usage rate per user.

Product modification can take several forms:

i) **Strategy for Quality Improvement:** Quality improvement includes improving safety, efficiency, reliability, durability, speed, taste, and other qualities. Quality improvement can offer more satisfaction.

ii) Strategy for Feature Improvement: This includes improving features, such as size, colour, weight, accessories, form, get-up, materials, and so forth. Feature improvement leads to convenience, versatility, and attractiveness. Many firms opt for product improvement to sustain maturity stage.

Product improvement is beneficial in several ways like:

(i) It builds company's image as progressiveness, dynamic, and leadership,

(ii) Product modification can be made at very little expense,

(iii) It can win loyalty of certain segments of the market,

(iv) It is also a source of free publicity, and

(v) It encourages sales force and distributors.

4. Marketing Mix Modification

This is the last optional strategy for the maturity stage. Modification of marketing mix involves changing the elements of marketing mix. This may stimulate sales. Company should reasonably modify one or more elements of marketing mix (4P's) to attract buyers and to fight with competitors. Marketing mix modification should be made carefully as it is easily imitated.

D) Marketing Strategies for Decline Stage

Company formulates various strategies to manage the decline stage. The first important task is to detect the poor products. After detecting the poor products, a company should decide whether poor products should be dropped. Some companies formulate a special committee for the task known as Product Review Committee. The committee collects data from internal and external sources and evaluates products. On the basis the report submitted by the committee, suitable decisions are taken.

Company may follow any of the following strategies:

1. Continue with the Original Products

This strategy is followed with the expectations that competitors will leave the market. Selling and promotional costs are reduced. Many times, a company continues its products only in effective segments and from remaining segments they are dropped. Such products are continued as long as they are profitable.

2. Continue Products with Improvements

Qualities and features are improved to accelerate sales. Products undergo minor changes to attract buyers.

3. Drop the Product

When it is not possible to continue the products either in original form or with improvement, the company finally decides to drop the products.

Product may be dropped in following ways:

i) Sell the production and sales to other companies

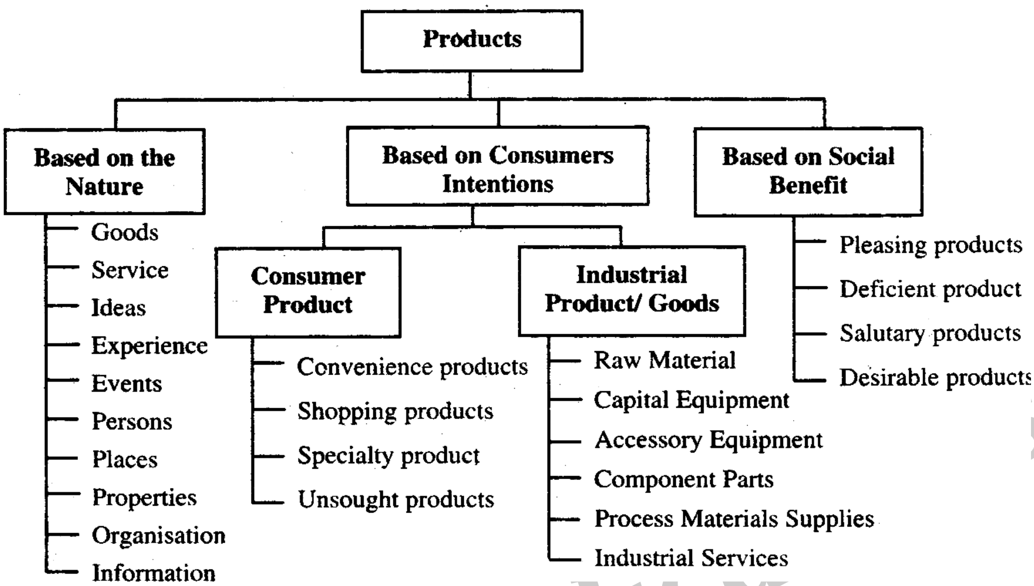
ii) Stop production gradually to divert resources to other products

iii) Drop product immediately.

4.3 Product Classification

Q7. What are the different types of Product Classification?

Ans : **(Dec.-17)**



A) Based on the Nature

There are ten types of products which can be classified on the basis of their nature:

1. Goods

Goods are physical and tangible materials which can be possessed and owned, e.g., wheat, bicycles, etc.

2. Services

Services are intangible in nature and their production and consumption process occurs at the same time. It cannot be owned but can be possessed after being paid, e.g., banking and insurance services, etc.

3. Ideas

For developing a product, every marketer has an idea on the basis of which production process is carried-out. Like, Charles Reason of Revlon stated that although in their factory they produce cosmetics, but in their stores they are selling hope, e.g., advertisement agency, consultancy firm.

4. Experiences

A company can create a market experience for their customers by organising various goods and services at one place, e.g., Science city. Water World, etc.

5. Events

Event also acts as a product for marketers. Events are strongly connected with the experience of people attending it. The companies realise the power of events and seek to associate their products with the event. Thus, event sponsorship is a big business as many companies try to leverage their products in the event. These events are time-based which are held in a gap of one or more years like Award functions, Olympics, etc.

6. Persons

Many marketers work as a publicity and endorsement agent for film stars and sports persons. Here, a film star or a sports person is a product for the marketer. This type of marketing is commonly known as celebrity marketing.

7. Places

Different places can be marketed to promote tourism business. For example, tourism in Kerala was promoted by campaigning it as God's Own Country.

8. Properties

Properties are personal assets which are intangible in nature. It can be in form of real estate property (e.g., Amby Valley project) or financial property i.e., shares and bonds (e.g., Maruti or TCS IPO Campaign)

9. Organisations

In order to create a positive and dynamic company image, the organisations work actively. For example, Philips uses a tagline "Let's Make things Better".

10. Information

Information also acts as a product, when produced and marketed. Useful information can be provided as a product in different forms like dictionaries, encyclopaedias, etc.

B) Based on Consumer Types

Consumer products/goods are those bought by final consumers for personal consumption. Marketers usually classify these products further based on how consumers go about buying them. Consumer products include convenience products, shopping products, specialty products, and unsought products. These products differ in the ways consumers buy them, and therefore in how they are marketed.

According to United States Consumer Product Safety Act, The term "consumer product" means any article, or component part thereof, produced or distributed

1. For sale to a consumer for use in or around a permanent or temporary household or residence, a school, in recreation, or otherwise, or
2. For the personal use, consumption or enjoyment of a consumer in or around a permanent or temporary household or residence, a school, in recreation, or otherwise; but such term does not include (1) any article which is not customarily produced or distributed for sale to, or use or consumption by, or enjoyment of, a consumer.

On the basis of consumer's intentions product can be classified into two categories:

A) Consumer Product

B) Industrial Product

A) Consumer Product

"Product bought by final consumer for personal consumption" Its includes or consumer products divided into four classes.

i) Convenience product

ii) Shopping Product

iii) Specially Products

iv) Unsought Product

i) Convenience Product

Consumer product that the customer usually buyers frequently, immediately, and with a minimum of comparison and buying effort consumer products can be divided further into staples, impulse products, and emergency products.

Staples Products are those product that consumers buy on a regular basis, such as ketchup, tooth path etc., impulse products are those product that purchased with little planning or search effort, such as Candy bar, and magazine, emergency product is those when consumer need is urgent, e.g. umbrellas during a rainstorm etc.

ii) Shopping Product

Consumer good that the consumer, in the process of selection and purchase, characteristically compares as such bases as suitability, quality, price, and style. Example:

Furniture, clothing, used cars, major appliances and hotel and motel services.

iii) Specialty Products

Consumer product with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort. e.g. Specific brands and types of cars, high-priced photographic equipment, designer clothes etc.

iv) Unsought Products

Unsought products are consumer products that the consumer either does not knows about or knows about but does not normally think of buying.

Most major new inventions are unsought until the consumer become aware of them through advertising. Classes example of know but unsought products and services are life insurance and blood donations to the Red Cross.

B) Industrial Products

A product purchased for use primarily in the production of other goods is referred as 'industrial goods'. These products can be intended for resale, for commencing a business or for producing other products.

American Marketing Association has defined the industrial goods as "Goods which are destined to be sold primarily for use in producing other goods or rendering services as contrasted with goods destined to be sold primarily to the ultimate consumers".

Industrial or business products can be categorised on the basis of their uses:

1. Raw Materials

The production or manufacturing process requires material input. Such inputs are called raw materials. These raw materials are used directly in the production process and are the part of final product. Raw materials can be of two types, viz., agricultural products (livestock, fruits and grain) and natural products (products of the seas and forests, land and minerals).

2. Capital Equipment

Capital equipments are different tools and machines used by the firm in the production and operations process. They are referred as installations. They are long-lasting, durable and expensive machines, e.g., cranes, lathe, machineries, etc.

3. Accessory Equipment

Equipments like printers, calculators, word processors, hand tools, meters, etc., are all accessories which are used during the production process. But, they are not a part of final manufactured product.

4. Component Parts

These are items or parts, which when processed, become a component of the final product. They are a part of large product being manufactured and are easily distinguishable from the final product, e.g., engine gear boxes, batteries, rims, tyres and tubes are all the component parts of an automobile.

5. Process Materials

The process materials are directly used for producing another product. These products are difficult to identify. For example, a cosmetics company might use alcohol in manufacturing make-up or perfume.

6. Supplies

These are non-durable, low-cost, essential items which are used on daily basis. They are used to assist and accelerate firm's operations but are not a part of the final product, e.g., office stationaries, paints, cleaning material, lubricating oils, maintenance items, etc.

7. Industrial Services

Industrial services are intangible in nature and are used for performing firm's operations. These services include marketing, financial and legal services. The production process of a firm cannot be carried out without these services.

C) Based on Social Benefits

Based on the social characteristics, products can be classified on the basis of long-term benefits and short-term benefits, such as:

1. Pleasing Products

These products offer immediate satisfaction to the consumer but are injurious to them in the long-run, e.g., consumption of alcohol, cigarettes, pan masala, etc.

2. Deficient Products

Deficient products neither provide any immediate satisfaction nor give long-term benefits to the firm. These are non-profitable products; therefore companies are least interested in producing them, e.g., pager or typewriter.

3. Salutary Products

These products have long-term benefits but do not provide immediate satisfaction to consumers. Thus, companies are by and large impassive towards these products. However, by applying different marketing strategies, such products can be made attractive for the consumers in the long-run, e.g., soyabean chips (diet chips).

4. Desirable Products

Desirable products offer both long-term as well as short-term benefits to the consumers, i.e., immediate satisfaction and consumer welfare, e.g., healthy, tasty and ready- made food products. Ethical organisations try to make it a point to manufacture desirable products so that they can earn their profits as well as carry out their responsibilities towards society.

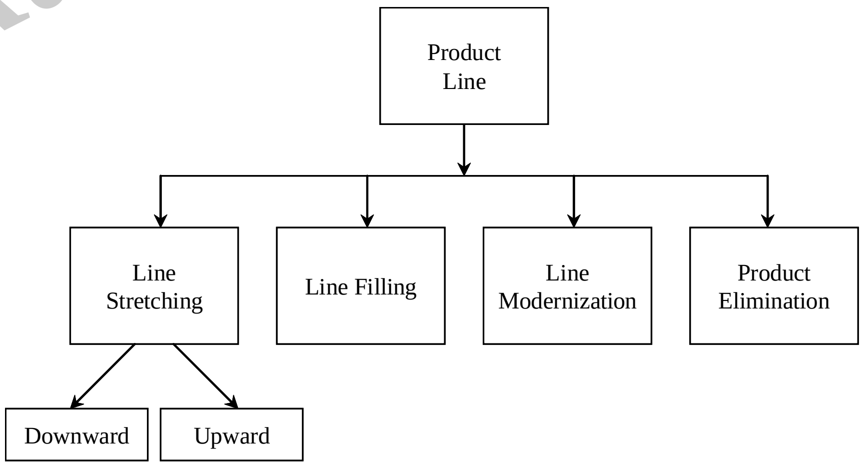
4.4 Product Line Decision

Q8. Explain briefly about various decision of product line.

Ans : **(May-19)**

A product line is a group of products that are closely related because they perform a similar function, targeted at the same customer group and marketed through the same channel.

Decisions of Product Line



1. Line Stretching

Line Stretching consists in going beyond the current range of products. The Strength can occur upwards and downwards or in both the directions.

a) **Down ward Stretch :** Many Companies start with high end products, but later stretch down wards by adding low priced products. The down-end products are advertised heavily so as to pull customers to the whole line on the basis of price.

Ex.: P&Gs Ariel began at Premium level and then the down market Ariel bar was introduced to tap the lower segment.

b) **Upward Stretch :** Here a company operates in the lower end of the market. By upward Stretch, it proposes to enter the higher end. It is motivated by higher margin of profits, higher growth rate or position of a full range marketer. This division has its own risk. Example: Lifeboy bath soap stretched to Lifebuoy gold.

2. Line Filling

With in the present range more product items can be added. This is called line filling. There should not be a missing link in the line. It may result in lost sales. Line filling may help to fill up excess capacity.

Reasons Filling

- To Reach for Incremental profits
- To Satisfy dealers
- To Utilize excess capacity
- To offer a full line a product.

Ex : Cinthol in different variants like old cinthol, cinthol lime, cinthol international etc.

3. Line Modernization

Modification and modernization of existing product line is another key concern of the product manager. In some cases the product line length may adequate but some of the product may has lost competitive edge, because of technological or fashion or additional features, which in turn would be reflected in the overall product returns.

Line Featuring

One or a few product items are selected by the product line managers for featuring some times low end products are featured as traffic builders.

Example Videocon has selected its RS 8,000 worth colour TV for featuring. It attracts customers inside the shop. Its high-end product Bazooka is, however priced at Rs. 2400. Sometimes, a high-end price is selected for featuring to give prestige to the enter product line. Some times weak items are selected for featuring.

4. Product Elimination

In many organizations weak products are allowed to be continued in the product line simply because of emotional/sentimental reasons. These products become drains on managerial line and other resources. A Product line needs pruning to eliminate low profit products.

Some times on entire product line is eliminated

Ex XEROX dropped its line of computers and Gillette its line of digital watches. Line pruning is also resorted to when there is shortage of Raw materials and energy. It is difficult to maintain production capacity.

Q9. What are the benefits of product line decision.

Ans :

1. Advertising economies

Product lines provide economies of scale in advertising. Several products can be advertised under the umbrella of the line. Maggi can talk about its sauce being "its different" and promote the entire line.

2. Package uniformity

A product line can benefit from package uniformity. All packages in the line may have a common look and still keep their individual identities. Maggi soup is a good example.

3. Standardized components

Product lines allow firms to standardize components, thus reducing manufacturing and inventory costs. For example, General Motors uses the same parts on many automobile makes and models.

4. Efficient sales and distribution

A product line enables sales personnel for companies like Procter & Gamble to provide a full range of choices to customers. Distributors and retailers are often more inclined to stock the company's products if it offers a full line. Transportation and warehousing costs are likely to be lower for a product line than for a collection of individual items.

5. Equivalent quality

Purchasers usually expect and believe that all products in a line are about equal in quality. Consumers expect that all Maggi sauces and all Gillette razors will be of similar quality.

4.5 Product Mix Decision

Q10. Define Product Mix? Explain characteristic of a prodcuct mix.

Ans : **(Dec.-20, Dec.-17)**

A product mix (also called product assortment) is the set of all product lines and items that a particular seller offers for sale to buyers". An organisation with several product lines has a product mix. Product mix need not consist of related products. In other words, product mix is "the composite of products offered for sale by a firm".

It is a collection of products manufactured or distributed by a firm. It is the full list of all products offered by a firm. For example, a firm manufactures watches, machinery items, electric lamp, etc.

According to American Marketing Association, "Product Mix is the composite of products offered for sale by a firm or a business unit". For example, if an enterprise manufactures or deals with different varieties of soap, oil, toothpaste, toothbrush, etc., the group of all these products is called 'Product Mix'.

A product mix is the combination of products that a company offers. The greater the number of offerings drives the greater the chance of satisfying a customer. Many companies offer only one product. The company may have expertise in this one product and completely satisfy the needs of its customer base. If customers' needs warrant and the company capabilities are available, the original product, or master brand, may be expanded into additional offerings.

Companies can evolve and grow by enhancing their product mix to meet additional needs of the customer or needs of different customers. However, when companies offer more products, a larger marketing budget is required and may lead to some overlap of marketing efforts and same company product competition in the marketplace.

For example, the Dodge Challenger and the Ford Mustang each fill a consumer need yet compete directly against each other. Most companies have grown-up behind a single product concept - the Nike running shoe, Pepsi Cola, and State Farm Insurance.

A company's product mix has a certain width, length, depth, and consistency. These concepts are illustrated in figure for selected Hindustan Unilever Limited products:

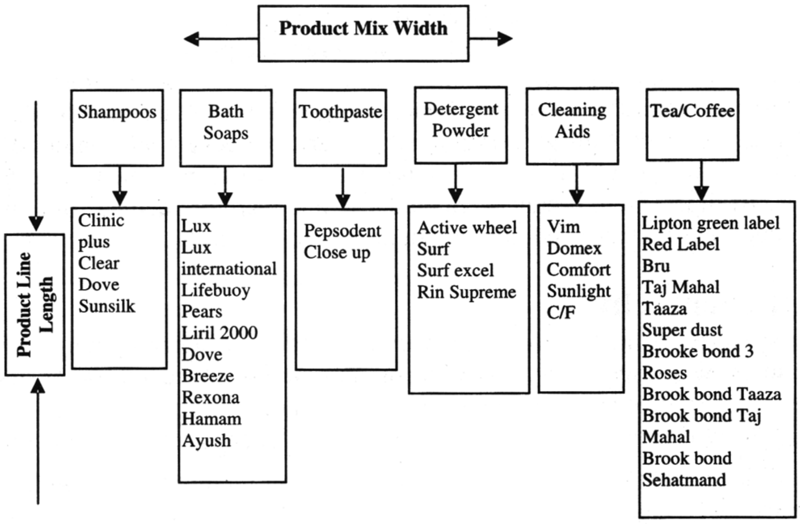


Fig.: HUL Product Mix

1. Product Mix Length

The length of a product mix refers to the total number of items in the mix. HUL typically carries many brands within each line. For example, it sells six laundry detergents, ten soaps, four shampoos, and two toothpastes, etc.

2. Product Mix Width

The width of a product mix refers to how many different product lines the company carries. For example, HUL markets a fairly wide product mix consisting of many product lines, including paper, food, household cleaning, medicinal, cosmetics, and personal care products. Figure shows a product mix width of the five lines. (In fact, HUL produces many additional lines).

3. Product Mix Depth

The depth of a product mix refers to how many variants are offered of each product in the line. In other words, product mix depth refers to the number of versions offered of each product in the line. If Close up comes in 5 sizes and three formulation (red, blue, green), Close up has a depth of 15. The average depth of HUL product mix can be calculated by averaging the number of variants within the brand groups.

4. Product Mix Consistency

The consistency of the product mix refers to how closely relate the various product lines are in end use, production requirements, distribution channels, or some other way. HUL product lines are consistent in so far as they are consumer goods that go through the same distribution channels.

Q11. Explain Various Product Mix Strategies

Ans :

Key product mix strategies that are important to be undertaken are :

1. Product Line Expansion/Contraction

Product line concentration is also called concentration of product mix. A fat and long product line is thinned-out to reduce the unprofitable products. Product line expansion is also called diversification. A firm may utilize the marketing opportunities by expanding its product mix, breadth-wise and depth-wise.

For example, manufacturers of audio equipment may commence the production of T.V. Sets and tape recorders. A firm may add new product items or delete existing ones or do both in its existing product-lines. Further, a firm may go-up in its technology and use state of the art technology or decide to stretch the product-line downwards toward a more simple technology.

2. Product Modification

Product modification refers to any substantial change made to the attributes (size, shape, colour, style, price, etc.) of a product, modification of a product is usually undertaken in an attempt to revitalise it in order to increase demand. "Sometimes just a cosmetic modification may be required in the existing product-line or product item.

These changes may be tangible or intangible, and may be achieved by re-formulation, redesign, changing unit sizes, and adding or removing features. 'Pan Parag', the famous pan masala, introduced new sachet packs of different sizes and at different prices. This helped it to penetrate and expand the market. When the firm decided to add tobacco (zarda) to the pan masala, the effect was a manifold increase in its market share. Most often these changes are dictated by a firm's long-term goals, customer preferences, and competitive developments in a particular product market.

3. Product Deletion/Elimination

There are some products which cannot be improved or modified to suit the market. Here, the profitable alternative would be to withdraw the product from the market. The process of withdrawal is technically called product elimination. This involves discontinuing or deleting either the individual product or the entire product-line.

Generally, products that are abandoned are those for which demand is low leading to uneconomical short production runs or frequent uneconomical price and inventory adjustments. These products could also be consuming excessive management time not justified by their profit contribution. At times, these products are outdated, and therefore detract from the company's image. In brief, these products have either lived their life or are unprofitable.

Q12. Explain the Factors Influencing Change in Product Mix.

Ams :

1. Change in the Market Demand

The change on demand of a product due to change in habits, fashion, purchasing power, income, attitudes and preferences of consumers affects the decision of product mix. If the demand of a new product is increasing in the market and the production of that new product is beneficial to the company.

2. Cost of Production

If the company can develop a new product with the help of the same labor form, plant, machinery, and techniques, it can decide to start the production of that at lower cost.

3. Quantity of Production

If the production of the new product is considered to be at a large- scale and the company can add one more item to its product line just to get the economies of large-scale production.

4. Change in Purchasing Power or Behaviour of the Customer

If the numbers of customers are increased with the increase in their purchasing power or with the change in their buying habits, fashion etc.

5. Goodwill of the Company

If the company is of repute, it can market any new product in the market without much difficulty. It may take decisions of adding new product without any hitch because it knows that customers will accept any product by the firm.

4.6 Pricing Decisions

4.6.1 Concept of Price

Q13. Define Pricing. What are the objective of pricing?

Ans : **(Dec.-18, May-18, Dec.-17)**

Price is the marketing-mix element that produces revenue the others produce costs. Price is also one of the most flexible elements: it can be changed quickly, unlike product features and channel commitments.

Pricing is the art of translating into quantitative terms (rupees and paisa) the value of the product or a unit of a service to customers at a point in time.

The pricing decision is a critical one for most marketers, yet the amount of attention given to this key area is often much less than is given to other marketing decisions. One reason for the lack of attention is that many believe price setting is a mechanical process requiring the marketer to utilize financial tools, such as spreadsheets, to build their case for setting price levels. While financial tools are widely used to assist in setting price, marketers must consider many other factors when arriving at the price for which their product will sell.

Meaning of Pricing

Pricing is the process of determining what a company will receive in exchange for its products. Pricing factors are manufacturing cost, market place, competition, market condition, Quality of product. The effective price is the price the company receives after accounting for discounts, promotions, and other incentives.

Definition of Pricing

According to Prof. K.C. Kite, "Pricing is a managerial task that involves establishing pricing objectives, identifying the factors governing the price, ascertaining their relevance and significance, determining the product value in monetary terms and formulation of price policies and the strategies, implementing them and controlling them for the best results".

Objectives of Pricing

The firm's pricing objectives must be identified in order to determine the optimal pricing. Common objectives include the following :

- **Current Profit Maximization**

  Seeks to maximize current profit, taking into account revenue and costs. Current profit maximization may not be the best objective if it results in lower long-term profits.

- **Current Revenue Maximization**

  Seeks to maximize current revenue with no regard to profit margins. The underlying objective often is to maximize long-term profits by increasing market share and lowering costs.

- **Maximize quantity**

  Seeks to maximize the number of units sold or the number of customers served in order to decrease long-term costs as predicted by the experience curve.

- **Maximize Profit Margin**

  Attempts to maximize the unit profit margin, recognizing that quantities will be low.

- **Quality Leadership**

  Use price to signal high quality in an attempt to position the product as the quality leader.

- **Partial Cost Recovery**

  An organization that has other revenue sources may seek only partial cost recovery.

- **Survival**

  In situations such as market decline and overcapacity, the goal may be to select a price that will cover costs and permit the firm to remain in the market. In this case, survival may take a priority over profits, so this objective is considered temporary.

- **Status quo**

  The firm may seek price stabilization in order to avoid price wars and maintain a moderate but stable level of profit.

Q14. Explain the Process of Pricing.

Ans :

The following is a general sequence of steps that might be followed for developing the pricing of a new product:

1. **Develop marketing strategy**

   Perform marketing analysis, segmentation, targeting, and positioning.

2. **Make marketing mix decisions**

   Define the product, distribution, and promotional tactics.

3. **Estimate the demand curve**

   Understand how quantity demanded varies with price.

4. **Calculate cost**

   Include fixed and variable costs associated with the product.

5. **Understand environmental factors**

   Evaluate likely competitor actions, understand legal constraints, etc.

6. **Set pricing objectives**

   For example, profit maximization, revenue maximization, or price stabilization (status quo).

Determine pricing: Using information collected in the above steps, select a pricing method, develop the pricing structure, and define discounts.

Q15. Explain the Need of Pricing.

Ans :

The different needs of pricing are as follows:

1. **Sales Increase**

   A low price can achieve the objective of increase in sale volume. A low price is not always necessary. A right price can stimulate the desired sales increase. In practice price and non-price objectives are co-ordination to produce the desired increase in sales.

2. **Increasing the Market Share**

   Price is typically one of those factors that carries the heaviest responsibility for improving or maintaining market share- a sensitive indicator of customers and trade acceptance.

3. **Profit Level**

   Return on investment say 15 to 20 percent is a common decision in marketing, pricing for profit is the most logical of all pricing objectives.

4. **Perfect Competition**

   Much firm desire the stabilization of price levels and operating margins as more important then the maintenances of a certain level of short run profit.

Q16. Explain the Importance of Pricing.

Ans :

The importance of price is self-evident. The process of setting an adequate price is not an exact science. The importance of pricing can be summarized as follows:

i) Pricing leads to maximize short term and long-run profit.

ii) It helps to increase sales volume.

iii) It helps to increase monetary sales.

iv) It supports to an organization for increasing market share.

v) It helps to obtain a target rate of return on investment.

vi) It assists to obtain a target rate of return on sales.

vii) It helps to stabilize market or stabilize market price.

viii) It desensitizes customers to product price.

ix) It discourages new entrants into the industry.

x) Pricing encourages the exit of marginal firms from the industry.

Q17. Explain different types of pricing.

Ans : **(May-18)**

Pricing for products or services encompass three main ways to improve profits. These are that the business owner can cut costs or sell more, or find more profit with a better pricing strategy. When costs are already at their lowest and sales are hard to find, adopting a better pricing strategy is a key option to stay viable.

Merely raising prices is not always the answer, especially in a poor economy. Too many businesses have been lost because they priced themselves out of the marketplace. On the other hand, too many business and sales staff leave "money on the table". One strategy does not fit all, so adopting a pricing strategy is a learning curve when studying the needs and behaviors of customers and clients

There are various ways of setting prices as outlined in the following:

1. Cost-plus Pricing

Cost-plus pricing is the simplest pricing method. The firm calculates the cost of producing the product and adds on a percentage (profit) to that price to give the selling price. This method although simple has two flaws; it takes no account of demand and there is no way of determining if potential customers will purchase the product at the calculated price.

This appears in two forms, Full cost pricing which takes into consideration both variable and fixed costs and adds a % markup. The other is direct cost pricing which are variable costs plus a % markup, the latter is only used in periods of high competition as this method usually leads to a loss in the long run.

