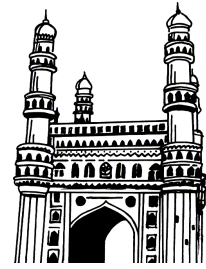


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MARKETING MANAGEMENT

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Channel Management & Retailing

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Concept of MKIS - Components of a Marketing Information System - Internal Records System-Marketing Intelligence System-Marketing Research System-Marketing Decision Support System-Marketing Research Process - Marketing Research Vs MKIS - Marketing Research in India.

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Frequently Asked & Important Questions

UNIT - I

1. Define the term product mix. Explain the factors influencing in product mix.

Ans : (May-15, May-14, May-13)

Refer Unit-I, Q.No. 5.

2. Explain various stages in the New Product Development process.

Ans : (May-17, May-15, May-14, May-13, May-12)

Refer Unit-I, Q.No. 12.

3. Give a critical assessment on PLC. Explain the different stages and strategies of PLC.

Ans : (May-18, May-17, May-16, May-13)

Refer Unit-I, Q.No. 15.

4. Define packaging. What are the functions of packaging?

Ans : (May-18, May-17, May-12, Dec.-20)

Refer Unit-I, Q.No. 27.

5. Define Labeling. Explain the benefits of Labeling.

Ans : (Dec.-20)

Refer Unit-I, Q.No. 30.

UNIT - II

1. Write about factors influencing pricing decisions?

Ans : (May-19, May-18, May-16)

Refer Unit-II, Q.No. 5.

2. What are the various Factors Influencing Price?

Ans : (May-17, May-15, May-13, Dec.-20)

Refer Unit-II, Q.No. 6.

3. Explain under what conditions it is desirable to go for penetration and skimming price policies.

Ans : (May-14, May-13)

Refer Unit-II, Q.No. 8.

4. Explain briefly about Cost based pricing.

Ans : (May-19, May-16, May-15, May-13, May-12, Dec.-20)

Refer Unit-II, Q.No. 11.

5. Explain briefly about Customer Demand based pricing.

Ans : (May-19, May-17, Dec.-20)

Refer Unit-II, Q.No. 12.

6. Explain the different new product pricing strategies with examples.

Ans : (May-19)

Refer Unit-II, Q.No. 16.

UNIT - III

1. Define Advertising. Explain the nature of advertising.

Ans : (May-19, May-16, May-14)

Refer Unit-III, Q.No. 7.

2. Explain briefly about Advertising Effectiveness.

Ans : (May-19, May-18, May-15, May-13)

Refer Unit-III, Q.No. 12.

3. Explain the various Tools of Sales Promotion.

Ans : (May-19, May-18, May-16, May-13)

Refer Unit-III, Q.No. 39.

4. What are the Objectives of Advertising?

Ans : (May-17, May-16, Imp.)

Refer Unit-III, Q.No. 9.

5. What are the steps involved in Personal Selling ? Write in detail.

Ans : (Dec.-20)

Refer Unit-III, Q.No. 28.

UNIT - IV

1. What are the functions performed by channel members (or) intermediaries?

Ans: (May-19, May-14)

Refer Unit-IV, Q.No. 9.

2. Define Channel Conflict. Explain different types of Channel Conflicts.

Ans : (May-18, May-16, May-15, May-14)

Refer Unit-IV, Q.No. 12.

3. Explain the various resolutions managing the Conflict.

Ans : (May-18, May-16, May-14)

Refer Unit-IV, Q.No. 14.

4. Discuss the merits and demerits of Online Marketing Channels.

Ans : (Dec.-20)

Refer Unit-IV, Q.No. 16

5. Explain in detail about various formats of Retail Stores.

Ans : (Dec.-20)

Refer Unit-IV, Q.No. 27

UNIT - V

1. Distinguish between traditional way of marketing and digital marketing.

Ans : (Imp.)

Refer Unit-V, Q.No. 10.

2. Define Search Engine Marketing (SEM)? Explain the importance of search engine marketing.

Ans : (Imp.)

Refer Unit-V, Q.No. 19.

3. What do you mean by mobile marketing? What are its advantages and disadvantages? Write briefly about the various sources or activities used in mobile marketing.

Ans : (Imp.)

Refer Unit-V, Q.No. 20.

4. Explain the components of marketing information system.

Ans : (May-17, May-15, May-13. Imp., Dec.-20)

Refer Unit-V, Q.No. 30.

5. What is Digital Marketing?

Ans : (Dec.-20)

Refer Unit-V, Q.No. 1.

UNIT I

PRODUCT MANAGEMENT:

Concept of Product - Classification of Products - Product Levels- Product Mix - Product Mix Decisions - New Product – New Product Development Stages – Reasons for New Product Failure - Product Life Cycle Stages and Marketing Implications - Branding - Packaging & Labeling.

1.1 CONCEPT OF PRODUCT

Q1. Define product. Explain the features of a product.

Ans :

Meaning of Product

A product is something that is manufactured for sale in the market. Customer needs are met by the usage of products. Product is one of the main components of marketing all marketing activities revolve around the product. Products can be tangible (or) intangible. Tangible products are known as goods while intangible products are called services.

The term product can be understood in narrow as well as broad sense.

In a narrow sense, it is a set of tangible physical and chemical attributes assembled in an identifiable and readily recognizable form.

In a broader sense, it recognizes each separate brand as a separate product.

Definition

- i) **A product can be defined as** - "A good, idea, method, information, object, or service that is the end result of a process and serves as a need or want satisfier. It is usually a bundle of tangible and intangible attributes (benefits, features, functions, uses) that a seller offers to a buyer for purchase."
- ii) **In a narrow sense**, "A product is a set of tangible physical attributes in an identifiable form" (W.J. Stanton). But in marketing, product is used in a broader form.
- iii) **According to W. Alderson** "A product is a bundle of utilities consisting of various product features and accompanying services".
- iv) **According to Philip Kotler** "A product is anything tangible or intangible that can be offered to a market for attention, acquisition use or consumption that might satisfy a need or want".
- v) **According to Cravens, Hills and Woodruff** "Product is anything that is potentially valued by a target market for the benefits or satisfactions it provides, including objects, services, organizations, places people and ideas".

From the above definitions, it is clear that product has the want satisfying attributes which drive a customer to purchase the product. It is nothing but a package of problem solving devices and is something more than a physical product. This is because a product encompasses a number of social and psycho-logical attributes and other intangible factors which provide satisfaction to the consumer.

Features of a Product

- i) **Tangibility:** Products are tangible in nature, customers can touch, seen or feel a products. For example, car, book, computer etc.
- ii) **Intangible Attributes:** Service products are intangible in nature, services like, consultancy, banking, insurance etc. The product may be combination of both tangible and intangible attributes like restaurants, transportation, in case of a computer it is a tangible product, but when we will talk of its free service provided by dealer, then the product is not only a tangible item but also an intangible one.
- iii) **Associated Attributes:** The attributes associated with product may be, brand, packaging, warranty, guarantee, after sales services etc.
- iv) **Exchange Value:** Irrespective of the fact that whether the product is tangible or intangible, it should be capable of being exchanged between buyer and seller for a mutually agreed price.
- v) **Customer Satisfaction:** A product satisfies the customer needs and wants of customers, value of products is also determined by the level of satisfaction given by a product after purchase.

Q2. State the importance of product.

Ans :

A product assumes its importance in consideration of following facts:

1. The key element in a successful marketing policy and strategy is finding and meeting the needs of the consumers. A product through its tangible attributes like quality, services, and amenities can meet the consumers' needs and wants.
2. For the performance of marketing functions like selling, purchasing, distribution, etc., the existence of a product is must.
3. The success of a company of its marketing efforts, in most cases, depends on the product policy.
4. The policies relating to pricing, distribution, sales promotion, and customer satisfaction are all dependent on the product policy.
5. The study of market size, sales volume, profits and profitability, and their growth or decline which serve as effective guides to the marketing management - are all done always in consideration of the product.
6. It is the knowledge of the product, whether consumer category or industrial category, that has led to the concept of product and marketing guided organization structure.

1.1.1 Classification of Products**Q3. Explain the Classification of Product.**

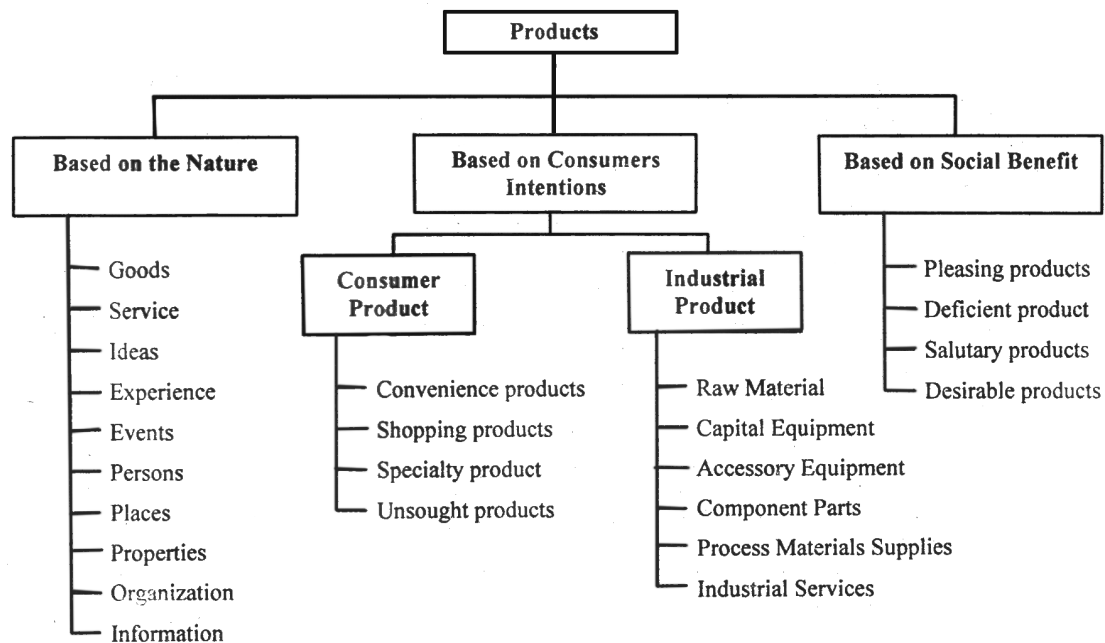
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What are the different types of product.

Ans :

There are different approaches and parameters to differentiate products. These are:

1. Based on the nature,
2. Based on consumers intentions, and
3. Based on social benefits.



1. **Based on the Nature:** Based on nature, product can be classified into ten types. These are:

- i) **Goods:** Physical goods are the tangible and physical materials. It has the quality of possession and ownership.
For Example: Rice, Clothing, etc.
- ii) **Services:** These are intangible performances where the consumption and production point is the same. One can use the service by paying for it but cannot claim ownership.
For Example: Hospital. Banking, etc.
- iii) **Ideas:** Every market offering includes the basic idea at its core. Charley Revson of Revlon commented that in the factory they make cosmetics, but in the store they sell hope.
For Example: Consultancy firm, Ad Agency.
- iv) **Experiences:** By orchestrating several services and goods, one can create, stage and market experiences.
For Example: Science City, Aquatica Theme Park, Water World.
- v) **Events:** Marketers promote time-based events such as Olympics or Movie Awards.
- vi) **Persons:** Celebrity marketing has become a major business. Different film stars and sports persons have their own publicity and endorsement agent.
- vii) **Places:** Places can be marketed to attract tourists industries etc.
For Example: Kerala-God's Own Country Campaign.
- viii) **Properties:** Properties are intangible rights of ownership of either real property (Real Estate like Amby valley project) or financial property (Stocks and bonds) such as Maruti or TCS IPO Campaign.
- ix) **Organizations:** Organizations actively work to build a strong favorable image in the mind of their customers.
For Example: Philips uses a tagline "Let's Make things Better".

- x) **Information:** Information can be produced and marketed as a product.

For Example: Dictionaries, Encyclopedias, CBT (Computer Based Training) Software.

2. Based on Consumer's Intentions

Products can be classified into two broad categories based on who will use them and how they will be used. These are:

- i) Consumer Product
- ii) Industrial (or) Business Product

Products can be in both classes, if organizations and consumers purchase and use the product.

For example, a light bulb would be considered a consumer product if purchased by a family for their home, but is categorized as a business product if bought by a businessperson for the organization.

- i) **Consumer Products:** Consumer products are those bought by final consumers for personal consumption. Marketers usually classify these goods 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.

- a) **Convenience Products:** The consumer goods which a customer usually purchases frequently and wants immediately and with minimum of efforts are called convenience goods. This category includes a wide range of household products of low unit value like cigarettes, newspapers, drugs, grocery products, etc. These goods are non-durable in nature, i.e., are consumed rather rapidly and are also called 'one shot items'.

- b) **Shopping Products:** These goods are bought by the customer only after comparing quality, price suitability and style. Selection of these goods thus becomes an ingredient of the buying motive of a customer. Products of this

group are more complex than convenience goods. They exhibit a high degree of differentiation. These goods are durable in nature. They are purchased less frequently and are of high unit value.

- c) **Specialty Products:** There are consumable products which can only be purchased from specialist retailers and which consumer select deliberately. Examples are prescription medicines, alcoholic beverages.

American Marketing Association defined specialty goods as "goods having unique characteristics and/or brand identification for which a significant group of buyers are habitually willing to make a special purchasing effort".

- d) **Unsought Products:** Unsought products are those products which potential buyers do not know that they exist or do not want to purchase. These are of two types:

- **Regularly Unsought Products:** There are existing products that consumers do not want now, although they may eventually purchase them.

For example, life insurance, a lawyer's services in preparing a will and a physician's services in giving a cancer check up.

- **New Unsought Products:** Products that are totally new and unfamiliar to consumers are new unsought products. The marketer's task here is to inform target customers of the product's existence.

- ii) **Industrial Products:** A product bought for use in the production of other products or in an organizational operation is an industrial product. Business products are intended for resale, for further processing in producing other products, or for use in conducting a business.

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”.

Business (or industrial) products can be classified based on their use by businesses:

a) **Raw Materials:** A raw material is a basic good that actually becomes part of a physical product. Materials and parts are directly used in the production of final products by the firm. Two types of raw materials include agricultural products (grain, fruits, and livestock) and natural products (minerals, land, and products of the forests and seas).

b) **Capital Equipment:** Capital equipment (also known as installations) refers to the large tools and machines used in a production process and operation of the firm. Capital equipment is normally expensive and is intended to be used for a long period of time.

For example, machineries, lathe, cranes etc.

c) **Accessory Equipment:** Accessory equipment is used in production or office activities but does not become part of the final physical product being manufactured.

For Example: motors, hand tools, meters, word processors, calculators etc.

d) **Component Parts:** A component part is a finished item or an item that needs little processing before becoming part of the physical product. Although component parts are used in the manufacture of larger products, they are easily distinguishable from those products.

e) **Process Materials:** Like a component part, a process material is used directly in the production of another product; however, it is not readily distinguishable from the finished product.

For Example: a company that manufactures cosmetics might purchase alcohol for use in make-up or perfume.

f) **Supplies:** Supplies are short-lived, low-priced everyday necessity items that aid and expedite the firm's operations but do not become a part of the finished product.

For example, Paints, fuses, office stationeries, maintenance items, lubricating oils, cleaning materials, paper, pens and pencils etc.

g) **Industrial Services:** An industrial service is an intangible product that many organizations require in their operations. These services may not be a direct part of production but without these services the production cannot carry on.

For example, financial, legal, marketing services.

3. **Based on Social Benefits:** From the social aspects, we can differentiate the products depending on long-term (long-range benefits) and short-term advantages (immediate satisfaction).

i) **Pleasing Products:** These give high immediate satisfaction, but do harm to consumers in the long run.

For example, pan masala, cigarettes, alcohols, etc.

ii) **Deficient Products:** These have neither immediate appeal nor long run benefits. Firms are not interested in such products as there is no chance to make any profit at all.

For example, typewriter or pager.

iii) **Salutary Products:** They have long run advantages but have no immediate appeal to consumers. Hence, firms are not primarily interested in such products. But they can be taken as a challenge and they can be made initially attractive without losing long run consumer benefits.

For example, soyabean chips (diet chips).

- iv) **Desirable Products:** These have a happy combination of high immediate satisfaction and high long run consumer welfare. Tasty, nutritious, ready-made food products are the examples of such desirable products. Socially responsible firms would attempt to find opportunities to produce desirable products.

1.1.2 Product Levels

Q4. Explain the various levels of a product.