2. Creaming or Skimming

In most skimming, goods are sold at higher prices so that fewer sales are needed to break even. Selling a product at a high price, sacrificing high sales to gain a high profit is therefore "skimming" the market. Skimming is usually employed to reimburse the cost of investment of the original research into the product: commonly used in electronic markets when a new range, such as DVD players, are firstly dispatched into the market at a high price. This strategy is often used to target "early adopters" of a product or service. Early adopters generally have a relatively lower price-sensitivity - this can be attributed to: their need for the product outweighing their need to economize; a greater understanding of the product's value; or simply having a higher disposable income.

This strategy is employed only for a limited duration to recover most of the investment made to build the product. To gain further market share, a seller must use other pricing tactics such as economy or penetration. This method can have some setbacks as it could leave the product at a high price against the competition.

3. Limit Pricing

A limit price is the price set by a monopolist to discourage economic entry into a market, and is illegal in many countries. The limit price is the price that the entrant would face upon entering as long as the incumbent firm did not decrease output. The limit price is often lower than the average cost of production or just low enough to make entering not profitable. The quantity produced by the incumbent firm to act as a deterrent to entry is usually larger and would be optimal for a monopolist, but might still produce higher economic profits than would be earned under perfect competition.

The problem with limit pricing as a strategy is that once the entrant has entered the market, the quantity used as a threat to deter entry is no longer the incumbent firm's best response. This means that for limit pricing to be an effective deterrent to entry, the threat must in some way be made credible. A way to achieve this is for the incumbent firm to constrain itself to produce a certain quantity whether entry occurs or not. An example of this would be if the firm signed a union contract to employ a certain (high) level of labor for a long period of time. In this strategy price of the product become limit according to budget.

4. Loss leader

A loss leader or leader is a product sold at a low price (i.e. at cost or below cost) to stimulate other profitable sales. This would help the companies to expand its market share as a whole.

5. Market-oriented Pricing

Setting a price based upon analysis and research compiled from the target market. This means that marketers will set prices depending on the results from the research. For instance if the competitors are pricing their products at a lower price, then it's up to them to either price their goods at an above price or below, depending on what the company wants to achieve .

6. Penetration Pricing

Setting the price low in order to attract customers and gain market share. The price will be raised later once this market share is gained.

7. Price discrimination

Setting a different price for the same product in different segments to the market. For example, this can be for different ages, such as classes, or for different opening times.

8. Premium Pricing

Premium pricing is the practice of keeping the price of a product or service artificially high in order to encourage favorable perceptions among buyers, based solely on the price. The practice is intended to exploit the (not necessarily justifiable) tendency for buyers to assume that expensive items enjoy an exceptional reputation, are more reliable or desirable, or represent exceptional quality and distinction.

9. Predatory Pricing

Aggressive pricing (also known as "undercutting") intended to drive out competitors from a market. It is illegal in some countries.

10. Contribution margin-based Pricing

Contribution margin-based pricing maximizes the profit derived from an individual product, based on the difference between the product's price and variable costs (the product's contribution margin per unit), and on one's assumptions regarding the relationship between the product's price and the number of units that can be sold at that price. The product's contribution to total firm profit (i.e. to operating income) is maximized when a price is chosen that maximizes the following: (contribution margin per unit) X (number of units sold).

11. Psychological Pricing

Pricing designed to have a positive psychological impact. For example, selling a product at Rs. 3.95 or Rs. 3.99, rather than Rs. 4.00.

12. Dynamic Pricing

A flexible pricing mechanism made possible by advances in information technology, and employed mostly by Internet based companies. By responding to market fluctuations or large amounts of data gathered from customers - ranging from where they live to what they buy to how much they have spent on past purchases - dynamic pricing allows online companies to adjust the prices of identical goods to correspond to a customer's willingness to pay. The airlihe industry is often cited as a dynamic pricing success story. In fact, it employs the technique so artfully that most of the passengers on any given airplane have paid different ticket prices for the same flight.

13. Price leadership

An observation made of oligopolistic business behavior in which one company, usually the dominant competitor among several, leads the way in determining prices, the others soon following. The context is a state of limited competition, in which a market is shared by a small number of producers or sellers.

14. Target_Pricing

Pricing method whereby the selling price of a product is calculated to produce a particular rate of return on investment for a specific volume of production. The target pricing method is used most often by public utilities, like electric and gas companies, and companies whose capital investment is high, like automobile manufacturers.

Target pricing is not useful for companies whose capital investment is low because, according to this formula, the selling price will be understated. Also the target pricing method is not keyed to the demand for the product, and if the entire volume is not sold, a company might sustain an overall budgetary loss on the product.

14. Absorption Pricing

Method of pricing in which all costs are recovered. The price of the product includes the variable cost of each item plus a proportionate amount of the fixed costs and is a form of cost- plus pricing

15. High-low Pricing

Method of pricing for an organization where the goods or services offered by the organization are regularly priced higher than competitors, but through promotions, advertisements, and or coupons, lower prices are offered on key items. The lower promotional prices are designed to bring customers to the organization where the customer is offered the promotional product as well as the regular higher priced products.

16. Premium decoy Pricing

Method of pricing where an organization artificially sets one product price high, in order to boost sales of a lower priced product.

17. Marginal-cost Pricing

In business, the practice of setting the price of a product to equal the extra cost of producing an extra unit of output. By this policy, a producer charges, for each product unit sold, only the addition to total cost resulting from materials and direct labor. Businesses often set prices close to marginal cost during periods of poor sales. If, for example, an item has a marginal cost of Rs. 49 and normal selling price is Rs. 53, the firm selling the item might wish to lower the price to Rs. 50. The business would choose this approach because the incremental profit of 1 rupee from the transaction is better than no sale at all.

18. Value-based Pricing

Pricing a product based on the value the product has for the customer and not on its costs of production or any other factor. Value-based pricing sells the product at the price based on the customer's perceived value of the product. A good example where such a pricing system is used is on luxury items where the actual value is quite different from the perceived value. For example, a luxury item may not actually cost nearly as much to make as what people are prepared to pay for it. It is important to note that this method of pricing is based on a sound understanding of how customers judge value and may only be possible after a product has a strong reputation.

19. Pay what you want

Pay what you want is a pricing system where buyers pay any desired amount for a given commodity, sometimes including zero. In some cases, a minimum (floor) price may be set, and/ or a suggested price may be indicated as guidance for the buyer. The buyer can also select an amount higher than the standard price for the commodity.

Giving buyers the freedom to pay what they want may seem to not make much sense for a seller, but in some situations it can be very successful. While most uses of pay what you want have been at the margins of the economy, or for special promotions, there are emerging efforts to expand its utility to broader and more regular use.

20. Freemium

Freemium is a business model that works by offering a product or service free of charge (typically digital offerings such as software, content, games, web services or other) while charging a premium for advanced features, functionality, or related products and services. The word "freemium" is a portmanteau combining the two aspects of the business model: "free" and "premium". It has become a highly popular model, with notable success.

21. Odd Pricing

In this type of pricing, the seller tends to fix a price whose last digits are odd numbers. This is done so as to give the buyers/consumers no gap for bargaining as the prices seem to be less and yet in an actual sense are too high. A good example of this can be noticed in most supermarkets where instead of pricing at $10, it would be written as $9.99. This pricing policy is common in economies using the free market policy.

22. Mark-up Pricing

Mark-up is the difference between the costs of producing and selling a product (fixed costs plus variable costs) and the market selling price of the product. It is the difference between what you spend to produce the product and what the customer spends to purchase it.

It is calculated as follows:

Fixed Cost per unit = Total Fixed Cost / Units Produced

Variable Cost per unit = Total Variable Costs / Units Produced

Selling Price = Fixed Cost per unit Variable Cost per unit Desired Profit Margin

Desired profit margin is the amount of profit you would like your business to make above your production costs. It can be expressed as a percentage of the total costs.

23. Target return Pricing

Using this strategy, a business first determines what levei of demand there is for the product and then identifies the desired profit the business would like to make from the product. The price is calculated by dividing the total desired profit by the expected level of sales. Therefore, by meeting the level of expected sales, a certain amount of profit will be received.

24. Going-rate Pricing

In the situation where the business is in a competitive market, the business charges the average price of what its competitors are charging for a similar or the same product. This may be the case where there is only a small amount of competition and the product is a necessity. It is sometimes in a business's best interest to not compete by undercutting their competition.

4.6.2 Pricing Methods

Q18. Explain the different pricing methods.

Ans : **(Dec.-20)**

Pricing Methods

I. Cost Oriented Method

1. Full Cost of Mark Up Pricing

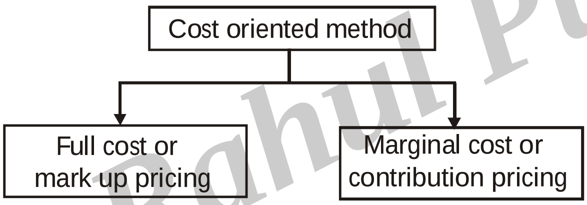
This method is cost oriented where in the market determines the complete cost associated with manufacturing or producing and then adds a mark up or the margin as per the firm's wish/desire. This is considered as an elements any pricing method and most of the time services and products are priced based on this method.

$$\text{Mark up price} = \frac{\alpha}{(1-r)}$$

Where,

α – Unit cost (fixed cost + variable cost)

r – Expected return on sales expressed as a per cent.



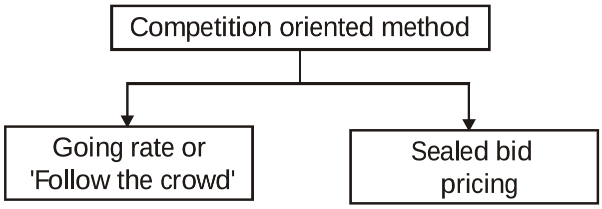
2. Marginal Cost or Contribution Pricing

This method is based on the principle of recovering "marginal cost and getting the contribution spent on the overheads (indirect expenses). This method is best suited for the giant firms characterized by intense competition in the market.

II. Competition Oriented Method

1. Going Rate or Follow the Crowd

This is competition oriented method. This method is commonly found in oligopolistic market. Under this method' the product's prices are similar to that of the competitors price in the market.



2. Sealed Bid Pricing

Sealed bid pricing is one of the method of competition oriented pricing. If the firm is engaged in large number of projects, then the suppliers have to submit their quotations as a' part tender. Submitted tender helps in knowing the firrr's cost and in understanding competitive market. If the firm offers the quoted price at cost level, it will be considered as a lowest bidder. Under such circumstances the firm can get only contract but will not be able to earn huge profits. A firm is able to earn profits if it quotes a price by considering expected profits at different price levels.

III. Customer-oriented or perceived Value Pricing

In this type of pricing method the 'product is priced depending upon value which the customers perceives about the product in their minds. There are two important constituents of perceived value of a product. They are acquisition value and transactions value.

The acquisition value refers to perceive the advantages and sacrifices made by the customer to get the products is determined.

In transaction value both the prices of seller and buyer are compared to arrive at a common price at which it should be sold.

For measuring perceived value a marketer must consider the following methods.

(i) Direct price rating method

(ii) Direct perceived value rating

(iii) Diagnostic method

(iv) Economic value to the customer.

4.6.3 Pricing Strategies

Q19. Explain different types of Pricing Strategies.

Ans : **(Dec.-19)**

1. Value based Pricing

Pricing a product based on the value the product has for the customer and not on its costs of production or any other factor. Value-based pricing sells the product at the price based on the customer's perceived value of the product. A good example where such a pricing system is used is on luxury items where the actual value is quite different from the perceived value. For example, a luxury item may not actually cost nearly as much to make as what people are prepared to pay for it. It is important to note that this method of pricing is based on a sound understanding of how customers judge value and may only be possible after a product has a strong reputation.

2. Cost based Pricing

This involves setting a price by adding a fixed amount or percentage to the cost of making or buying the product. In some ways this is quite an old-fashioned and somewhat discredited pricing strategy, although it is still widely used. After all, customers are not too bothered what it cost to make the product they are interested in what value the product provides them.

Cost-plus (or "mark-up") pricing is widely used in retailing, where the retailer wants to know with some certainty what the gross profit margin of each sale will be. An advantage of this approach is that the business will know that its costs are being covered. The main disadvantage is that cost-plus pricing may lead to products that are priced un-competitively.

The main advantage of cost-based pricing is that selling prices are relatively easy to calculate. If the mark-up percentage is applied consistently across product ranges, then the business can also predict more reliably what the overall profit margin will be.

3. Customer-based Pricing

(a) Skimming pricing strategy

Skimming pricing is a pricing strategy in which a marketer sets a relatively high price for a product or service at first then lowers the price over time. This strategy is often used to target "early adopters" of a product or service. These early adopters are relatively less price-sensitive because either their need for the product is more than others or they understand the value of the product better than others. In market skimming goods are sold at higher prices so that fewer sales are needed to break even.

The practice of skimming pricing involves charging a relatively high price for a short time where a new, innovative, or much-improved product is launched onto a market.

Advantages of Skimming Pricing

i) Where a highly innovative product is launched, research and development costs are likely to be high, as are the costs of introducing the product to the market via promotion, advertising etc. in such cases, the practice of price-skimming allows for some return on the set-up costs.

ii) By charging high prices initially, a company can build a high-quality image for its product. Charging initial high prices allows the firm the luxury of reducing them when the threat of competition arrives. By contrast, a lower initial price would be difficult to increase without risk in the loss of sales volume.

iii) Skimming can be an effective strategy in segmenting the market. A firm can divide the market into a number of segments and reduce the price at different stages in each, thus acquiring maximum profit from each segment

Disadvantages of Skimming Pricing

i) It is effective only when the firm is facing an inelastic demand curve. If the long run demand schedule is elastic market equilibrium will be achieved by quantity changes rather than price changes. Dominant market share will typically be obtained by a low cost producer that pursues a penetration strategy.

ii) A price skimmer must be careful with the law. Price discrimination is illegal in many jurisdictions, but yield management is not.

Price skimming can be considered either a form of price discrimination or a form of yield management. Price discrimination uses market characteristics to adjust prices, whereas yield management uses product characteristics. Marketers see this legal distinction as quaint since in almost all cases market characteristics correlate highly with product characteristics. If using a skimming strategy, a marketer must speak and think in terms of product characteristics to stay on the right side of the law.

iii) The inventory turn rate can be very low for skimmed products. This could cause problems for the manufacturer's distribution chain. It may be necessary to give retailers higher margins to convince them to handle the product enthusiastically.

(b) Penetration Pricing

Penetration pricing is the pricing technique of setting a relatively low initial entry price, often lower than the eventual market price, to attract new customers. The strategy works on the expectation that customers will switch to the new brand because of the lower price. Penetration pricing is most commonly associated with a marketing objective of increasing market share or sales volume, rather than to make profit in the short term.

Advantages of Penetration Pricing

The advantages of penetration pricing to the firm are:

i) It can result in fast diffusion and adoption. This can achievehigh market penetration rates quickly. This can take the competition by surprise, not giving them time to react.

ii) It can create goodwill among the early adopters segment. This can create more trade through word of mouth.

iii) It creates cost control and cost reduction pressures from the start, leading to greater efficiency.

Disadvantages of Penetration Pricing

i) Penetration pricing is limited to the growth and declining phases of the product because implementation during the introductory or mature phases of the cycle will lead to a cycle of competition driving prices continually lower and causing a drop in profits.

ii) While often profitable, penetration pricing has some major drawbacks including customer dissatisfaction, and false loyalty.

(c) Loss leaders

The use of loss leaders is a method of sales promotion. A loss leader is a product priced below cost-price in order to attract consumers into a shop or online store. The purpose of making a product a loss leader is to encourage customers to make further purchases of profitable goods while they are in the shop.

Pricing is a key competitive weapon and a very flexible part of the marketing mix. If a business undercuts its competitors on price, new customers may be attracted and existing customers may become more loyal. So, using a loss leader can help drive customer loyalty. One risk of using a loss leader is that customers may take the opportunity to "bulk-buy". If the price discount is sufficiently deep, then it makes sense for customers to buy as much as they can (assuming the product is not perishable.

(d) Predatory Pricing

With predatory pricing, prices are deliberately set very low by a dominant competitor in the market in order to restrict or prevent competition. The price set might even be free, or lead to losses by the predator. Whatever the approach, predatory pricing is illegal under competition law.

(e) Psychological Pricing

The aim of psychological pricing is to make the customer believe the product is cheaper than it really is. Pricing in this way is intended to attract customers who are looking for "value".

4. Competitor-based pricing

If there is strong competition in a market, customers are faced with a wide choice of who to buy from. They may buy from the cheapest provider or perhaps from the one which offers the best customer service. But customers will certainly be mindful of what is a reasonable or normal price in the market.

Most firms in a competitive market do not have sufficient power to be able to set prices above their competitors. They tend to use "going-rate" pricing i.e. setting a price that is in line with the prices charged by direct competitors. In effect such businesses are "price-takers" they must accept the going market price as determined by the forces of demand and supply.

An advantage of using competitive pricing is that selling prices should be line with rivals, so price should not be a competitive disadvantage. The main problem is that the business needs some other way to attract customers. It has to use non-price methods to compete e.g. providing distinct customer service or better availability.

Q20. Explain Factors Influencing Pricing Decision.

Ans : **(May-19)**

The factors that businesses must consider in determining pricing policy can be summarised in four categories :

1. Costs

In order to make a profit, a business should ensure that its products are priced above their total average cost. In the short-term, it may be acceptable to price below total cost if this price exceeds the marginal cost of production – so that the sale still produces a positive contribution to fixed costs.

2. Competitors

If the business is a monopolist, then it can set any price. At the other extreme, if a firm operates under conditions of perfect competition, it has no choice and must accept the market price. The reality is usually somewhere in between. In such cases the chosen price needs to be very carefully considered relative to those of close competitors.

3. Customers

Consideration of customer expectations about price must be addressed. Ideally, a business should attempt to quantify its demand curve to estimate what volume of sales will be achieved at given prices.

4. Business Objectives

Possible pricing objectives include :

- To maximise profits
- To achieve a target return on investment
- To achieve a target sales figure
- To achieve a target market share
- To match the competition, rather than lead the market.

Short Question & Answers

1. Define Product.

Ans :

Concept of product is the understanding of the dynamics of the product in order to showcase the best qualities of the product. Marketers spend a lot of time and research in order to target their attended audience. Marketers will look into a product concept before marketing a product towards their customers.

The product is the most tangible and important single component of the marketing programme. The product policy and strategy is the cornerstone of a marketing mix. Without a product, there is nothing to distribute, nothing to promote, nothing to price. If the product fails to satisfy consumer demand, no additional cost on any of the other ingredients of the marketing mix will improve the product performance in the marketplace.

To the marketer products are the building blocks of a marketing plan. Good products are key to market success. Product decisions are taken first by the marketers and these decisions are central to all other marketing decisions such as price, promotion and distribution. Product is the vehicle by which a company provides consumer satisfactions. It is the engine that pulls the rest of the marketing programme. Products fill in the needs of society. They represent a bundle of expectations to consumers and society.

Product

A product is the item that is developed and refined for sale in the market. It aims to meet the customers' needs and wants. The concept of product can be categorised into two, i.e., narrow concept and wide concept. In its narrow concept, a product is a combination of physical or chemical characteristics which has some utilities. It is not just a non-living object or a physical substance.

A product also has other functions than its utility like satisfying customer needs and wants, e.g., fan, table, pen, cooler, chair, etc. In its wider concept, a product having a variety of colours, designs, packaging and brand is said to be a different product. For example, if a shampoo is made available in three different variants and smells, then these are three products, as they are fulfilling needs of customers with varied choices. Hence, product is defined as a complete package of benefits received by a consumer.

Definitions of Product

According to George Fisk, "Product is a cluster of psychological satisfactions".

According W. Alderson, "A product is a bundle of utilities consisting of various features and accompanying services".

According to Rustom S. **Davar, "A** product may be regarded from the marketing point of view as a bundle of benefits which are being offered to consumer".

According to Philip Kotler, "A product is a bundle of physical services and symbolic particulars expected to yield satisfactions or benefits to the buyer".

2. Explain the five levels of product.

Ans :

1. Core Benefit

The fundamental need or want that consumers satisfy by consuming the product or service.

2. Generic / Basic Product

A version of the product containing only those attributes or characteristics absolutely necessary for it to function.

3. Expected Product

The set of attributes or characteristics that buyers normally expect and agree to when they purchase a product.

4. Augmented Product

Inclusion of additional features, benefits, attributes or related services that serve to differentiate the product from its competitors.

5. Potential Product

All the augmentations and transformations a product might undergo in the future.

Kotler noted that much competition takes place at the Augmented Product level rather than at the Core Benefit level or, as Levitt put it: 'New competition is not between what companies produce in their factories, but between what they add to their factory output in the form of packaging, services, advertising, customer advice, financing, delivery arrangements, warehousing, and other things that people value.'

3. Define Product Attributes.

Ans :

A product attribute is a characteristic that defines a particular product and will affect a consumer's purchase decision. Product attributes can be tangible (or physical in nature) or intangible (or not physical in nature).

1. Tangible Attributes

Tangible attributes can include such product characteristics as size, color, weight, volume, smell, taste, touch, quantity, or material composition.

2. Intangible Attributes

Intangible attributes may include such characteristics as price, quality, reliability, beauty and aesthetics, (an indefinable, elusive pleasing quality).

4. Convenience Product

Ans :

Consumer product that the customer usually buyers frequently, immediately, and with a minimum of comparison and buying effort consumer products can be divided further into staples, impulse products, and emergency products.

Staples Products are those product that consumers buy on a regular basis, such as ketchup, tooth path etc., impulse products are those product that purchased with little planning or search effort, such as Candy bar, and magazine, emergency product is those when consumer need is urgent, e.g. umbrellas during a rainstorm etc.

5. Industrial Products.

Ans :

A product purchased for use primarily in the production of other goods is referred as 'industrial goods'. These products can be intended for resale, for commencing a business or for producing other products.

American Marketing Association has defined the industrial goods as "Goods which are destined to be sold primarily for use in producing other goods or rendering services as contrasted with goods destined to be sold primarily to the ultimate consumers".

Industrial or business products can be categorised on the basis of their uses:

1. Raw Materials

The production or manufacturing process requires material input. Such inputs are called raw materials. These raw materials are used directly in the production process and are the part of final product. Raw materials can be of two types, viz., agricultural products (livestock, fruits and grain) and natural products (products of the seas and forests, land and minerals).

2. Capital Equipment

Capital equipments are different tools and machines used by the firm in the production and operations process. They are referred as installations. They are long-lasting, durable and expensive machines, e.g., cranes, lathe, machineries, etc.

3. Accessory Equipment

Equipments like printers, calculators, word processors, hand tools, meters, etc., are all accessories which are used during the production process. But, they are not a part of final manufactured product.

4. Component Parts

These are items or parts, which when processed, become a component of the final product. They are a part of large product being manufactured and are easily distinguishable from the final product, e.g., engine gear boxes, batteries, rims, tyres and tubes are all the component parts of an automobile.

6. What are the benefits of product line decision.

Ans :

1. Advertising economies

Product lines provide economies of scale in advertising. Several products can be advertised under the umbrella of the line. Maggi can talk about its sauce being "its different" and promote the entire line.

2. Package uniformity

A product line can benefit from package uniformity. All packages in the line may have a common look and still keep their individual identities. Maggi soup is a good example.

3. Standardized components

Product lines allow firms to standardize components, thus reducing manufacturing and inventory costs. For example, General Motors uses the same parts on many automobile makes and models.

4. Efficient sales and distribution

A product line enables sales personnel for companies like Procter & Gamble to provide a full range of choices to customers. Distributors and retailers are often more inclined to stock the company's products if it offers a full line. Transportation and warehousing costs are likely to be lower for a product line than for a collection of individual items.

5. Equivalent quality

Purchasers usually expect and believe that all products in a line are about equal in quality. Consumers expect that all Maggi sauces and all Gillette razors will be of similar quality.

7. Define Product Mix

Ans :

A product mix (also called product assortment) is the set of all product lines and items that a particular seller offers for sale to buyers". An organisation with several product lines has a product mix. Product mix need not consist of related products. In other words, product mix is "the composite of products offered for sale by a firm".

It is a collection of products manufactured or distributed by a firm. It is the full list of all products offered by a firm. For example, a firm manufactures watches, machinery items, electric lamp, etc.

According to American Marketing Association, "Product Mix is the composite of products offered for sale by a firm or a business unit". For example, if an enterprise manufactures or deals with different varieties of soap, oil, toothpaste, toothbrush, etc., the group of all these products is called 'Product Mix'.

A product mix is the combination of products that a company offers. The greater the number of offerings drives the greater the chance of satisfying a customer. Many companies offer only one product. The company may have expertise in this one product and completely satisfy the needs of its customer base. If customers' needs warrant and the company capabilities are available, the original product, or master brand, may be expanded into additional offerings.

8. Product Modification

Ans :

Product modification refers to any substantial change made to the attributes (size, shape, colour, style, price, etc.) of a product, modification of a product is usually undertaken in an attempt to revitalise it in order to increase demand. "Sometimes just a cosmetic modification may be required in the existing product-line or product item.

These changes may be tangible or intangible, and may be achieved by re-formulation, redesign, changing unit sizes, and adding or removing features. 'Pan Parag', the famous pan masala, introduced new sachet packs of different sizes and at different prices. This helped it to penetrate and expand the market. When the firm decided to add tobacco (zarda) to the pan masala, the effect was a manifold increase in its market share. Most often these changes are dictated by a firm's long-term goals, customer preferences, and competitive developments in a particular product market.

9. Define Pricing.

Ans :

Pricing is the process of determining what a company will receive in exchange for its products. Pricing factors are manufacturing cost, market place, competition, market condition, Quality of product. The effective price is the price the company receives after accounting for discounts, promotions, and other incentives.

Definition of Pricing

According to Prof. K.C. Kite, "Pricing is a managerial task that involves establishing pricing objectives, identifying the factors governing the price, ascertaining their relevance and significance, determining the product value in monetary terms and formulation of price policies and the strategies, implementing them and controlling them for the best results".

10. Objectives of Pricing.

Ans :

- **Current Profit Maximization**

  Seeks to maximize current profit, taking into account revenue and costs. Current profit maximization may not be the best objective if it results in lower long-term profits.

- **Current Revenue Maximization**

  Seeks to maximize current revenue with no regard to profit margins. The underlying objective often is to maximize long-term profits by increasing market share and lowering costs.

- **Maximize quantity**

  Seeks to maximize the number of units sold or the number of customers served in order to decrease long-term costs as predicted by the experience curve.

- **Maximize Profit Margin**

  Attempts to maximize the unit profit margin, recognizing that quantities will be low.

- **Quality Leadership**

  Use price to signal high quality in an attempt to position the product as the quality leader.

11. Need of Pricing.

Ans :

The different needs of pricing are as follows:

1. Sales Increase

A low price can achieve the objective of increase in sale volume. A low price is not always necessary. A right price can stimulate the desired sales increase. In practice price and non-price objectives are co-ordination to produce the desired increase in sales.

2. Increasing the Market Share

Price is typically one of those factors that carries the heaviest responsibility for improving or maintaining market share- a sensitive indicator of customers and trade acceptance.

3. Profit Level

Return on investment say 15 to 20 percent is a common decision in marketing, pricing for profit is the most logical of all pricing objectives.

4. Perfect Competition

Much firm desire the stabilization of price levels and operating margins as more important then the maintenances of a certain level of short run profit.

12. Importance of Pricing.

Ans :

i) Pricing leads to maximize short term and long-run profit.

ii) It helps to increase sales volume.

iii) It helps to increase monetary sales.

iv) It supports to an organization for increasing market share.

v) It helps to obtain a target rate of return on investment.

vi) It assists to obtain a target rate of return on sales.

vii) It helps to stabilize market or stabilize market price.

viii) It desensitizes customers to product price.

Choose the Correct Answers

1. In product life cycle maturity stage, marketing objective is to [c]

   (a) Create product awareness (b) Maximize the market share

   (d) Defend market share and profits (c) Reduce expenditure

2. Buying of products such as 'fast food' is an example of [d]

   (a) Difficult products (b) Sought services

   (c) Sought products (d) Convenient products

3. Pricing strategy in which products are differentiated on basis of value added features is classified as [c]

   (a) Differentiated pricing (b) Competitive pricing

   (c) Value added pricing (d) Quality added pricing

4. In 'decline stage of product life cycle' per customer cost is [b]

   (a) High (b) Low

   (c) Average (d) Moderate

5. Products that consumer doses not really consider buying is classified as [a]

   (a) Unsought consumer products (b) Sought services

   (c) Sought industrial product (d) Unsought augmented product

6. Industrial products are classified on basis of [a]

   (a) types of customers (b) Types of usage

   (c) types of quantity (d) Types of positioning

7. Strategy of launching new product in new market is known as [d]

   (a) Market penetration (b) Product development

   (c) Market development (d) Diversification

8. Product quality level is considered as part of [a]

   (a) Actual product (b) Augmented product

   (c) de-augmented product (d) Customer value

9. Customers who are community group leaders and carefully adopt new ideas are called [d]

(a) innovators (b) Early majority

(c) laggard (d) Early adopter

10. Category of products that come with warranty offered at time of product buying and expires at some specific date is an example of [a]

(a) Augmented product (b) Actual product

(c) actual ownership (d) Tangible products

Fill in the Blanks

1. _______ is a cluster of psychological satisfactions.
2. PLC stands for _______ .
3. _______ stage is marked with slow growth in sales and a very little or no profit.
4. _______ involves launching a product at a high price and low promotion.
5. _______ are intangible in nature.
6. _______ are consumer products that the consumer either does not knows about or knows about but does not normally think of buying.
7. _______ products offer both long-term as well as short-term benefits to the consumers,
8. _______ consists in going beyond the current range of products.
9. _______ is the composite of products offered for sale by a firm or a business unit.
10. _______ is the marketing-mix element that produces revenue

Answers

1. Product
2. Product life cycle
3. Introduction
4. Slow skimming strategy
5. Services
6. Unsought products
7. Desirable
8. Line Stretching
9. Product Mix
10. Price

UNIT V

Promotion Mix : Concept of Promotion Mix, Factors determining promotion mix, Promotional Tools –Types of Advertisement, Sales Promotion, Public Relations & Publicity and Personal Selling; Distribution: Designing Marketing Channels Channel functions, Types of Intermediaries.

5.1 Concept of Promotion Mix

Q1. Define promotion mix. Explain the components of promotion mix .

Ans :

The promotion element of marketing mix is concerned with activities that are undertaken to communicate with customers and distribution channels to enhance the sales of the firm.

The promotional communication aims at informing and persuading the customer to buy the product and informing him about the merits of the products.

Promotion mix

It refers to all the decisions related to promotion of sales of products and services. The important decisions of promotion mix are selecting advertising media, selecting promotional techniques, using publicity measures and public relations etc.

There are various tools and elements available for promotion. These are adopted by firms to carry on its promotional activities. The marketer generally chooses a combination of these promotional tools.

Following are the tools or elements of promotion. They are also called elements of promotion mix:

1. Advertising
2. Sales promotion
3. Personal selling
4. Public relation

1. Advertising

Any paid form of non personal presentation of ideas, goods or services by an identified sponsor.

2. Personal Selling

It is an oral presentation for prospective customers to generate the sales.

3. Sales Promotions

It is short incentives for sale of goods or services.

4. Publicity and Public Relation

Stimulate demand in a non personal way. PR maintains effective relation of the organization with different public like employees, customers, shareholders, suppliers, dealers, govt. and media. Any form of non paid commercially significant news about ideas, products or institutions.

5. Direct Marketing

Direct communication with carefully targeted individual consumers - the use of Telephone, Mail, Fax, E-mail, the internet, and other tools to communicate directly with specific consumers.

6. Internet Marketing

The internet is a world wide means of exchanging information and communicating through a series of inter connected computers. The commercial importance of internet attributed to web.

Q2. What are the Objectives of Promotion Mix?

Ans :

The promotion objectives centers around the following six stages to attract the target audience. They are,

i) Awareness

ii) Knowledge

iii) Liking

iv) Preference

v) Conviction, and

vi) Purchase.

The six stages together constitute "hierarchy of effects" as the buyers go through each of these stages before purchasing and it also facilitates effect of promotion.

i) Awareness

The seller's task is to create awareness in the minds of the buyers towards the brand or products.

Example : Dental check up for avoiding tooth related problems, Indian Medical Dental Association is establishing camps where free dental check up is carried out for all the patients.

ii) Knowledge

Knowledge is more than awareness where a buyer gathers and learns about the usage of products and its associated features. With the help of knowledge, customers get an idea about the product and its usefulness.

Example: Fem Bleach cream contains a leaflet in its pack which gives information to the customers about its application, use and affects.

iii) Liking

Liking refers to the market's perception towards the product. Various techniques are used to differentiate one brand from another. The common technique for the brand is to associate with attractive logo, symbol or person.

iv) Preference

Preference refers to giving more preference (priority) to the products of a particular brand over the products of other brands. Customers give preference to the brand if they are satisfied with that brand or that brand has special effects in the minds of customers irrespective of other brands offering the same benefits.

v) Conviction

Conviction factor helps the customers to take final decision of purchasing the product, which fulfill the buyers' needs.

Example : Cameras with Bluetooth, image clarity, dual sim card facility etc., satisfies the customers needs which enables them to purchase the product.

vi) Purchase

A customer may delay the purchase of a product even though he wants to by due to the hinderance caused by the situational factors such as lack of sufficient money at the time of shopping, customer's resistance to change. Promotional efforts acts as a tool in maintaining loyalty among customers who purchase the product in specific stores frequently.

5.1.1 Factors Determining Promation mix

Q3. What are the factors determining promation mix.

Ans :

The management must consider the following factors in determining the promotion mix, these are:

1. Nature of Product

The different type of product requires different promotional tools. Such as, for the industrial products Viz. Machinery, equipment or land personal selling is more appropriate as a great deal of pre-sale and after-sale services is required to sell and install such products. On the other hand, advertising and publicity are more suitable for the consumer goods, especially the convenience goods.

2. Nature of Market

The number and location of customers greatly influence the promotion mix. In case the group of potential customers is small and are concentrated in a particular locality, then personal selling is more likely to be effective. Whereas, if the customer base is large and widespread, then the blend of advertising, personal selling, and the sales promotion is required to sell the product.

Also, the type of customers influences the managerial decisions of the promotion mix. The type of promotion for the urban, educated and institutional customers would be different as compared to the rural, illiterate and household customers.

3. Stage of Product's Life

The promotion mix changes as the product moves along its life cycle. During the introduction stage, the principal objective of the promotion is to create the primary demand by emphasizing the product's features, utility, etc. therefore, the blend of advertising and publicity is required. As the product reaches its maturity stage the advertising and personal selling is required to maintain the demand of the customers.

And finally, during the decline stage the expenses on other promotional activities are cut, and more emphasis is laid on sales promotion with the intent to push up the declining sales.

4. Availability of Funds

The marketing budget also decides the promotion mix. If the funds available for the promotion are large, then the blend of promotional tools can be used, whereas in the case the funds are limited then the management must choose the promotional tool wisely.

5. Nature of Technique

Each element of the promotional mix has unique features that significantly influences the purpose of promotion. Such as, the advertising is an impersonal mode of communication that reaches a large group of customers. Its expression can be amplified with the use of colors and sound that helps in developing the long lasting brand image in the minds of the customer.

The Personal selling involves face to face interaction that helps in developing cordial and personal relations with the customers. Likewise, the sales promotion is short-term incentives given to the customers with the intent to boost sales for a shorter period of time.

6. Promotional Strategy

The promotion mix largely depends on the company's promotional strategy, i.e. whether it accepts the Push Strategy or a Pull Strategy. In a Push strategy, the manufacturer forces the dealers to carry the product and promote it to the customer, i.e. convince the potential buyers to buy it. Here, personal selling and trade promotion are likely to be more effective.

In the case of a Pull Strategy, the consumers ask the dealers to carry the product, i.e. customers themselves purchase the product. Here, advertising and consumer promotion are more appropriate.

7. Readiness of Buyer

Different promotional tools are required at different stages of buyer readiness. Such as, at the comprehension stage, the blend of advertising and personal selling plays a vital role. Whereas at the conviction stage, personal selling is more effective. At the time of sales closure, the blend of sales promotion and personal selling is likely to be more effective.

Hence, the advertising and publicity are more effective at the early stages of buying decision process while the sales promotion and personal selling are more effective during the later stages.

5.2 Promotional Tools

Q4. Discuss various promotion tools.

Ans : **(Dec.-19, Dec.-16)**

Promoting products is important for any business because of the lasting impact promoting

has on customers. The promotion mix is the essence of what promoting is and how promoting is done effectively. Advertising, sales promotion, personal selling, public relations, and direct marketing comprise the promotion mix.

There are five (sometimes six) main aspects of a promotional mix:

1. Advertising,
2. Personal selling
3. Sales promotion,
4. Public relations, and
5. Direct marketing.

5.2.1 Advertising

Q5. Define advertising? Explain the features of advertising.

Ans : **(Dec.-19, Dec.-18, Dec.-16)**

Introduction

Advertising is an important tool of promotion. Advertisement is a non-personal presentation of an idea or a product (where as personal selling or salesmanship help in personal promotional.) Advertisement supplements personal selling to a great extent. Advertising has, acquired great importance in the modern India characterized by tough competition in the market and fast changes in technology, and fashion and taste customers. In this chapter, we shall study the nature, functions and media of advertisement used by modern business firms.

Advertising is used for communicating business information to the present and prospective customers. It usually provides information about the advertising firm, its product qualities, place of availability of its products, etc. Advertisement is indispensable for both the sellers and the buyers. However, it is more important for the sellers. In the modern age of large scale production, producers cannot think of pushing sale of their products without advertising them.

Meaning of Advertising

Advertising is an activity of attracting public attention to a product or business, as by paid announcements in the print, broadcast, or electronic media.

Advertising is a paid form of a non-personal message communicated through the various media by industry, business firms, nonprofit organisations, or individuals. Advertising is persuasive and informational and is designed to influence the purchasing behaviour and/or thought patterns of the audience. Advertising is a marketing tool and may be used in combination with other marketing tools, such as sales promotions, personal selling tactics, or publicity.

Definition of Advertising

Advertising is defined differently by different people, some of the definitions are as follows:

American Marketing Association "Advertising is any paid for a non-personal presentation of ideas, goods or services by an identified sponsor".

According to Richard Buskirk, "Advertising is a paid form of non-personal presentation of ideas, goods or services by an identified sponsor."

According to Wheeler, "Advertising is any form of paid non-personal presentation of ideas, goods or services for the purpose of inducing people to buy".

According to William J. Stanton, "Advertising consists of all the activities involved in presenting to a group, a non-personal, oral or visual, openly-sponsored message regarding a product, service or idea, this message is called on advertisement, is disseminated through one or more media and is paid for by an identified sponsor".

Features of Advertising

1. **Advertising Provides Information**

   The basic purpose of advertising is to provide information about products/services to prospective buyers. The details of products such as features, uses, prices, benefits, manufacturer's name, and instructions to be followed while using the product are given in the advertisements. The advertising message and brand name are also given. The information supplied gives education and guidance to consumers and facilitates correct selection of goods by them.

2. **Paid form of Communication**

   The advertiser has to pay to the media for giving publicity to his advertising message. He pays for the advertisement and naturally he decides the size, slogan, etc. given in the advertisement. Advertising is a form of paid communication.

3. **Non-personal Presentation**

   Advertising is non-personal in character as against salesmanship which is personal (face to face communication) in character. In advertising, the message is given to all and not to one specific individual. This rule is applicable to all advertising media including press. However even in advertising target consumers or target market can be selected for making an advertising appeal.

4. **Gives publicity to goods, services and Ideas**

   Advertising is basically for giving information to consumers. This information is always related to the features and benefits of goods and services of different types. Advertising gives new ideas to consumers as its contents are meaningful. The aim is to make the ideas popular and thereby to promote sales. For example, advertising on family planning, family welfare, and life insurance is useful for placing new ideas before the people.

5. **Basically for Persuasion**

   Advertising aims at persuasion of potential customers. Advertising attracts attention towards a product, creates desire to have the same and finally induces consumers to visit the market and purchase the same. Advertising has psychological impact on consumers. It influences the buying decisions of consumers.

6. **Target Oriented**

   It is possible to make intensive advertising by selecting a specific market or specific segment of consumers (e.g. children, housewives, etc.) for the purpose of advertising. This selection of a specific market is called target market. Advertising becomes effective and result oriented when it is target oriented. The waste in advertising can be minimized through such target oriented advertising.

7. **An Art, Science and Profession**

   It is now universally accepted that advertising is an art, science and a profession. It is an art as it needs creativity for raising its effectiveness. Advertising is a science as it has its principles and rules. Advertising is now treated as a profession with its professional bodies and code of conduct for members. Advertising agencies and space brokers function as professionals in the field of advertising.

8. **Important element in marketing mix**

   Advertising is an important element in marketing mix. It supports the sales promotion efforts of the manufacturer and makes positive contribution in sales promotion provided other elements in the marketing mix are reasonably favorable. This is natural as advertising alone is not adequate for promoting sales. Many companies now spend huge funds on advertising and public relations.

9. **Creativity - the essence of advertising**

   Advertising is a method of presenting a product in an artistic, attractive and agreeable manner. This is possible through the element of creativity which is the essence of advertising. Creativity can be introduced by creative people (professionals) in the field of advertising. They introduce new techniques for introducing creativity. Without creativity, advertising will be like a body without a soul.

Q6. Explain about evolution of advertising.

Ans :

Modern advertising is largely a product of the twentieth century, however, communication has been a part of the selling process ever since the exchange of goods between people started. The development of technology and research has led to increased sophistication in advertising in recent decades. During ancient and medieval times, advertising was crude if measured by present day standards, however, the basic reason for using advertising was the same then as it is now.

Institutions come into existence only when a need for them develops. A variety of external forces support and nourish the growth and development of an institution. To survive, the institution must be dynamic, flexible and adaptable to meet the needs in the changing conditions of the environment.

The recorded history of advertising goes back to about 5000 years including the modern satellite and internet age. Our knowledge of advertising in ancient times is quite fragmented. Nevertheless, it seems that the urge to advertise is a part of human nature since ancient times. The diggings by archaeologists, in countries rimming the Mediterranean sea, has unearthed a Babylonian Clay tablet of about 3000BC, Bearing inscription for an ointment dealer, a scribe , and a shoemark, Romans and their predecessor knew that "it pays to advertise". Papyri found in the ruins of Thebes (Egypt) show announcements offering rewards for the return of runaway slaves about 3000 BC.

Before the invention of printing from movable type (about AD 1438) by Johann Gutenberg there were three forms of advertising.

1. Trademarks

Craftsman, in early times, wanted to be identifies for their skills and places their individual marks on goods that they crafted. This led to reputation building of particular artisans by word of mouth. Buyers learn to look for distinctive marks just as we look today for brands names and trademarks on products.

2. Signs

Phoenicians, and other traders, painted commercial messages on prominent stocks along trade routes that they frequented. These messages highly praised the products that were for sale. This is an example of ancient outdoor advertising, Archaeologists have revealed, from excavations at Pompeii, that little shops had inscriptions on walls near the entrance to inform the passersby whether the shop sold pottery, wine, bread, or any other goods.

3. Town Criers

This system of town criers was perhaps, present in all developed civilizations of the ancient world. In Greece, during the golden age, town criers were paid to go around town spreading news and making announcements in the streets of Athens. Epics and history books about ancient India reveal that the rulers used the system of town criers in India to inform the public of various public interest matters. In rural India, town criers were used till as late as the 1950s.

The first known printed advertisements in the English language appeared nearly forty years after the invention of movable type. William Caxton of London printed the first advertisements. It was a handbill of rules for the guidance of clergy at Easter and was put on church doors. The printed newspaper emerged form the newsletters which were handwritten by professional writers for limited circulation among the nobles and others.

The first ad in America appeared in 1704 in the Boston Newsletter. The first ad that appeared offered a reward for the capture of a thief. This was more like the reward for returned slaves written on Egyptian Papyrus thousands of years before present day advertising came into being.

By the middle of the 17th century, weekly newspapers called „mercuries , started to appear in England. Most of the early advertisements in these newspapers were in the form of announcements. Importers of products new to England were prominent advertisers. The first ad offering coffee appeared in a newspaper in 1652, followed by an offering of chocolate in 1657 and tea in 1658.

Advertising in the 21st Century

The past decade has witnessed a remarkable impact on advertising due to rapid strides in technology. It is difficult to determine exactly what the coming decades in this new century will bring, however, what looks certain is that there will be much greater consumer involvement and control and some degree of two-way communication. With the opening up of economies, mass marketers will continue to increase their operations on a world wide basis. More and more global players will increasingly adjust their strategies to a local market; country-based or region-based; and advertising will increasingly acquire a local colour. In this regard we are already witnessing some interesting advertising campaigns by Coca-Cola and Pepsi.

Further progress in artificial intelligence will add a totally new dimension to advertising and it s planning. There will be major career opportunities for talented people in the electronic media. There will be a number of challenges unique to the coming generations and with these challenges there will be opportunities, responsibilities, and rewards that advertises of the past could not have imagined.

Q7. Explain the Significance of Advertising.

Ans :

The importance/significance of advertising can be understood from the following points,

1. Most of the companies belief that whatever money that had spent on creativity of advertising is the money well spent.
2. The success of a product or sendee usually relies upon the creative strategy used in advertising.
3. The way in which advertising message is developed and delivered, is usually considered as essential for effective promotional program.
4. Good advertising strategy changes the fate of poorly performing brands.
5. A good advertisement differentiates the company from their competitors.
6. Advertising aids market expansion for new products which thereby increases the purchasing power.
7. Advertising plays a crucial role in bringing awareness about various products and services to the audience.
8. Advertisement is an efficient channel through which sponsors can easily communicate about their products to the customers, hence it is an inseparable segment.
9. Advertising act as a powerful technique in the marketing system and further leads to the social and economic development of the country.
10. Advertising is a paid form for sponsors to present their information to the customers. Information could be related to either business or nonprofit causes.
11. With advertising the product's demand and supply increases not only domestically but also globally. This further increases more employment opportunities. Therefore, ultimately advertising supports in enhancing the standard of the economies whether developing or in developed countries.
12. Advertising acts as an intermediate channel between the sponsors and audiences. On one hand, sponsor brings awareness about their products to the audiences. On the other, audiences choose their desirable products from the various alternatives.

5.2.1.1 Types of advertisements

Q8. Explain the different types of Advertisements.

Ans :

1. Product – Related Advertising
   - A. Pioneering Advertising
   - B. Competitive Advertising
   - C. Retentive Advertising
2. Public Service Advertising
3. Functional Classification
   - (a) Advertising Based on Demand Influence Level.

(i) Primary Demand (Stimulation)

(ii) Selective Demand (Stimulation)

(b) Institutional Advertising

(c) Product Advertising

(i) Informative Product Advertising

(ii) Persuasive Product Advertising

(iii) Reminder-Oriented Product Advertising

4. Advertising based on Product Life Cycle

A. Consumer Advertising

B. Industrial Advertising

5. Trade Advertising

A. Retail Advertising

B. Wholesale Advertising

6. Advertising Based on Area of operation

A. National advertising

B. Local advertising

C Regional advertising

7. Advertising According to Medium Utilized

1. Product – Related Advertising

It is concerned with conveying information about and selling a product or service. Product advertising is of three types, viz,

A. Pioneering Advertising

B. Competitive Advertising

C. Retentive Advertising

A) Pioneering Advertising : This type of advertising is used in the introductory stages in the life cycle of a product. It is concerned with developing a "primary" demand. It conveys information about, and selling a product category rather than a specific brand. For example, the initial advertisement for black – and – white television and colour television. Such advertisements appeal to the consumer s emotions and rational motives.

B) Competitive Advertising : It is useful when the product has reached the market-growth and especially the market-maturity stage. It stimulates "selective" demand. It seeks to sell a specific brand rather than a general product category. It is of two types:

A. Direct Type: It seeks to stimulate immediate buying action.

B. Indirect Type: It attempts to pinpoint the virtues of the product in the expectation that the consumer s action will be affected by it when he is ready to buy.

Example: Airline advertising.

Air India attempts to bid for the consumer s patronage either immediately -direct action-in which case, it provides prices, time tables and phone numbers on which the customer may call for reservations; or eventually – indirect action – when it suggests that you mention Air India s name when talking to your travel agent.

C) Retentive Advertising

This may be useful when the product has achieved a favourable status in the market – that is, maturity or declining stage. Generally in such times, the advertiser wants to keep his product s name before the public. A much softer selling approach is used, or only the name may be mentioned in "reminder" type advertising.

2. Public Service Advertising

This is directed at the social welfare of a community or a nation. The effectiveness of product service advertisements may be measured in terms of the goodwill they generate in favour of the sponsoring organization. Advertisements on not mixing drinking and driving are a good example of public service advertising. In this type of advertising, the objective is to put across a message intended to change attitudes or behaviour and benefit the public at large.

3. Functional Classification

Advertising may be classified according to the functions which it is intended to fulfill.

(i) Advertising may be used to stimulate either the primary demand or the selective demand.

(ii) It may promote either the brand or the firm selling that brand.

(iii) It may try to cause indirect action or direct action.

A) Advertising Based on Demand Influence Level

(i) Primary Demand Stimulation:

Primary demand is demand for the product or service rather than for a particular brand. It is intended to affect the demand for a type of product, and not the brand of that product. Some advertise to stimulate primary demand. When a product is new, primary demand stimulation is appropriate. At this time, the marketer must inform consumers of the existence of the new item and convince them of the benefits flowing from its use. When primary demand has been stimulated and competitors have entered the market, the advertising strategy may be to stimulate the selective demand.

(ii) Selective Demand Stimulation:

This demand is for a particular brand such as Charminar cigarettes, Surf detergent powder, or Vimal fabrics. To establish a differential advantage and to acquire an acceptable sort of market, selective demand advertising is attempted. It is not to stimulate the demand for the product or service. The advertiser attempts to differentiate his brand and to increase the total amount of consumption of that product. Competitive advertising stimulates selective demand. It may be of either the direct or the indirect type.

B) Institutional Advertising

Institutional Advertising may be formative, persuasive or reminder oriented in character. Institutional advertising is used extensively during periods of product shortages in order to keep the name of the company before the public. It aims at building for a firm a Positive public image in the eyes of shareholders, employees, suppliers, legislators, or the general public. This sells only the name and prestige of the company. This type of advertising is used frequently by large companies whose products are well known. HMT or DCM, for example, does considerable institutional advertising of its name, emphasizing the quality and research behind its products.

Institutional advertisements are at consumers or focus them upon other groups, such as voters, government officials, suppliers, financial institutions, etc. If it is effective, the target groups will respond with goodwill towards, and confidence in the sponsor. It is also a useful method or introducing sales persons and new product to consumers. It does not attempt to sell a particular product; it benefits the organization as a whole.

It notifies the consumers that the company is a responsible business entity and is patriotic; that its management takes ecologically responsible action, is an affair-motive-action employer, supports the socialistic pattern of society or provides employment opportunities in the community.

When Indian Oil advertisements describe the company s general activities, such as public service work, this may be referred to as institutional advertising because it is intended to build an overall favorable attitude towards the company and its family of products. HMT once told the story of the small-scale industries supplying it with component parts, thus indicating how it aided the development of ancillary industries.

C) Product Advertising

Most advertising is product advertising, designed to promote the sale or reputation of a particular product or service that the organization sells. Indane s Cooking Gas is a case in point. The marketer may use such promotion to generate exposure attention, comprehension, attitude change or action for an offering. It deals with the non-personal selling of a particular good or service. It is of three types as follows:-

(i) Informative Product Advertising:

This form of advertising tends to characterize the promotion of any new type of product to develop an initial demand. It is usually done in the introductory stages of the product life cycle. It was the original approach to advertising.

(ii) Persuasive Product Advertising:

Persuasive product advertising is to develop demand for a particular product or brand. It is a type of promotion used in the growth period and, to some extent, in the maturity period of the product life cycle.

(iii) Reminder-Oriented Product Advertising : The goal of this type of advertising is to reinforce previous promotional activity by keeping the brand name in front of the public. It is used in the maturity period as well as throughout the declining phase of the product life cycle.

4. Advertising based on Product Life Cycle

A. Consumer Advertising

B. Industrial Advertising

A) Consumer Advertising

Most of the consumer goods producers engage in consumer product advertising. Marketers of pharmaceuticals, cosmetics, scooters, detergents and soaps, cigarettes and alcoholic beverages are examples. Baring a few, all these products are all package goods that the consumer will often buy during the year. There is a heavy competition among the advertisers to establish an advantage for their particular brand.

B) Industrial Advertising

Industrial executives have little confidence in advertising. They rely on this form of promotion merely out of fear that their competitors may benefit if they stop their advertising efforts. The task of the industrial advertiser is complicated by the multiple buying influence characteristics like, the derived demand, etc. The objectives vary according to the firm and the situation. They are:

- To inform,
- To bring in orders,
- To induce inquiries,
- To get the advertiser s name on the buyer s list of sources,
- To provide support for the salesman,
- To reduce selling costs,
- To help get items in the news column of a publication,
- To establish recognition for the firm or its product,
- To motivate distributors,
- To recognition for the firm or its products,

- To motivate distributors, to create or change a company s image,
- To create or change a buyer s attitude, and

The basic appeals tend to increase the rupee profits of the buyer or help in achieving his non-monetary objectives. Trade journals are the media most generally used followed by catalogues, direct mail communication, exhibits, and general management publications. Advertising agencies are much less useful in industrial advertising.

5. Trade Advertising

A. Retail Advertising

B. Wholesale Advertising

A) Retail Advertising

This may be defined as "covering all advertising by the stores that sell goods directly to the consuming public. It includes, also advertising by establishments that sell services to the public, such as beauty shops, petrol pumps and banks."

Advertising agencies are rarely used. The store personnel are usually given this responsibility as an added task to be performed, together with their normal functions. The result is that advertising is often relegated to a secondary position in a retail store. One aspect of retail advertising is co-operative advertising. It refers to advertising costs between retailers and manufacturers. From the retailer s point of view, co-operative advertising permits a store to secure additional advertising that would not otherwise have been available.

B) Wholesale Advertising

Wholesalers are, generally, not advertising minded, either for themselves or for their suppliers. They would benefit from adopting some of the image-making techniques used by retailers – the need for developing an overall promotional strategy. They also need to make a greater use of supplier promotion materials and programmes in a way advantageous to them.

6. Advertising based on Area of Operation

It is classified as follow:

A. National Advertising

B. Regional Advertising

C. Local Advertising

A) National advertising

It is practiced by many firms in our country. It encourages the consumer to buy their product wherever they are sold. Most national advertisements concentrate on the overall image and desirability of the product. The famous national advertisers are:

- Hindustan Levers
- DCM
- ITC
- Jay Engineering
- TISCO

B) Regional advertising

It is geographical alternative for organizations. For example, Amrit Vanaspati based in Rajpura claims to be the leading hydrogenated oil producer in the Punjab. But, until recently, it mainly confined itself to one of the vegetable oil brands distribution to Malihabad district (in U.P. near Lucknow).