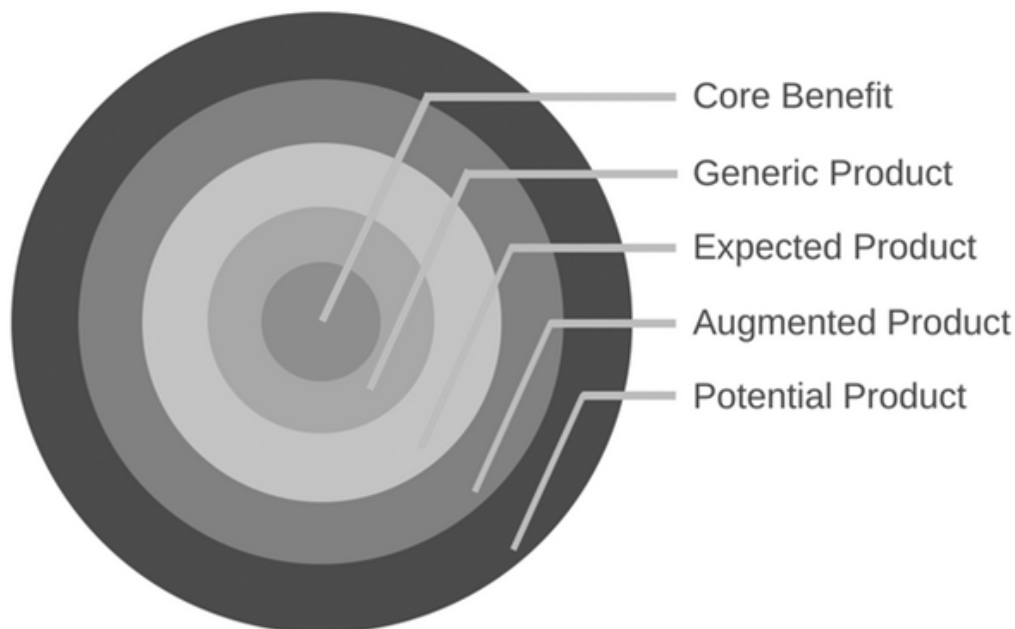
Ans :

(Imp.)

1. Core Benefit

The core benefit is the fundamental need or wants that the customer satisfies when they buy the product.

For example, the core benefit of a hotel is to provide somewhere to rest or sleep when away from home.



2. Generic Product

The generic product is a basic version of the product made up of only those features necessary for it to function.

For Example: In hotel a bed, towels, a bathroom, a mirror, and a wardrobe.

3. Expected Product

The expected product is the set of features that the customers expect when they buy the product.

For Example: In hotel clean sheets, some clean towels, Wi-fi, and a clean bathroom.

4. Augmented Product

The augmented product refers to any product variations, extra features, or services that help differentiate the product from its competitors.

In our hotel example, this could be the inclusion of a concierge service or a free map of the town in every room.

5. Potential Product

The potential product includes all augmentations and transformations the product might undergo in the future. In simple language, this means that to continue to surprise and delight customers the product must be augmented.

In our hotel, this could mean a different gift placed in the room each time a customer stays. For example, it could be some chocolates on one occasion, and some luxury water on another. By continuing to augment its product in this way the hotel will continue to delight and surprise the customer.

Advantages

The real advantage of the model is that it enables an organization to identify the needs and wants of customers. The organization can then:

- Match the features they create to what the customer wants.
- Match operational processes to what customers want. In our hotel example, this would mean strict processes around cleaning each room.
- Match marketing efforts to appeal to customers wants.

The model ultimately helps organizations differentiate themselves from their competitors in a way that aligns with the wants and needs of their customers.

1.1.3 Product Mix

Q5. Define the term product mix. Explain the factors influencing in product mix.

Ans .: (May-15, May-14, May-13)

Product mix or product assortment refers to the number of product lines that an organization offers to its customers.

Product line is a group of related products manufactured or marketed by a single company. Such products function in similar manner, sold to the same customer group, sold through the same type of outlets, and fall within a same price range.

Definition

According to American Marketing Association, "Product Mix is the composite of products offered for sale 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'.

On the basis of above discussion, it can be concluded that a single product item is called as a product item. All the product items of the same group are collectively known as a product line and all the product lines manufactured or distributed by an enterprise are collectively known as 'Product Mix'.

Factors Influencing in Product Mix

1. **Change in Market Demand:** The change in the demand of a product (due to change in habits, fashion, purchasing power, income, attitudes and preferences of consumers) affects the decision of product mix.
2. **Cost of Production:** If the company can develop a new product with the help of the same labor force, plant and machinery and techniques, it can decide to start the production of that product 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. Keeping in view its production capacity and other factors.
4. **Advertising and Distribution Factors:** Advertising and distribution factors may be the one of the reasons for the changes in production mix. If the advertising and distribution organization are the same, the company may take the decision to add one more item to its product line.
5. **Use of Residuals:** If residuals can be used gainfully, the company can develop it's by products into the main products.

For example, a sugar mill can profitably develop the production of paper" card board or wine from bagasse.

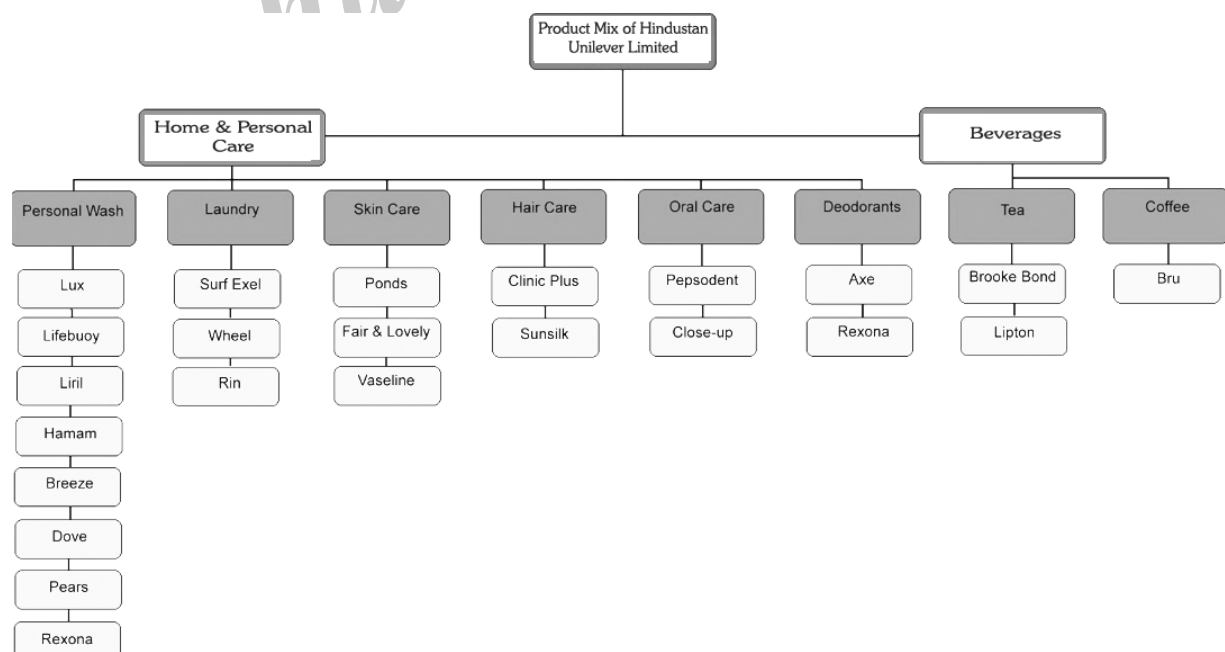
6. **Change in Company Desire:** Keeping in mind the objectives of the firm, i.e., maintaining or increasing the profitability of the concern, the firm may eliminate some of its unprofitable processes or may start a new more profitable product. In this way, the firm tries to make its product mix an ideal one.
7. **Competitors Actions and Reactions:** The decision of adding or eliminating the product may be the reaction of competitors' actions. If company thinks that it can meet the competition well by making necessary changes in the size, color, packing or price, it can make such changes.
8. **Change in Purchasing Power or Behavior of the Customers:** If the numbers of customers are increased with the increase in their purchasing power or with the change in their buying habits, fashion, etc. the company may think of adding one more product keeping mass-production or increase in profitability in the mind.
9. **Full-utilization of Marketing Capacity:** If the company is not getting desired results from the market, it can decide to stop the production of such a product and divert its resources to produce a new product or improve the existing product, according to the needs of the consumers.
10. **Financial Resources:** Finance is the life blood of a firm. Availability of finance may necessitate some changes in the product of the company. If the company is short of finances or if the product is continuously going into loss the company may decide to crop the production of such product. Similarly, if company has sufficient funds, it may improve its products.

Q6. What are the dimensions of product mix?

Ans :

1. Width

The width of an organization's product mix pertains to the number of product lines that the organization is offering. For example, Hindustan Uni Lever offers wide width of its home care, personal care and beverage products. Width of HUL product mix includes Personal wash, Laundry, Skin care, Hair care, Oral care, Deodorants, Tea, and Coffee.



2. Length

The length of an organization's product mix pertains to the total number of products or items in the product mix. As in the given diagram of Hindustan Uni Lever product mix, there are 23 products, hence, the length of product mix is 23.

3. Depth

The depth of an organization's product mix pertains to the total number of variants of each product offered in the line. Variants includes size, color, flavors, and other distinguishing characteristics. For example, Close-up, brand of HUL is available in three formations and in three sizes. Hence, the depth of Close-up brand is $3 \times 3 = 9$.

4. Consistency

The consistency of an organization's product mix refers to how closely related the various product lines are in use, production, distribution, or in any other manner.

Q7. Explain in detail the product mix of procter and Gamble Company.

Ans :

(May-19)

The product strategy and mix in Procter and Gamble (P&G) marketing strategy can be explained as follows:

P&G or Procter and Gamble is one of the leading FMCG companies in the world. P&G is a global leader offering product offerings in categories in beauty, grooming, personal care, healthcare etc. The wide range of product portfolio in the marketing mix of P&G is as below:

1. Beauty

Skin and beauty care products of P&G are offered under this segment. The brands under this segment are Olay, old spice, safeguard. P&G offers products such as shampoo and hair conditioner under the brand names Pantene and Head & shoulders. P&G also targets niche segments by offering products like Olay Age Defying.

2. Grooming

Product and Gamble offers shave care and appliances such as razors, pre and post shave in its grooming segment. The products are sold under the brand name Gillette which holds a leading market position in men grooming segment.

3. Health care

P&G offers oral care products under the brand Oral-B and personal health care products such as Vicks. The products offered under oral-B are mainly toothbrushes and toothpastes

4. Fabric care and Home care

P&G offers fabric care products under the brands Ariel and Tide. The products range from detergents, additives to fabric enhancers. Procter and Gamble also offers home care products such as air fresheners under the brand ambi pure

5. Baby, feminine and family care

P&G offers baby care products such as diapers and baby wipes under the brand pampers. It also offers feminine products under the Always which is known in India as whispers.

1.1.3.1 Product Mix Decisions

Q8. Explain briefly about Product Mix Decisions.

Ans :

Product Mix Decision

Product mix decision refers to the decisions regarding adding a new or eliminating any existing product from the product mix, adding a new product line, lengthening any existing line, or bringing new variants of a brand to expand the business and to increase the profitability.

1. **Product Line Decision:** Product line managers takes product line decisions considering the sales and profit of each items in the line and comparing their product line with the competitors' product lines in the same markets. Marketing managers have to decide the optimal length of the product line by adding new items or dropping existing items from the line.
2. **Line Stretching Decision:** Line stretching means lengthening a product line beyond its current range. An organization can stretch its product line downward, upward, or both way.
 - a) **Downward Stretching:** Means adding low-end items in the product line, for example in Indian car market, watching the success of Maruti-Suzuki in small car segment, Toyota and Honda also entered the segment.
 - b) **Upward Stretching:** Means adding high-end items in the product line, for example Maruti-Suzuki initially entered small car segment, but later entered higher end segment.
 - c) **Two-way Stretching:** Means stretching the line in both directions if an organization is in the middle range of the market.
3. **Line Filling Decision:** It means adding more items within the present range of the product line. Line filling can be done to reach for incremental profits, or to utilize excess capacity.

Q9. State the strategies of product mix.

Ans :

The following strategies are generally employed by the producer or wholesaler of the product:

1. Expansion of Product Mix

It is also referred to as diversification. A firm may expand its present product mix by increasing the number of product lines or increasing the number of product items within the same line. New lines may be related or unrelated to the present products. For instance, a provision store may add drugs, cosmetics, baby foods, dry fruits, etc.

2. Contraction of Product Mix

In certain circumstances, the management has to drop the production of unprofitable products. A firm may either eliminate an entire line or simplify the assortment within a line; this is termed as contraction of product mix.

3. Alteration of Existing Products

As an alternative for developing a completely new product, management should take a fresh look at the company's existing products. Often, improving an established product can be more profitable and less risky than developing a completely new one. Alterations may be made in the designs, size, color, packaging, quality, etc.

4. Positioning the Product

When a product can offer satisfaction in the manner the buyer gets, a strong position is created in the market. The product's position is the image which that product projects in relation to rival products. A product's features will attract the customers or prove attractive to the customers. The positioning of the product is attained by:

- i) Product differentiation,
- ii) Market segmentation, and
- iii) Market aggregation: There is a match between product attributes and consumer expectations.

5. Trading up and Trading down

Trading Up refers to adding of higher priced and more prestigious products to their existing line, in the hope of increasing the sales of existing low priced products. In other words, when a marketer has already gained a good reputation through marketing his low priced products in the initial stage and later on introduces high priced products, it is termed as trading up. For instance, a factory marketing terry-cotton is trading up by introducing polyester.

Trading Down is opposite to trading up. A company is said to be trading down, when it adds a lower priced item to its line of prestige products in the hope that people who cannot afford the original products, will want to buy the new one, because it carries some of the status of the higher priced product.

6. Product Differentiation and Market Segmentation

When there is a fundamental difference between one product and another, there will be a product differentiation. The product differentiation involves developing and promoting an awareness of differences between the advertiser's products and the products of others. The purpose of this differentiation is to make one's product different from those of other competitors.

A market consists of buyers and buyers who differ in one or more respects. They differ in their wants, resources, geographical locations, buying attitudes, buying practices, etc. Again, buyers can be grouped in terms of sex, education, income level, etc. This grouping of buyers (segmenting the market) is said to be market segmentation. That is, grouping the buyers, based on income, age, education, etc., is called market segmentation.

1.2 NEW PRODUCT

Q10. Define the term new product.

Ans :

A new product is any product, which is perceived by the customer as being new. This could involve repositioning of existing products or offering the existing products at low prices, or making improvements in the existing product, or adding new product items to the existing product line, or for that matter, taking up a product line which is totally new to the organisation or new to the world. Further, research shows that in 70 percent cases, a new product involves changes within current product lines of a firm and in 30 percent cases, these are new to the organisation as shown in Fig. below.

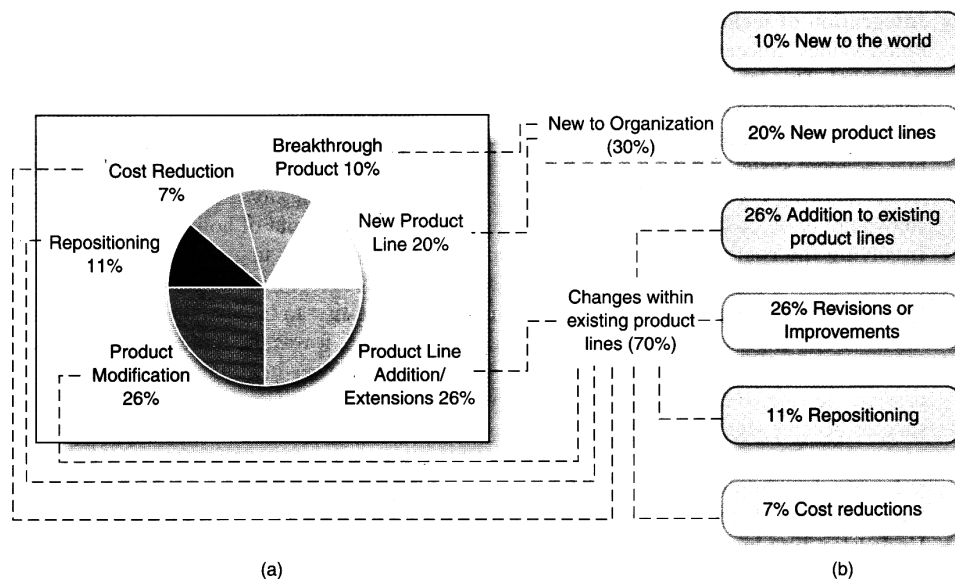


Fig.: Defining New Products

Definitions

- i) **According to Musselman and Jackson**, "a product is said to be a new product when it serves an entirely new function or makes a major improvement in a present function."
- ii) **According to Stanton**, new products are those which are really innovative and truly unique replacements for existing products that are significantly different from the existing goods and includes initiative products that are new to a company but not new to the market. If the buyers perceive that a given item is significantly different from competitive goods being replaced with some new features, like appearance or performance, then it is a new product.
- iii) **According to Kotler**, new product mean original products, improved products, modified products and new brands which are developed by the firm through its own research and development efforts and includes those products which the consumers see as new. A new product is thus perceived differently by different people. It is a need satisfying concept with benefit for buyers bundle of need satisfying features; for marketers, a way to add value; for intermediaries, an opportunity to design; for R&D and to assemble and process for production department.
- iv) **According to Limpson and Darling**, "Product development involves the adding, dropping, and modification of item specifications in the product line for a given period of time, usually one year".