C) Local advertising

It is generally done by retailers rather than manufacturers. These advertisements save the customer time and money by passing along specific information about products, prices, location, and so on. Retailer advertisements usually provide specific goods sales during weekends in various sectors.

7. Advertising According to Medium

The most common classification of advertising is by the medium used. For example: TV, radio, magazine, outdoor, business periodical, newspaper and direct mail advertising. This classification is so common in use that it is mentioned here only for the sake of completeness.

Q9. What are the Functions of Advertising?

Ans :

Advertising has become an essential marketing activity in the modern era of large scale production and serve competition in the market. It performs the following functions:

1. Promotion of Sales

It promotes the sale of goods and services by informing and persuading the people to buy them. A good advertising campaign helps in winning new customers both in the national as wet] as in the international markets.

2. Introduction of New Product

It helps the introduction of new products in the market. A business enterprise can introduce itself and its product to the public through advertising. A new enterprise can't make an impact on the prospective customers without the help of advertising. Advertising enables quick publicity in the market.

3. Creation of Good Public Image

It builds up the reputation of the advertiser. Advertising enables a business firm to communicate its achievements in an effort to satisfy the customers' needs. This increases the goodwill and reputation of the firm which is necessary to fight against competition in the market.

4. Mass Production

Advertising facilitates large-scale production. Advertising encourages production of goods in large-scale because the business firm knows that it will be able to sell on large-scale with the help of advertising. Mass production reduces the cost of production per unit by the economical use of various factors of production.

5. Research

Advertising stimulates research and development activities. Advertising has become a competitive marketing activity. Every firm tries to differentiate its product from the substitutes available in the market through advertising. This compels every business firm to do more and more research to find new products and their new uses. If a firm does not engage in research and development activities, it will be out of the market in the near future.

6. Education of People

Advertising educate the people about new products and their uses. Advertising message about the utility of a product enables the people to widen their knowledge. It is advertising which has helped people in adopting new ways of life and giving-up old habits. It has contributed a lot towards the betterment of the standard of living of the society.

7. Support to Press

Advertising provides an important source of revenue to the publishers and magazines. It enables to increase the circulation of their publication by selling them at lower rates. People are also benefited because they get publications at cheaper rates. Advertising is also a source of revenue for TV network. For instance, Doordarshan and Zee TV insert ads before, in between and after various programmes and earn millions of rupees through ads. Such income could be used for increasing the quality of programmes and extending coverage.

Q10. Elucidate the Objectives of Advertising.

Ans :

The real objective of advertising is effective communication between producers and consumers with the purpose to sell a product, service, or idea. The main objectives of advertising are as follows:

1. Informative

Objective of advertising is to inform its targeted audience/customers about introduction of new product, update or changes in existing products or product related changes, information regarding new offers and schemes. Informative advertising seeks to develop initial demand for a product. The promotion of any new market entry tends to pursue this objective because marketing success at this stage often depends simply on announcing product availability. Thus, informative advertising is common in the introductory stage of the product life cycle.

2. Persuasive

Objective of advertising is to increase demand for existing product by persuading new customer for first time purchase and existing customers for repurchases. Persuasive advertising attempts to increase demand for an existing product. Persuasive advertising is a competitive type of promotion suited to the growth stage and the early part of the maturity stage of the product life cycle.

3. Reminder

The objective of advertising is to remind customers about existence of product, and ongoing promotional activities. Reminder advertising strives to reinforce previous promotional activity by keeping the name of a product before the public. It is common in the latter part of the maturity stage and throughout the decline stage of the product life cycle.

5.2.2 Sales Promotion

Q11. Define sales promotion? Explain the need for sales promotion.

Ans : **(Dec.-19, May-18, Dec.-16)**

Sales promotion consists of diverse collection of incentive tools, mostly short-term designed to stimulate quicker and / or greater purchase of a particular product by consumers or the trade. Where as advertising offers a reason to buy, sales promotion offers an incentive to buy. Sales promotion includes tools for consumer promotion (for example samples, coupons, prizes, cash refund, warranties, demonstrations, contest); trade promotion (for example buying allowances, free goods, merchandise allowances, co-operative advertising, advertising and display allowances, dealer sales contests); and sales-force promotion (for example bonuses, contests, sales rallies).

Sales promotion efforts are directed at final consumers and designed to motivate, persuade and remind them of the goods and receives that are offered. Sales persons adopt several techniques for sales promotion. Creative sales promotion can be very effective. It is the marketing manager s responsibility to specify promotion objectives and policies.

Definitions of Sales Promotion

According to the Institute of Sales Promotion, "Sales Promotion comprises that range of techniques used to attain sales or marketing objectives in a cost effective manner by adding value to a product or service either to intermediaries or end users, normally but not exclusively within a defined time period. Almost every Company uses Sales Promotion techniques at some stage of the product life cycle since sales promotion techniques provide a strong incentive to BUY!

According to William J. Stanton, "Sales promotion is an exercise in information, persuasion and influence".

According to American Marketing Association, "These marketing activities, other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as display shows and exhibitions, demonstrations and various non-recurrent selling efforts not in the ordinary routine".

According to Philip Kotler, "Promotion encompasses all the tools in the marketing mix whose major role is persuasive communication".

Need of Sales Promotion

The various objectives of sales promotion are as follows.

1. To Introduce New Products

To induce buyers to purchase a new product, free samples may be distributed or money and merchandise allowance may be offered to business to stock and sell the product.

2. **To Attract New Customers**

New customers may be attracted through issue of free samples, premiums, contests, and similar devices.

3. **To Induce Present Customers to Buy More**

Present customers may be induced to buy more by knowing more about a product, its ingredients, and uses.

4. **To Help Firm Remain Competitive**

Sales promotions may be undertaken to meet competition from a firm.

5. **To Increase Sales in Oft Season**

Buyers may be encouraged to use the product in off seasons by showing them the variety of uses of the product.

6. **To Increase the Inventories of Business Buyers**

Retailers may be induced to keep in stock more units of a product so that more sales can be affected.

7. **To Develop Patronage Habits among Customers**

It can be done by popularising goods and services of the producer among the potential consumers and to motivate them towards larger purchases.

8. **To Educate Customers**

Educating customers/dealers and salesmen simplifies the efforts of sales force and motivate them for larger purchase.

9. **To Stimulate Sales**

Sales promotion can promote larger sales in certain specified segments of market. To stimulate maximum sales on special occasions such as Diwali, religious festivals, and other such occasions.

10. **To Facilitate Coordination**

Sales promotion can be easily used to facilitate coordination and proper link between advertising and personal selling.

Q12. Explain the Scope of Sales Promotion.

Ans :

The scope of sales promotion can be visualised in following aspects:

1. **Exposure**

The important objective is simply to expose an adequate number of target consumers to it. Managers must choose promotional media that will reach adequate number of target co-planning for exposure, marketers should take the following steps:

i) Define target consumers,

ii) Determine their numbers,

iii) Choose the promotion media, and

iv) Determine the promotion budget needed to acquire the number of exposures.

2. **Attention**

The term attention refers to the state of focusing one's mind upon something. Marketers are faced with the need to take steps to make their promotion stand-out and say or do something to attract consumer attention.

3. **Comprehension**

To comprehend is to understand, or to receive communicated knowledge. The objective is achieved when consumers interpret the message in the manner intended by the marketer. Consumers often fail to comprehend promotional message when the messages are poorly designed or simply not able to create interest.

4. **Attitude Change**

It involves readiness to respond in a particular way. When a message promises a reward, it will change the attitude of the customer. **For example,** a strong cleaning powder or a detergent will increase the chances of attitudinal change.

5. **Behaviour/Action**

Inducing behaviour or action is especially important in personal selling and sales promotion. Many managers encourage consumers to:

i) Buy the brand for the first time,

ii) Continue to buy the brand,

iii) Buy more of the brand,

iv) Urge friends to buy the brand,

v) Visit a retail store.

vi) See a demonstration of the brand, and

vii) Try-out the brand.

Q13. Explain the various objectives of sales promotion?

Ans :

Sales promotion works as link between advertisement and personal selling. There may be difference in the objectives of the method of sales promotion. However, the common objectives of sales promotion are as follows:

1. To introduce new products

Through sales promotion, new products are presented to prospective customers to persuade them to buy the products. Mostly free samples are distributed. Likewise premium, consumer competition, reduction in price etc. tools can be used. Besides the consumers, middlemen also can be motivated to keep stock of the products.

2. To identify and attract new consumers

The objective of sale promotion is also to identify new customers and attract them towards the firm's products. Different techniques of sales promotion are used at different times to stimulate customers to buy the products. If the business firm feel that the volume of current sales to the present customers is unsatisfactory, the firm tries to identify and develop new customers to sell the products.

3. To encourage more purchase among current customers

The main objective of sales promotion is to increase sales volume. The producers encourage current customers to purchase more through different promotional methods like premium, reduction in price, competition etc.

4. To combat or offset competitors' marketing efforts

A business firm always adopts sales promotion policy so that its products are not sold less than competitors' product in the markets. So, it becomes necessary for the firm to adopt proper sales promotion policy to offset the effect of competitors' policy in the market, if they try any. Hence the objective of sales promotion is to counter competitors' marketing policy and efforts.

5. To stabilize the fluctuating sales pattern

Fluctuation in demand, especially due to seasonal effect, brings instability in sales volume. In such situation, the producer or business firm can bring stability in sales pattern through sales promotion programs.

6. To increase brand awareness

The other important objective of sales promotion is to increase the total number of customers by increasing brand awareness.

7. Other objectives

The other objectives of sales promotion are as follows:

Increasing consumption

Broadening distribution channel

Educating consumers regarding product improvement.

Q14. Classify the different types of Sales Promotion.

Ans :

The different kinds of sales promotions are as follows:

(i) Sales promotional letters

Several large companies utilize the medium of letters for sales promotion. These letters serve different purposes. Sometimes, they are used to give information about the company's products, sometimes, they are reminders to continue to buy a particular brand.

(ii) Catalogues

Catalogues carry essential information on the products offered by the company. Well designed catalogues give complete information relating to the products, their pictures, size specifications, colours, packing, uses and prices.

(iii) POP's

Point of purchase (POP's) promotion is one of the most widely used sales promotion. It is also sometimes referred to as point of sales promotion. Various kinds of display materials like posters, dangers, strickers, mobile wobblers and streamers are used at the retail shop level to induce purchase.

(iv) Demonstrations

Companies resort to product demonstrations for sales promotion especially, when they are coming up with a product new to the market. In India, recently, several low unit price products like light beverages and washing powders and high unit price products like washing machines and personal computers utilised product demonstration for sales promotion.

(v) Trade Fair and Exhibitions

Trade fairs and exhibitions are extensively used sales promotion. They also form one of the oldest practices in sales promotion. Trade fairs and exhibitions provide companies with the opportunity of introducing and displaying their products.

Q15. Explain various sales promotion methods.

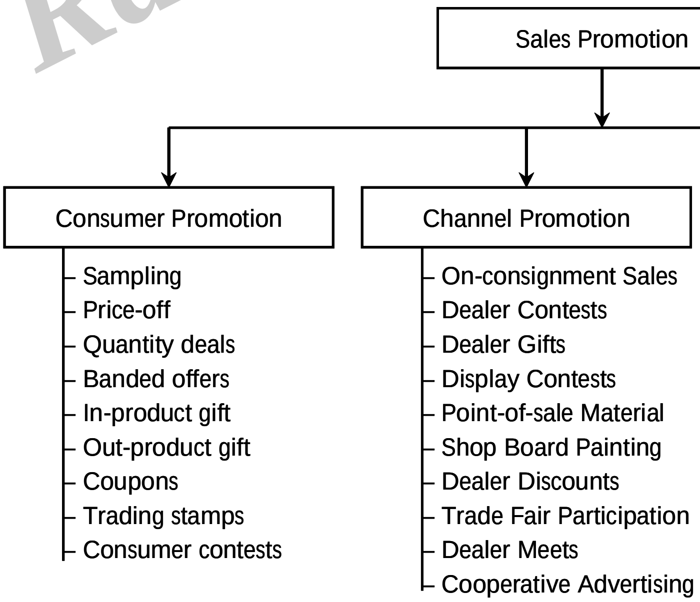
Ans :

Sales promotion tools/types/methods signify all those activities that supplement, co-ordinate and make the efforts of personal selling and advertising more effective. It is non-recurrent in nature which means it can't be used continuously. Sales promotion tools can be broadly classified into three categories which are as follows:

A) Consumer sales promotion

B) Dealer/Trade/middlemen sales promotion

C) Sales force sales promotion



A) Consumer Promotion

Consumer promotions are those that are directed to the consumer. The objective of consumer promotions is to offer the consumer some added benefit to entice him to buy the product. This is normally done in addition to advertising. Whereas advertising has more of a long-term effect on purchase behaviour, consumer promotions have more of a short-term effect.

There are several possible tools that can be used for consumer promotions. Some of the more important ones are explained below.

1. Sampling

This form of consumer promotion is found to be especially useful when one is introducing a product for the first time. It is commonly used in the case of fast moving consumer goods such as detergents, soft drinks, confectioneries etc. In this case a small quantity of the product is given as a sample. These samples are distributed either at the residence of the consumer or even at the retail outlet. Today some companies also attack samples to the ads in magazines or with some other product in the company's product range.

Some companies also request the consumers to fill up a questionnaire after the sample is used and thus are able to get good feedback about the product. Sampling is however one of the most expensive methods of consumer promotion and there is no guarantee that the consumer will actually go and buy the sale pack.

2. Price-off

This essentially offers the consumer the product at less than the marked maximum retail price. The purpose is to induce the consumer to try the product immediately. Price- off are always for a definite period. They are also resorted to by companies to thwart competition.

3. Quantity deals

Here the company offers more quantity of the same product for the same price or a marginally increased price. This is done in product categories such as ice-creams (Amul ran such an offer recently) talcum powders, etc.

4. Banded offers

In this case the company may choose to sell two or more packs together of the same product or different products at a discounted price. This is done to push more volume of the same product or different products. It is not uncommon to band a slow moving product in the company's range with a fast moving product. This helps in clearing the shelves of the slower moving product.

5. In-product gift

In this case a gift item is added inside the product. E.g. a teaspoon in a detergent pouch pack. Sometime ago Rasna ran a consumer promotion with small gift items like combs, erasers etc. planted inside the Rasna pack.

6. Out-product gift

In this case the gift item is attached to the product from the outside. This is often done with a scotch tape or the gift is shrink wrapped with the pack. E.g. a bowl offer with *Farex* or *Cerelac* was run in this manner. The disadvantage here is that such promotions get pilfered along the way and sometimes do not reach the intended consumers. Companies therefore print the offer on the packs.

7. Coupons

These are normally in the form of a certificate that is introduced in the pack. It can be redeemed for a price-off, a gift or a discount on the subsequent purchase.

8. Trading stamps

These are schemes run by large retailers. They are in the form of stamps given depending upon the quantum of purchase. E.g. one stamp for purchase of Rs. 100, two stamps for purchase of Rs. 200, etc. The customer collects these and later redeems them from the store for a gift or a discount on subsequent purchases. Today these are in the form of loyalty programmes, which result in accumulation of points that are recorded on a smart card. The bigger retailers like *Westside, Pantaloons, Crossword* etc. run such consumer promotion programmes.

9. Consumer contests

These are run to create an excitement amongst the target segment. Contests are normally advertised extensively and test more often than not the knowledge of the consumer on the product or some other skill. For example, contests may involve completion of a sentence, which might say: "I like product A because " or it could involve developing a product slogan. Prizes for such contests are normally very attractive and could consist of a trip abroad, a substantial cash prize, or even the prize of a car. In order to enter such contests, consumers normally have to buy the product and send in the product wrapper or barcode as proof of purchase.

B) Channel/Trade Promotion

Trade promotions are those that a company runs to elicit a better and quicker response from the trade. These can be done when introducing a new product, to ensure enhanced stocking preceding a good season, or to block a competitor. Trade promotions are normally part of a push strategy, the assumption here being that if the trader has excess stocks bought during a trade scheme he will be motivated to push the products in order to recover his investment as soon as possible. There are several tools used for trade promotions. Some of the more important ones are listed here.

1. On-consignment Sales

This tool is normally used by companies that are new entrants and are not known in the marketplace. Such companies encourage the trade to stock their products on an "on-consignment" basis and pay only when the product moves off the shelves. This is a rather risky process and companies would do this only on a selective basis and only with such traders who have excellent credentials in the market place.

2. Dealer Contests

This is normally linked to the amount of merchandise the dealer purchases. Participating dealers are ranked across the region by the volume of sales in a particular time-frame and get substantial gifts which may include cars, refrigerators, TV sets, etc. or even a trip abroad for them and their families.

3. Dealer Gifts

Some companies regularly give gifts to their dealers to maintain good relations with them. These could be wall clocks, calendars, or even some items for personal use at home, such as stainless steel vessels, casseroles, etc.

4. Display Contests

Many companies run display contests in order to get good exposure for their products, particularly during the seasonal period. Dealers are expected to buy a minimum quantity of stock during the display period and display them prominently in the show windows of the shop and in other prominent places. Company representatives then go around and judge these displays and award prizes.

5. Point-of-sale Material

Traders are given attractive point-of-sale material for displaying the company's products. E.g. Maggi noodles gave attractive net baskets to be hung in the shops, Dhara gave attractive stands to hold the packs, Coca-Cola gives attractive cold storage refrigerators for its products, Cadbury's has attractive dispensers, and so on. Some companies provide posters, buntings, streamers, shelf stickers etc.

6. Shop Board Painting

Some companies such as the ITC provide attractive signage for shops which could either be painted or made of acrylic material.

7. Dealer Discounts

Many companies run trade schemes, which can be in the form of discounts on bulk purchases or free goods such as "buy ten get one free."

8. Trade Fair Participation

Sometimes companies fund partly or fully the participation of their exclusive dealers to trade meets such as the Inside Outside Fair, India International Trade Fair, etc. They also provide them the promotional material for their displays.

9. Dealer Meets

Some companies organise regular dealer meets at exotic locations within or outside the country. The expenses for such dealer meets are normally paid for by the companies. These dealer meets recognise star performers through awards and also set targets for the coming year.

10. Cooperative Advertising

This involves the sharing of cost of local advertising by the dealer and the company. The dealer then has the name of the outlet printed below the advertisement and gets mileage in terms of consumer enquiries.

C) Sales Force Promotion

Sales force promotions are normally undertaken to stimulate the sales force to better performance. This is also part of a push strategy because it results in better stocking at the trade level. In some product categories it can also be part of a pull strategy. Let us take the example of the pharmaceutical business. Here the trade stocking happens when prescriptions flow from a doctor.

The consumer, in this case the patient, does not have any say in the product that he consumes, except perhaps in the case of an over-the-counter product. The sales force here has to do a good selling job at the doctor level and a good stocking job at the trade level. So he not only has to pull the product at the doctor level but also push the product at the trade level. Any sales force promotion scheme developed for such a field force has to recognise this fact.

There are several ways for motivating the field force. Some of the more important tools are enumerated below:

1. Incentive Schemes

Most sales forces today are incentives in terms of their sales performance. Performance bonuses are awarded for sales over the target. These are normally worked out as a percentage increase over-and-above the budgeted sales.

2. Star Awards

Many companies recognise their star performers and reward them handsomely. These could be a trip abroad for family or substantial cash rewards. Some companies have functions where even the spouses of the stars are invited for a company paid holiday.

3. Sales Meets

Many companies organise sales meets in attractive places like Goa, Kashmir, Kodaikanal, etc. for their sales force. These are normally no holds barred meets where the field force is able to let their hair down along with their senior managers. This acts as a tremendous motivational pill for these young salesmen. At these meets the targets for the subsequent period are also set.

4. Local ad Budgets

Some companies delegate advertising budgets to their sales staff. They have the authority to negotiate directly with their trade and local ad agencies and release ads for their territory. They also get budgets for local trade fairs, sampling, merchandising etc.

5. Promotional Aids

Most companies provide their field staff with promotional aids. Pharmaceutical companies provide their reps with attractive leather bags and ties, FMCG companies provide them with T-shirts, caps etc.

Q16. Explain the advantages and disadvantages of sales promotion.

Ans :

The term Sales Promotion broadly refers to all those promotional activities which are undertaken to stimulate interest, trial or purchase of a product by the end user or other intermediaries in between. Besides advertising and personal selling, all other activities undertaken to promote a product can be classified under sales promotion

According to the Institute of Sales Promotion, "Sales Promotion comprises that range of techniques used to attain sales or marketing objectives in a cost effective manner by adding value to a product or service either to intermediaries or end users, normally but not exclusively within a defined time period. Almost every Company uses Sales Promotion techniques at some stage of the product life cycle since sales promotion techniques provide a strong incentive to BUY!

Generally, there are 3 modes of Sales Promotion

- Consumer oriented
- Sales force oriented
- Retailer oriented

Advantages of Sales Promotion

A) Importance to Consumers

- **Increased Buying Confidence - Distribution of free samples** is probably the fastest and best way through which manufacturers can push consumers to try a product. Once satisfied with the quality of the sample product, consumers become more confident about buying a new product.
- **Reduced Rates - During promotional campaigns**, companies offer their products at discounted rates. Consumers like to make use of such occasions to buy larger quantities of such products.

B) Advantages for Producers and Manufacturers

- **Entering New Markets -** Sales Promotion campaigns enable manufacturers to capture new markets.
- **Controlled Expenses & Measurable Results -** Producers have direct control over sales promotion campaigns and this enable them to make sure that there are no undue wastages in the process!
- **Increased Sales -** Sales promotion techniques have favourable effect on the sales of products. Companies enjoy increased demands for their products while such campaigns are running.

C) Advantages for the Sales Force

- **Sales promotion campaigns makes the job of the sales team much easier.** Thanks to the offers and sales, customers are positively inclined towards buying a particular product.

D) Some of the commonly used Sales Promotion tools include - Free Samples, Coupons, Lucky draws, games and contests, Cash Refund offers, Free Trials, Tie In Promotion, Point of Purchase Displays etc.

Disadvantages of Sales Promotion

While sales promotion is a powerful and effective method to produce immediate short term positive results, it is not a cure for a bad product or bad advertising. In fact, a promotion is speed up the killing of a bad product.

1. Increased price sensitivity

Consumers wait for the promotion deals to be announced and then purchase the product. This is true even for brands where brand loyalty exists. Customers wait and time their purchases to coincide with promotional offers on their preferred brands. Thus, the routine sales at the market price are lost and the profit margin is reduced because of the discounts to be offered during sale-season.

'The Diwali Bonanza Offers' on electronic goods.

2. Quality image may become tarnished

If the promotions in a product category have been rare, the promotions could have a negative effect about its quality image. Consumers may start suspecting that perhaps the product has not been selling well, the quality of the product is true compared to the price or the product is likely to be discontinued because it has become outdated.

3. Merchandising support from dealers is doubtful

In many cases, the dealers do not cooperate in providing the merchandising support nor do they pass on any benefit to consumers.

The retailer might not be willing to give support because he does not have the place, or the product does not sell much in his shop, or may be he thinks the effort required is more than the commission/benefit derived.

4. **Short-term orientation**

Sales promotions are generally for a short duration. This gives a boost to sales for a short period. This short-term orientation may sometimes have negative effects on long-term future of the organization. Promotions mostly build short-term sales volume, which is difficult to maintain. Heavy use of sales promotion, in certain product categories, may be responsible for causing brand quality image dilution.

5.2.3 Public Relations

Q17. Define Public Relations? What are the Characteristics of Public Relations?

Ans : **(Dec.-19, May-18, Dec.-16)**

Public relations is, "The planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its public". A firm's public includes its employees, stakeholders, trade unions, general public, customers (past, present and future), charities, media, government and politicians etc.

An organisation needs to communicate with the public both internally as well as externally. As the attitude of the public influences the sales of an organisation, enhanced public relations work to enhance the overall image and create goodwill for the company. Hence organisations need to communicate with one or all members of its public regularly.

According to International conference of public relations institutions held in Mexico City, "Public relations practice is the art and social science of analysing trends, predicting their consequences, counseling organisation leaders and implementing planned programmes of action which will serve both the organisation and the public interest."

Characteristics of Public Relations

1. **Relatively Low Cost**

The major advantage of public relations is that it tends to be much cheaper, in terms of cost per person reached, than any other type of promotion. Apart from nominal production costs, much PR activity can be carried out at almost no cost, in marked contrast to the high cost of buying space or time in the main media. To make the most use of this apparently free resource, many companies retain outside PR consultants who can prove themselves to be cost-effective in developing these opportunities.

2. **Can be Targeted**

Public relations activities can be targeted to a small specialised audience if the right media vehicle is used.

3. **Credibility**

The results of PR activity often have a high degree of credibility, compared with other promotional sources such as advertising. This is because the audience may regard such a message as coming from an apparently impartial and non-commercial source. Where information is presented as news, readers or viewers may be less critical of it than if it is presented as an advertisement, which they may presume to be biased.

4. **Relatively Uncontrollable**

A company can exercise little direct control over how its public relations activity is subsequently handled and interpreted. If successful, a press release may be printed in full, although there can be no control over where or when it is printed. At worst, a press release can be misinterpreted and the result can be very unfavorable news coverage. This is in contrast to advertising, where an advertiser can exercise considerable control over the content, placing and timing of an advert.

5. **Saturation of Effort**

The fact that many organisations complete for a finite amount of media attention puts pressure on the public relations effort to be better than that of competitors. There can be no guarantee that PR activity will have any impact on the targets at whom it is aimed.

Q18. Explain the Objectives of Public Relations.

Ans :

Professional public relations programme help business organisations accomplish their objectives. They can fulfill some of the objectives listed below,

1) Presenting a favourable image and its benefits.
2) Promotion of products or services.
3) Detecting and dealing with its publics.
4) Determining the organisation's posture in dealing with its publics.
5) Goodwill of the employees or members.
6) Prevention and solution of labour problems.
7) Fostering the goodwill of communities in which the organisation has units.
8) Goodwill of the stockholders or constituents.
9) Overcoming misconceptions and prejudices.

Q19. What are the Functions of Public Relations?

Ans :

1. **Press Relations or Press Agency :** Creating and placing news worthy information in the media to attract attention to a person, product or sense.
2. **Product Publicity :** Publishing specific products.
3. **Lobbying :** Building and maintaining relations with legislators and government officials to influence legislation and regulation.
4. **Public Affairs :** Building and maintaining national or local community relations.
5. **Investor Relations :** Maintaining relationships with shareholders and others in the financial community.
6. **Developments :** PR with donors or members of non-profit organisations to gain financial or volunteers support.

Q20. What are the functions of Public Relations?

Ans :

Public Relations (PR) must be viewed as a continuum because of the way companies use it in modern times. Public relations have two types of functions,

1. Marketing and
2. Non-marketing

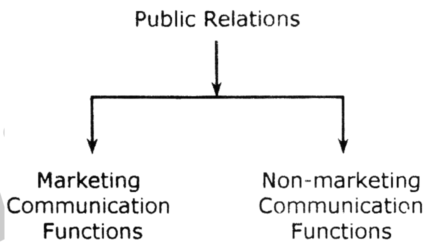


Fig.: Functions of Public Relations

1. **Marketing Functions**

Marketing Public Relations (MPR) functions are the PR activities designed to support marketing objectives. Some of the marketing objectives that may be aided by PR activities include raising awareness, informing and educating, gaining understanding, building trust, giving consumers a reason to buy and motivating consumer acceptance.

MPR plays the following roles in integrated marketing communication,

i) Building marketplace excitement before media advertising breaks.
ii) Creating advertising news where there is no product news.
iii) Introducing a product with little or no advertising.
iv) Providing a value-added customer service.
v) Building brand-to-customer bonds.

vi) Influencing the influential.

vii) Defending products at risk and giving consumers a reason to buy.

2. Non-marketing Functions

As a non-marketing function, the primary responsibility of a PR executive is to maintain mutually beneficial relationship between the organisation and the publics, employees, community, investors, government, customers and other interest groups. At the other end of the continuum, PR is primarily considered to have marketing communication functions. In this, all non-customer relationships are perceived as necessary only in a marketing context.

Cutlip, Centre and Broom has noted that marketing and public relations are complementary functions, "With each making unique and complementary contributions to build and maintain many relationships essential for organisational survival and growth." To ignore one is to risk failure in the other. This relationship is consistent with the thinking that PR is an important part of integrated marketing communication process, contributing in its own way but also in a way consistent with marketing goals.

Q21. What are the different types of Public Relations?

Ans : **(May-19)**

While conducting its business, an organisation needs to deal with a variety of publics (individuals and groups) who may cause its success or failure. Therefore, public relations officers perform PR activities aimed at varied publics like suppliers, employees, distribution channel members, retailers, customers, governments and local communities. These publics share varied relationships with the organisation and influence its well-being. The diversity of publics calls for tailor-made PR activities to solicit their support. Depending on the type of audience/publics it serves PR can be categorised into the following types,

1. Corporate Public Relations

Corporate PR activities are aimed at maintaining cordial relations and gaining the goodwill of various internal and external stakeholders who may influence the well-being of the organisation in the long-run. The target audience of corporate PR includes employees, shareholders, general public, government, trade unions, financial institutions and media. The internal corporate PR is aimed at promoting healthy relations between the organisation and its employees (including their families) and shareholders. External corporate PR can take the form of public affairs, financial PR or media PR depending on the external audience it deals with.

2. Marketing Public Relations

Marketing PR complement the various marketing activities that are aimed at improving the sales of an organisation's products among retail consumers or institutional clients. Marketing PR is aimed at commercial stakeholders like suppliers, distributors, competitors and customers. Marketing PR aims at securing media coverage for various marketing related activities like product launches and platinum disc celebrations. It uses tools like cultural and sports sponsorships, special events, media relations, trade shows and publications.

Q22. Explain various tools and techniques of public relation.

Ans :

Tools of Public Relations

1. Press Releases

The press release is the basic building block of a publicity programme concerned with story placement. This is where the important information about the product or services is summarised in a way that will catch the media's attention. Just as the marketer would customise the advertising message for each target, he needs to customise press releases for the various media he contacts.

2. Fact Sheets

A press release should be written so it can be used without any editing. That means all the relevant information must be included. There may be additional important information that doesn't really fit into the press release. That's where the fact sheet comes in. Fact sheets include more detailed information on the product, its origins and its particular features.

3. Press Kits

The press kit pulls together all the press releases, fact sheets and accompanying photographs about the product into one neat package. A comprehensive folder can serve as an attention getter and keep the provided materials organised.

4. Video News Releases

The video news release is the video equivalent of a press release. Prepared for use by television stations, the typical video news release runs about 30-60 minutes and can be used to highlight some important features of the product. These are called infomercials.

5. Employee/Member Relation Programme

An organisation's employees are an extremely important internal public. Corporate public relations people often spend a great deal of time in developing employee communication programmes, including regular newsletter, informational bulletin boards and internet postings. In service organisations these kinds of activities can be used to support brand communication efforts.

6. Community Relations Programme

It is critical that companies maintain the role of good community citizens within the markets where they have offices and manufacturing facilities. Many companies actively encourage their employees to take part in community organisations and local corporations are often major sponsors of community events and activities such as art presentations, blood donation drives and educational activities. Tata group of companies highlight their community relationship based communications for building a strong brand image within the local community and stakeholders at large.

7. Financial Relations Programme

Most of the brand marketing organisations are publicly held companies. Financial relations have become a key aspect of public relations activity. Downturns in company earnings quickly lead to decline in stock prices, leading to the exit of top executives. Financial relations people are responsible for establishing and maintaining relationships with the investment community, including industry analysers stock-brokers and journalists specialising in financial reporting.

8. Events

Companies can draw attention to new products or other company activities by arranging special events like news conferences, seminars, exhibits, contests, anniversaries, sponsorship in sports and cultural events.

9. Publications

Companies rely on extensively on published materials to reach and influence their target markets. These include annual reports, brochures, articles, magazines etc.

Techniques of Public Relations

There are many techniques available to influence public opinion. Some techniques are more appropriate in certain circumstances than others. Let us see how a firm can communicate with some of its important targets,

1. Consumer Communication

Companies use a variety of communication tools like customer press releases, promotional videos, consumer exhibitions, competitions and prizes, product launch events, celebrity endorsements, web sites etc.

2. Business Communication

A company can communicate to its business associates and other publics through,

i) Company and product videos.

ii) Direct mailings.

iii) Trade press releases.

iv) Web sites.

v) Trade exhibitions.

vi) Articles.

It can also use a host of other external corporate communication channels like,

i) Company literature like annual reports, brochures, videos etc.

ii) Community involvement programs.

iii) Local, national and international media relations.

iv) Shareholder meetings (including the annual general meeting) and

v) Meetings with stock market analysts, fund managers etc.

3. Employee Communications

Employee morale is strengthened if the firm is perceived favourably by the public. Hence, firms use various techniques to communicate with its employees like,

i) In-house newsletters and magazines.

ii) Internal/employee communication channels.

iii) Intranet and e-mail.

iv) Notice boards.

v) Company get-together and picnics.

vi) employee conferences etc.

Q23. What are the Advantages of Public Relations.

Ans :

Advantages of Public Relations

1. Credibility

Public relations enjoy credibility. Basically, public relations communications tools tend to be believed primarily because these tools do not necessarily appear as advertisements, especially the tools that appear as stories or articles in the media. In short, readers, listeners and viewers assume that the media's journalists have gathered the information and written the stories or articles, not a public relations practitioner.

2. Low Cost

Public relations communications tools typically enjoy low cost. These tools do not cost as much as advertisements or commercials to produce. Nor do these tools cost a lot when they appear in the media, especially the tools that sent to media personnel for consideration. In fact, only a few forms of public relations tools appear in media as a result of the client paying a fee.

3. Synergy

Pubic relations tools do not necessarily compete with other public relations tools, primarily because these communications usually appear as stories or articles. Unfortunately, advertisements and commercials have to compete with other advertisements and commercials in the media.

4. Develop Positive Image

Pubic relations communications tools can be effective in developing a positive image in the minds of various publics for a product, service or whatever else a client wishes to address.

Disadvantages of Public Relations

1. Low Appearance

Public relations communications tools may not appear in media, especially the tools that are merely sent to media personnel for consideration.

2. Low Link

Public relations communications tools may be read, seen or heard, but members of the intended public may not link the messages to the client.

3. Low Achievement

Public relations communications tools may fail to achieve the objective for which they were created. If this is the case, the client may never know it, primarily because the effectiveness of public relations is difficult to measure.

4. Brief Life

Public relations communications tools usually have a brief life. In fact, in order for a public relations tool to have any impact, it must be changed frequently with new information.

5. Difficulty in Changing Perception

Public relations may have difficulty changing an intended public's perception of a product, service or whatever else a client addresses. Generally, changing someone's perception of something takes a multitude of communications tools over a long period. Public relations communications tools may not be able to achieve this.

5.2.4 Publicity

Q24. Define Publicity. Explain different types of Publicity.

Ans : **(Dec.-19, Dec.-17, Dec.-16)**

Publicity is an activity carried on between advertising, to make the public understand what the product actually is and thus posing a confidence in prospects about the product. Public relation plays a very important role in a marketing operation. Publicity creates a convert image of the product and the producer.

Types of Publicity

Publicity experts create awareness and market their organization and its products/services to various media sources which include TV, Radio, internet, newspapers, magazines and so on. Publicity experts develop and design various interesting and creative stories about their organization and products and pitch it to various media people. Organizations bank on their relations with media channels to enhance the reputation of their brand. Following are the tools used in media relation:

1. Press Kits

Press kits include written material about the organization and its top people.

2. Audio Releases

Audio releases or video releases are pre-recorded messages distributed to various media channels.

3. Matte Releases

Small local newspapers accept articles written by organizations when they do not have sufficient articles or stories to publish. Such releases are called as matte releases.

4. Website Press Room

Public relations experts promote their organization and its products/services through online press rooms.

5. Media Tour

Public relations experts publicize their organization and its products through media tour where key people of the organization travel to important places and locations and promote. Their products through various interviews to media people. They interact and share the benefits and USPs of their products/ services with people from various news channels, radio channels and even print media. Organizations also hire celebrities or other people popular among the masses to promote and publicize their organization.

6. Newsletters

Newsletters are nothing but publications which are distributed on a regular basis (monthly, quarterly) among target audiences. Public relations experts collect complete information (name, address, age group) of their target customers and distribute newsletters to create awareness about their products. Newsletters should include information about the organization, interview from key people, product information, and testimonials from clients and so on.

7. Events/Functions

Public relations experts organize special events, gatherings, parties, to target their customers and promote their organization and its products among them. People from media are also invited for coverage.

8. Speaking Engagements

One of indirect ways of publicizing an organization and its products is through interacting with potential customers and target audience. Company officials address the target audience and do not only discuss about their products and services. They generally prefer any topic which would interest the target audiences.

5.2.5 Personal Selling

Q25. What is personal selling ? Explain the objectives of personal selling.

Ans : **(Dec.-18, May-18, Dec.-17, Dec.-16)**

Selling is one of the oldest professions in the world. The people who do the selling go by many names : Sales people, Sales representatives, Account executives, Sales consultants, Sales engineers, District managers and account development representatives etc.

Personal Selling

Personal selling is an important aspect of sales activity which in its broader sense, is the means for implementing marketing programmes to achieve sales target and marketing objectives. Personal selling is the overall activity and salesmanship is the one aspect of personal selling. Salesmanship is one of the skills used in personal selling.

Personal Selling Objectives

The objectives of personal selling could be quantitative and qualitative.

(a) **Quantitative :** These are all short-term objective.

(b) **Qualitative :** These are long-term objectives.

(a) Quantitative Objectives

- To get the orders and execute these orders to customer satisfaction.
- To meet sales target and profits and expenses.
- To maintain the present account and add new customers.
- To maintain the market share and competitive edge.
- To reach sales volume
- To submit the management reports regularly as per company policies.

(b) Qualitative Objectives

- To do the entire selling jobs.
- To serve the existing accounts in terms of their order booking, stock position, requirements.
- To generate new enquires and new prospects.
- To convert some of the new prospects in to long term customers.
- To keep regular contact with customers to in form them of product information, production technical facilities and company's quality of work and payment policies.
- To co-ordinate with distribution of channel to improve sales and market share.
- To collect the information from markets, customer, suppliers, distribution channels and consultants for use by company management.

Q26. Explain the Importance of Personal Selling.

Ans :

1. Personal selling is an important element in the promotion mix. It has become a dynamic element in the marketing mix. It has been observed that 20 percent of the total sales are effected through personal selling.
2. The salesman pinpoints the prospective buyers when other sales promotional activities cannot reach them. Here thee is a minimum waste of effort and time.
3. Personal selling is to maintain attention and interest in the public. This is useful to motivate of the buyers.
4. Through personal selling, the salesman understanding the reactions and objections of the prospects.
5. In sales presentation, the salesman can adjust the reaction of the potential buyers. It is two way communication, so the salesman can findout the weakness of the buyers.
6. Feedback is possible in personal selling.
7. Salesman can other services to customers and retailers.

8. Personal selling is useful to prepare market lands and management controlling, planning and execution.

9. Salesman can easily find the target customers. They can formulate suitable strategies and effective policies for increasing the sales.

Q27. Explain the advantages and disadvantages of personal selling.

Ans :

The nature of personal selling positions this promotional tool uniquely among those available to marketers. Its advantages include the following:

Advantages of personal selling

1. **Allowing for two-way interaction**

The ability to interact with the receiver allows the sender to deter-mine the impact of the message. Problems in comprehension or objections can be resolved and in-depth discussions of certain selling points can be provided immediately. In mass communications this direct feedback is not available and such information cannot be obtained immediately (if at all).

2. **Tailoring of the message**

Because of the direct interaction, messages can be tailored to the receiver. This more precise message content lets the sender address the consumer's specific concerns, problems, and needs. The sales rep can also determine when to move on to the next selling point, ask for the sale, or close the deal.

3. **Lack of distraction**

In many personal selling situations, a one-to-one presentation is conducted. The likelihood of distractions is minimized and the buyer is generally paying close attention to the sales message. Even when the presentation is made by a group of salespeople or more than one decision maker is present, the setting is less distracting than those in which nonpersonal mass media are used.

4. **Involvement in the decision process**

Through consultative selling and relationship marketing, the seller becomes more of a partner in the buying decision process, acting in conjunction with the buyer to solve problems. This leads the buyer to rely more on the salesperson and his or her products and services. An added benefit may be increasing the involvement of the organization's own employees.

5. **Source of research information**

In a well-integrated marketing/sales department the sales force can be the "eyes and ears" of the firm. Sales reps can collect information on competitors' products and services, promotions, pricing, and so on, firsthand. In addition, they can learn about the buying needs and wants of customers and potential customers.

Disadvantages of personal selling

1. **Inconsistent messages**

Earlier we stated that the ability to adapt the message to the receiver is a distinct advantage of personal selling. But the lack of a standardized message can become a disadvantage. The message to be communicated is generally designed by the marketing staff with a particular communications objective in mind. Once this message has been determined, it is communicated to all receivers. But the salesperson may alter this message in ways the marketer did not intend. Thus, the marketing staff is at the mercy of the sales force with respect to what exactly is communicated. (Sales communica-tions aids can offset this problem to some degree, as you will see later in this chapter.)

2. **Sales force/management conflict**

Unfortunately, there are situations in even the best companies when one wonders if the sales staff and marketing staff know they work for the same company and for the same goals. Because of failure to communicate, corporate politics, and myriad other reasons, the sales force and marketing may not be working as a team. The marketing staff may not understand the problems faced by the sales staff, or the salespeople may not understand why marketing people do things the way they do. The result is that the sales force may not use materials provided from marketing, marketing may not be responsive to the field's assessment of customer needs, and so forth. The bot-tom line is that the communications process is not as effective as it could be due to faulty internal communications and/or conflicts.

3. High cost

As the cost per sales call continues to climb, the marketer may find mass communications a more cost-effective alternative.

4. Poor reach

Personal selling cannot reach as many members of the target audience as other elements. Even if money were no object (not a very likely scenario!), the sales force has only so many hours and so many people it can reach in a given time. Further, the frequency with which these accounts are reached is also low.

Q28. What are the Functions of Personal Selling?

Ans :

The important functions of personal selling are as follows,

(a) To Provide Customer Service

The main function of personal selling is to provide services to the customers in the following manner,

(i) Explaining the use of the product.

(ii) Providing guidelines about the product use.

(iii) Effective demonstration of product handling.

(iv) Convincing customers about the product's quality and demands

(v) Clearing/eliminating the customer's doubts related with the product.

(b) To Sell the- Products

Personal selling primarily aims at selling the products to both the customers and consumers.

(c) To maintain the Sales Record

Personal selling functions also includes the j maintenance of the sales record for the business. The |organisations would be able to achieve business stability only by continuously maintaining the sales records accurately.

(d) Executive Function

personal selling also performs certain executive functions as follows,

(i) Provides training to salesmen

(ii) To formulate and develop short-term and long-term training programs

(iii) Providing management with informa-tion related to market trends.

(e) To promote Goodwill

In order to withstand the cut-throat competition in j the competitive market, a business firm needs to build a good image in the market. Personal selling helps in developing and promoting goodwill for the company.

(f) To Achieve Sales Target

Profits are being increased by increasing the sales volume of the company's products. Thus, personal selling helps in achieving the sales targets by increasing profits with the help of sales volumes.

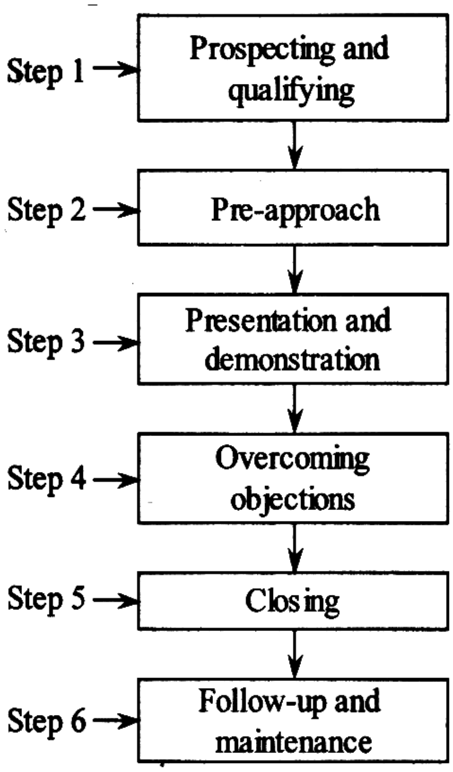
Q29. Outline the process of personal selling.

Ans :

Personal Selling Process

The following six steps are involved in the process of personal selling.

1. Prospecting and qualifying
2. Preapproach
3. Presentation and demonstration
4. Overcoming objections
5. Closing
6. Follow-up and maintenance.



1. Prospecting and Qualifying

It is the first step in the personal selling process. Sales people can make use of their valuable time for companies customers in prospecting. Selling companies can qualify the loads by using mail or phone in order to determine their level of interest and financial soundness.

2. Preapproach

The sales person is supposed to gather more information about the future of the company and its buyers. He should set clear strategy towards his responsibilities that enable him to make immediate sale. Beside this, the sales person must also take care of the personal visit, phone call or a letter.

3. Presentation and Demonstration

The sales people give presentation and demonstration about the product so that the buyer clearly understands the product's features, its usage and needs. The sales persons usually follows AIDA formula [gaining attention, holding interest, arousing desire and obtaining action] and FABV approach [Features, Advantages, Benefits and Value approach],

4. Overcoming Objections

Customers generally raise objections while presentation or orders are placed. Sales people must politely handles their objections by clearing their doubts. Handling objections is an essential aspect of negotiation. The two type of resistance which occurs in this stage are as follows,

(a) **Psychological Resistance :** It refers to the resistance with respect to a reference, apathy, dislike of making decisions, neurotic attitude towards money etc.

(b) **Logical Resistance :** It refers to the objections raised with respect to price, delivery schedule, product or company characteristics etc.

5. Closing

Sale people cannot directly close the sale. They should determine the closing signs such as physical actions, repeating the important feature of the product. They ask whether the buyer likes the product, can they place order right now. The salesperson ends the closing process through emphasizing on special price, token gift, price discount if placed earlier.

6. Follow-up and Maintenance

Follow-up and maintenance are essential in the personal selling process. After closing the sales, the salesperson provides necessary information which the buyer may need while placing the order such as delivery time, purchase terms etc. Follow-up technique helps in proper installation, instructions and servicing. If the buyers face any problem, then the salesperson deals that out immediately. Thus, he salesman must develop a maintenance and growth plan.

5.3 Distribution

Q30. Define Distribution? What are the characteristics of Distribution?

Ans : **(Dec.-17)**

A channel of distribution (sometimes call a marketing channel) is a group of individuals and organisations that direct the flow of products from producers to customers. The main function of this element is to find out appropriate ways through which goods are made available to the markets.

Definitions of Distribution

A channel of distribution or marketing channel is the structure of intra company organization units and extra company agents and dealers, wholesalers and retailers through which a commodity, product or services is marketed.

- American Marketing Association

Distribution channel is a set of independent organization involved in the process of making a product or services available for use or consumption by the customer or industrial user.

- Kotler & Armstrong

"Marketing channels are the combination of agencies through which the seller, who is often though not necessarily the manufacturer, markets his production to the ultimate user."

– John A, Howard

"A channel of distribution for a product is the route taken by the title to the goods as they move from the producer to the ultimate consumers or industrial user".

– William J Stanton

Characteristics of Distribution

1. Route or Pathway

Channel of distribution is a route or pathway through which goods and services flow from the manufacturers to consumers.

2. Flow

The flow of goods and services is smooth and sequential and usually unidirectional.

3. Composition

It is composed of intermediaries, such as, wholesalers, retailers, agents, distributors etc., also called middlemen who participate in the flow voluntarily.

4. Functions

The intermediaries perform such functions which facilitate transfer of ownership, title and possession of goods and services from manufacturers to consumers.

5. Remuneration

The intermediaries are paid in the form of commission for the services rendered by them. The same is compensated by the manufacturer in the form of commission allowed by the manufacturer or added in the price of the goods sold.

6. Time Unity

As they bring goods to the consumers when needed.

7. Convenience Value

As they bring goods to the consumers in convenient shape, unit, size, style and package.

8. Possession Value

As they make it possible for the consumers to obtain goods with ownership title.

9. Marketing Tools

As they serve as vehicles for viewing the marketing organisation in its external aspects and for bridging the physical and non-physical gaps which exist in moving goods from the producers to the consumers.

10. Supply Demand Linkage

As they bridge the gap between the producers and consumers by resolving spatial (geographical distance) and temporal (relating to time) discrepancies in supply and demand.

Q31. What are the Objectives of Distribution?

Ans :

1. To ensure availability of products at the point of sale.
2. To build channel members loyalty.
3. To stimulate channel members to put greater selling efforts.
4. To develop managerial efficiency in channel organisation.
5. To identify your organisation at the buyer level.
6. To have an efficient and effective distribution system, to make your products and services available.

Q32. Explain Factors Affecting Channels of Distribution.

Ans : **(Dec.-17)**

The channel choice is influenced by several factors. Such factors may be classified as factors relating to:

1. Product Characteristics
2. Markets Factors
3. Company Characteristics
4. Middlemen Consideration
5. Environment

1. Product Characteristics

The product characteristic plays an important role in influencing the channel selection. The marketing executive must study the uses of a product, its frequency of purchase; perishability, rapidity of fashion change, the service required, and its bulkiness.

(a) Purchase Frequency : The more frequently purchases are made, more feasible it is for the manufacturer to use direct distribution. This requires extensive distribution which involves a financial consideration.

(b) Perish Ability : Perishable products like, bakery products, fruits and vegetables, sea food must be placed in the hands of the final consumer as soon as possible after production. These require more of direct marketing because of the risk associated with repeated handling and delays.

(c) Weight and Technicality of the Product ; Products that are bulky, large in size and technically complicated are usually sold directly by the company to the consumers because of the difficulty of finding middlemen for these lines. More over these products which are of technical in nature require more of after sale service to the consumers, and these must be supplied either directly or through the shortest possible route.

(d) Selling Price Per Unit : It selling price per unit is low, the channel distribution may be long as in case of cigarette and watches. If selling price is more the channel is more direct as in case of radio and television.

(e) Standardized Products or Ordered Products : Standardized products each unit of which is similar in color, weight, size, quality etc., have an indirect or lengthy channel of distribution. If products are not standardized and are produced on order, they have direct selling.

2. Markets Factors / Consumer Factors

The following market or supply characteristics influence the channel decision:

(a) Consumer or Industrial Market : The producer of consumer product may choose a long channel involving wholesalers and retailers depending upon the nature of product. In case industrial of product the channel is comparatively short because retailer's services are required in such cases.

(b) Number of Purchasers : Where number of consumers is large, the channel may be indirect and services of wholesalers and retailers become necessary. But, if customers are few, direct sale can be entertained through representatives.

(c) **Geographical Distribution :** If customers are geographically dispersed, the channel may be long. In contrast, if they are concentrated, the direct selling may be done.

(d) **Size of Orders :** Where customers purchase small quantities frequently and regularly, lengthier marketing channels are indicated. If the size of order from the consumer is large, the channel may be shorter.

(e) **Policies of Competitors :** The channels of distribution are also affected by the policies of the competitors in this regard. If most of the competitors are distributing their products through middlemen, the enterprise must also decide to do so.

(f) **Customer Buying Habits :** Customer's buying habits also affect channels of distribution decision. If the consumer expects credit facilities, desires to purchase all necessaries at one place one desire for the personal services of the salesman, the channel may be lengthier or shorter depends upon the capacity of providing those facilities and meeting out the needs of the customers.

3. Company Characteristics

This choice of channel is also influenced by company characteristic such as its financial position, size and product mix, morale, of its employees, past channel experience and executive prejudices and overall marketing policies:

(a) **Financial Resources :** The financial strength of the company determines which marketing tasks, it can handle efficiently and which ones are to delegate to the middlemen. A company having good financial resources may engage itself in direct marketing in a profitable manner. A Weak financial position may force a company to use financially strong intermediaries even if this is not profitable.

(b) **Size of the Company :** A large company already handling a wide line of products may be in good position to take an additional product of the same line and handle it in the same way, usually directly. But a smaller firm or one with narrow lines would find middle men practical.

(c) **Product Mix :** A fresh expansion of plant capacity may require more aggressive channels. If the product mix of a company is wider, it can deal with its customers directly. Similarly consistency in the company's product mix ensures heterogeneity of its marketing channels.

(d) **Attitude of Company Executives :** The attitude of the company executives may also influence the channel selection. Their experience of working with certain type of middlemen may tend to develop channel preferences or prejudices.

(e) **Marketing Policies :** The Company marketing policies such as speedy delivery, after-sales- services, heavy ad, uniform retail price can provide the services to customers according to company marketing policies, it can delegate its selling activity to middlemen, and otherwise, it may engage itself in direct selling.

(f) **Goodwill of the Company :** If the producer is of repute, he can select any channel of his choice because every middleman is ready to work for such a reputed producer and popular products. If the producer is new or doesn't enjoy such reputation, he should take the advantage of the reputation of the middlemen; and should select the channel which enjoys high reputation.

4. Middlemen Consideration

The choice of channel also depends upon the strengths and weakness of various types of middlemen performing various functions. Their behavioral differences, product lines, the number, location, size differ and affect the design of the channel.

(a) **Attitude of the Middlemen :** The attitude of the middlemen towards the company's policies may affect the channel decision. For example, some middlemen desire to fix their own price for the product the company agrees to allow them to do so, they can very happily agree to sell the products of the company. On the other hand if the company likes to follow the Resale Price Maintenance Policy, the choice is limited.

(b) **Service Provided by Middlemen :** Services provided by the middlemen may affect the choice of the channel. If the middlemen can provide the services to the customers who the company requires to provide, the middlemen can be appointed; otherwise company will sell the product directly to the consumer.

(c) **Availability of the Middlemen :** The kinds of specialists, the marketing manager would like to use middlemen may not be available or willing to cooperate, especially, if the company is a late entrant in the field and his competitors already have tied up the middlemen perhaps as a part of a selective or exclusive distribution policy. In such case a manufacturer has to make use of the services of the middlemen whoever available in the market or it has to manage its own channel.

5. Environment

The environmental factors such as economic, ethical, and social conditions and law of the land also influence the channel decision.

(a) **Economic Conditions :** When economic conditions are depressed the producers prefer shorter channels to cut costs.

(b) **Legal Restrictions :** If there is any legal restriction on the selling activity, the producer will be restricted to do so, for example, under MRTP Act, any practice which may have the effect of unreasonably preventing or lessening competition in the supply of goods or services is not permissible.

(c) **Social and Ethical Considerations :** Social and ethical considerations such as distribution through black marketing involves question of ethics and injurious to society.

Thus above are the factors that influence the channel decision of the product and the producer doesn't always enjoy complete freedom in selecting the marketing channels.