Product development is the next step to product planning. Product development is the process of finding out the possibility of producing a product. It includes the decision as to - whether it would be feasible or not to produce the product and whether it would be profitable or not for the enterprise to do so.

New Product Development describes all the phases and tasks in launching a new product or service in the market from the emergence of the idea to the commercialization. NDP refers to competitive pressures, cost challenges, and increased customer expectations are driving companies to improve the way they develop and introduce products to the market. A company can add new products through acquisition or development. The acquisition route can take three forms.

1. The company can buy other companies,
2. It can acquire patents from other companies, or
3. It can buy a license or franchise from another company.

Q11. Explain the classification of new product.*Ans. :***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 Buerger's 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 and Reliance India Mobile are introducing new post-paid schemes with low rental and outgoing facility.

Despite careful attention to details in product planning and development as many as 50%

of new products actually entering the market has a very short life span and market failure occurs. The following are the reasons given for failure of new products:

1. Inadequate market analysis and market appraisal.
2. Insufficient and ineffective marketing support.
3. Bad timing of introduction of the new product.
4. Failure to recognize rapidly changing market environment.
5. Absence of formal product planning and development procedures.
6. Failure of the product to fill consumer needs to the due ignorance about consumer's attitude towards the product.
7. Technical or production problems.
8. Higher costs than estimated cost.
9. Product problems and defects.
10. Failure to estimate the strength of competition.
11. Too many new products entering the market.
12. Many products not perceived as new by the consumers.

Most of the reasons for failure of new products can be eliminated by the company itself. The faults for new product failure lie within the managerial control. Chances of success of new products are relatively bright if the company launching the new product has at least one advantage:

- (i) Product advantage,
- (ii) Market advantage,
- (iii) Creative advertising advantage.

Product advantage is of paramount importance. If your product can fill the customer needs precisely, it is bound to have a bright future. Better marketing research is essential to evaluate market needs and prospects. Marketing begins with consumers and products must fill needs. The marketer must adopt improved screening and evaluation of ideas and products. Integrated business planning must be continuously done to establish profitable relationship with changing customer and changing environment.

1.2.1 New Product Development Stages

Q12. Explain various stages in the New Product Development process.

Ans :

(May-17, May-15, May-14, May-13, May-12, Imp.)

Marketers often follow set procedures for bringing products to market. In the scientific area that may mean the establishment of ongoing laboratory research programs for discovering new products (e.g., medicines) while less scientific companies may pull together resources for product development on a less structured timetable. 8-step process (which normally be followed) comprising the key elements of new product development (figure). While some companies may not follow a deliberate step-by-step approach, the steps are useful in showing the information input and decision making that must be done in order to successfully develop new products.

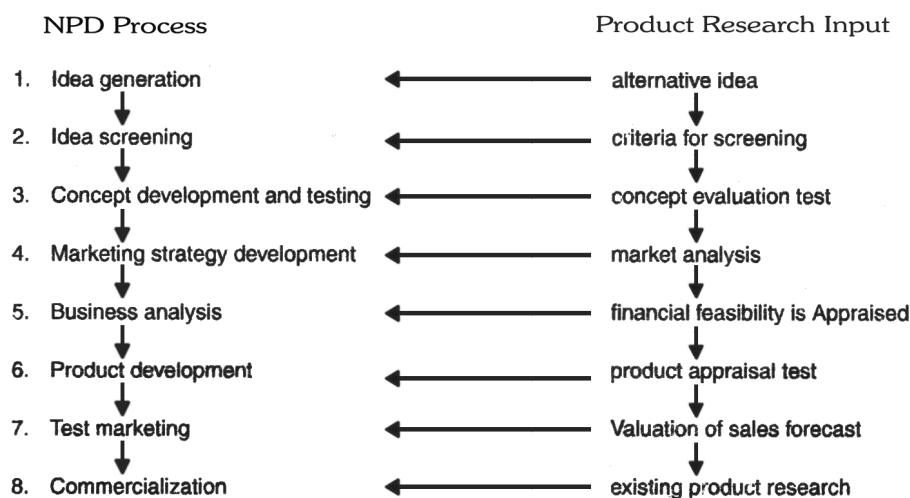


Fig.: Major Steps Involved in NPD

Step 1: Idea Generation

The first step of new product development requires gathering ideas to be evaluated as potential product options. For many companies idea generation is an ongoing process with contributions from inside and outside the organization. Many market research techniques are used to encourage ideas including: running focus groups with consumers, channel members, and the company's sales force; encouraging customer comments and suggestions via toll-free telephone numbers and website forms; and gaining insight on competitive product developments through secondary data sources. One important research technique used to generate ideas is brainstorming where open-minded, creative thinkers from inside and outside the company gather and share ideas. The dynamic nature of group members floating ideas, where one idea often sparks another idea, can yield a wide range of possible products that can be further pursued.

Step 2: Screening Ideas

In Step 2 the ideas generated in Step 1 are critically evaluated by company personnel to isolate the most attractive options. Depending on the number of ideas, screening may be done in rounds with the first round involving company executives judging the feasibility of ideas while successive rounds may utilize more advanced research techniques. As the ideas are whittled down to a few attractive options, rough estimates are made of an idea's potential in terms of sales, production costs, profit potential, and competitors' response if the product is introduced. It is the stage at which go or drop decisions are made. Acceptable ideas move on to the next step.

Step 3: Concept Development and Testing

With a few ideas in mind, the marketer now attempts to obtain initial feedback from customers, distributors and its own employees. An attractive idea has to be developed into a product concept. For instance, customers may be shown a concept board displaying drawings of a product idea or even an advertisement featuring the product. In some cases focus groups are exposed to a mock-up of the ideas, which is a physical but generally non-functional version of product idea. For some concept tests, a word or a picture may be sufficient; however a physical presentation will increase the reliability of the concept test. After being exposed to the concept, consumers are asked to respond to it by answering a set of questions designed to help the company decide which concept has strongest appeal. Then the company can project these findings to the full market to estimate sales volume.

Step 4: Marketing Strategy Development

The strategy statement consist of three parts: The first part describes the target market, the planned product positioning and the sales, market share and profit goals for the initial few years. The second part outlines the product's planned cost, distribution and budget for the first year. The third part of the marketing strategy describes the planned long-run sales, profit goals and the marketing mix strategy (which includes strategies relating to 7 P's Product, Price, Place, Promotion, People, Process and Physical evidence).

Step 5: Business Analysis

At this point in the new product development process the marketer has reduced a potentially large number of ideas down to one or two options. Now in Step 4 the process becomes very dependent on market research as efforts are made to analyze the viability of the product ideas. (Note, in many cases the product has not been produced and still remains only an idea.) The key objective at this stage is to obtain useful forecasts of market size (e.g., overall demand), operational costs (e.g., production costs) and financial projections (e.g., sales and profits). Additionally, the organization must determine if the product will fit within the company's overall mission and strategy. Much effort is directed at both internal

research, such as discussions with production and purchasing personnel; and external marketing research, such as customer and distributor surveys, secondary research, and competitor analysis.

Step 6: Product and Marketing Mix Development

Ideas passing through business analysis are given serious consideration for development. Here, Research & Development or Engineering cell develops the product concept into a physical product. Marketers also begin to construct a marketing plan for the product. Once the prototype is ready, the marketer seeks customer input. However, unlike the concept testing stage where customers were only exposed to the idea, in this step the customer gets to experience the physical product as well as other aspects of the marketing mix, such as advertising, pricing, and distribution. Favorable customer reaction helps solidify the marketer's decision to introduce the product and also provides other valuable information such as estimated purchase rates and understanding how the product will be used by the customer. Less favourable reactions may suggest the need for adjustments to elements of the marketing mix. Functional tests are then conducted under laboratory and field conditions to ascertain whether the product performs safely and effectively.

Step 7: Test Marketing (Market Testing)

Products surviving till Step 6 are ready to be tested as real products. It is the stage at which the product and the marketing program are introduced to a more realistic market setting. Test marketing gives the marketer an opportunity to tweak the marketing mix before going into the expense of a product launch. The amount of test marketing varies with the type of product. Cost of test marketing can be enormous and it can also allow competitors to launch a 'me-too' product or even sabotage the testing so that the marketer gets skewed results. For instance, Lay's has also entered into the test marketing phase for testing their flavours selected from the 'Dillicious flavour' contest.

Hence, at times, management may decide to do away with this stage and proceed straight to the next one i.e. commercialization.

Step 8: Commercialization

If market testing displays promising results, the product is ready to be introduced in the market. Some firms introduce or roll-out the product in waves with parts of the market receiving the product on different schedules. This allows the company to ramp up production in a more controlled way and to fine tune the marketing mix as the product is distributed to new areas.

Companies must develop an effective research programme for new product development strategy. Their current products face little life spans and must be constantly replenished. New products can fail. The key to successful new product introduction lies in a research effort, strong planning and system approach. The new product development process consists of eight steps and at each stage, the company must further decide whether the idea should be further developed or dropped. After that the company must develop a life cycle strategy with thorough research at each level. Each stage in the life cycle has its own unique problems and opportunities.

1.2.2 Reasons for New Product Failure**Q13. State the various Reasons for New Product Failure**

Ans :

Reasons for Failure of a New Product**1. Lack of product uniqueness**

Any product that does not satisfy a unique need of consumers, fails to dislodge more established brands available. Customers must comprehend the new product's advantages. Unless sound communication strategies support the introduction of a new product, failure usually follows.

A product is likely to be perceived as unique if it satisfies a new function; if it satisfies an existing function in a new way; if its price and performance give it an advantage over the competitive products. It should be distinctive in one way or the other.

2. Poor planning

Companies must have a game-plan that carries them through every stage and aspect

of product's life. The plan is to care for consumers. Many forces are at work that alter consumer's needs and wants for products; life- styles change populations, age and preferences change; similarly needs of industrial buyers are affected by changing business opportunities shortage of energy and material, technological advance and so on.

The market potential of the product and the nature of competition must be determined beforehand.

3. Poor timing

The market success depends, to a large extent, on the ability of the company to launch the product at a time when consumer demand is at its highest. Though it may not always be desirable to be the first to enter the market, undue delay or un-opportune time may mean that the demand for the product demonstrated during consumer testing phase might vanish by the time the product is launched in commercialization period. Hence, appropriate time has its strategic importance in product success.

4. Misguided Enthusiasm

On several occasions, it so happens that there will be either an under-estimation of the strength of competitors or an over-estimation of one's own capabilities resulting in over-optimistic calculations which will be shattered very soon by the actual product performance. This can happen when executives want to market a particular product because; it is tied with their personal ambitions in the company.

Therefore, planners should rely on only authentic and unbiased information for reading the future which is uncertain.

5. Product deficiencies

Many a times, technical product deficiencies are the common cause of new product failure. Engineers and product technocrats are capable of giving the best laboratory products by over-engineering. This is a good so far as technical superiority is concerned over competitors.

However, an 'over-engineered' product costs a lot to the firm and finally to the consumers where competitors have an edge over the firm in question. Technical deficiencies are to be removed but too much should not cost much.

1.3 PRODUCT LIFE CYCLE

Q14. Define Product Life Cycle. Explain the assumptions of Product Life Cycle.

Ans : (May-17, May-12)

This is termed as a product life cycle.

Definitions

- i) **According to Phillip Kotler**, "The product life-cycle is an attempt to recognize distinct stage in the sales history of the product".
- ii) **According to Arch Patton**, "The life-cycle of a product has many points of similarity with the human life-cycle; the product is born, grows lustily, attains dynamic maturity then enters its declining year".
- iii) **According to William J. Stanton**, "From its birth to death, a product exists in different stages and in different competitive environments. Its adjustment to these environments determines to great degree just successful its life will be".

Assumptions of Product Life Cycle

1. Products have a limited life.
2. Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller.
3. Profits rise and fall at different stages of the product life cycle.
4. Products require different marketing, financial, manufacturing - chasing, and human resource strategies in each stage of their life cycle.

1.3.1 Product Life Cycle Stages and Marketing Implications

Q15. Give a critical assessment on PLC. Explain the different stages and strategies of PLC.

Ans: (Dec.-20, May-18, May-17, May-16, May-13, Imp)

The Product Life Cycle (PLC) is similar to the biological life cycle of human beings and plants. Human beings pass through various stages from birth till death such as childhood/infancy (introduction); adolescence and adulthood (growth); maturity; and death (decline). Similarly, plants also go through same life cycle. A seed is planted (birth or introduction); it begins to sprout or develop (growth); it shoots out leaves and puts down roots as it becomes an adult (maturity); after a long period as an adult the plant begins to shrink and die out (decline).

Like human beings and plants, products also have their own similar life-cycle. From birth till death, a product also goes through multiple phases: Introduction, Growth, Maturity and Decline. After a period of idea generation and development it is introduced or launched into the market; it gains more and more customers as it grows; eventually the market stabilizes and the product becomes mature; then after a period of time the product is overtaken by development or introduction of superior competitors, it goes into decline stage. Some products go through all stages of life cycle, for instance, Maruti 800 passes through all the phases of product life cycle.

So, it is not necessary for all products to follow each stage; but generally the product life cycle (PLC) depicts a products sales history through four stages:

1. Introduction
2. Growth
3. Maturity and
4. Decline.

Research and changes must be made in the product's marketing mix as it moves through different life cycle stages because of changes in the competitive environment, buyer behaviour and the composition of the market. At every stage, marketers need to develop and adopt new strategies according to the characteristics of each stage.

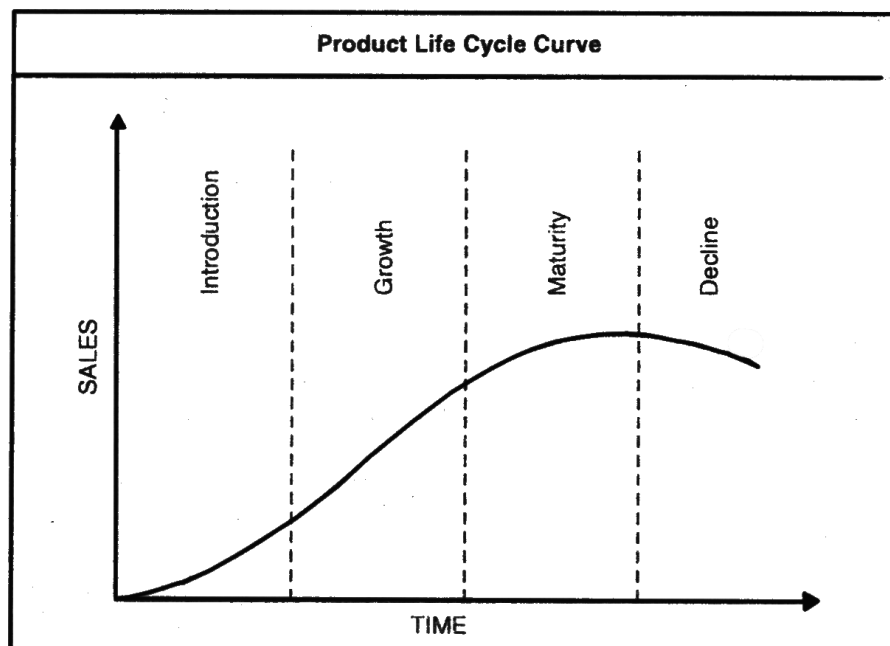


Fig.: Stages of Product Life Cycle

I) Introduction stage

Launching a new product is called the introductory stage. Introducing a new product is always a risky venture, even for a skillful marketer. Almost every company has had spectacular failures. A new product category requires a longer introductory period because it takes lots of time and expenses to generate awareness among consumers about the availability of product; and then acceptance of product also takes time. Even the product that has achieved acceptance in other markets will require introduction in new markets. Companies continuously monitor the speed of product awareness and adoption; and if it is disappointing, they may terminate the product at this stage.

The main goals in the introductory stage are to:

- To induce acceptance
- To inform potential buyers
- To encourage middlemen to stock products
- To expect future growth

The main features of this stage are:

- Low sales volume
- High costs
- No/little competition - competitive manufacturers watch for acceptance / segment growth
- Profits are negative
- Demand has to be created
- Promotional expenses are high

Strategies

A company must choose its launch strategy consistent with its intended product positioning. Marketer should realize that the initial stage is just the first step in the marketing plan for the product's entire life cycle. While launching a new product in market, marketers can use different strategies according to their situations and circumstances. But a lot of care and caution is required at this stage as a single mistake of marketers can cause the failure of product.

Considering only price and promotion among marketing mix elements, marketers can pursue any of the following four strategies:

- **Rapid Skimming Strategy:** This strategy includes high price and high promotional cost while launching a new product. This strategy works effectively for companies who are confident enough for the adoption of their new technology and where the awareness among customers is very low about the product. The strategy also works best when the market size seems to be large and competition seems to be low. All the consumer electronics like T.V, laptops, ipod etc, normally use this strategy. We all know that these products are initially charged high with high promotional level and then gradually reduced to maintain a market share. These days some products such as Sony LED, Samsung LED, Apple ipod are successfully using this strategy. The basic objective behind this strategy is to rapidly skim the cream off the market before any other competitor enters into the market with similar technology. By adopting this strategy, companies try to earn maximum profits in short period of time.
- **Slow Skimming Strategy:** This strategy consists of launching the new product initially at high prices, but keeping promotional level low. This strategy is being used by companies when they feel that they have highly sophisticated technology, which can't be adopted by competitors easily. And such companies feel that they will remain the only manufacturer or supplier having such unique and superior technology products for longer

period. Second characteristic supporting this strategy is that the market size for the product is limited and includes that upper segment of society, who will be ready to pay any amount for getting that quality product. Many industrial products may fall in this category such as renewable energy resources, laser technology and petrochemicals etc.

- **Rapid Penetration Strategy:** This strategy is somewhat opposite from slow skimming strategy. It consists of launching product at low price, but spends high on promotional aspects. This strategy is used when high competition exists in the market and the main objective of the company is to win more market share and to earn profits in long run. This strategy also works best when entry barriers are more. Then in such case, firm chooses to enter into the market with this strategy. Other assumption to use this strategy is that market size for the product is large and all consumers are highly price sensitive. Some companies like Wheel, Lux etc have successfully used this strategy; they set low prices of their products and use high promotional strategies.
- **Slow Penetration Strategy:** This strategy includes low price and low promotional cost at the time of launching new product in market. Companies use this strategy when the threat of competitors is minimal, market size is large and almost consumers are highly price sensitive. The objective of the company is profit maximization in long run; as in short period there is no threat to lose consumers or market share.

II) Growth Stage

If a product has been launched successfully, the sales begin to increase rapidly in the growth stage as new customers enter the market and old customers make repetitive purchases. This is stage of peak profits. Profits arise as company achieve economies of scale due to an increase in output and possibly charge better prices. At this stage, it is cheaper for businesses to invest in increasing their market share as well as enjoying the overall growth of the market.

It has following features:

- Markets expands
- Costs reduced due to economies of scale
- Sales volume increases significantly
- Peak profits
- Customer awareness
- Competition begins to increase with a few new players in establishing market

Strategies

During this stage, marketers try to sustain the growth rate through various following strategies:

- **Product quality improvement:** To achieve the competitive advantage, company focuses mainly on quality improvement of the product.
- **End of mass marketing:** With the acceptance of product in the market, the next task of marketers is to cater selective demand of consumers. Also with the entry of competitors in the market, companies feel the need of some new strategies (i.e. targeting strategies, product or market modification) with which they can remain in the market place. Whatever the situation may be, but this stage marks an end to the mass marketing strategy. So, companies think about shifting towards differentiated or concentrated marketing strategies for fulfilling the different needs of consumers.
- **Entry into new potential markets:** After gaining success in a specific market, companies think about moving to other markets for gaining more profits and market share.
- **Enlarging distribution and service network:** With the entry of product into more than one market, it is mandatory for the organizations to enlarge distribution and service networks for the timely and required supply of the product.
- **Motivational promotion strategies:** During introduction stage, all promotional efforts were to educate and inform the

consumers about new product i.e. awareness strategies. But in this stage, now as all consumers are aware about presence of product, marketers focus on motivational promotion strategies, through which they try to convince and motivate the consumers to buy their product. For instance, Tropicana juice, in its growth phase, is trying to motivate the consumers through promoting their product as necessity in breakfast.

- **Competitive price maintenance:** As some competitors enter into the market during this stage, every company focuses on competitive pricing strategy as pricing remains a strong weapon to beat the new competitors. During this stage, company enters into economies of scale. So it is not impossible for marketers to cut down some price, as costs automatically come down due to economies of scale.
- **Product modification and extension to different use situations:** Marketers focus on product modification according to the changing needs of consumers. This strategy' also involves the extension of product features to different use situations and considering different prices and some new attractive packaging alternatives to attract more new consumers and retain the odd ones.

III) Maturity Stage

This stage is characterized by slowing of growth rate of profits and sales. The greatest number of competitors, competitive product forms and brands exist in the maturity stage. It is in this stage in which rivals copy product features of successful brands and become more alike. There remains little growth potential for the product. It is during this stage that marketers are focusing efforts on extending the lives of their existing brands. Companies should do more to extend the lives of their mature products rather than allowing it to coast into decline. They should consider modifying the marketing mix and market.

It has following features

- Little growth potential
- High sales volume
- High profits
- Increase in competitive offerings
- Prices tend to drop

Strategies➤ **Product modification**

As it is clear that growth rate of sales, profits and margins slows down in this stage; then product modification remains the only option with companies to maintain its competitive position in market place. Product modification strategy adopted at much higher level and even marketers try to introduce or launch new modified product at this stage. Product modification may take place in several forms such as quality improvement, features extension and packaging improvement etc.

➤ **Market modification**

Marketers adopt the segmentation approach at much higher level during this stage. They try to win competitor's customers through entering into new market segments and converting the non-users and light users into brand loyal consumers.

➤ **Marketing mix modification**

Different efforts are carried by marketers to maintain their profits and sales volume through modification in any of the marketing mix element such as product, price, promotion or place. They are to set pricing after analyzing competitor's product prices; promotional strategies are more convincing and motivational. Distribution channels can also be modified (marketers may use direct channels instead of indirect one and can also shorten the length of distribution channels).

IV) Decline Stage

This is the final stage in the life cycle of the product. In this stage, sales and profits decline rapidly and competitors become more cost conscious. At this stage, great care has to be taken to manage the product carefully. It may be possible to take out some production cost, to transfer production to a cheaper facility, sell the product into other cheaper markets. Care should be taken to control the amount of stocks of the product. Ultimately, depending on whether the product remains profitable, a company may decide to end the product.

It has following features:

- Market begins to shrink
- Decision to drop the product
- Sales volume decline or stabilize
- Price & profitability diminish
- Profit becomes more a challenge for production/distribution efficiency than increased sales

Strategies

- **Drop the product:** When marketers feel it impossible to maintain the product or the product doesn't seem to be profitable, it becomes imperative for them to drop the weaker product from product line, so that they can effectively concentrate all the efforts and resources on profitable products.

2. Product continuation

If marketers don't want to drop the product at any cost then they have to adopt different strategies for this:

- (a) **Lower prices:** To continue with product supply in market, marketers try to cut down the production cost which will lead to lower product prices.
- (b) **Product modification:** Company need to totally modify the product with addition of new features and benefits according to the needs of consumers. Modification can be done in terms of quality, performance and appearance.
- (c) **Product and brand re-positioning:** Company needs to change the image of product and brand in the minds of target market consumers. It includes re-positioning of product or brand by changing one (or more) of four marketing mix elements.

1.4 BRANDING**Q16. What is a Brand ?***Ans :***(May-16, May-15)**

Brand may be defined from the brand owner's perspective or the consumer's perspective. There are various popular definitions of a brand:

"A name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers. The legal term for brand is trademark. A brand may identify one item, a family of items, or all items of that seller. If used for the firm as a whole, the preferred term is trade name." - **American Marketing Association**

"A type of product manufactured by a particular company under a particular name." - **Oxford English dictionary**

"A name, term, sign, symbol, design, or a combination of these used to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors." – A product-oriented definition

"The promise of the bundles of attributes that someone buys and provide satisfaction . . ." – **A consumer-oriented definition**

The fundamental purpose of branding is differentiation. A brand is a means of differentiating the seller's product from other competing products.

Brand has the following characteristics:

1. **Tangible characteristics:** Price, physical product, packaging, etc.
2. **Intangible characteristics:** Customer's experience with the brand, brand position, and brand image.

Objectives of a Brand

1. To establish an identity for the product or a group of products.
2. To protect the product or service legally for its unique features.
3. To acquire place for the product in consumers' minds for high and consistent quality.
4. To persuade the consumer to buy the product by promising to serve their needs in a unique way
5. To create and send the message of strong reliable business among consumers

Q17. What is Branding ?

Ans :

Branding is the business process of managing your trademark portfolio so as to maximize the value of the experiences associated with it, to the benefit of your key stakeholders, especially current and prospective :

- Employees
- customers
- stock / share holders
- stock/share holders
- suppliers
- intermediaries
- opinion leaders
- local communities
- purchasers and licensees

Experts argue as to which stakeholders should be the main focus of the branding process, but this is probably the wrong question as their experiences are all inter-related :

- **Employees:** The more your employees value your brands and understand what to do to build them, the more your customers, suppliers, local communities and opinion leaders will value them. The more attractive your brands are to potential employees, the more they are likely to want to work for you.
- **Customers:** The more your customers value your brand, the more they will buy your products and services, and recommend them to other people. They will also pay a premium for them and make the lives of your employees easier. This, in turn, will enhance the value of your brands to prospective purchasers and licensees. Research has shown that strong brands are more resistant to crises of reputation.
- **Stock/share holders:** Strong brands multiply the asset value of your company (90% of the asset value of some major corporations lies in their intellectual property), and assure them that your company has a profitable future.
They also allow you to afford to give competitive dividends to your current stock/share holders.
- **Suppliers:** Suppliers like to be associated with strong brands as this benefits their own reputation in the eyes of other current or potential customers. You are therefore likely to get better service at a lower total acquisition cost.
- **Intermediaries:** Retailers, distributors and wholesalers value strong brands as they improve their own profit margins. They are likely to give you more "air time" and shelf space, thus enhancing further the value of your brands in the eyes of your current and prospective customers.
- **Opinion leaders:** The media, politicians and non-government organisations are more respectful of strong brands.
- **Local communities:** Supportive local authorities can make your life easier in many ways, and offer you better deals, if you have prestigious brands. Your local communities provide you with your work force and can be highly disruptive if they perceive you as damaging their environment.
- **Purchasers and licensees:** The question prospective purchasers and licensees ask is "how much more profit can get for my products and services sold under this brand than under any brand I might build?" Strong brands can be spectacularly valuable.

Q18. Explain the characteristics of a good brand.

Ans :

1. Loyalty

The unique and exclusive characteristics of the brand create an emotional connection with the target audience that makes them indulge in the repeat purchases resulting in the loyalty towards the brand and its offerings of products and services.

2. Awareness

The target market and the audience needs to be made aware about the attributes, values, and characteristics of the brand through various marketing and promotional programs comprising of participating in corporate events, sponsorship in events related to the nature of the brand, print advertisements, television commercials, and use of digital marketing and social media to elevate the awareness about the brand.

3. Higher sales and profits

With the increased level of brand awareness showcasing its unique characteristics in the target market that results in the top of the mind recall factor about the brand and its offerings in the mind of the consumers making them indulge in the repeat purchases and hence, the company attains its objectives of higher sales and profits.

Q19. Explain the evolution of branding.

Ans :

1. Branding before the 1970s

Branding has not always been a matter of attention, not even for companies with an understanding of the possible advantages of a strong brand. In the USA, the Robinson-Patman Act (formerly the Clayton Act) created a legislative obstacle for companies to price similar products differently. In other words, there was a hindrance in charging more for a branded product than for a non-branded product, and this made it less attractive for companies selling two similar products to put emphasis through branding on one of the products. Besides the legislative obstacles, there was also a strong consumer movement that opposed the use of brands.

Consequently, for a long time, an uncertainty existed as to how much companies should emphasize their brands and how much the average customer cared about those brands. Hence, it became vital for marketers to establish through research how important brands were in the purchasing process. This challenge was accepted by Marquardt et al. (1965) when they decided to investigate this issue by focusing on an everyday product. The results revealed that consumers wanted products with a well-known brand and that only 25% of the respondents did not pay attention to the brand at all, instead considering the price as the most important factor in buying the product.

In the early 1960s, another concept was introduced that had a major influence on marketing, namely lifestyle. The first person to discuss the use of lifestyles in branding and marketing was William Lazer. At that time, many companies still had mass communication and mass production as their main strategy; however, it was mainly in the 1970s that lifestyle marketing attracted much attention. Until then, mass production had worked fine for many companies.

For instance, General Motors had successfully used this strategy for more than 70 years, including during economic depressions and world wars, always with a positive outcome. Yet, in the 1970s, GM suffered losses due to the ignorance of volatile consumer lifestyles, which came to symbolize this decade. Companies often used consumers' income as the only variable when segmenting the market; however, this was all to be changed as a result of the emergence of stronger consumer lifestyles.

2. Branding in the 1970s and 1980s

As we have already discussed in the previous section, branding was a topical issue in the 1950s and 1960s. However, it was in the 1970s and 1980s that branding was further developed and more firmly established, becoming an important research area within the entire discipline of marketing. Furthermore, the interest and debate on theories behind marketing saw a boom in the mid-1970s.

Until the 1970s, the field of branding was primarily associated with mass production and mass communication, and companies principally used brand commercials to differentiate their products only by quality and functionality. The period between 1970 and 1990, however, came to symbolize a stronger service sector, and companies now started to communicate what immaterial value their products could offer in comparison to their competitors' products. The brands of that time were developed to become story-telling brands with the aim to create a meaning for their consumers.

3. Branding in the 1990s and 21st century

The financial perspective focuses on the total value of the brand and answers the question of how well the company performs in the market. Thus, the financial perspective allows companies to extract the financial brand value from the total value of the company. Simon and Sullivan (1993) were among the first authors to present a way to mathematically calculate brand equity. They used the financial market value of a company as a basis for evaluating brand equity and, by calculating the Tobin's Q, found that it was possible to distinguish between the brand value and the value of all other assets of the company. If the results showed a Q-value above 1, the company had immaterial assets.

The reason for using financial market value as the basis is that this value represents an unbiased view on the future revenues of the company. Hence, the result reveals brand equity based on the market expectation of the future cash flow. According to Simon and Sullivan (1993), this methodology has three important features :

- 1) Brand equity is treated as an asset of the firm and is consequently separated from other assets of the firm;
- 2) brand equity is calculated with a forward-looking perspective; and
- 3) the value of the company changes when new information reaches the market.

Q20. Explain the advantages and disadvantages of branding.

Ans :

(Imp.)

Branding is the process of creating distinctive and durable perceptions in the minds of consumers. A brand is a persistent, unique business identity intertwined with associations of personality, quality, origin, liking and more. Here's why the effort to brand your company or yourself pays off.

Advantages of Branding

1. Memorability

A brand serves as a convenient container for a reputation and good will. It's hard for customers to go back to "that what's its name store" or to refer business to "the plumber from the Yellow Pages." In addition to an effective company name, it helps when people have material reminders reinforcing the identity of companies they will want to do repeat business with: refrigerator magnets, tote bags, datebooks, coasters, key rings, first aid kits, etc.

2. Loyalty

When people have a positive experience with a memorable brand, they're more likely to buy that product or service again than competing brands. People who closely bond with a brand identity are not only more likely to repurchase what they bought, but also to buy related items of the same brand, to recommend the brand to others and to resist the lure of a competitor's price cut. The brand identity helps to create and to anchor such loyalty.

3. Familiarity

Branding has a big effect on non-customers too. Psychologists have shown that familiarity induces liking. Consequently, people who have never done business with you but have encountered your company identity sufficient times may become willing to recommend you even when they have no personal knowledge of your products or services. Seeing your ads on local buses, having your pen on their desk, reading about you in the Hometown News, they spread the word for you when a friend or colleague asks if they know a and that's what you do.

4. Premium image, premium price

Branding can lift what you sell out of the realm of a commodity, so that instead of dealing with price-shoppers you have buyers eager to pay more for your goods than for those of competitors. Think of some people's willingness to buy the currently "in" brand of bottled water, versus toting along an unlabeled bottle of the same stuff filled from the office water cooler.

5. Extensions

With a well-established brand, you can spread the respect you've earned to a related new product, service or location and more easily win acceptance of the newcomer. For instance, when a winery with a good reputation starts up regional winery tours, then adds foreign ones, each business introduction benefits from the positive perceptions already in place.

6. Greater Company Equity

Making your company into a brand usually means that you can get more money for the company when you decide to sell it. A Coca-Cola executive once said that if all the company's facilities and inventory vanished all around the world, he could walk into any bank and take out a loan based only on the right to the Coca-Cola name and formula.