Q33. How do designing marketing channels.

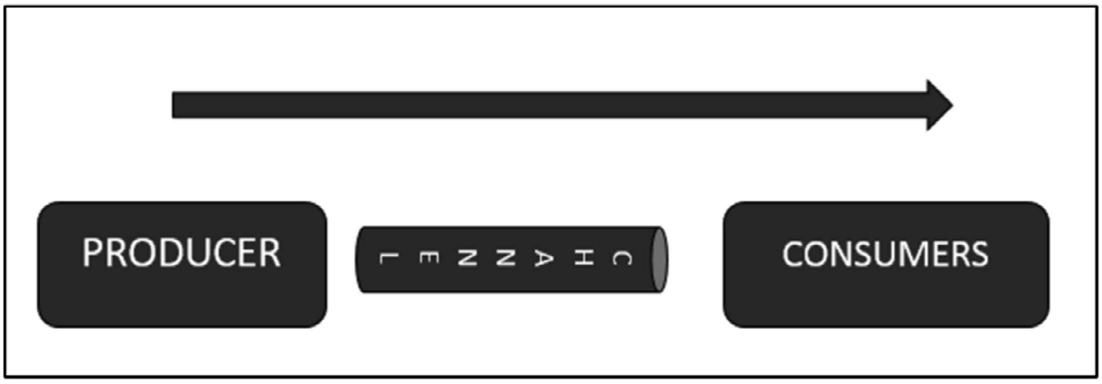
Ans :

Designing and Managing Marketing Channels

Marketing channels are set of mutually dependent organizations involved in the process of making product or service available for utilization. It is established in academic studies that Marketing channels are the means by which goods and services are made available for use by the customers. All goods go through channels of distribution, and marketing will depend on the way goods are distributed. The direction that the product takes on its way from production to the consumer is imperative because a marketer must choose which channel is best for his particular product. It can be said that channel is the link between manufactures and purchasers. Decisions about the marketing channel system are decisive for management.

The marketing channels chosen by marketers influence all other marketing decisions. The firm's sales force and advertising decisions depend on how much training and inspiration dealers need. Further, channel decisions involve comparatively long-term commitments to other firms. Holistic marketers guarantee that marketing decisions in all these different areas are made to jointly maximize value.

Channel of distribution (Marketing channel)



In current competitive climate, big companies are using hybrid channels in any one area. The firm must choose how much effort is needed to assign to push versus pull marketing. **A push strategy** uses the manufacturer's sales force and trade promotion to encourage intermediaries to carry, promote, and sell the product to customers. This is suitable where there is low brand loyalty in a category, brand choice is made in the store, the product is desired item, and product benefits are well understood. In a pull strategy, the manufacturer uses advertising and promotion to influence customers to ask intermediaries for the product, thus inducing the intermediaries to order it. This is suitable when there is high brand loyalty and high involvement in the category, people perceive differences between brands, and people choose the brand before they shop. A marketing channel executes the work of moving products from producers to consumers, beat the time, place, and possession gaps that separate goods and services from those who need or want them.

Channel level: The producer and the final customer are part of every channel. There are numerous channels by which goods and services are distributed. It is divided into direct and indirect channel. In direct channel also known as zero-level channel, manufacturer and customer deal directly with each other. There is no middleman in this channel. It consists of a producer selling directly to final customers through door-to-door sales, Internet selling, mail order, telemarketing, home parties, TV selling, manufacturer-owned stores, and other methods.

In indirect channel, companies manufacture products in huge scale and sell these products to middle man for example whole seller and retailers. This channel can be very expensive.

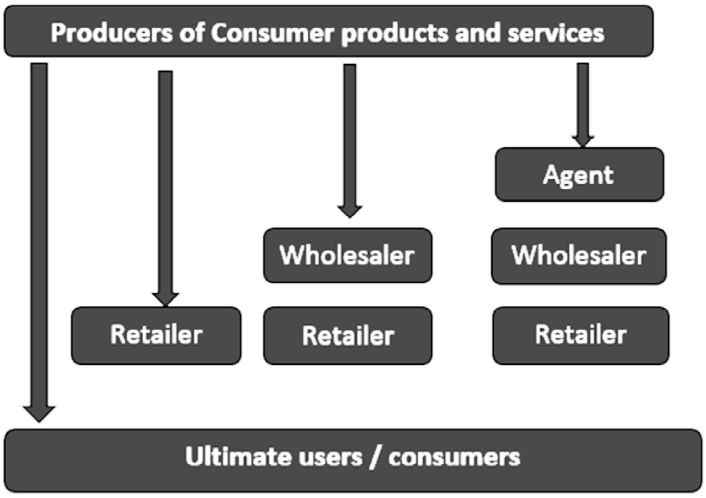
Manufacturer to Customer: Manufacturer produces the goods and sells them to the customer directly with no mediator, such as a wholesaler, agent or retailer. Goods come from the manufacturer to the user without an intermediary.

Manufacturer to Retailer to Consumer: Purchases are made by the seller from the manufacturer and then the retailer sells the products to the consumer. This channel is used by manufacturers that specialize in producing shopping goods.

Manufacturer to Wholesaler to Customer: Consumers can buy directly from the wholesaler. The wholesaler breaks down bulk packages for resale to the consumer. The wholesaler reduces some of the cost to the consumer such as service cost or sales force cost, which makes the purchase price cheaper for the consumer.

Manufacturer to Agent to Wholesaler to Retailer to Customer: This type of distribution involves more than one intermediary involves an agent called in to be the middleman and help with the sale of the goods. An agent receives a commission from the producer. Agents are useful when products or services need to move rapidly into the market soon after the order is placed.

Market channels by which goods and services are distributed

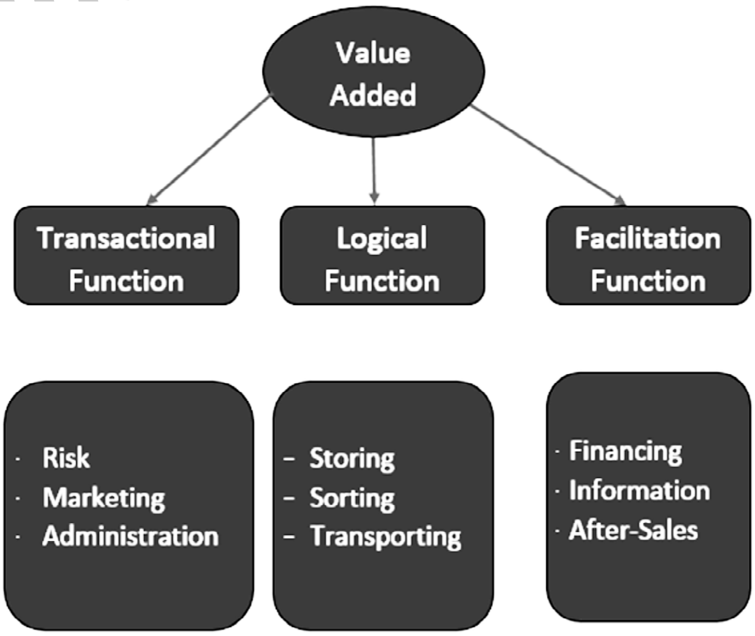


Characteristics of Marketing Channels

1. Link between Producer and Consumer.
2. Flow of Goods
3. Remuneration.
4. Classification-Direct and Indirect.
5. Activities- Financing, Credit Facility

It is important to consider some factors when choosing appropriate marketing channel such as product, market, company. It is observed that middle man plays vital role in distribution of product in market channel. The core responsibility of intermediaries is to deliver products to customers in their desired location. To accomplish this objective, they purchase goods and store these and then ship to customers.

Marketing channel function performed by middleman.



Designing a Marketing Channel System

Designing a marketing channel system entails factors such as analysing customer needs, establishing channel objectives, identifying major channel alternatives, and evaluating major channel alternatives.

Analysing Customers' Desired Service Output Levels: The marketer must recognize the service output levels which its target customers want. Channels produce five service outputs:

1. **Lot size:** The number of units the channel allows a particular customer to buy at one time.
2. **Waiting and delivery time:** The average time consumers of that channel wait for receipt of the goods. Customers generally prefer fast delivery channels.
3. **Spatial convenience:** The extent to which the marketing channel facilitate for customers to obtain the product.
4. **Product variety:** The variety provided by the channel. Usually, consumers prefer a greater collection, which enhances the chance of finding what they need.
5. **Service backup:** The add-on services such as credit, delivery, installation, repairs provided by the channel.

Providing greater service outputs denotes increased channel costs and higher prices for consumers. The triumph of discount resellers (online and offline) designates that many consumers will accept lower outputs if they can save money.

Establishing Objectives and Constraints

Another factor in designing a marketing channel system is that marketers must declare their channel objectives in terms of targeted service output levels. In competitive conditions, channel institutions should coordinate their functional tasks to reduce total channel costs and still offer desired levels of service outputs. Generally, planners can recognize several market segments that want different service levels. Successful planning needs to determine which market segments to serve and the best channels for each. Channel objectives differ with product characteristics. Channel design is also affected by numerous environmental factors as competitors' channels, monetary conditions, and legal regulations and limitations.

Identify Major Channel Alternatives

Other decisive factor in developing market channel is to recognize alternatives. Companies may select array of channels to approach customers, each of which has distinctive strengths as well as limitations. Each channel alternative is explained by (i) the types of available intermediaries (ii) the number of intermediaries needed; and (iii) the terms and responsibilities of each channel member. Types of Intermediaries entails a firm needs to discover the types of intermediaries available to run its channel work. Some intermediary merchants such as wholesalers and retailers buy, take title to, and resell the products. Agents such as brokers, manufacturers' representatives, and sales agents chase customers and may bargain on the producer's behalf but do not take title to the merchandise. Facilitators, including transportation companies, independent warehouses, banks, and advertising agencies, help in the distribution process but neither take title to goods nor negotiate purchases or sales.

Companies should recognize pioneering marketing channels. Number of Intermediaries indicates that to choose intermediaries to use, companies can adopt one of three strategies: exclusive, selective, or intensive distribution. Exclusive distribution means severely limiting the number of intermediaries. Selective distribution depends on more than a few but less than all of the intermediaries willing to carry a particular product. In intensive distribution, the producer places the goods or services in as many outlets as possible. This strategy is usually used for items such as snack foods, newspapers, and gum. Terms and Responsibilities of Channel Members signify that each channel member must be treated courteously and given the opportunity to be lucrative. The main constituents in the "trade-relations mix" are price policy, conditions of sale, territorial rights, and specific services to be performed by each party. Price policy assists the producer to ascertain a price list and schedule of discounts and allowances that intermediaries see as equitable and sufficient.

Evaluating the Major Alternatives

The Company must assess each alternative against suitable economic, control, and adaptive criteria. The firm should verify whether its own sales force or a sales agency will create more sales and it estimates the costs of selling different quantities through each channel.

5.3.1 Channel Functions

Q34. What are the Functions of Marketing Channels?

Ans :

There are following major distribution or marketing channel functions as given below :

1. Information Provider

Middlemen have a role in providing information about the market to the manufacturer. Developments like changes in customer demography, psychography, media habits and the entry of a new competitor or a new brand and changes in customer preferences are some of the information that all manufacturers want. Since these middlemen are present in the market place and close to the customer they can provide this information at no additional cost.

2. Matching Buyers and Sellers

The most crucial activity of the marketing channel members is to match the needs of buyers and sellers. Normally, most sellers do not know where they can reach potential buyers and similarly, buyers do not know where they can reach potential sellers. From this perspective, the role of the marketing channel to match the buyers' and sellers' needs becomes very vital. For example, a painter of modern art may not know where he can reach his potential customers, but an art dealer would surely know.

3. Time and Place Utility

Channels of distribution help the consumers to buy goods at the time and place they need them. They create time and place utilities to the buyer. Thereby reducing the spatial discrepancy (distance between the producer and the consumer) in the buying space.

4. Assortment of Products

This activity leads to the customer convenience because channels of distribution help the consumers to buy goods in convenient units, lots, packs and assorted varieties of the products. In order to use the economies of scale and to minimise the overall production cost, goods and services are produced in bulk. But these goods and services consumed in smaller quantity so there is essentially the need of breaking the bulk. This job is carried out by channel intermediaries.

5. Price Stability

Maintaining price stability in the market is another function a middleman performs. Many a time the middlemen absorb an increase in the price of the products and continue to charge the customer the same old price. This is because of the intra-middlemen competition. The middleman also maintains price stability by keeping his overheads low.

6. Promotion

Promoting the product/s in his territory is another function that middlemen perform. Many of them design their own sales incentive programmes, aimed at building customers traffic at the other outlets. Channels of distribution perform promotional activities like advertising, personal selling and sales promotion etc. so as to assist the producer in achieving greater market share in sales and market coverage of the product.

7. Financing

Middlemen finance manufacturers' operation by providing the necessary working capital in the form of advance payments for goods and services. The payment is in advance even though the manufacturer may extend credit, because it has to be made even before the products are bought, consumed and paid for by the ultimate consumer.

8. Title

Most middlemen take the title to the goods, services and trade in their own name. This helps in diffusing the risks between the manufacturer and middlemen. This also enables middlemen to be in physical possession of the goods, which in turn enables them to meet customer demand at very moment it arises.

9. Help in Production Function

The producer can concentrate on the production function leaving the marketing problem to middlemen who specialise in the profession. Their services can best utilised for selling the product. The finance, required for Organising marketing can profitably be used in production where the rate of return would be greater.

10. Matching Demand and Supply

The chief function of intermediaries is to assemble the goods from many producers in such a manner that a customer can affect purchases with ease. The goal of marketing is the matching of segments of supply and demand.

11. Pricing

In pricing a product, the producer should invite the suggestions from the middlemen who are very close to the ultimate users and know what they can pay for the product. Pricing may be different for different markets or products depending upon the channel of distribution.

12. Standardising Transactions

Standardising transactions is another function of marketing channels. Taking the example of the milk delivery system, the distribution is standardised throughout the marketing channel so that consumers do not need to negotiate with the sellers on any aspect, whether it is price, quantity, method of payment or location of the product. By standardising transactions, marketing channels automate most of the stages in the flow of products from the manufacturer to the customers.

13. Provide Salesmanship

Marketing channels also provide salesmanship. In particular, they help in introducing and establishing new products in the market. In many cases, buyers go by the recommendations of the dealers. The dealers establish the products in the market through their persuasive selling and person- to-person communication. They also provide pre-sale and after-sale service to the buyers.

14. Assist in Merchandising

Merchandising is another important function performed by marketing channels. Through merchandising, they help reinforce the awareness about the product among customers. When a customer visits a retail shop, his attention can be allured by an attractive display of the product/brand increasing his awareness and interest. Merchandising, especially display, complements the selling efforts of the company and acts as a silent salesman at the retail outlet.

15. Provide Market Intelligence

Channels provide market intelligence and feedback to the principal. In the nature of things, channels are in a good position to perform this task, since they are in constant and direct contact with the customers. They feel the pulse of the market all the time.

5.3.2 Types of Intermediaries

Q35. Explain various types of intermediaries in distribution.

Ans :

There is a variety of intermediaries that may get involved before a product gets from the original producer to the final user. These are described briefly below :

1. Retailers

Retailers operate outlets that trade directly with household customers. Retailers can be classified in several ways :

- Type of goods being sold(e.g. clothes, grocery, furniture)
- Type of service (e.g. self-service, counter-service)
- Size (e.g. corner shop; superstore)
- Ownership (e.g. privately-owned independent; public-quoted retail group
- Location (e.g. rural, city-centre, out-of-town)
- Brand (e.g. nationwide retail brands; local one-shop name)

2. Wholesalers

Wholesalers stock a range of products from several producers. The role of the wholesaler is to sell onto retailers. Wholesalers usually specialise in particular products.

3. Distributors and Dealers

Distributors or dealers have a similar role to wholesalers – that of taking products from producers and selling them on. However, they often sell onto the end customer rather than a retailer. They also usually have a much narrower product range. Distributors and dealers are often involved in providing after-sales service.

4. Franchises

Franchises are independent businesses that operate a branded product (usually a service) in exchange for a licence fee and a share of sales.

5. Agents

Agents sell the products and services of producers in return for a commission (a percentage of the sales revenues).

Q36. Explain various types of Channels Of Distribution.

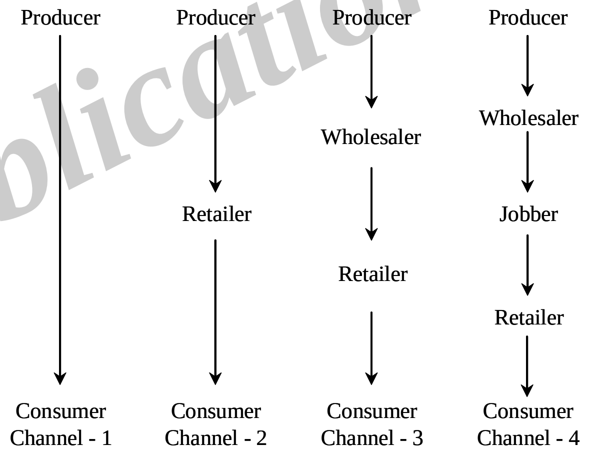
Ans : **(May-19, Dec.-18)**

1. Direct Marketing Channel
2. Indirect marketing Channel

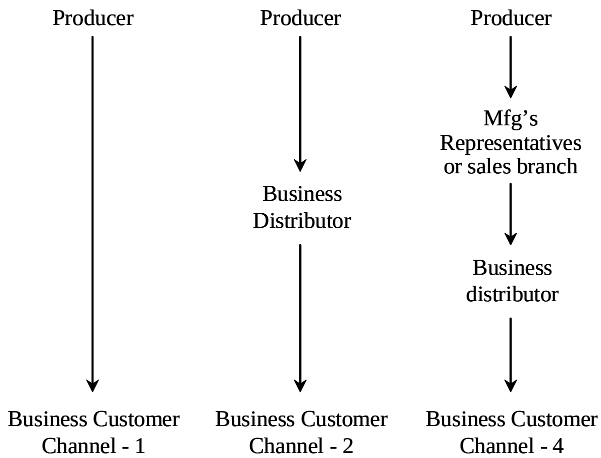
1. Direct Marketing Channel : The Company sells directly to consumer.

2. Indirect Marketing Channel : The Company sells to consumer through intermediaries to help company to sell/ promote the products to final buyer.

A) Channels for Consumer Products



B) Channels for the Industrial Goods



C) Channels for the Service Organization

Producers → Customer

Producers → Agents → Customer

Q37. Explain the Classification of Marketing Channels

Channels are structured with varying degrees of centralized control.

1. Vertical Marketing System
2. Horizontal Marketing System
3. Multilevel Marketing System

1. Vertical Marketing System

This provides channel leadership it consists of Producers, Wholesalers, & Retailers acting as a unified system. But here they can arrange two type channels.

- Conventional
- VMS.

Conventional

This consists of one or more independent producers, wholesalers and retailers. But no leadership and powers in channel.

Conventional Channel Vs Vertical Marketing System

Producer → Wholesaler → Retailer → Consumer

Producer
Wholesaler | Retailer → Consumer

Types of VMS

In vertical marketing system at different company :

a) **Corporate VMS :** This integrates successive stages of production and distribution under single ownership. Ex: MTV, GAP, ZARA faster.

b) **Contracting VMS :** It consists of independent firms at different levels of production and distribution who joins together through contracts to obtain more economies or sales impact than each could achieve alone. Co-ordination and conflict management are attained through contractual agreement among channel members.

   Ex: Holiday Inn, Ramada Inn and Mc Donald and coca-cola licenses.

c) **Administered VMS :** In leadership it is assumed not through common ownership or contractual ties, but through the size and power of one or few channel members. Mfg. of a top brand can obtain strong trade co-operation and support from resellers. Ex: GE, Procter & Gamble.

2. Horizontal marketing System

In Horizontal marketing system two or more organization on the same level of distribution co-operates to accomplish a common goal. This type of marketing system recognizes that there is strength in number. The nature of HMS differs widely of different types of products.

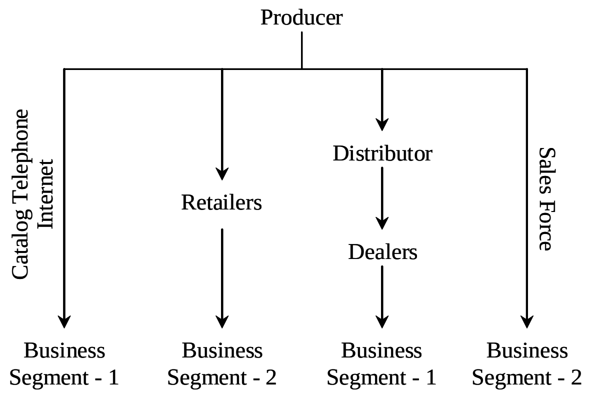
Retailers too often share warehouse facilities and participate in joint advertising campaign. HMS seeks to remove conflict among channel members. Ex: Coca-Cola & Nestle companies.

3. Multi Channel Distribution System

In the past, many companies used single channel to sell to a single market or market Segmentation. Now-a-days, such multi channel marketing occurs when a single firm set up tow or more marketing channel to reach one or more consumer segments.

The use of multi channel systems has increased greatly in recent years. MDS is also called Hybrid Marketing Channel.

Multi Channel Distribution System



In the above channel, the producer sells directly to consumer segment, using direct mail, catalogue, telemarketing and internet and reaches segment – 2 through own retailers. It sells indirectly to business segment – 1 through distributors and dealers and to business segment – 2 through own sales force.

Q38. Explain various channel management decisions.

Ans :

Channels need to be managed on an ongoing basis once the key channel strategy decisions have been made. This involves the selection, motivation, training and evaluation of channel members, and the resolution of any channel conflict that arises.

Channel Management Decisions

1. Selection

The selection of channel members involves two main activities: first, the identification of potential channel members and, second, development of selection criteria. A variety of potential sources can be used to identify candidates, including trade sources such as trade associations and participation at exhibitions, talking to existing customers and/ or to the field salesforce, and taking enquiries from interested resellers.

2. Motivation

Once they have been chosen, channel members need to be motivated to agree to act as a distributor, and allocate adequate commitment and resources to the producer's lines. The key to effective motivation is to understand the needs and problems of distributors, since needs and motivators are linked.

3. Training

Channel members' training requirements obviously depend on their internal competencies. Large supermarket chains, for example, may regard an invitation by a manufacturers to provide marketing training as an insult. However, many smaller distributors have been found to be weak on sales management, marketing, financial management, stock control and personnel management, and may welcome producer initiatives on training.

From the producer's perspective, training can provide the necessary technical knowledge about a supplier company and its products, and help to build a spirit of partnership and commitment.

4. Evaluation

Channel member evaluation has an important impact on distributor retention, training and motivation decisions. Evaluation provides the information necessary to decide which channel members to retain and which to drop. Shortfalls in distributor skills and competency may be identified through evaluation, and appropriate training programmes organized by producers.

5. Managing Conflict

Finally, given that producers and channel members are independent, conflict will inevitably occur from time to time, First, such discord may arise because of deferences in goals–for example, an increase in the proportion of profits allocated to retailers means a reduction in the amount going to manufacturers. Third in trying to grow their business, producers can use multiple distribution channels, such as selling directly to key accounts or other distributors, which may irritate existing dealers.

Short Question & Answers

1. Define promotion mix.

Ans :

The promotion element of marketing mix is concerned with activities that are undertaken to communicate with customers and distribution channels to enhance the sales of the firm.

The promotional communication aims at informing and persuading the customer to buy the product and informing him about the merits of the products.

Promotion mix

It refers to all the decisions related to promotion of sales of products and services. The important decisions of promotion mix are selecting advertising media, selecting promotional techniques, using publicity measures and public relations etc.

There are various tools and elements available for promotion. These are adopted by firms to carry on its promotional activities. The marketer generally chooses a combination of these promotional tools.

Following are the tools or elements of promotion. They are also called elements of promotion mix:

1. Advertising
2. Sales promotion
3. Personal selling
4. Public relation

2. Define advertising.

Ans :

Advertising is an activity of attracting public attention to a product or business, as by paid announcements in the print, broadcast, or electronic media.

Advertising is a paid form of a non-personal message communicated through the various media by industry, business firms, nonprofit organisations, or individuals. Advertising is persuasive and informational and is designed to influence the purchasing behaviour and/or thought patterns of the audience. Advertising is a marketing tool and may be used in combination with other marketing tools, such as sales promotions, personal selling tactics, or publicity.

Definition of Advertising

Advertising is defined differently by different people, some of the definitions are as follows:

American Marketing Association "Advertising is any paid for a non-personal presentation of ideas, goods or services by an identified sponsor".

According to Richard Buskirk, "Advertising is a paid form of non-personal presentation of ideas, goods or services by an identified sponsor."

According to Wheeler, "Advertising is any form of paid non-personal presentation of ideas, goods or services for the purpose of inducing people to buy".

According to William J. Stanton, "Advertising consists of all the activities involved in presenting to a group, a non-personal, oral or visual, openly-sponsored message regarding a product, service or idea, this message is called on advertisement, is disseminated through one or more media and is paid for by an identified sponsor".

3. Retail Advertising.

Ans :

This may be defined as "covering all advertising by the stores that sell goods directly to the consuming public. It includes, also advertising by establishments that sell services to the public, such as beauty shops, petrol pumps and banks."

Advertising agencies are rarely used. The store personnel are usually given this responsibility as an added task to be performed, together with their normal functions. The result is that advertising is often relegated to a secondary position in a retail store. One aspect of retail advertising is co-operative advertising. It refers to advertising costs between retailers and manufacturers. From the retailer s point of view, co-operative advertising permits a store to secure additional advertising that would not otherwise have been available.

4. Wholesale Advertising.

Ans :

Wholesalers are, generally, not advertising minded, either for themselves or for their suppliers. They would benefit from adopting some of the image-making techniques used by retailers – the need for developing an overall promotional strategy. They also need to make a greater use of supplier promotion materials and programmes in a way advantageous to them.

5. Define sales promotion.

Ans :

Sales promotion consists of diverse collection of incentive tools, mostly short-term designed to stimulate quicker and / or greater purchase of a particular product by consumers or the trade. Where as advertising offers a reason to buy, sales promotion offers an incentive to buy. Sales promotion includes tools for consumer promotion (for example samples, coupons, prizes, cash refund, warranties, demonstrations, contest); trade promotion (for example buying allowances, free goods, merchandise allowances, co-operative advertising, advertising and display allowances, dealer sales contests); and sales-force promotion (for example bonuses, contests, sales rallies).

Sales promotion efforts are directed at final consumers and designed to motivate, persuade and remind them of the goods and receives that are offered. Sales persons adopt several techniques for sales promotion. Creative sales promotion can be very effective. It is the marketing manager s responsibility to specify promotion objectives and policies.

Definitions of Sales Promotion

According to the Institute of Sales Promotion, "Sales Promotion comprises that range of techniques used to attain sales or marketing objectives in a cost effective manner by adding value to a product or service either to intermediaries or end users, normally but not exclusively within a defined time period. Almost every Company uses Sales Promotion techniques at some stage of the product life cycle since sales promotion techniques provide a strong incentive to BUY!

According to William J. Stanton, "Sales promotion is an exercise in information, persuasion and influence".

According to American Marketing Association, "These marketing activities, other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as display shows and exhibitions, demonstrations and various non-recurrent selling efforts not in the ordinary routine".

According to Philip Kotler, "Promotion encompasses all the tools in the marketing mix whose major role is persuasive communication".

6. Define Public Relations.

Ans :

Public relations is, "The planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its public". A firm's public includes its employees, stakeholders, trade unions, general public, customers (past, present and future), charities, media, government and politicians etc.