7. Lower Marketing Expenses

Although you must invest money to create a brand, once it's created you can maintain it without having to tell the whole story about the brand every time you market it. For instance, a jingle people in your area have heard a zillion times continues to promote the company when it's played without any words.

8. For consumers, less risk

When someone feels under pressure to make a wise decision, he or she tends to choose the brand-name supplier over the no-name one. As the saying goes, "You'll never be fired for buying IBM." By building a brand, you fatten your bottom line.

Disadvantages of Branding**1. Cost**

If you wish to create and maintain a strong brand presence, it can involve a lot of design and marketing costs. A strong brand is memorable, but people still need to be exposed to it, this often requires a lot of advertising and PR over a long period of time, which can be very costly.

There are also costs involved with the creating of a brand image or logo (Paying for a designer, printing new letterheads/business cards etc.), and although most of these are only one off costs, they are still relatively large for most small businesses.

The exposure of your brand can be left to word of mouth, this will save you money, but will also greatly slow down the exposure your brand receives.

2. Impersonal

One of the main problems with many branded businesses is that they lose their personal image. The ability to deal on a personal basis with customers is one of the biggest advantages small business have, and poorly designed branding could give customers the impression that your business is losing its personal touch.

3. Fixed Image

Every brand has a certain image to potential customers, and part of that image is about what products or services you sell. If you are known for selling just one product, and you want to sell another product, will you be able to do so effectively.

If you sell computers, would your brand name be suitable for selling vacuum cleaners? If your brand is focused too strongly on one product, it can limit your ability to sell other products.

4. Timescale

The process of creating a brand will usually take a long period of time. As well as creating a brand and updating your signs and

equipment (E.g.: Stationary, vehicles etc...), you need to expose it to your potential customers.

It is commonly shown that people need to see an advert at least three times before they absorb it, which means you will need to advertise and promote the brand for a considerable amount of time before it will become well known.

Q21. Explain the Significance of Branding.

Ans :

Branding is the marketing strategy used by firms to differentiate their products from similar offerings. It is especially important for small marketers who lack the promotional resources of big competitors. When a product has a unique name, appearance and image, it is easier for shoppers to find in a crowded marketplace. A strong brand identity can also affect consumer behavior by building emotional connections and reinforcing buying habits.

1. Shopping Behavior

In most consumer goods categories, buyers must choose among a large number of products offering similar attributes and benefits. Especially for low-involvement, low-priced items like toiletries and snack foods, few people are motivated to spend time and effort researching and comparing alternatives. Branding simplifies shopping for these products, enabling buyers to quickly and efficiently pinpoint what they want. Conversely, it reduces the likelihood of being disappointed by or wasting money on an unfamiliar product.

2. Emotional Connections

The goal of branding strategy is to create brand equity, the value that marketers add to their product's basic features and function. Often this value takes the form of a brand personality and image to which consumers feel an emotional connection. For example, the Disney brand imbues all of its products with a wholesome, child-oriented personality that sets them apart from other entertainment alternatives. Similarly, Hallmark sells more than greeting cards; its brand image conveys family love and togetherness.

3. Habitual Buying

In a wide range of product categories, consumers make their purchase decisions based largely on habit. For example, when buying a staple like American cheese or a convenience good like takeout coffee, most people simply choose whatever they bought last time. By making products easily identifiable, branding helps to reinforce habitual buying behavior. Of particular importance to marketers: it is hard for competitors to break a well-established habit, even with price discounts or other promotions.

4. Strategic Options

Marketers have different options when choosing a branding strategy. One approach is to link brand identity to the manufacturer of the product. Called manufacturer branding, this is most common when the company is generally known and well regarded in the marketplace. Small businesses often choose the alternative option of private-label branding. This usually involves associating the brand with the store that sells it. A private label brand might also take advantage of another distinctive element, like the region where it is produced.

Q22. What are the objectives of Branding ?

Ans :

Brand plays an important role as an inseparable part of the product of a business firm. Some firms invest a lot of money in the brand of their products. Brand helps to promote product, to build image, personality and to develop brand loyalty. The main objectives of branding product are as follows:

1. To differentiate a firm's product

Brand helps to differentiate firm's products from competitors' products. This makes customers feel easy to recognize products of genuine producers.

2. To assist in promotion

The other objective of branding is to help in conducting promotional activities. The activities such as advertisement, personal selling, publicity, sales promotion etc. are conducted with brand name.

3. To increase prestige and status

Branding helps to increase prestige, personality and status of producers, distributors, customers etc'.

4. To maintain product quality

One of the main objectives of branding is to pay attention to maintain quality of the products in order to sell and distribute the products with brand name. The firms, which cannot maintain quality of their products, do not want to use brand name.

5. To increase brand loyalty

The other objective of branding is to increase customer' loyalty to brand or branded product. The customers can buy only the branded products repeatedly.

6. To legally protect the firm

The other objective of branding a product is to protect the business firm from any legal obstacles and get legal recognition and protection.

7. To build values for customers

To build consumer value and benefit of the products or value building of products is the other objective of branding. A marketing manager should concentrate his efforts on promoting special quality and advantage of the products of certain brand name. This also should promote the value of the products to the consumers.

Q23. Explain the Principles of Branding.

Ans :

There are five identified principles which are useful when creating a brand as :

1. Defining the Brand's Identity

When launching a new product questions of relevance are - Who is being targeted, what is the product positioning - its distinctive

advantage and competitive area, and finally what promises and benefits can the consumer expect? Another important question when creating a brand is - Who is the brand? Hence, one must first know who is speaking, why the brand exists, what are its values, goals, etc. When analysing powerful brands it is shown that they have a physique - know-how, and an essential product to which they are not entirely restricted. Furthermore they have a culture (a system of values) and a certain type of relationship, consumer's reflection, and self-image.

2. Imaginary Sources

Major brands do not solely derive their identity from functional sources. The choice of a brand's imaginary source is just as important as choosing what products of the range to advertise. Kapferer further mentions the example that Apple alludes to Californian high-tech and counterculture.

3. Choosing Products with a Meaning

The more ambitious the brand is the greater is the degree of care required when choosing the product or service to launch brand campaign. The focus should be on the product which best represents the brand's intention, thus the one which best supports the brand's potential to bring about change. All products included by a brand are able to do this. A campaign must be backed by a product which reflects the brand's own image.

4. Brand Campaign or Product Campaign

When a brand is created, two alternative strategies may be chosen. Firstly by communicate the brand meaning, its imaginary significance, and its intention direct to the consumer. Or secondly, indirectly build it through promoting a representative product. This decision depends on the firm's ability to pick-out a product that illustrates the full meaning of the brand.

5. Brand Language and Territories of Communication

Firstly brand identities are rich in meaning and therefore it cannot be reduced to a single word or a concept. The vocabulary of today

does not take a uniquely verbal form. In fact the visual part is just as important. Taking a glance at the television or the ads in a magazine, the picture stands out more than the words.

Brand language facilitates the expansion of the brand, due to lack of a personal language, communications are more complicated. By not knowing what language to speak, the same words or picture keep re-appearing, leading to the whole brand message becoming restrained. Due to a desperate desire to create a common image the different campaigns will end-up as near clones.

Q24. Outline the Process of Branding.

Ans :

Process of branding a product is depicted below :

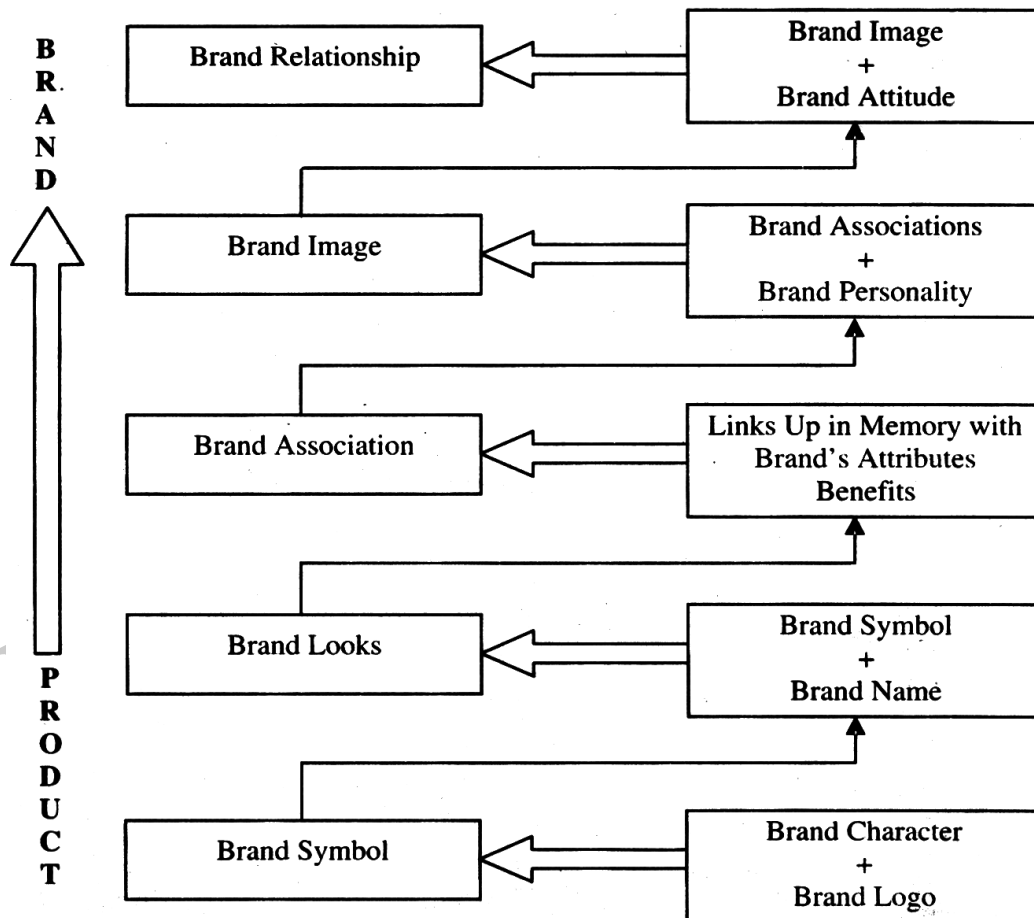


Fig.: Branding Process

1. **Brand Relationship:** Brand relationship is the ultimate achievement-need of branding. All other aspects (like Brand Positioning) might happen but if this does not happen the job is not complete. Brand relationship happens if 'image' and 'attitude' for a brand exist. It is the resultant effect of these two aspects of a brand.
2. **Brand Attitude:** Brand attitude defines what the brand thinks about the consumer, as per the consumer. A brand may have 'attitude' on one or more aspects.
3. **Brand Image:** Brand image includes two aspects of brand - its associations and its personality. A brand may have image on one or more aspects.

4. **Brand Association:** Brand association includes all that is linked up in memory about the brand. It could be specific to attributes, features, benefits or looks of the brand. A brand may have a range of associations. But the one association that stands out in memory and differentiates it becomes the position of the brand. A brand may have one or more associations but no position. For a brand to have brand relationship, it should have 'image'. And for image a brand should have 'association'. If among its associations, a brand has a 'position' it is of great advantage. But if a brand does not have a 'brand position' it does not mean that it would not have brand image or brand relationship. In other words, brand position is not a sufficient condition for brand relationship, but a highly desirable condition.
5. **Brand Looks:** Brand looks which have a role to play in forming/reinforcing brand associations are facilitated by two key properties of a brand - its name and its symbol. While 'brand name' is a necessary condition for existence of brand relationship, the same is not true for 'brand symbol'. However, if the latter exists it helps the process of brand relationship and reinforces it.
6. **Brand Symbol:** Brand symbol two visual signals of a brand - its 'character' (Eg. Amul girl, Pillsbury doughboy) and its 'logo'.

Q25. What are the Strategies of Branding?

Ans :

Brand-product relationships can be governed by using six models which are based on organisational strategies. These models explain the status and function of the brand along with describing its relationships with different products. The key branding strategies based on the features of the brand are listed below:

1. Product Branding

It is a well-known fact that a brand can simultaneously be an object, a word, a symbol, or a concept. Brand is an object as it helps to differentiate each product from other goods and services in the market. Brand is a word as it has a brand name which gives

details of the product in case of oral and written communication. Brand is a symbol as it has variety of features and it is expressed through many figurative expressions like logos, colours, forms, emblems, designs and packaging. Lastly, brand is a concept as it dictates its own meaning and worth similar to any other symbol.

The product branding strategy is responsible to attribute a specific name and positioning to every single product or product line. Thus, every new product gets its very own brand name exclusively owned by it. As a result, a brand portfolio is developed within the organisation representing the product portfolio.

2. Line Branding

Line branding should not be confused with the concept of product lines. Here, different products manufactured/developed on the basis of one common theme are grouped together to form a single brand. Initially, a single product is launched to represent the brand concept, and gradually different complementary products are introduced in the same brand concept. The basic theme behind such branding is not altered.

For example, Lakme is involved in practicing line branding strategy. The basic- brand theme of Lakme is the "source of radiant beauty." Variety of products, complementary in nature, is offered by Lakme under this brand concept like body lotion, winter care lotion, eye make-up, foundation, etc.

Through line branding strategy, the basic need of the consumers is satisfied along with fulfilling complementary needs. Lakme, for example, focuses on satisfying consumers' need to become attractive and beautiful. Different complementary products are offered by Lakme to fulfil this core need.

3. Range Branding

Range branding strategy looks similar to line branding strategy, but there is a significant difference between the two. Like line branding, different products are associated with the basic brand concept, but these

products are not complementary to each other. Different categories of products are available under the same brand concept. Here, the basic theme of branding is the area of expertise.

For example, Himalaya Drug Company offers variety of ayurvedic medicines including skincare, body care, health care, etc. Certainly, syrup, shampoo and facewash, do not complement each other. Here, the basic concept of branding is area of expertise. The area of expertise here is 'ayurvedic medicines'. Therefore, under one brand, different non-complementary products are offered to the consumers.

One of the advantages of range branding strategy is the low spending for promotion, as single brand covers all products in the group. Sometimes, range branding becomes a problem due to presence of too many products under the same brand. It can also lead to confusion among the consumers and affect the brand image.

4. Endorsement Branding

Here, the company brand name is not so popular because of the popularity of the product brand. The company brand name is highlighted in smaller letters and is utilised only to give recognition to the owner. The product brand exists on its own.

For example, Cadbury Dairy Milk shows the owner of the product brand.

In marketing communication programs, these brands show their relation with the parent company. Here, product brands enjoy their popularity along with highlighting its owners. Company brand is also useful in attributing certain specifications in the product brand.

5. Umbrella Branding

Just as an umbrella covers the individual(s) holding it, umbrella branding strategy covers

the entire product mix of a particular company, utilising a single brand name. Here, brand logo or name is same for all the products offered by the company. For example, all the products offered by the company Phillips, are offered with the brand name of Phillips. Any new additions to the product mix or product line are also named as per the parent brand. It plays a crucial role in trial purchases, acceptance and survival of such new products. The main advantage of such branding strategy is that single promotional program is sufficient for promoting the diverse products.

This kind of branding may also be called as 'family branding'. It is very crucial for different products under the family brand, to maintain a certain quality level. Weakness in one product may create the negative image of the whole brand.

6. Source Brand Strategy

This strategy is quite similar to the above mentioned umbrella brand strategy. But unlike the umbrella brand, each product under the parent brand has its very own brand name which makes it a major distinguishing factor between these two strategies. For example, TATA company follows source branding strategy for its products. The different products are TATA Nano, TATA Indica, TATA Indigo, TATA Docomo, TATA Sky, TATA Indicom, etc.

Association of additional brand name into the source brand is very helpful in improving the relevance of the source brand. It helps in drawing attention of particular customer segment. To cater different needs of the customers different brand names are designed for different products. The source brand helps in establishing the new products in the market.

Q26. Explain the various Benefits of Branding.

Ans :

Brands offer something that far exceeds the companies, products or services they represent. Brands allow businesses and other organisations to communicate their intended value - and values - in one fell swoop. This happens when the value (features and benefits relative to the price) presented in advertising and other communications matches the value actually experienced in using those products or services. And, when that happens over and over again, over time, it sticks.

Brands offer something of great value - they allow people to make decisions about products and services, and make recommendations to others, much more quickly and easily. Consumers can put a level of trust or mistrust - into something if they know it is likely to deliver on its promise. The old saying in business used to be "nobody ever got fired for buying IBM". That is because IBM had a strong brand, based on a strong and very real reputation for reliable performance and value. This also means relatively low-importance purchases can be made without much research or time. Consider that there are literally thousands of products and brands on the shelves of one grocery store. Brands allow us to walk down the aisle and grab "old reliable" time and again.

The benefits of branding can be understood in following terms:

1. To Consumers

- i) **Easy to Recognise** : Use of a particular brand of a producer makes it very easy for the consumers to recognise the product of such producer because almost all the products of a producer are of the same brand, packing, design, colour, etc.
- ii) **Availability of Quality Products** : The producers, who use a particular brand for their products, always keep them-selves busy on improving the quality of their products because they want that the demand for their products should go on increasing. The result of such efforts of producers is that the consumers get the products of best quality.

- iii) **Minimum Fluctuations in Price** : It has been the experience that the prices of the products of standard brands fluctuate very rarely. It brings certainty in the prices of these products.
- iv) **Improved Packing** : The packing of the products of standard brands is always of high quality. The name of the brand and all the relevant particulars about the product are printed in packing itself. The packing of such products is very attractive, convenient and durable.
- v) **Mental Satisfaction** : The use of the products of a standard brand provides mental satisfaction to the consumers that they are using the goods of high quality and paying reasonable price for these products.

2. To Middlemen

- i) **Easy to Understand the Needs and Wants of Consumers** : Use of brand makes it very easy for the middlemen to understand the needs, wants, preferences and requirements of consumers because the consumers ask a particular brand. Even if the consumers do not ask for the products of a particular brand, the seller can sell the products of a famous brand easily.
- ii) **Less Risk** : As the demand of the products of a famous brand already exists in the market, the middlemen have no risk in keeping the products of these brands. In addition to it, the prices of products of famous brand do not fluctuate very frequently. It also reduces the risk of middlemen.
- iii) **No need of Advertisement and Sales Promotion** : As the demand for the products is already exists in the market and the customers knows these product by name, there is no need for the middlemen to advertise such products because the producers of these products themselves spend heavy amount on advertisement and sales promotion.

- iv) **Increase in Sales** : Middlemen can easily increase their sales, if they deal in products of famous brand because the market for such products already exists.
- v) **Increase in Profits** : As the sales of products of famous brand are high, profits of the middlemen also increase substantially.
- vi) **Increase in Goodwill** : If a middleman deals in the products of a famous brand it increases his goodwill.

3. To Producers

- i) **Easy to Advertise** : When the product or producers of an enterprise are marketed with a particular brand, it makes very easy for the enterprise to advertise its product because the enterprise can use the name of brand in its advertisement messages.
- ii) **Easy to Identify the Products** : Use of brand is very helpful in the identification of products. The producers can advertise their products with their brand and consumers can identify such product easily.
- iii) **Creation of Separate Market** : Producers can create a separate market for their products if they use a particular brand because the use of a particular brand differentiates these products from others.
- iv) **To Get More Price** : When consumers like a brand and they start to use the product of that brand, they do not mind a little increase in the prices of such products.
- v) **Easy to Expand the Product Mix** : If the brand of a producer is very popular in the market and the demand of such products is quite encouraging, the producer may decide to expand his product mix. He can add new product lines to his product mix or he can add new product items to his existing product lines. It does not create any difficulty for the producer to create demand for these new products because his brand has already got popularity among the consumers.

- vi) **Personal Contacts with Consumers** : When the brand of a producer becomes popular among consumers, it becomes very easy for the producer to eliminate the middlemen or to reduce the number of middlemen because he is in a position to sell his products directly to the consumer. It reduces the cost of distribution considerably.

1.5 PACKAGING

Q27. Define packaging. What are the functions of packaging?

Ans. : (Dec.-20, May-18, May-17, May-12,)

Packaging is the other strategy to promote product. A package is a container in which a product is offered for sale. Therefore, packaging may be defined as an act of planning, designing and preparing the package for the products. Two terms 'Packing' and 'Packaging' are somewhat confusable for some people; but there is slight difference between both terms. Packing is the process of wrapping a product or putting a product into packages or containers; whereas, packaging is the process which includes all activities related to planning and designing of the packages, containers or wrappers.

Packaging is the science, art and technology of enclosing or wrapping the products for distribution, storage, sale, and use. Packaging also refers to the process of design, evaluation, and production of packages. Packaging can be described as a controlled and coordinated system of preparing products for transport, warehousing, logistics, sale, and end use.

Definition

According to Kotler defined packaging as "all the activities of designing and producing the container for a product".

Packaging is an important promotional tool and today most of the companies are using this tool for promoting their products. For instance, a biggest soft drink brand pepsi is promoting and differentiating its product through different packaging strategies. They have produced different sizes of

bottles or cans to attract the consumers. Recently they have launched mini cans, not just as cola packs rather as a style statement for youth. In recent past, they launched new cans with slogans "Pepsi my can, my way" or "my pepsi, my way". Through these cans, Pepsi is provoking the youth of today to take on any situation and use their mental smarts to effortlessly find their way through any given situation. All such advertisements and campaigns are clearly showing the affect of packaging on promotion of the products.

Functions of packaging

Packaging is an important element in the product mix strategy as it performs following functions:

1. Promotional Tool

Packaging is an important promotional tool for products. It is only the packaging which makes it convenient for differentiating the product from its competitors. This is the element which at very first instance attracts the consumers to buy, describe the product features and make a favourable impression on the minds of consumers. Rising desire for comfort and prosperity among consumers means they are willing to pay little more for the appearance, convenience and prestige of better packaging.

2. Provide protection to product

This is the primary function of packaging to contain and protect the product. It is the package that prevents the contents or product from spoilage and keeps those fresh and clean. Through packaging, a product is projected against any theft, spoilage, leakage, spilling, contamination, deterioration and so on.

3. Brand identification

Packaging provides help in easy identification of different brands and different products of one brand; which is the foremost requirement of every company. Due to packaging, it becomes easy to distinguish different brands and products from one another. Packaging

includes sizes, color combinations, graphics, style and shapes of package; which all are different for each brand and product. These differences in all components of packages provide every brand or product a unique identity which makes very easy for consumers to identify, remember and recall the different products. For instance, Nestle maggi with its yellow color pack, aroma products with its green color packages, coca cola with red color, pepsi with blue color all provide an identity to these products and create a difference among others.

4. Provide security and easy handling

Packaging play an important role in reducing the security risks of shipment. Packages are now engineered to help reduce the risks of package pilferage. It also makes product handling easier and safe on the retail store shelves. It becomes easy to ship, store and sell the products. And finally due to its security and protection features, packages help in extending the shelf life of products.

5. More profits

Due to safe and attractive packaging, companies are earning more profits. Consumers assign relatively higher value to secure and attractive packages; and they are ready to pay more for this product attribute. Also effective packaging cuts the costs of transportation, handling and damage product, which ultimately adds up to the profits of company.

6. User convenience

Packages have all the features which add convenience in distribution, transportation, handling, display, sale, identification, opening, reclosing, use, dispensing and reuse etc to all consumers and other concerned persons.

Q28. Classify the different types of packaging.

Ans :

Packaging may be looked at as being of several different types. For example, a consumer package, this is directed toward a consumer or household for final consumption; and a distribution

package, that can be used to ship, store, and handle the product. But in both cases (i.e. in consumer or distribution packages), packages can further be categorized by layer or function:

i) Primary packaging

It is the first-level wrap or envelope that holds the product such as jar, tin, bottle and can etc. This usually is the smallest unit of distribution and is in direct contact with the product contents. This is applied directly to handle the product contents. For instance, is showing the primary packaging of coca-cola.

ii) Secondary Packaging

It is the outside envelop of primary packaging such as toothpaste tube in its box. It perhaps can also be used to group primary packages together.

iii) Tertiary packaging

This packaging is used for bulk handling, warehouse storage and transport shipping. This is used for bulk distribution packs and for this bulk bags and bulk containers are used.

Q29. What are the various strategies of packaging?

Ans :

Packaging strategy may be defined as an act, process, art or style of packing the goods. It includes the manner in which a product or products are offered to consumers. At a given moment, a company may use one or more packaging strategies according to their requirement. Some of the common packaging strategies are explained below:

1. Fresh (or) new packaging strategy

This packaging strategy is used when there is a need to generate housing for an entirely new product. Packaging for products and brands that are entirely new to the marketplace are the most challenging to develop. A lot of care and caution is required regarding the size of packages, colour combinations, design and style etc. Every component should have a positive impact on the mind of consumers as this is the first time when new product is going into market. So products should have an attractive positive packaging as the first impression of the product can change or build the perception of consumers forever.

2. Redesign packaging strategy

This strategy is used to improve the packaging of an existing product. Many times, a company uses this strategy to update the image of the existing product or to highlight some extra added feature or benefit to the consumers. Or, a company may redesign the package to respond to a competitive threat, such as a new' product that is more visible on the shelf. Other strategic reasons for package redesign are: changes in the product; economics, which may require less or more expensive packaging; product line restructuring; alterations in market strategy, such as aiming the product at a different age group or other segment; trying to promote new uses for a product; or legal or environmental factors that compel to use some new materials or technology.

3. Family packaging strategy

This is the packaging option where packages of the entire product-line resemble to each other very closely. This strategy' is based on the assumption that there should be easily recognition or identification of the brand from the packaging of the product. For instance, all products of Dove brand such as soaps, body wash, lotion, deo, shampoo, conditioners etc, carry the same picture of a bird; from where every consumer can identify that this is the dove product.

This strategy has an advantage that any new product of the same brand will enjoy the same reputation and acceptance in the market. It also saves the promotional costs for new products. However, the strategy also have a disadvantage that if some old product fails in market due to certain reason, the new products will also likely to be affected due to same package and resemblance.

4. Multiple packaging strategies

This is the packaging option where packages of all products designed in different manner or style. In this strategy, consumer can't easily recognize the brand from the product packaging. The main advantage of using strategy is that there will not affect of failure of one product on other products. But company have to focus differently on promotion of every product (whether new or old), which will lead to higher promotional expenses.

5. Combo packaging strategy

Under this strategy, all heterogeneous products used by consumers are placed in single packaging. It represents the combination of more than one product under single packaging strategy. For instance, in case of men, a company may pack shirt, neck-tie, cufflinks, and handkerchief in one pack; similarly pent and belt may be packed together. This kind of packaging is known as combo packaging strategy. Sometimes, companies use this strategy while launching new related product about which they want to know the response of consumers.

6. Sustainable Packaging

As these days environmental concerns are the top issue in every organization and the main focus of all organization is on 'green products'. Some companies claim the green affect in their product strategies and some claim in their packaging strategies. Sustainable Packaging is the development and use of packaging which results in improved sustainability. Under this strategy, package development involves considerations for sustainability, environmental responsibility, and applicable environmental and recycling regulations. For this, companies may use traditional three R's of waste hierarchy i.e. reduce, reuse and recycle along with other elements like prevention and energy recovery:

- **Prevention:** Waste prevention is a primary goal of sustainable packaging. It refers that 'packaging should be used only where needed'. Packaging also plays an important part in preventing waste and in preventing loss or damage to the packaged-product (contents). This strategy focuses that the energy content and material usage of the product being packaged are much greater than that of the package. And a vital function of the package should be to protect the product for its intended use: if the product is damaged or degraded, its entire energy and material content may be lost. So, entire efforts should be on product contents and such packaging should be prevented which is not required at all.

- **Reduction or Minimization:** This strategy is known as 'Reduced Packaging'. It includes the use of minimal materials in packaging i.e. reducing mass and volume of packaging. This strategy is used to reduce the environmental impact of excessive packaging. Reduction of packaging material doesn't only provide benefits to the environment, rather to the companies as it help in minimizing the package cost and also to the retailers by taking up less shelf space. So, packaging engineers of almost every company continue to work toward reduced packaging. For instance, Johnson & Johnson has reduced its packaging by 5.5 million pounds. Company's environmental communication manager had claimed that the volume of their shampoo pouch is equal to the size of a plastic bottle cap.

- **Reuse:** The reuse of a package or component for other purposes is encouraged. Returnable packaging has long been useful (and economically viable) for the companies. Inspection, cleaning, repair and recovery is often required for re-using the old packages. Almost manufacturers re-use the packaging of the old products for packaging of the outgoing new products.

- **Recycling:** Recycling is the reprocessing of materials (pre- and post-consumer) into new products. Emphasis is focused on recycling the largest primary components of a package: steel, aluminum, papers, plastics, etc. Small components can be chosen which are not difficult to separate and do not contaminate or infect recycling operations.

- **Energy recovery:** Waste-to-energy or energy-from-waste process is used in certain cases to make use of the heat or energy available from the packaging components. Energy-from-waste is the process of creating energy in the form of electricity or heat from the burning or ignition of waste resources. So, companies try to use such material in packaging which can be used further for energy recovery.

1.6 LABELING

Q30. Define Labeling. Explain the benefits of Labeling.

Ans : (Dec.-20)

Labeling is the process of providing identification to the product. It is a subpart of the branding process & aims at providing uniqueness to the product. It is simply a printed slip that is attached to the product. It contains all the information regarding the product like price, ingredients used, quantity, manufacture date etc

It is the medium through which all required information is communicated to the customers. Customers after reading the labels of products easily make decisions during the buying process. They are easily able to recognize whether the product will be able to fulfill their needs & demand through labels.

Labeling makes a comparison of the same type of products of different brands easy. There are certain established laws for labeling of products. Every business should try to comply with these laws while designing their labels.

Labeling is basically of 3 types: Brand label, Grade label & descriptive label. Brand label provide details about brand.

Grade label describes the features & quality of product & descriptive label describes the uses of product

Labeling tell us about

- About the product.
- Feature of product.
- Date of manufacturing and expiry.
- Ingredients.
- How to use.
- Name of the manufacturer.
- Volume, weight of the product.

Benefits of labeling

Labeling provides following benefits to the marketers and consumers:

1. **Describe product features and benefits:** A label describes all the benefits and features of the product. It acts as silent salesmen and promotes the product by explaining all the specialities of the product. It also explains all the contents and ingredients used for manufacturing the product.
2. **Information transmission:** Labels transmit or communicate all the required information regarding how to use, expiry' date, transport, recycle, or dispose of the package or product. With ph armaceuticals, food, medical, and chemical products, some types of information are required by governments. So, it becomes mandatory for all such companies to display the whole information. It also transmits information regarding manufacturers, date of manufacturing, place of manufacturing, weight or volume etc.
3. **Convenience:** With the help of labels, consumers are supplied with the detailed information regarding price, brand, volume, tax, ingredients, date of manufacturing, date of expiry, usage instructions etc; so it becomes convenient for the consumers to select the product of their own choice without asking anybody. They also can have all the information whenever they required. So, it becomes ecisy for consumers to handle the product.
4. **Security:** It provide a security to the consumers as they have all the information in written form about what company is providing to them. That's why they feel secure when selecting a product for consuming.

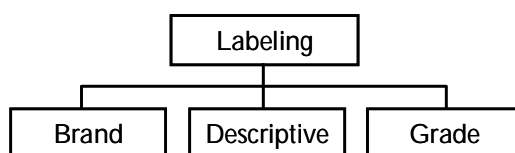
Q31. Classify the different types of labeling.

Ans :

There axe three types of labelling

1. **Brand Label:** Brand labelling is used to make brand more popular. Sometime people buy things by watching the brand only.

Example: Shoes, Ready-made garments are sold by using such kind in label and it is very beneficial.



2. **Grade Label:** Grade label tells about the quality or grade of the product. Grade label uses a Letter or a number or even a word for products identification.

This label is used mostly for perishable or semi-perishable products. e.g. Flour can be graded as wheat, com or Rice flour.

3. **Descriptive label:** Descriptive label provide the consumer maximum information related to the product. This type of labelling tell about the compositions, how to use the product, How to store it, what is the colour.

Example: Labels on the Hair oil Bottle are of this kind.

Q32. What are the differences between packaging and Labeling?

Ans :

Basis	Packaging	Labeling
Meaning	It refers to the process of designing and creating a package, container or wrapper for a product.	It refers to the process of designing and creating a label for a product.
Purpose	The purpose of package is to provide protection to the product.	The purpose of label is to provide detailed information about the product.
Use	A package facilitates use of the product.	A label does not facilitate use of the product.

Short Question and Answers

1. Define product.

Ans :

A product is something that is manufactured for sale in the market. Customer needs are met by the usage of products. Product is one of the main components of marketing-all marketing activities revolve around the product. Products can be tangible (or) intangible. Tangible products are known as goods while intangible products are called services.

The term product can be understood in narrow as well as broad sense.

In a narrow sense, it is a set of tangible physical and chemical attributes assembled in an identifiable and readily recognizable form.

In a broader sense, it recognizes each separate brand as a separate product.