An organisation needs to communicate with the public both internally as well as externally. As the attitude of the public influences the sales of an organisation, enhanced public relations work to enhance the overall image and create goodwill for the company. Hence organisations need to communicate with one or all members of its public regularly.

According to International conference of public relations institutions held in Mexico City, "Public relations practice is the art and social science of analysing trends, predicting their consequences, counseling organisation leaders and implementing planned programmes of action which will serve both the organisation and the public interest."

7. Objectives of Public Relations.

Ans :

Professional public relations programme help business organisations accomplish their objectives. They can fulfill some of the objectives listed below,

1) Presenting a favourable image and its benefits.
2) Promotion of products or services.
3) Detecting and dealing with its publics.
4) Determining the organisation's posture in dealing with its publics.
5) Goodwill of the employees or members.
6) Prevention and solution of labour problems.
7) Fostering the goodwill of communities in which the organisation has units.
8) Goodwill of the stockholders or constituents.
9) Overcoming misconceptions and prejudices.

8. Types of Publicity.

Ans :

Publicity experts create awareness and market their organization and its products/services to various media sources which include TV, Radio, internet, newspapers, magazines and so on. Publicity experts develop and design various interesting and creative stories about their organization and products and pitch it to various media people. Organizations bank on their relations with media channels to enhance the reputation of their brand. Following are the tools used in media relation:

1. Press Kits

Press kits include written material about the organization and its top people.

2. Audio Releases

Audio releases or video releases are pre-recorded messages distributed to various media channels.

3. Matte Releases

Small local newspapers accept articles written by organizations when they do not have sufficient articles or stories to publish. Such releases are called as matte releases.

4. Website Press Room

Public relations experts promote their organization and its products/services through online press rooms.

5. Media Tour

Public relations experts publicize their organization and its products through media tour where key people of the organization travel to important places and locations and promote. Their products through various interviews to media people. They interact and share the benefits and USPs of their products/ services with people from various news channels, radio channels and even print media. Organizations also hire celebrities or other people popular among the masses to promote and publicize their organization.

9. Importance of Personal Selling.

Ans :

1. Personal selling is an important element in the promotion mix. It has become a dynamic element in the marketing mix. It has been observed that 20 percent of the total sales are effected through personal selling.
2. The salesman pinpoints the prospective buyers when other sales promotional activities cannot reach them. Here thee is a minimum waste of effort and time.
3. Personal selling is to maintain attention and interest in the public. This is useful to motivate of the buyers.
4. Through personal selling, the salesman understanding the reactions and objections of the prospects.
5. In sales presentation, the salesman can adjust the reaction of the potential buyers. It is two way communication, so the salesman can findout the weakness of the buyers.

10. Define Distribution?

Ans :

A channel of distribution (sometimes call a marketing channel) is a group of individuals and organisations that direct the flow of products from producers to customers. The main function of this element is to find out appropriate ways through which goods are made available to the markets.

Definitions of Distribution

A channel of distribution or marketing channel is the structure of intra company organization units and extra company agents and dealers, wholesalers and retailers through which a commodity, product or services is marketed.

- American Marketing Association

Distribution channel is a set of independent organization involved in the process of making a product or services available for use or consumption by the customer or industrial user.

- Kotler & Armstrong

"Marketing channels are the combination of agencies through which the seller, who is often though not necessarily the manufacturer, markets his production to the ultimate user."

– John A, Howard

"A channel of distribution for a product is the route taken by the title to the goods as they move from the producer to the ultimate consumers or industrial user".

– William J Stanton

11. Objectives of Distribution

Ans :

1. To ensure availability of products at the point of sale.
2. To build channel members loyalty.
3. To stimulate channel members to put greater selling efforts.
4. To develop managerial efficiency in channel organisation.
5. To identify your organisation at the buyer level.
6. To have an efficient and effective distribution system, to make your products and services available.

Choose the Correct Answers

1. Advertising management is mainly focused on ________. [d]
   (a) Analysis
   (b) Planning
   (c) Control and decisionmaking activities
   (d) All the above

2. Advertising offers wide choice of channels for transmission of messages such as ________. [d]
   (a) Visual (b) Aural
   (c) Aural and visual (d) All the above

3. Mission, Money, Message, Media and Measurement are 5M's of ________. [c]
   (a) Marketing mix (b) Marketing
   (c) Advertising (d) Channels of distribution

4. Advertising lacks in ________. [d]
   (a) Credibility (b) Trustworthiness
   (c) Creditworthiness (d) Both (a) and (b)

5. Advertising is necessary for sale of goods or services by unique means of ________. [b]
   (a) Mass population (b) Mass communication
   (c) Mass customers (d) Large producer

6. Advertising is very helpful for quickly introducing a ________. [b]
   (a) Pricing policy (b) New product
   (c) New brand (d) Credibility

7. Advertising message can be addressed to numerous persons at a time collectively called ________. [a]
   (a) Audience of advertisement (b) Listeners of advertisement
   (c) Viewers of advertisement (d) Readers of advertisement

8. Advertising is a ________. [c]
   (a) Non-personal (b) Indirect means of communication
   (c) Both a and b (d) None of these

9. Promotion objectives have ________. [c]
   (a) Consumers (b) Trade orientation
   (c) Both a and b (d) None of these

10. Sales promotion strategies focus on ________. [d]

(a) Different consumer promotions (b) Consumers

(c) Trade deals (d) Both (a) and (c)

11. The main objective of sales promotion is ________. [d]

(a) Attract new product and increase trial

(b) To block competitor's moves

(c) To increase store traffic

(d) Increase sales volume

12. The sales volume of any product depends on basic factors of marketing like ________. [d]

(a) Product quality

(b) Its price, distribution

(c) Effectiveness of marketing communications

(d) All the above

13. Sales promotion cannot be a substitute for weaknesses in ________. [a]

(a) Marketing strategy (b) Marketing objective

(c) Marketing communication (d) Marketing mix

14. Sales promotion may contribute to increasing ________. [c]

(a) Wealth maximization (b) Wealth of stake holders

(c) Sales volume (d) Profit

15. Who find sales promotion? [c]

(a) Small companies which cannot afford sustained advertising expenditures to introduce a new product

(b) Match the competitive advertising blitz

(c) Both (a) and (b)

(d) None of these

16. Sales promotion are communicate to encourage existing consumers to forward buy like ________. [d]

(a) Get on free on purchase of four (b) Buy one get one free

(c) Buy four get an offer of 5 (d) Both (a) and (b)

Fill in the Blanks

1. The short-term objective of advertising is ________.
2. ________ is also called as mass means of communication. ________ and ________.
3. Advertising media's are ________, ________ and ________.
4. Advertising is necessary for sale of goods on services by unique means of ________.
5. Advertising is very helpful for quickly introducing a ________.
6. Advertising is a paid form of ________.
7. Advertising helps in promotion of ________.
8 ________ is an integral part of the marketing effort.
9. Sales promotion is a vital link between ________ and ________.
10. Sales promotion is often thought as to accelerate ________.
11. The company's marketing objective and strategies influence the development of sales promotion ________ and ________.
12. There can be a member of sales promotion objectives depending upon ________.

Answers

1. Increasing sales of product
2. Advertising
3. Newspaper; Radio; television
4. Mass customers
5. New product
6. Communication
7. New product
8. Sales promotion
9. Advertising and field - selling
10. Sales
11. Objectives and strategies
12. Firm's policies

FACULTY OF MANAGEMENT

B.B.A I Year I-Semester (CBCS) Examination

August - 2021

BASICS OF MARKETING

Time : 2 Hours] **[Max. Marks : 80**

Note : Answer any **FOUR** questions.

PART - A - (4 × 5 = 20 Marks)

[Short Answer Type]

ANSWERS

1 Marketing Vs. Promotion

Ans :

Promotion activities are initiated by firm to keeps the product in the minds of the customer and helps stimulate demand for the product. Promotion involves ongoing advertising and publicity (mention in the press). The ongoing activities of advertising, sales and public relations are often considered aspects of promotions. On the other hand Marketing is the wide range of activities for meeting the needs of the customers and getting value in return. Marketing is usually focused on one product or service. Thus, a marketing plan for one product might be very different than that for another product.

2 Product Positioning **(Unit-II, SQA-10)**

3 Product Innovation

Ans :

Product innovation involves creating new products or improved versions of existing products that increase their uses. This innovation can be in the product's own functionality, or it can take the form of new technology.

4 Price Mix **(Unit-IV, SQA-7)**

5 Pricing Strategies **(Unit-IV, Q.No. 19)**

6 Selling Concept **(Unit-I, SQA-6)**

7 Consumer Market **(Unit-II, Q.No. 7)**

8 Unique Selling Proposition

Ans :

The factor or consideration presented by a seller as the reason that one product or service is different from and better than that of the competition.

SECTION - B - (4 × 15 = 60 Marks)

[Essay Answer Type]

Note : Answer any **FOUR** questions.

9. Differentiate between Market and Marketing and outline the basic purpose of Marketing. **(Unit-I, Q.No. 4, 7)**

10. What forces determine External Marketing Environment. Explain any three forces with suitable examples. **(Unit-I, Q.No. 20)**

11. Discuss the factors that make Marketing Segment a thundering success. **(Unit-II, Q.No. 1)**

12. Explain product positioning and factors that contribute towards its success. **(Unit-II, Q.No. 15)**

13. Enumerate about new product ideas and discuss the techniques of generating new product ideas. **(Unit-III, Q.No. 1, 4)**

14 What is Product Development? What logical steps are involved in new product development? **(Unit-III, Q.No. 1, 6)**

15 Define Price Differentials and explain how they are used to benefit the marketers.

Ans :

The Differential Pricing is a method of charging different prices for the same type of a product, and for the same number of quantities from different customers based on the product form, payment terms, time of delivery, customer segment, etc.

- **Customer-Segment pricing:** Different group of people pays different prices for the same kind of a product on the basis of a segment they belong to.

  E.g., In any government examination, the form fee varies for the general category people and the other backward class people.

- **Image pricing:** The companies can charge different prices for the same kind of a product on the basis of an image, a product enjoys in a market.

  E.g., cosmetics and clothing brands are the best examples.

- **Product-form Pricing:** Different prices charged for different variants of the same product.

  E.g., The price of the same type of a car may vary because of different colour and add-on features.

- **Location Pricing:** The companies charge different prices for the same product on the basis of different locations where it is offered.

  E.g., In movie theatres the customer pays different amounts for the different locations from where they can watch movies.

- **Time pricing:** The price of a product varies with the time, such as the price charged is less in the off-season as compared to the season time. Also, the movie tickets for the matinee show is less as compared to other show timings.

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16. Demonstrate the framework of Product Life Cycle along with its marketing strategies with suitable examples. **(Unit-IV, Q.No. 5, 6)**

17. Highlight the strengths and weakness of advertising.

Ans :

Strengths

1. **Stimulate Production:** Advertising has positive impact on demand. Demand for products can be increased. Naturally, an increased demand stimulates production. More production means more prosperity.

2. **Stimulate National Income:** Advertising can contribute to national income by generating more consumptions, demand, and production.

3. **Employment Opportunities:** It can ease unemployment problems by generating more employment opportunities.

4. **Commercialization of Inventions:** Advertising is useful to commercialize or materialize new useful inventions. New inventions benefit the society.

5. **Public Acceptance:** Advertising prepares people to accept and use new and standard products.

6. **Informative:** Advertisement is a good source of information. It can increase awareness about different products and special offers related to products. Availability of adequate information can help customers select the most suitable products/brands.

7. **Mass Production and Mass Distribution:** Advertising has significant role for mass production and mass distribution. It affects positively in all aspects of mass production and mass distribution.

8. **Educative Value:** It can educate the society about new products, new uses, improvements in products, and other aspects. People can learn a lot of useful things by advertising.

9. **Adaptive Value:** Advertising makes people start using new products. It has a high convincing value. Customers and company both have benefits.

Weakness

1. **High Price to Consumers:** Advertising increases costs of product. Customers have to pay high price for the products heavily advertised. Companies do not forgo their profits. Thus, businessmen can earn more at a cost of customers.

2. **Wastage of National Resources:** Due to excessive use or proliferation of advertising, valuable national resources are wasted. In many cases, companies undertake rigorous advertising efforts without specific needs.

3. **Impulsive Buying:** It creates unnecessary needs. People are emotionally forced to buy the products. Sometimes, it instigates people to buy unnecessary products.

4. **Materialist Implications:** It promotes materialism. It makes people mad after things, whether useful or not.

5. **Fraud to Customers:** It has misleading/deceptive implications. Most claims are exaggerated. Advertising has a little truth and a lot false.

6. **Erotic, Unrealistic and Exaggerated:** It is difficult to justify the company's claims made in advertisement. Some claims or appeals are completely baseless. Advertising appeals related to biscuits, tonic foods, and herbal and pharmaceutical products are far from reality. Some advertisements are so vulgarly presented that have only erotic appeal than commercial.

7. **Company-oriented:** It is erroneous to believe that advertisement is always useful to customers. In most cases, it benefits only to advertisers, sometimes, even at a cost of buyers.

8. **Creation of Monopoly:** Effective advertising campaign creates permanent place for certain brands in the market. It blocks the entry of other competitors. Monopoly always has ill-effect on buyer's interest.

18 "Marketing middlemen are parasites-exploiting both producers and consumers"
Do you agree? Give reasons.

Ans :

Middlemen play a very important role in business which benefits end users as well as manufacturers. Using the services of middlemen the manufacturers distribute their product economically and quickly. Distribution channel provides many benefits to customers also by making goods available to then at locations near them.

Similarly, who is a middleman? Definition of middleman. : an intermediary or agent between two parties especially : a dealer, agent, or company intermediate between the producer of goods and the retailer or consumer.

There are three types of middlemen that facilitate the flow of goods and services from the manufacturer to the customer.

- Merchant Middlemen. These are the intermediaries who take title to the goods and services and resell them.
- Agents.
- Facilitators.
- Number of Channel levels.

FACULTY OF MANAGEMENT

B.B.A I - Semester (CBCS) (New) Examination

November / December - 2020

BASICS OF MARKETING

Time : 2 Hours] **[Max. Marks : 80**

PART - A (4 × 5 = 20 Marks)

Note: Answer any four questions.

ANSWERS

1. Niche Marketing **(Unit-II, SQA-8)**
2. Target Marketing **(Unit-II, SQA-7)**
3. Test Marketing **(Unit-III, Q.No. 6 (5th Point)**
4. Product Mix. **(Unit-IV, Q.No. 10)**
5. Sales promotion Vs. Personal selling.

Ans :

Nature	Personal Selling	Sales Promotion
Meaning	Personal Selling is a marketing tool in which the sales person presents the goods to the customers and instigates them to purchase it.	Sales Promotion is a range of non-personal marketing activities that are carried on to initiate sales of product and service.
Consequence	Long term increase in sales	Short term increase in sales
Cost involved	High	Comparatively less
Communication	Face to face	Indirect
Customers	Few	Many
Incentive schemes and offers	Not always present	Always present
Nature of product	Customized and technically complex	Standardized and easy to understand
Method used for which kind of product	High value	Low value

6. Product concept **(Unit-I, SQA-4)**
7. Segmentation **(Unit-II, SQA-1)**
8. Public relation **(Unit-V, SQA-6)**

PART - B (4 × 15 = 60 Marks)

Note: Answer any four questions.

9. Outline the evolution of marketing. **(Unit-I, Q.No. 8)**

10. Discuss in detail about marketing environment. **(Unit-I, Q.No. 15, 19, 20)**

11. What is market segmentation? Explain the bases of segmentation. **(Unit-II, Q.No. 1, 6)**

12. Comment on how a marketer tends to use a particular strategy of targeting. **(Unit-II, Q.No. 11)**

13. Mention about the stages of New Product development. **(Unit-III, Q.No. 6)**

14. Define consumer adoption process and its stages. **(Unit-III, Q.No. 7)**

15. Enumerate on the appropriate approaches to pricing policy or pricing. **(Unit-IV, Q.No. 19)**

16. Explain the different methods of pricing. **(Unit-IV, Q.No. 18)**

17. "Sales-promotions bridge the gap left by the salesmanship and advertisement". Discuss. **(Unit-V, Q.No. 11)**

18. "Marketing needs the services of middlemen but not too many". Explain.

Ans :

A middleman plays the role of an intermediary in a distribution or transaction chain who facilitates interaction between the involved parties. Middlemen specialize in performing crucial activities involved in the purchase and sale of goods in their flow from producers to the ultimate buyers. They typically do not produce anything but possess extensive knowledge of the market, thereby charging a commission or a fee for their services.

Types of Middlemen

Middlemen can be classified into two categories, namely merchants and agents.

1. Merchants

Merchants, such as wholesalers and retailers, buy and re-sell their goods. They take ownership of inventory and bear the expense of storing and distributing the product. They make money by selling the goods at a higher price than its cost to them. The difference is called the "markup."

Merchant middlemen range from a shopkeeper to a large multinational corporation with international operations. Larger middlemen may focus on a core competency, such as delivery, advertising, warehousing, or a particular market segment.

2. Agents

Agents, such as brokers or real estate agents, specialize in negotiations involved in transactions. They do not take ownership of what they are selling. Instead, they make money by charging a commission or a fee for facilitating a transaction.

For example, brokers act as intermediaries between investors and the securities exchange. They provide trading services, investment advice, and solutions to their clients and charge a brokerage fee in return.

FACULTY OF MANAGEMENT

B.B.A I - Semester (CBCS) (New) Examination

November / December - 2019

BASICS OF MARKETING

Time : 3 Hours] **[Max. Marks : 80**

Note: Answer all the questions.

PART - A (5 × 4 = 20 Marks)

[Short Answer Type]

1. Answer any five of the following in about 20 lines each.

(a) Marketing Philosophies **(Unit-I, Q.No. 11)**

(b) Repositioning

Ans :

The term, "repositioning," refers to the process of changing a target market's understanding or perception of a product or service. A product's positioning involves what customers think about its features and how they compare it to competing products. Therefore, repositioning involves completely altering how the target market perceives the product. Repositioning is often a challenge, especially for brands that are well known to the public.

Companies choose to reposition products for a variety of reasons. If a product is performing poorly or causing the company to lose money, it may be cost effective in the long term to reposition the item or service. If there has been a major shift in cultural trends or the economy, it may be necessary to reposition a product to make it more relevant.

In some cases, companies find it easier and cheaper for the brand to discontinue the product and launch a new one instead. Whether or not repositioning is the best strategic choice depends on the company and its circumstances.

(c) Drop Error

Ans :

A "Drop Error" occurs when a business errs in deciding to abandon a product idea that, in hindsight, may have been successful if developed. Too many drop errors indicate a conservative approach to product screening.

(d) Specialty Product

Ans :

Specialty products are products with unique characteristics or brand identification. Consumers of such products are willing to exert special effort to purchase specialty products. Specialty products are typically high priced, and buyers do not use much time to compare against other products. Rather, buyers typically spend more effort in buying specialty products compared to other types of products.

(e) Zero Level Channel

Ans :

A zero level channel, commonly known as direct marketing channel has no intermediary levels. In this channel framework manufacturer sells merchandise directly to customers. An example of a zero level channel would be a factory outlet store. Many service providers like holiday companies, also market direct to consumers, bypassing a traditional retail intermediary – the travel agent.

Manufacturer → Consumer

Eureka Forbes, leaders in domestic and industrial water purification systems, vacuum cleaners, air purifiers & security solutions is pioneered in direct selling that makes it an Asia's largest direct sales organization.

(f) Go-error

Ans :

A "Go Error" occurs when a business fails to identify a poor product idea that has already moved into the development and commercialization stages. Too many go errors indicate a young, ambitious yet inexperienced approach to product screening.

(g) Growth Stage

Ans :

In the growth stage, the firm seeks to build brand preference and increase market share.

- **Product** quality is maintained and additional features and support services may be added.
- **Pricing** is maintained as the firm enjoys increasing demand with little competition.
- **Distribution** channels are added as demand increases and customers accept the product.
- **Promotion** is aimed at a broader audience.

(h) Publicity **(Unit-V, Q.No. 24)**

PART - B (5 x 12 = 60 Marks)

[Essay Answer Type]

Note: Answer all the questions using the internal choice.

2. (a) What do you mean by marketing concept? State briefly the elements of marketing concept. **(Unit-I, Q.No. 11, 19, 20)**

OR

(b) Explain the major micro environmental forces in the marketing environment. **(Unit-I, Q.No. 19)**

3. (a) Define market segmentation. Develop an effective plan of action for segmentation of the following products:

(i) Mobile Phone

Ans :

Mobile phone became on important device not only for its telephonic services but also for its smart features. It requires an effective action plan for segmenting mobile phones market in a various segments. It is based on

- Geographic factors
- Psychographic factors
- Demographic factors
- Behavioural factors.

(ii) Laptop

Ans :

(a) Based on Technology

Companies should consider the latest technology and upgradations in their action plan of segmenting laptop market. Because, technology is the crucial factor based on which the success of laptops depends. If a company is able to upgrade its laptops time to time and allow the users to update its softwares then this will be a good strategy to attract more customers.

(b) Based on Requirements

Companies should design a action plan of segmentation for laptops based on the requirement of their customers. As laptops are mostly used in corporate or in offices, companies can segment market depending on their requirement.

(c) Based on Geographical Area

Companies can segment laptop market based on geographical area across the globe. This can help them to sort out the regions, countries or continents where the people are using more number of laptos.

(d) Based on Age

Companies should design a action plan of segmentation for laptops based on the age factor. Because they can segment the market into different sections like for school childrens, college students and middle age generations.

OR

(b) Discuss the product positioning with suitable examples. **(Unit-II, Q.No. 15)**

4. (a) Explain the stages of new product development and its importance in India. **(Unit-III, Q.No. 1, 6)**

OR

(b) Explain the followings:

(i) Consumer adoption process. **(Unit-III, Q.No. 7)**

(ii) Reasons for new product failures. **(Unit-III, Q.No. 5)**

5. (a) What are the important stages and strategies of the product life cycle? Explain with suitable examples. **(Unit-IV, Q.No. 5, 6)**

OR

(b) Explain different pricing strategies used by Indian Managers. **(Unit-IV, Q.No. 19)**

6. (a) What are the elements of promotion mix, discuss in detail? **(Unit-V, Q.No. 4, 5, 11, 17)**

OR

(b) Define advertisement. How you prepare advertisement for corporate hospitals? **(Unit-V, Q.No. 5)**

Ans :

The following are the various strategies used to prepare advertisements of corporate hospitals.

- Create a web page
- Create a website
- Use of social media
- Build up e-mails
- Automated work processes

FACULTY OF MANAGEMENT

B.B.A I - Semester (CBCS) Examination

May / June - 2019

BASICS OF MARKETING

Time : 3 Hours] **[Max. Marks : 80**

Note: Answer all the questions.

PART - A (5 × 4 = 20 Marks)

[Short Answer Type]

Answer any five of the following questions.

1. Macro Environment **(Unit-I, Q.No. 20)**
2. Demographic variables **(Unit-II, SQA-4)**
3. Segmentation **(Unit-II, SQA-1)**
4. Marketing mix **(Unit-I, SQA-11)**
5. Sales promotion **(Unit-V, SQA-5)**
6. Product line decision **(Unit-IV, Q.No. 8)**
7. 4 ds

Ans :

(i) The Design Phase: It comprises identification and anticipation of customer and consumer needs and design the product/service/idea offering around their needs so as to create value for them.

(ii) The Development Phase: The next step would be to develop products, services, and ideas which would meet the needs of the customer and consumers and deliver the value as designed.

(iii) The Delivery Phase: After developing, products, services, and ideas as designed, the next logical step is to deliver them to their customers and consumers so that they may enjoy the value created.

(iv) The Determination Phase: It is concerned with making an assessment if the firm really designed, developed, and delivered what the customers and consumers had wanted. If the evaluation goes the other way then the firm will have to redesign and redevelop the product, service, and idea to deliver the real value.

8. Positioning **(Unit-II, SQA-10)**

PART - B (5 x 12 = 60 Marks)

[Essay Answer Type]

Note: Answer all the questions.

9. (a) What do you understand by marketing environment? **(Unit-I, Q.No. 15)**

OR

(b) Explain the nature and scope of marketing. **(Unit-I, Q.No. 3, 5)**

10. (a) What are the bases for segmenting business markets? **(Unit-II, Q.No. 8)**

OR

(b) What are the criteria for successful positioning? **(Unit-II, Q.No. 19)**

11. (a) Explain briefly the stages to be followed in new product introduction. **(Unit-III, Q.No. 6)**

OR

(b) What is new product? How is it developed? **(Unit-III, Q.No. 1, 3)**

12. (a) Discuss the major factors involved in pricing policy. **(Unit-IV, Q.No. 20)**

OR

(b) Discuss the importance of marketing planning in PLC.

Ans :

(i) It works as a forecasting tool: This is the first importance of product life cycle and it means is an important tool for sales forecasting because with the study of product life cycle management becomes aware of a problem that a product faces at different stages.

This tool also helps to determine the future work and goals of a necessary product company and also helps to study the market conditions regarding their sales potential. It can be very helpful for your future business expectations.

(ii) It works as a planning tool: This is the second important and it means is an important tool used for planning a particular object because it provides necessary data to plan marketing strategy and policy for compilation.

It also helps to adopt the competitor's policies and programs for making a suitable marketing strategy. This tool is very important for making the data reports of product life cycle management.

(iii) It works as a control tool: This is the third importance of product life cycle and it means it helps in controlling because the marketing manager can make the necessary arrangement to make a product available to the market and repair for plans to control losses.

In this tool, a marketing manager plays an efficient role in calculating the control work. This tool also helps to decide the plan's strategy and this tool is also designed to analyze the plan so that it can detect whether the work or project is going well or wrong.

(iv) It provides for marketing programs: Marketing Programmes are designed by the marketing manager for the achievement of marketing objectives. Marketing Programmes includes various things they can build the proper report for market analysis and those things are: collect data, create surveys, competitor analysis, sales forecasting, find the ideal customers, and so on.

(v) It provides an estimate for profits: This is the fifth importance of product life cycle and it means the rate of profit increases or decreases vary with the turnover ratio of an organization. At the introductory stage, profits are negligible after which they go and began to fall gradually and then become nil.

All this can be stimulated through the study of product Life Cycle. If profit will decrease, that means the business is at a declining stage and vice versa.

13. (a) Explain the different distribution channels. **(Unit-V, Q.No. 36)**

OR

(b) Explain the different types of public relations. **(Unit-V, Q.No. 21)**

FACULTY OF MANAGEMENT

B.B.A I - Semester (CBCS) Examination

November / December - 2018

BASICS OF MARKETING

Time : 3 Hours] **[Max. Marks : 80**

Note: Answer all the questions.

PART - A (5 × 4 = 20 Marks)

[Short Answer Type]

ANSWERS

Answer any five of the following questions.

1. Selling Concept **(Unit-I, SQA-6)**
2. New Product Development **(Unit-III, SQA-1)**
3. Core Marketing

Ans :

The concept involves needs, wants, demands, satisfaction, exchange, transactions, and markets. It is a close link between all the core marketing concepts.

4. Target Market **(Unit-II, SQA-7)**
5. Positioning **(Unit-II, SQA-10)**
6. PLC **(Unit-IV, SQA-5)**
7. Personal Selling **(Unit-V, SQA-25)**
8. Demographic Variables **(Unit-II, SQA-4)**

PART - B (5 × 12 = 60 Marks)

[Essay Answer Type]

Note: Answer all the questions using the internal choice.