Definition

- i) **A product can be defined as** - "A good, idea, method, information, object, or service that is the end result of a process and serves as a need or want satisfier. It is usually a bundle of tangible and intangible attributes (benefits, features, functions, uses) that a seller offers to a buyer for purchase."
- ii) **In a narrow sense**, "A product is a set of tangible physical attributes in an identifiable form" (W.J. Stanton). But in marketing, product is used in a broader form.
- iii) **According to W. Alderson** "A product is a bundle of utilities consisting of various product features and accompanying services".
- iv) **According to Philip Kotler** "A product is anything tangible or intangible that can be offered to a market for attention, acquisition use or consumption that might satisfy a need or want".
- v) **According to Cravens, Hills and Woodruff** "Product is anything that is potentially valued by a target market for the benefits or satisfactions it provides, including objects, services, organizations, places people and ideas".

2. Features of a Product

Ans :

- i) **Tangibility:** Products are tangible in nature, customers can touch, seen or feel a products. For example, car, book, computer etc.
- ii) **Intangible Attributes:** Service products are intangible in nature, services like, consultancy, banking, insurance etc. The product may be combination of both tangible and intangible attributes like restaurants, transportation, in case of a computer it is a tangible product, but when we will talk of its free service provided by dealer, then the product is not only a tangible item but also an intangible one.
- iii) **Associated Attributes:** The attributes associated with product may be, brand, packaging, warranty, guarantee, after sales services etc.
- iv) **Exchange Value:** Irrespective of the fact that whether the product is tangible or intangible, it should be capable of being exchanged between buyer and seller for a mutually agreed price.
- v) **Customer Satisfaction:** A product satisfies the customer needs and wants of customers, value of products is also determined by the level of satisfaction given by a product after purchase.

3. Product mix.

Ans :

Product mix (or) product assortment refers to the number of product lines that an organization offers to its customers.

Product line is a group of related products manufactured or marketed by a single company. Such products function in similar manner, sold to the same customer group, sold through the same type of outlets, and fall within a same price range.

According to American Marketing Association, "Product Mix is the composite of products offered for sale 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'.

On the basis of above discussion, it can be concluded that a single product item is called as a product item. All the product items of the same group are collectively known as a product line and all the product lines manufactured or distributed by an enterprise are collectively known as 'Product Mix'.

4. Product Mix Decisions.

Ans :

Product mix decision refers to the decisions regarding adding a new or eliminating any existing product from the product mix, adding a new product line, lengthening any existing line, or bringing new variants of a brand to expand the business and to increase the profitability.

i) **Product Line Decision:** Product line managers takes product line decisions considering the sales and profit of each items in the line and comparing their product line with the competitors' product lines in the same markets. Marketing managers have to decide the optimal length of the product line by adding new items or dropping existing items from the line.

ii) **Line Stretching Decision:** Line stretching means lengthening a product line beyond its current range. An organization can stretch its product line downward, upward, or both way.

a) **Downward Stretching:** Means adding low-end items in the product line, for example in Indian car market, watching the success of Maruti-Suzuki in small car segment, Toyota and Honda also entered the segment.

b) **Upward Stretching:** Means adding high-end items in the product line, for example Maruti-Suzuki initially entered small car segment, but later entered higher end segment.

c) **Two-way Stretching:** Means stretching the line in both directions if an organization is in the middle range of the market.

3. **Line Filling Decision:** It means adding more items within the present range of the product line. Line filling can be done to reach for incremental profits, or to utilize excess capacity.

5. Assumptions of Product Life Cycle

Ans :

- i) Products have a limited life.
- ii) Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller.
- iii) Profits rise and fall at different stages of the product life cycle.
- iv) Products require different marketing, financial, manufacturing - chasing, and human resource strategies in each stage of their life cycle.

6. Define Brand.

Ans :

Brand may be defined from the brand owner's perspective or the consumer's perspective. There are various popular definitions of a brand:

"A name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers. The legal term for brand is trademark. A brand may identify one item, a family of items, or all items of that seller. If used for the firm as a whole, the preferred term is trade name." - American Marketing Association

"A type of product manufactured by a particular company under a particular name." - Oxford English dictionary

"A name, term, sign, symbol, design, or a combination of these used to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors." - A product-oriented definition.

"The promise of the bundles of attributes that someone buys and provide satisfaction . . ." – A consumer-oriented definition

The fundamental purpose of branding is differentiation. A brand is a means of differentiating the seller's product from other competing products.

Brand has the following characteristics:

1. Tangible characteristics: Price, physical product, packaging, etc.
2. Intangible characteristics: Customer's experience with the brand, brand position, and brand image.

7. Branding

Ans :

Branding is the business process of managing your trademark portfolio so as to maximize the value of the experiences associated with it, to the benefit of your key stakeholders, especially current and prospective :

- employees
- customers
- stock / share holders
- stock/share holders
- suppliers
- intermediaries
- opinion leaders
- local communities
- purchasers and licensees

Experts argue as to which stakeholders should be the main focus of the branding process, but this is probably the wrong question as their experiences are all inter-related :

➤ Employees

The more your employees value your brands and understand what to do to build them, the more your customers, suppliers, local communities and opinion leaders will value them. The more attractive your brands are to potential employees, the more they are likely to want to work for you.

➤ Customers

The more your customers value your brand, the more they will buy your products and services, and recommend them to other people. They will also pay a premium for them and make the lives of your employees easier. This, in turn, will enhance the value of your brands to prospective purchasers and licensees. Research has shown that strong brands are more resistant to crises of reputation.

➤ Stock/share holders

Strong brands multiply the asset value of your company (90% of the asset value of some major corporations lies in their intellectual property), and assure them that your company has a profitable future.

They also allow you to afford to give competitive dividends to your current stock/ share holders.

➤ Suppliers

Suppliers like to be associated with strong brands as this benefits their own reputation in the eyes of other current or potential customers. You are therefore likely to get better sendee at a lower total acquisition cost.

8. Define packaging.

Ans :

Packaging is the other strategy to promote product. A package is a container in which a product is offered for sale. Therefore, packaging may be defined as an act of planning, designing and preparing the package for the products. Two terms 'Packing' and 'Packaging' are somewhat confusable for some people; but there is slight difference between both terms. Packing is the process of wrapping a product or putting a product into packages or containers; whereas, packaging is the process which includes all activities related to planning and designing of the packages, containers or wrappers.

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refers to the process of design, evaluation, and production of packages. Packaging can be described as a controlled and coordinated system of preparing products for transport, warehousing, logistics, sale, and end use.

Definition

According to Kotler defined packaging as "all the activities of designing and producing the container for a product".

9. Functions of packaging

Ans :

Packaging is an important element in the product mix strategy as it performs following functions:

1. Promotional Tool

Packaging is an important promotional tool for products. It is only the packaging which makes it convenient for differentiating the product from its competitors. This is the element which at very first instance attracts the consumers to buy, describe the product features and make a favourable impression on the minds of consumers. Rising desire for comfort and prosperity among consumers means they are willing to pay little more for the appearance, convenience and prestige of better packaging.

2. Provide protection to product

This is the primary function of packaging to contain and protect the product. It is the package that prevents the contents or product from spoilage and keeps those fresh and clean. Through packaging, a product is protected against any theft, spoilage, leakage, spilling, contamination, deterioration and so on.

3. Brand identification

Packaging provides help in easy identification of different brands and different products of one brand; which is the foremost requirement of every company. Due to packaging, it becomes easy to distinguish different brands and products from one another. Packaging includes sizes, color combinations, graphics, style and shapes of package; which all are different for each brand and product. These differences in all components of packages provide every brand or product a unique identity which makes very easy for consumers to identify, remember and recall the different products. For instance, Nestle maggi with its yellow color pack, aroma products with its green color packages, coca cola with red color, pepsi with blue color all provide an identity to these products and create a difference among others.

4. Provide security and easy handling

Packaging play an important role in reducing the security risks of shipment. Packages are now engineered to help reduce the risks of package pilferage. It also makes product handling easier and safe on the retail store shelves. It becomes easy to ship, store and sell the products. And finally due to its security and protection features, packages help in extending the shelf life of products.

10. Define Labeling.

Ans :

Labeling is the process of providing identification to the product. It is a subpart of the branding process and aims at providing uniqueness to the product. It is simply a printed slip that is attached to the product. It contains all the information regarding the product like price, ingredients used, quantity, manufacture date etc

It is the medium through which all required information is communicated to the customers. Customers after reading the labels of products easily make decisions during the buying process. They are easily able to recognize whether the product will be able to fulfill their needs & demand through labels.

11. What are the differences between packaging and Labeling?

Ans :

Basis	Packaging	Labeling
Meaning	It refers to the process of designing and creating a package, container or wrapper for a product.	It refers to the process of designing and creating a label for a product.
Purpose	The purpose of package is to provide protection to the product.	The purpose of label is to provide detailed information about the product.
Use	A package facilitates use of the product.	A label does not facilitate use of the product.

12. Brand Loyalty

Ans :

Brand loyalty is a pattern of consumer behavior through which consumers tend to get committed to a specific brand or product and make repeat purchases over time. Businesses plan different creative marketing strategies like reward and loyalty programs, incentives, trials and brand ambassadors to create brand loyalty. Those who are loyal to a particular brand do not purchase a substitute brand in case the preferred brand is unavailable. Loyal customers search multiple stores for their preferred brands are more likely to forego their purchase in case the brand is not available.

This buying decision can be either conscious or unconscious, however, it is based upon trust that the brand fulfils the consumers. Brand loyalty is based upon emotional involvement which is created between the brand and the consumer. It is perceived by the customer that the brand will fulfill some type of emotional want or physical need in a unique way and which evokes emotions during the process of purchasing and using it.

Choose the Correct Answer

1. Objective of marketing is [d]
(a) Target market (b) Fulfil needs
(c) Integrated marketing (d) Profit by customer statisfication
2. An increase in competition, attracted by the opportunities for profit, is typical of which stage of the product life cycle [c]
(a) Decline stage (b) Introduction
(c) Growth stage (d) Maturity stage
3. The course of the products sales and profits over its lifetime is called [d]
(a) Sales chart (b) Growth curve
(c) Odption cylce (d) PLC
4. The buying process starts when buyer a recognizes a _____ [d]
(a) Product
(b) Advertisement for the product
(c) A sales person from previous list
(d) Problem (or) need
5. The products purchased for further processing lay business owners are best classified as [b]
(a) Consumer products (b) Industrial products
(c) Augmented products (d) Core customers value
6. The products that customers buy after careful comparison on price and quality are called [c]
(a) Speciality products (b) Less speciality products
(c) Shopping porducts (d) Unsought products
7. The globla product strategy in which product to be marked is changed a little to be adapted in foreign market classified as [a]
(a) Product adaptation (b) Straight product
(c) Dual adaptation (d) Communication adaption
8. The service (or) products that customer buy immediately after noticing are classified as [b]
(a) Augmented products (b) Convience products
(c) Shopping goods (d) Sought goods

9. _____ is extended the existing brand name in the existing product category [a]
- (a) Line extension (b) Brand extension
(c) Multiple brands (d) New brands
10. Labelling means _____ [b]
- (a) Identify the product
(b) Provide information about product
(c) Promote the product
(d) All of the above

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Fill in the blanks

1. The specific mix of human flats that may be attributed to a particular is _____.
2. The speciality goods are categorized under _____ goods.
3. The part of the brand that can be vocalized is said to be _____.
4. The part of brand like symbol, color, design which can be identified but not vocalized is known as _____.
5. The range of products that covers all similar types of goods is known as _____.
6. The products that only be perceived indirectly such as insurance policy customer care will be _____ category.
7. The 4th stage in product life cycle is _____ stage.
8. POP stands for _____.
9. _____ substantial change made to the attributes of a product.
10. Product mix is also called as _____.

ANSWERS

1. Brand personality
2. Consumer
3. Brand name
4. Brand mark
5. Product line
6. Tangible product
7. Decline
8. Point of purchase
9. Product modification
10. Product assortment

UNIT II

PRICE MANAGEMENT:

Pricing – Objectives of Pricing – Role of Price in Marketing Mix – Factors Influencing Price – Pricing under different competitive conditions – New Product Pricing - Skimming and Penetration Pricing – Pricing Methods – Cost based – Demand based – Competition based– Product line Pricing – Pricing strategies.

2.1 PRICING

Q1. Define the terms :

- (a) Price
- (b) Pricing

Ans :

(a) Price

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.

Price may be defined as the exchange (or) goods or services in terms of money. Without price there is no marketing, in the society. If money is not there, exchange of goods can be undertaken, but without price; i.e., there is no exchange value of a product or service agreed upon in a market transaction, is the key factor, which affects the sales operations.

To a manufacturer, price represents quantity of money (or goods and services in a barter trade) received by the firm or seller. To a customer, it represents sacrifice and hence his perception of the value of the product Conceptually, it is:

$$\text{Price} = \frac{\text{Quantity of Money Received by the Seller}}{\text{Quantity of goods and Services rendered received by the buyer}}$$

(b) Pricing

The term 'price' needs not be confused with the term 'pricing'. Pricing is the art of translating into quantitative terms (rupees and paise) the value of the product or a unit of a service to customers at a point in time.

Definitions

- i) **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".
- ii) **According to Mr. M.J. Jones and S.W. Jetty**, "Pricing begins with an understanding of the corporate mission, target markets and the marketing objectives; then pricing objectives are developed; next management estimates as to extent of flexibility in establishing prices by studying costs and

profits internally and demand and competition externally; prices are, then set between these two extreme ends by deciding price strategies in the light of objectives so set; specific methods are used to set prices; final aspects is implementation and control that includes effective monitoring to get feed-back on consumer response and competitive reactions".

Thus, pricing is the function of determining the product or service or idea value in monetary terms by the marketing manager before it is offered to the target consumers for sale. Precisely, pricing is the process of setting objectives, determining the available flexibility, developing strategies, setting prices and engaging in implementation and control.

Q2. Explain the importance of pricing.

(or)

State the importance of pricing.

Ans :

Pricing is one of the important elements of the marketing mix, but lately, it has come to occupy the centre stage in marketing wars. The reasons for this are:

1. Product Differentiation Getting Blunted

As technologies get standardized, differentiation among firms on the basis of the product is going to get blunted. More products and brands will transcend to a commodity situation. This is not a healthy sign as commodities are always subject to price fluctuations and price wars. For, at this stage, the only way to differentiate between brands is the price.

2. Inter-firm Rivalry

The intensity in inter-firm rivalry increases as the entry and exit barriers in the industry are lowered. With an increase in this rivalry, we find that a firm's cost of operation also increases, as it now has to spend more money to lure customers and middlemen. It has to also invest money in new product development.

3. Mature Products and Markets

When the products enter the maturity stage and the markets are also mature, the only way to differentiate the various offers is on the basis of augmented service or price cuts.

4. Customer's Value Perception

Another factor contributing to the importance of pricing decisions is the customer's perception of the product's current and potential value. To a customer, price always represents the product's value. Many a time, the customer's perception of the product value may not necessarily be in line with its price. There are instances in which the product is overpriced when its value perception is lower than the price tag on it, and vice versa. For a marketer, it is important that products are priced at the right level.

5. Inflation in the Economy

Pricing decisions become important in the inflationary economy. Inflation affects pricing in two ways:

- i) It lowers the purchasing power of the customer and hence a search for low priced substitutes,
- ii) It increases a firm's cost because of the inputs costing more, thus forcing the price of the product upwards.

The firm now finds itself in a dilemma; if it passes the increase in input costs to the customer in the form of a price increase, and there are equally attractive alternatives at lower prices available to him, the firm may lose the customer. And if it doesn't increase the price, it incurs a loss. The challenge of price management is also higher when the firm realizes that there are other firms in the industry that operate at a more efficient level in an inflationary economy.

2.1.1 Objectives of Pricing

Q3. Elucidate the objectives of pricing.

Ans :

(May-19)

The main objectives of pricing are as follows:

1. To maximize the profits

The primary objective of pricing decision is to maximize profits for the concern and

therefore pricing policy should be determined in such a way so that the company can earn the maximum profits.

2. Price Stability

As far as possible, the prices should not fluctuate too often. A stable price policy can win the confidence of the consumers. It will also add to the goodwill of the firm. For this purpose the concern should consider long run and short run elements.

3. Competitive Situation

One of the objectives of the price decision is to face the competitive situation in the market. Prices of the commodities should be fixed keeping in the mind the competitive situation. Some times the management likes to fix a relatively low price for its product to discourage potential competitors.

4. Achieving a Target-return

This is a common objective of well established and reputed firm in the market (either for the company's name or its brand or the quality of the product) to fix a certain rate of return on investment.

5. Capturing the market

One of the objectives of pricing a decision may be capturing the market. A company especially a big company, at the time of introducing the product in the market fixes comparatively lower prices for its products, keeping in view the competitive position with an objective of capturing a big share in the market.

6. Ability to Pay

Price decisions are sometimes taken according to the ability of customers to pay, i.e.; more prices can be charged from people having a capacity to pay. It is determined on the basis of the purchasing power of the consumers for which the product is made.