9. (a) Explain the nature and scope of marketing. **(Unit-I, Q.No. 3, 5)**

(OR)

(b) Define marketing mix. Explain briefly. **(Unit-I, SQA-11)**

10. (a) What are the criteria for successful positioning ? Discuss with suitable examples. **(Unit-II, Q.No. 19)**

(OR)

(b) Discuss the basis for segmenting consumer markets, with suitable examples. **(Unit-II, Q.No. 7)**

11. (a) What is new product? How is it developed? **(Unit-III, Q.No. 1, 6)**

(OR)

(b) What is test marketing? Is it necessary that all products have to be test marketed before introducing in the market? **(Unit-III, Q.No. 6 (5th Point)**

Ans :

Step 1: Defining the Objectives

The first step involved in the process of test marketing is to define the objectives. The main objectives of test marketing as follows,

- To create volume and share estimates.
- To ascertain the buyer's characteristics.
- To ascertain the frequency and aim of buying.

Step 2: Selection of Basic Approach

After defining the test marketing objectives, the second step is to select the test market method which matches with the defined objectives. The three basic approaches applied for selection of test market method are as follows,

(a) Simulated Test Market

(b) Standard Test Market

(c) Controlled Test Market

Step 3: Developing Detailed Test Procedures

In the third step of test marketing process, a detailed plan is developed for carrying out the test. To ensure adequate product availability in selected stores and distribution centres, a detailed test procedure is developed which includes the following steps,

- Selecting basic positioning approach
- Developing commercials for executing that approach
- Electing a pricing strategy
- Developing a media plan

Step 4: Selecting Test Markets

- In the fourth step, the test markets select a test market, by considering the following factors,
- Total number of markets to be used
- Size of markets to be used
- Markets with more representative factors
- Isolated markets.

Step 5: Execution of Formulated Plan

In the fifth step of test marketing process, the plan is executed in order to execute the plan the marketing team should not concentrate more on the product for preventing the chance of over performance of product in test market instead of actual market. The marketing team instead of emphasizing on products repeated purchase incidences should focus on studying the repetitive cycles.

Step 6: Evaluation of Results

The last step involved in the test marketing process is evaluation of results. The results are evaluated on the basis of consumer awareness about the product, evaluation of product trail and repeat purchase incidences for determining the success or failure of advertising campaign applied and monitoring the competitors actions and reactions prevention of cannibalization, i.e., assuring that the new product does not overtakes the company's sales from other established products

12. (a) What is the objectives of pricing policy? **(Unit-IV, Q.No. 13)**

(OR)

(b) What is meant by PLC ? Explain its concepts with examples. **(Unit-IV, Q.No. 5)**

13. (a) Define Advertising. Explain the characteristics of Advertising. **(Unit-V, Q.No. 5)**

(OR)

(b) Explain the different distribution channels. **(Unit-V, Q.No. 36)**

FACULTY OF MANAGEMENT

B.B.A I - Semester (CBCS) Examination

May / June - 2018

BASICS OF MARKETING

Time : 3 Hours] **[Max. Marks : 80**

Note: Answer all the questions.

PART - A (5 × 4 = 20 Marks)

[Short Answer Type]

ANSWERS

1. Answer any five of the following questions.

(a) Cross selling

Ans :

Cross-selling is the action or practice of selling an additional product or service to an existing customer. In practice, businesses define cross-selling in many different ways. Elements that might influence the definition might include the size of the business, the industry sector it operates within and the financial motivations of those required to define the term

Examples of cross-selling include:

- A sales representative at an electronics retailer suggests that the customer purchasing a digital camera also buy a memory card.
- A clothing retailer displays a complete outfit so the shopper sees how pieces fit together and buys all the pieces instead of just one.

(b) Product line **(Unit-IV, Q.No. 8)**

(c) Wholesaler **(Unit-V, SQA-4)**

(d) Skimming price

Ans :

Skimming pricing is a pricing strategy in which a marketer sets a relatively high price for a product or service at first then lowers the price over time. This strategy is often used to target "early adopters" of a product or service. These early adopters are relatively less price-sensitive because either their need for the product is more than others or they understand the value of the product better than others. In market skimming goods are sold at higher prices so that fewer sales are needed to break even.

The practice of skimming pricing involves charging a relatively high price for a short time where a new, innovative, or much-improved product is launched onto a market.

(e) FMCG

Ans :

Fast-moving consumer goods (FMCG) or consumer packaged goods (CPG) are products that are sold quickly and at relatively low cost though the profit margin made on FMCG products is relatively small they are generally sold in large quantities; thus, the cumulative profit on such products can be substantial. FMCG is a classic case of low margin and high volume business.

Examples include non-durable goods such as packaged foods, beverages many other consumable

(f) POP purchase

Ans :

A point-of-purchase or POP display is marketing material or advertising placed next to the merchandise it is promoting. These items are generally located in the checkout area or other location where the purchase decision is made. More commonly abbreviated to POP by retailers, this can be one of the most under utilized tools in retail today

Most vendors will have some sort of POP material they can provide for free use in retail stores. This material will highlight the product and draw the customers' attention to it, which is important in a retail store crammed with similar merchandise.

(g) Co-Brand

Ans :

Co branding is a marketing strategy that utilizes multiple brand names on a good or service as part of a strategic alliance. Also known as a "brand partnership," co branding (or "co-branding") encompasses several different types of branding collaborations typically involving the brands of at least two companies. Each brand in such a strategic alliance contributes its own identity to create a melded brand with the help of unique logos, brand identifiers and color schemes. The point of co branding is to combine the market strength, brand awareness, positive associations and cache of two or more brands to compel consumers to pay a greater premium for them. It can also make a product less susceptible to copying by private label competition.

(h) Direct Market

Ans :

Direct marketing is a promotional method that involves presenting information about your company, product, or service to your target customer without the use of an advertising middleman. It is a targeted form of marketing that presents information of potential interest to a consumer that has been determined to be a likely buyer.

PART - B (5 × 12 = 60 Marks)

[Essay Answer Type]

Note: Answer all the questions using the internal choice.

2. (a) Define Marketing and explain the nature and scope of marketing. **(Unit-I, Q.No. 3, 5)**

(OR)

(b) Write a note about marketing environment. **(Unit-I, Q.No. 15)**

3. (a) Define market segmentation. Explain the bases for market segmentation. **(Unit-II, Q.No. 1, 6)**

(OR)

(b) What is Product Positioning? Explain the various product positioning tools. **(Unit-II, Q.No. 15, 16)**

4. (a) Explain the scope and importance of New Product Development.

Ans :

(i) It is important for present day organizations to develop new products because the present day markets are highly dynamic. The trends, tastes, fashions and preferences of the customers are changing very quickly.

(ii) It is required to keep the organization at par with the changes in the manufacturing technology.

(iii) It is necessary to develop new products to remain competitive in the market.

(iv) It helps the firm to maintain a diversified portfolio of products. By providing a variety of products the risk of failure is reduced.

(v) It is needed to lull fill the seasonal demands for different products which are demanded by the customers.

(vi) It helps the company to fully utilize its excess production capacity, human skills and capabilities and other excess resources it possesses.

(vii) It helps the organization to remain profitable when the demand for its major product fluctuates. Thus, it can earn projects by developing and launching new products.

(viii) It is required for the organization to increase its profitability and market share. Thus it needs to be creative and innovative towards launching new products.

(OR)

(b) Explain in detail about the consumer adoption process. **(Unit-III, Q.No. 7)**

5. (a) Explain the factors affecting the pricing and pricing types in detail. **(Unit-IV, Q.No. 13, 17)**

(OR)

(b) Explain in detail about various stages of PLC. **(Unit-IV, Q.No. 5)**

6. (a) Write a note on Sales Promotion, Personnel Selling and Public Relations. **(Unit-V, Q.No. 11, 25, 17)**

(OR)

(b) Enumerate the importance of intermediaries in designing the marketing channels.

Ans :

(i) Agent or Brokers: The Brokers help in bringing the sellers and purchasers at one place and carrying out their transactions. They are paid by the party who hire them.

(ii) Middlemen: It refers to those people who act as a mediator between the producer and the customer.

(iii) Retailers: Retailing is a process involving set of activities resulted in the creation of value added products and services that must be sold to the final consumers for their personal or household use.

(iv) Wholesalers: The wholesalers are the individuals who buy the goods or services from the manufacturer for the purpose of resale to the retailers or for business use. The wholesalers are also known as the distributors.

(v) Dealer: The Dealers act as a source for distribution to carry out their contracts in the market place with the help of wholesaler or institutions.

(iv) Distributor: Distributors are the middlemen who are responsible for bringing goods to the market place. Manufacturers sell large quantities of goods to their authorized distributors which in turn makes them available to the ultimate customers.

FACULTY OF MANAGEMENT

B.B.A I - Semester (CBCS) Examination

December - 2017

BASICS OF MARKETING

Time : 3 Hours] **[Max. Marks : 80**

Note: Answer all the questions.

PART - A (5 × 4 = 20 Marks)

[Short Answer Type]

ANSWERS

1. Answer any five of the following questions.

(a) Marketing Myopia

Ans :

'Marketing myopia' is a term coined by Theodore Levitt. A business suffers from marketing myopia when a company views marketing strictly from the standpoint of selling a specific product rather than from the standpoint of fulfilling The marketing myopia can be avoided by the company if the business starts focusing on customer needs & requirements instead of just selling a product to the consumer.

Example

A company selling hiking boots is focused on increasing the sales & define marketing in terms of volume sold rather than defining its marketing itself as a company which is concerned with outdoor experience & adventure.

(b) Product Mix **(Unit-IV, Q.No. 10)**

(c) Multi Brand

Ans :

The marketing of more than two or more brands, belonging to the same or related category, by a company is called multi-branding. In this case, the brands are mostly substitutes of each other.

Example

Hindustan Unilever Ltd (HUL) has a number of bathing soap brands, for example Breeze, Dove, Hamm, Lifebuoy, Lux, etc. This is an example of multi branding since there are many soap brands under the category of bathing soaps under the umbrella of HUL.

(d) Zero Channels **(Nov/Dec.-19, Q.No. 1(e))**

(e) Durable Product

Ans :

Durable goods are a category of consumer products that do not need to be purchased frequently because they are made to last for a long time (usually lasting for three years or more). They are also called consumer durables or durables

Examples of consumer durable goods include automobiles, books, household goods (home appliances, consumer electronics, furniture, tools, etc.), sports equipment, jewelry, medical equipment, firearms, and toys

(f) Cross Culture

Ans :

Cross-cultural marketing is the strategic process of marketing to consumers whose culture is different from that of the marketer's own culture. Cross culture often refers to a company's initiatives to increase understanding of different groups. Cross culture is becoming increasingly important with the globalization of businesses. Many companies devote substantial resources to training employees how to communicate and interact effectively with those from different cultures. Cross culture can develop through personal experiences.

(g) Personal Selling **(Unit-V, Q.No. 25)**

(h) Publicity **(Unit-V, Q.No. 24)**

PART - B (5 × 12 = 60 Marks)

[Essay Answer Type]

Note: Answer all the questions using the internal choice.

2. (a) What do you mean by marketing? State the evolution of marketing. **(Unit-I, Q.No. 1, 8)**

(OR)

(b) Explain the difference between selling and marketing. **(Unit-I, Q.No. 13)**

3. (a) What is market segmentation? What are the levels for effective segmentation? **(Unit-II, Q.No. 1, 5)**

(OR)

(b) What is positioning? Explain the positioning strategies for consumer market. **(Unit-II, Q.No. 15)**

4. (a) Discuss the concept of product and need for the classification of products. **(Unit-IV, Q.No. 1, 7)**

(OR)

(b) Explain the different stages in new product development. **(Unit-III, Q.No. 6)**

5. (a) Explain the role of price in marketing mix? Discuss the objectives of pricing. **(Unit-IV, Q.No. 13)**

(OR)

(b) Define PLC? Explain marketing strategies in PLC. **(Unit-IV, Q.No. 5, 6)**

6. (a) What are the advantages and disadvantages of various media of advertising?

Ans :

1. Banner Advertising

Banner advertising is one of the dominant forms of advertising online. It entails the display of a graphical advertising unit, with the typical size the 468 × 60 banners. However, it also includes buttons, leader boards, popup, bounders, interstitials, and flash banners. Banner advertising can be run for cost per impression, cost per click or even cost per action.

Advantages

- Prices (CPM and CPC rates) have gone down through the years
- With good placement and design, banner ads can deliver above-industry average click through rates

- Banner ads are good branding tools
- Easy to track with the available ad serving tools and tracking tools
- Banner ads can bring in targeted traffic interested in your offerings

Disadvantages

- Some types of banner advertising — e.g. flashing banners, popup, bounders, interstitials — are often seen as annoying and highly intrusive
- Growing usage of popup and ad blockers that prevents users from seeing the ads
- Click through rates have significantly declined, due to poor banner design to accumulated bad experiences of web users

2. Direct Mail

Direct mail, often called direct marketing or direct response marketing, is a marketing technique in which the seller sends marketing messages directly to the buyer. Direct mail include catalogs or other product literature with ordering opportunities; sales letters; and sales letters with brochures.

Advantages

- Your advertising message is targeted to those most likely to buy your product or service.
- Marketing message can be personalized, thus helping increase positive response.
- Your message can be as long as is necessary to fully tell your story.
- Effectiveness of response to the campaign can be easily measured.
- You have total control over the presentation of your advertising message.
- Your ad campaign is hidden from your competitors until it's too late for them to react
- Active involvement – the act of opening the mail and reading it — can be elicited from the target market.

Disadvantages

- Some people do not like receiving offers in their mail, and throw them immediately without even opening the mail.
- Resources need to be allocated in the maintenance of lists, as the success of this kind of promotional campaign depends on the quality of your mailing list.
- Long lead times are required for creative printing and mailing
- Producing direct mail materials entail the expense of using various professionals – copywriter, artists, photographers, printers, etc.

3. Newspapers

Newspapers are one of the traditional mediums used by businesses, both big and small alike, to advertise their businesses.

Advantages

- Allows you to reach a huge number of people in a given geographic area
- You have the flexibility in deciding the ad size and placement within the newspaper
- Your ad can be as large as necessary to communicate as much of a story as you care to tell

- Exposure to your ad is not limited; readers can go back to your message again and again if so desired.
- Free help in creating and producing ad copy is usually available
- Quick turn-around helps your ad reflect the changing market conditions. The ad you decide to run today can be in your customers' hands in one to two days.

Disadvantages

- Ad space can be expensive
- Your ad has to compete against the clutter of other advertisers, including the giants ads run by supermarkets and department stores as well as the ads of your competitors
- Poor photo reproduction limits creativity
- Newspapers are a price-oriented medium; most ads are for sales
- Expect your ad to have a short shelf life, as newspapers are usually read once and then discarded.
- You may be paying to send your message to a lot of people who will probably never be in the market to buy from you.

4. Magazines

Magazines are a more focused, albeit more expensive, alternative to newspaper advertising. This medium allows you to reach highly targeted audiences.

Advantages

- Allows for better targeting of audience, as you can choose magazine publications that cater to your specific audience or whose editorial content specializes in topics of interest to your audience.
- High reader involvement means that more attention will be paid to your advertisement
- Better quality paper permits better color reproduction and full-color ads
- The smaller page (generally 8 ½ by 11 inches) permits even small ads to stand out

Disadvantages

- Long lead times mean that you have to make plans weeks or months in advance
- The slower lead time heightens the risk of your ad getting overtaken by events
- There is limited flexibility in terms of ad placement and format.

(OR)

(b) Define distribution and explain the factors influencing the Channel Decisions. **(Unit-V, Q.No. 30, 32)**

FACULTY OF MANAGEMENT

B.B.A I - Semester (CBCS) Examination

December - 2016

BASICS OF MARKETING

Time : 3 Hours] **[Max. Marks : 80**

Note: Answer all the questions.

PART - A (5 × 4 = 20 Marks)

[Short Answer Type]

ANSWERS

Answer any five of the following in about 20 lines each.

1. Global Marketing

Ans :

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.

2. Durable Product **(Refer Dec.-17, Q.No. 1(e))**

3. Functions of marketing **(Unit-I, Q.No. 10)**

4. Online Marketing

Ans :

Online marketing is a method that uses the internet to promote or transmit a message about a company's product and services to the potential buyers or target audience.

Advantages

(i) A company can grow faster and reach the target audience through a broader range of marketing elements.

(ii) It has a competitive advantage over traditional means of marketing.

(iii) It is easy to trace the number of unique visitors, average session duration, click on an ad, and so forth.

(iv) Contextual placement is one of the important features of online marketing wherein the marketers can buy ads on the websites which akin to their own products and services.

(v) Marketers can also place the ads on the basis of the keywords typed by the customers on Google and other search engines like Bing and Yahoo, to reach the target audience.

5. Brand

Ans :

A brand is an identifying symbol, mark, logo, name, word, and/or sentence that companies use to distinguish their product from others. A combination of one or more of those elements can be utilized to create a brand identity. Legal protection given to a brand name is called a trademark.

6. Sales force management

Ans :

Sales Force Management (SFM) is a sub-system of marketing management. It is Sales Management that translates the marketing plan into marketing performance.

Actually sales force management does much more than serving as the muscle behind marketing management.

Sales force management systems are information systems that help automate some sales and sales force management functions. They are often found to be combined with a marketing information system.

7. Test market **(Unit-III, Q.No. 6 (5th Point))**

8. Zero channel **(Nov./Dec.-2019, Q.No. 1(e))**

PART - B (5 × 12 = 60 Marks)

[Essay Answer Type]

Note: Answer all the questions using the internal choice.

9. (a) Explain in detail about the Marketing Environment. **(Unit-I, Q.No. 15)**

(OR)

(b) Distinguish selling concept from marketing concept of detail. **(Unit-I, Q.No. 13)**

10. (a) What is marketing segmentation? What are the bases for segmenting consumer. **(Unit-II, Q.No. 1, 6)**

(OR)

(b) What is Product Positioning? Explain the various product positioning tools. **(Unit-II, Q.No. 15, 16)**

11. (a) Write a note on reasons for failure of a new product. **(Unit-III, Q.No. 5)**

(OR)

(b) Explain the stages of new product development. **(Unit-III, Q.No. 6)**

12. (a) What are the factors affecting pricing? Explain in detail.

Ans :

The pricing decisions for a product are affected by internal and external factors.

A. Internal Factors:

1. **Cost:** While fixing the prices of a product, the firm should consider the cost involved in producing the product. This cost includes both the variable and fixed costs. Thus, while fixing the prices, the firm must be able to recover both the variable and fixed costs.

2. **The predetermined objectives:** While fixing the prices of the product, the marketer should consider the objectives of the firm. For instance, if the objective of a firm is to increase return on investment, then it may charge a higher price, and if the objective is to capture a large market share, then it may charge a lower price.

3. **Image of the firm:** The price of the product may also be determined on the basis of the image of the firm in the market. For instance, HUL and Procter & Gamble can demand a higher price for their brands, as they enjoy goodwill in the market.

4. **Product life cycle:** The stage at which the product is in its product life cycle also affects its price. For instance, during the introductory stage the firm may charge lower price to attract the customers, and during the growth stage, a firm may increase the price.

5. **Credit period offered:** The pricing of the product is also affected by the credit period offered by the company. Longer the credit period, higher may be the price, and shorter the credit period, lower may be the price of the product.

6. **Promotional activity:** The promotional activity undertaken by the firm also determines the price. If the firm incurs heavy advertising and sales promotion costs, then the pricing of the product shall be kept high in order to recover the cost.

B. External Factors:

1. **Competition:** While fixing the price of the product, the firm needs to study the degree of competition in the market. If there is high competition, the prices may be kept low to effectively face the competition, and if competition is low, the prices may be kept high.

2. **Consumers:** The marketer should consider various consumer factors while fixing the prices. The consumer factors that must be considered includes the price sensitivity of the buyer, purchasing power, and so on.

3. **Government control:** Government rules and regulation must be considered while fixing the prices. In certain products, government may announce administered prices, and therefore the marketer has to consider such regulation while fixing the prices.

4. **Economic conditions:** The marketer may also have to consider the economic condition prevailing in the market while fixing the prices. At the time of recession, the consumer may have less money to spend, so the marketer may reduce the prices in order to influence the buying decision of the consumers.

(OR)

(b) Explain in detail about the product life cycle stages. **(Unit-IV, Q.No. 5)**

13. (a) What are the major challenges in designing marketing channels?

Ans :

(i) Role of Intermediaries: Before designing the marketing channel for any product, the organization should keep in mind the vital role played by the intermediaries such as wholesalers, retailers, transport companies etc. Each of the intermediary play a vital role towards ensuring that the product reaches to the target customer on time, as and when demanded. Thus, while designing the marketing channel the organization need to consider that there exists good communication and coordination between different intermediaries so that the supply chain of the product is run smoothly.

(ii) Improved Accessibility: The different intermediaries play a major role towards improving accessibility of the product to the end user customer who are located over a vast geographic area and are scattered for and wide. It is only through the help of intermediaries, that the product manufactured reaches to the end user on time.

Further time gap between the production, supply and consumption of the product should also be considered while designing the marketing channel.

(iii) Providing Special Services: The intermediaries also perform different kinds of special services such as installation of the product, first time demonstration of the function of the product to the new customer, before sales services, after sales services and so on. Thus the organization should consider all these important specialized services, performed by the intermediaries while designing the marketing channels. For example, in case of the a firm manufacturing air conditioners, it is required to keep in mind that such intermediaries are selected which possess the ability and capability of safely installing the air conditioner unit at the place of the consumer. Further good and easily understandable training should also be provided should also be provided to the intermediaries. It would ensure that all the unique specialized services are provided to the consumers as and when required.

(OR)

(b) Write a note on promotional tools. **(Unit-V, Q.No. 4, 5, 11, 17, 24, 25)**

FACULTY OF MANAGEMENT

B.B.A I Year I Semester (CBCS) Examination

MODEL PAPER - I

BASICS OF MARKETING

Time : 3 Hours] [Max. Marks : 80

SECTION - A (5 × 4 = 20 M)

Answer any 5 Questions

ANSWERS

1.	(a)	Define Marketing	**(Unit-I, SQA-2)**
	(b)	What are the differences between Marketing and Selling	**(Unit-I, SQA-8)**
	(c)	Explain the need for Market segmentation.	**(Unit-II, SQA-2)**
	(d)	Features of a New Product	**(Unit-III, SQA-2)**
	(e)	Define Product	**(Unit-IV, SQA-1)**
	(f)	Product Modification	**(Unit-IV, SQA-8)**
	(g)	Define advertising.	**(Unit-V, SQA-2)**
	(h)	Types of Publicity.	**(Unit-V, SQA-8)**

SECTION - B (5 × 12 = 60 M)

Answer all the Questions

2.	(a)	Define Marketing? Explain the nature of marketing?	**(Unit-I, Q.No. 2, 3)**
		OR	
	(b)	Micro environmental factors are very cruical for a business to operate smoothly comment on the statement.	**(Unit-I, Q.No. 19)**
3.	(a)	What do you mean by market segmen-tation? Explain the features of market segmentation.	**(Unit-II, Q.No. 1)**
		OR	
	(b)	What do you understand by positioning? Explain the process of positioning.	**(Unit-II, Q.No. 15)**
4.	(a)	What is new product development? What are the features of new product development?	**(Unit-III, Q.No. 1)**
		OR	
	(b)	Write about consumer adoption process. Explain its stages.	**(Unit-III, Q.No. 7)**
5.	(a)	Define product level ? Explain the five levels of product ?	**(Unit-IV, Q.No.2)**
		OR	
	(b)	Explain different types of Pricing Strategies.	**(Unit-IV, Q.No.19)**
6.	(a)	Define promotion mix. Explain the components of promotion mix.	**(Unit-V, Q.No. 1)**
		OR	
	(b)	Define Distribution? What are the characteristics of Distribution?	**(Unit-V, Q.No. 30)**

FACULTY OF MANAGEMENT

B.B.A I Year I Semester (CBCS) Examination

MODEL PAPER - II

BASICS OF MARKETING

Time : 3 Hours] [Max. Marks : 80

SECTION - A (5 × 4 = 20 M)

Answer any 5 Questions

ANSWERS

1. (a) Product Concept **(Unit-I, SQA-4)**
   (b) Importance of Marketing Environment **(Unit-I, SQA-10)**
   (c) Niche Marketing **(Unit-II, SQA-8)**
   (d) Behavioural Segmentation **(Unit-II, SQA-6)**
   (e) Test Marketing **(Unit-III, SQA-6)**
   (f) Explain the five levels of product **(Unit-IV, SQA-2)**
   (g) Define Product Attributes **(Unit-IV, SQA-3)**
   (h) Define Public Relations **(Unit-V, SQA-6)**

SECTION - B (5 × 12 = 60 M)

Answer all the Questions

2. (a) Explain the evolution of marketing. **(Unit-I, Q.No. 8)**

   OR

   (b) Explain briefly various macro environmental factors to a business? **(Unit-I, Q.No. 20)**
3. (a) Outline the process of market segmentation. **(Unit-II, Q.No. 4)**

   OR

   (b) Discuss about targeting strategies. **(Unit-II, Q.No. 13)**
4. (a) Explain need and limitations of a new product. **(Unit-III, Q.No. 3)**

   OR

   (b) What are the various reasons for failure of a new product? **(Unit-III, Q.No. 5)**
5. (a) Discuss the stages of product life cycle ? **(Unit-IV, Q.No. 5)**

   OR

   (b) Define Pricing. What are the objective of pricing? **(Unit-IV, Q.No.13)**
6. (a) Explain the different types of Advertisements. **(Unit-V, Q.No. 8)**

   OR

   (b) What are the Functions of Marketing Channels? **(Unit-V, Q.No. 34)**

FACULTY OF MANAGEMENT

B.B.A I Year I Semester (CBCS) Examination

MODEL PAPER - III

BASICS OF MARKETING

Time : 3 Hours] [Max. Marks : 80

SECTION - A (5 × 4 = 20 M)

Answer any 5 Questions

ANSWERS

1.	(a)	Marketing Concept	**(Unit-I, SQA-7)**
	(b)	Define market	**(Unit-I, SQA-1)**
	(c)	Demographic Segmentation	**(Unit-II, SQA-4)**
	(d)	What do you understand by positioning?	**(Unit-II, SQA-10)**
	(e)	Consumer adoption process	**(Unit-III, SQA-8)**
	(f)	Define Product Mix	**(Unit-IV, SQA-7)**
	(g)	Define promotion mix	**(Unit-V, SQA-1)**
	(h)	Objectives of Distribution	**(Unit-V, SQA-11)**

SECTION - B (5 × 12 = 60 M)

Answer all the Questions

2.	(a)	Explain the functions of marketing.	**(Unit-I, Q.No. 10)**
		OR	
	(b)	Explain briefly about various marketing concepts.	**(Unit-I, Q.No. 11)**
3.	(a)	What are the bases for segmenting industrial markets.	**(Unit-II, Q.No. 8)**
		OR	
	(b)	Explain the criteria for successful positioning.	**(Unit-II, Q.No. 19)**
4.	(a)	Explain various reasons for a success of a new product.	**(Unit-III, Q.No. 4)**
		OR	
	(b)	What are the various stages in new product development.	**(Unit-III, Q.No. 6)**
5.	(a)	Explain the various marketing strategies for product life cycle.	**(Unit-IV, Q.No. 6)**
		OR	
	(b)	Explain briefly about various decision of product line.	**(Unit-IV, Q.No. 8)**
6.	(a)	Explain the advantages and disadvan-tages of sales promotion.	**(Unit-V, Q.No. 16)**
		OR	
	(b)	Define sales promotion? Explain the need for sales promotion.	**(Unit-V, Q.No. 11)**