7. Long-Run Welfare of the firm

The main aim of some concerns is to fix the price of the product which is in the best interest of the firm in the long run keeping the market conditions and economic situations in mind.

8. Cash flow objective

One of the important objectives of pricing is to recover invested funds within a stipulated period. Generally, you find lower prices for the cash sales and high prices for the credit sales. But this pricing objective could be implemented with good results only when the firm has monopoly in the market.

9. Product line promotion objective

Product line means a group of products that are related either because they satisfy similar needs of different market segments or because they satisfy " different but related needs of a given market segment. While framing the product line, the marketer may also include such goods, which are not popular. The intention of the marketer is to push through all the goods without any discrimination. Thus, the ultimate objective is to increase the overall demand of the goods. In this pricing objective, equal prices are adopted for the entire product line.

10. Survival objective

Perpetual existence of the business over a period is the indication of the sound financial position of the enterprise. All organizations will have to meet expected and unexpected, initial and external economic losses. These enterprises have to pool up the resources to meet all the contingencies through appropriate pricing strategies. Price is used to increase sale volume to level up the ups and downs that come to the organization.

2.1.2 Role of Price in Marketing Mix

Q4. Explain the Role of Price in Marketing Mix.

Ans :

Price is an important element of marketing-mix. All other P's (i.e. Product, Place and Promotion) are a cost to the company except the pricing which brings revenue. There is no marketing without pricing. Price is of vital importance to both the seller and the buyer in the market place. Only when a buyer and seller agree on price, we can have exchange of goods and services. The price structure of a firm is a major determinant of its success.

1. Means of Allocating Resources

In any economy system, price is the mechanism for allocating resources. Price generates revenues which are made available for the expansion and development of the firm. A firm employ various factors of production including land, labour and capital. The extent to which these factors will be used depends on the relative prices they receive. Price allocates the resources for the optimum output and distribution. Price is the prime mover of the wheels of the economy namely, consumption, production, exchange and distribution. It also act as a powerful agent of sustained economic development.

2. Price Regulates Demand

Price has an inverse relation with demand. Increase in price leads to fall in demand and vice versa. But sometimes, higher prices helps the firm to spend more on advertising and thus push up the demand for the product. Price is the greatest and strongest 'P' out of the four 'P's of the mix. Price has a special role to play in developing countries like India where the marginal value of money is high then those of advanced countries.

3. Price is a Competitive Weapon

Price as a competitive weapon has great importance. Any company whether it is selling high or medium or low priced goods will have to decide as to whether its prices will be above or equal or below the competitors. This is the basic policy issue which affects the entire marketing planning process.

4. Determinant of Profitability

The impact of price rise or fall is instantly reflected in the resulting profits, provided other variables remain constant. Price can be used as a mean to cover weaknesses in other elements of marketing mix and thus it can be easily used for defensive and offensive strategies. It is only the price that guaranties profit for the company.

5. Importance for Consumers

Price is an important element in meeting consumer needs. All products have some degree of utility or want satisfying power. But the individual consumer cannot purchase every product he desires since he has limited amount of money at his disposal. Therefore, he faces the problem of allocating his limited resources among various alternative uses. The price mechanism helps him to make these allocation decisions.

6. Other Advantages

Besides the above benefits, price also has the following benefits, which depicts the importance of price :

- i) Price is a powerful force in attracting the attention of buyers and increasing sales.
- ii) Price governs the class and type of customers who intend to use the product. High priced products are bought by status conscious persons.
- iii) Price is the most comparable attribute. Sometimes, the quality of the product cannot be evaluated by inspection and than consumers judge the quality with the help of price of the product.
- iv) Promotion and advertisement of a product depends on its price.
- v) Products are differentiated with one another on the basis of price.

Q5. Write about factors influencing pricing decisions?

Ans : (May-19, May-18, May-16)

The pricing decisions are influenced by many factors. The price policies should be consistent with pricing objectives. The influencing factors for a price decision can be divided into two groups as discussed below:

1. Internal Factors

Internal factors affecting pricing decisions are as follows:

- i) **Marketing Objectives :** Organisations have both general and specific objectives. General objectives include survival, current profit

maximisation, market share leadership, and product quality leadership. At a more specific level, a company can set prices low to prevent competition from entering the market or set prices at competitors' levels to stabilise the market. Prices can be set to keep the loyalty and support of resellers or to avoid government intervention. Prices can be reduced temporarily to create excitement for a product or to draw more customers into a retail store. One product may be priced to help the sales of other products in the company's line. Thus, pricing may play an important role in helping to accomplish the company's objectives at many levels.

- ii) **Marketing Mix Strategies** : Price is only one of the marketing mix tools that a company uses to achieve its marketing objectives. Price decisions must be coordinated with product design, distribution, and promotion decisions to form a consistent and effective marketing programme. Decisions made for other marketing mix variables may affect pricing decisions.

Companies often position their products on price and then tailor other marketing mix decisions to the prices they want to charge. Here, price is a crucial product-positioning factor that defines the product's market, competition, and design. Many firms support such price-positioning strategies with a technique called target costing, a potent strategic weapon. For example, P&G used target costing to price and develop its highly successful Crest SpinBrush electric toothbrush.

Thus, marketers must consider the total marketing mix when setting prices. If the product is positioned on non-price factors, then decisions about quality, promotion, and distribution will strongly affect price. If price is a crucial positioning factor, then price will strongly affect decisions made about the other marketing mix elements. But even when featuring price, marketers need to remember that customers rarely buy on price alone. Instead, they seek products that give them the best value in terms of benefits received for the price paid.

- iii) **Costs** : It sets the floor for the price that the company can charge. The company wants to charge a price that both covers all its costs for producing, distributing, and selling the product and delivers a fair rate of return for its effort and risk. A company's costs may be an important element in its pricing strategy. Many companies, such as Southwest Airlines, Wal-Mart, and Union Carbide, work to become the "low- cost producers" in their industries. Companies with lower costs can set lower prices that result in greater sales and profits.

- iv) **Organisational Considerations** : Management must decide who within the organisation should set prices. Companies handle pricing in a variety of ways. In small companies, prices are often set by top management rather than by the marketing or sales departments. In large companies, pricing is typically handled by divisional or product line managers. In industrial markets, salespeople may be allowed to negotiate with customers within certain price ranges.

Even so, top management sets the pricing objectives and policies, and it often approves the prices proposed by lower-level management or salespeople. In industries in which pricing is a key factor (aerospace, steel, railroads, oil companies), companies often have a pricing department to set the best prices or help others in setting them. This department reports to the marketing department or top management. Others who have an influence on pricing include sales managers, production managers, finance managers, and accountants.

2. External Factors

External factors that affect pricing decisions include:

- i) **Competitors' Costs, Prices, and Offers**: Another external factor affecting the company's pricing decisions is competitors' costs and prices and possible competitor reactions to the company's own pricing moves. A consumer who is considering the purchase of a Sony digital camera will evaluate

Sony's price and value against the prices and values of comparable products made by Nikon, Kodak, and others. In addition, the company's pricing strategy may affect the nature of the competition it faces. If Sony follows a high-price, high-margin strategy, it may attract competition. A low-price, low-margin strategy, however, may stop competitors or drive them out of the market. Sony needs to benchmark its costs and value against competitors' costs and value. It can then use these benchmarks as a starting point for its own pricing.

ii) **Economic Conditions** : Economic conditions can have a strong impact on the firm's pricing strategies. Economic factors such as boom or recession, inflation, and interest rates affect pricing decisions because they affect both the costs of producing a product and consumer perceptions of the product's price and value. The company must also consider what impact its prices will have on other parties in its environment. How will resellers react to various prices? The company should set prices that give resellers a fair profit, encourage their support, and help them to sell the product effectively.

iii) **Government Controls and Subsidies** : Government actions limits the freedom of management to adjust prices, the maintenance of margins is definitely compromised. Government control can also take the form of prior cash deposit requirements imposed on importers. This is a requirement that a company has to tie up funds in the form of a non-interest bearing deposit for a specified period of time it wishes to import products. Such requirements create an incentive for a company to minimise the price of the imported product; lower price means smaller deposits. Government subsidies can also force a company to make strategic use of sourcing to be price competitive.

2.1.3 Factors Influencing Price

Q6. What are the various Factors Influencing Price?

Ans : (Dec.-20, May-17, May-15, May-13)

A company's price level sends signals about the quality of its products to the customer. A customer always compares the company's prices with those of its competitors. The competitors also keep an eye on the price levels of a company.

Very low prices may invite price wars, while high prices without sufficient additional features or quality invite bad publicity. Distribution channel members also exert pressure on prices by demanding higher margins.

1. Price-quality Relationship

Customers use price as an indicator of quality, particularly for products where objective measurement of quality is not possible, such as drinks and perfumes. Price strongly influences quality perceptions of such products.

If a product is priced higher, the instinctive judgment of the customer is that the quality of the product must be higher, unless he can objectively justify otherwise.

2. Product line pricing

A company extends its product line rather than reduce price of its existing brand, when a competitor launches a low price brand that threatens to eat into its market share. It launches a low price fighter brand to compete with low price competitor brands.

The company is able to protect the image of its premium brand, which continues to be sold at a higher price. At a later stage, it produces a range of brands at different price points, which serve segments of varying price sensitivities. And when a customer shows the inclination to trade up, it persuades him to buy one of its own premium brands. Similarly, if a customer of one of its premium brands wants to trade down, it encourages him to buy one of its value brands.

But, it is not easy to maintain a portfolio of brands in the same product category. The company needs to endow each of its brands with an independent personality, and identify it with a segment.

A company's brands should not be floating around, willing to grab any customer that they can, but they should be specifically targeted at segments—customers of the target segment should like the brand, but customers of other segments should not like it enough to buy it.

3. Explicability

The company should be able to justify the price it is charging, especially if it is on the higher side. Consumer product companies have to send cues to the customers about the high quality and the superiority of the product

A superior finish, fine aesthetics or superior packaging can give positive cues to the customers when they cannot objectively measure the quality of the offering. A company should be aware of the features of the product that the customers can objectively evaluate and should ensure superior performance of those features.

A customer may reject a price that does not seem to reflect the cost of producing the product. Sometimes it may have to be explained that premium price was needed to cover R&D expenditure, the benefits of which the customer is going to enjoy.

4. Competition

A company should be able to anticipate reactions of competitors to its pricing policies and moves. Competitors can negate the advantages that a company might be hoping to make with its pricing policies. A company reduces its price to gain market share.

One or more competitors can decide to match the cut, thwarting the ambitions of the company to garner market share. But all competitors are not same and their approaches and reactions to pricing moves of the company are different.

The company has to take care while defining competition.

- i) The first level of competitors offers technically similar products. There is direct competition between brands which define their businesses and customers in similar way.

Reactions of such competitors are very swift and the company will have to study each of its major competitors and find out their business objectives and cash positions.

Competitors who have similar ambitions to increase their market share and have deep pockets will swiftly reduce price if any one of them reduces prices.

A telephone company offering landline services has all telephone companies offering landline services as its first level of competitors.

- ii) The second level of competition is dissimilar products serving the same need in a similar way. Such competitors' initial belief is that they are not being affected by the pricing moves of the company.

But once it sinks in that they are being affected adversely by the pricing moves of a company that seemingly belongs to another industry, they will take swift retaliatory actions. The telephone company has the mobile phone operators as its second level of competitors.

- iii) The third level of competition would come from products serving the problem in a dissimilar way. Again such competitors do not believe that they will be affected. But once convinced that they are being affected adversely, swift retaliation should be expected.

The retaliation of third level is difficult to comprehend as their business premises and cost structures are very different from the company in question. Companies offering e-mail service are competitors at the third level of the telephone company. A company must take into account all three levels of competition.

5. Negotiating margins

A customer may expect its supplier to reduce price, and in such situations the price that the

customer pays is different from the list price. Such discounts are pervasive in business markets, and take the form of order-size discounts, competitive discounts, fast payment discounts, annual volume bonus and promotions allowance.

Negotiating margins should be built, which allow price to fall from list price levels but still permit profitable transactions. It is important that the company anticipates the discounts that it will have to grant to gain and retain business and adjust its list price accordingly. If the company does not build potential discounts into its list price, the discounts will have to come from the company's profits.

6. Effect on distributors and retailers

When products are sold through intermediaries like retailers, the list price to customers must reflect the margins required by them. Sometimes list prices will be high because middlemen want higher margins.

But some retailers can afford to sell below the list price to customers. They run low-cost operations and can manage with lower margins. They pass on some part of their own margins to customers.

7. Political factors

Where price is out of line with manufacturing costs, political pressure may act to force down prices. Exploitation of a monopoly position may bring short term profits but incurs backlash of a public enquiry into pricing policies. It may also invite customer wrath and cause switching upon the introduction of suitable alternatives.

8. Earning very high profits

It is never wise to earn extraordinarily profits, even if current circumstances allow the company to charge high prices. The pioneer companies are able to charge high prices, due to lack of alternatives available to the customers.

The company's high profits lure competitors who are enticed by the possibility of making profits. The entry of competitors in hordes puts tremendous pressure on price and the

pioneer company is forced to reduce its price. But if the pioneer had been satisfied with lesser profits, the competitors would have kept away for a longer time, and it would have got sufficient time to consolidate its position.

9. Charging very low prices

It may not help a company's cause if it charges low prices when its major competitors are charging much higher prices. Customers come to believe that adequate quality can be provided only at the prices being charged by the major companies.

If a company introduces very low prices, customers suspect its quality and do not buy the product in spite of the low price. If the cost structure of the company allows, it should stay in business at the low price. Slowly, as some customers buy the product, they spread the news of its adequate quality.

The customers' belief about the quality-price equation starts changing. They start believing that adequate quality can be provided at lower prices. The companies which have been charging higher prices come under fire from customers. They either have to reduce their prices (or) quit.

2.2 PRICING UNDER DIFFERENT COMPETITIVE CONDITIONS

Q7. Explain the Pricing under different Competitive Conditions.

Ans :

For evolving price policy for multi-product firm, certain basic considerations involved in decision making are :

1. Price and Cost Relationship

For evolving a price policy for any product, price and cost relationship is the basic consideration. Cost conditions determine price. Therefore, cost estimates should be correctly made. Although a firm must recover its common costs, it is not necessary that prices of each product be high enough to cover an arbitrarily apportioned share of common costs.

Proper pricing does require, however, that prices at least cover the incremental cost of producing each good. Incremental costs are additional costs that would not be incurred if the product were not produced. As long as the price of a product exceeds its incremental costs, the firm can increase total profit by supplying that product.

A set of alternative price policies should be considered and they are:

- (i) Prices of multi-products may be proportional to full cost. This price may produce equal percentage of profit margin for all products. If the full cost for all products are assumed equal then the pricing will be equal.
- (ii) Pricing for multi-products may be proportional to incremental cost.
- (iii) Prices of multi-products may be assessed with reference to their contribution margin as proportional to conversion cost.
- (iv) Prices of multi-product may be fixed differently keeping into consideration market segments.

2. Interrelation of Demand for Multi-product

Demand interrelationships arise because of competition in which case they become substitutes or they may be complementary goods. Sale of one product may affect the sale of another product. Different demand elasticity of different consumers may allow the firm to follow policies of price discrimination in different market segments. Two products of the same price may be substitutes to each other with cross elasticity of demand due to high degree of competitiveness.

In such a situation, pricing of the multi-products will have to be done in such a long way that maximum return could be obtained from each market segments by selling maximum products.

3. Competitive Differences

Yet another important point should be considered for making price decisions, for a product line is the assessment of degree of competitiveness. Such an assessment will set up market share for each product. A product having large market share can stand a high markup and can contribute to bear the losses.

There is competition among a few sellers of a relatively homogeneous product that has enough cross elasticity of demand so that each seller must in his pricing decisions take account of rivals' reaction. Each producer is actually aware of the disastrous effects that an announced reduction of his own price would have on the prices charged by competitors. The firm should also analyse whether the competitors have free entry to the market or not.

4. Pricing of Multiple Products or Joint Products

Products can be related in production as well as demand. One type of production interdependency exists when goods are jointly produced in fixed proportions. The process of producing mutton and hides in a slaughter house is a good example of fixed proportion in production. Each carcass provides a certain amount of mutton and hide.

Because there is no way to produce one part of this package without also producing the other part, there is no conceptual basis for allocating total production costs between the two goods.

Other dimensions that have to be considered in the philosophy of products line pricing are :

(i) Pricing Product that Differs in Size

The intensity of competition often varies with size. The logical role for size as a pricing criterion is as a measure of value of the buyer. In selecting the pattern of relationship of price to size, much depends upon whether the typical buyer has freedom to substitute one size of product for another. The best example of size-differential pricing problems is given with reference to fractional page advertising rate in newspapers.

(ii) Pricing Products that Differ in Quality

The pricing decision here depends primarily upon the strategic objectives of having products that differ in quality. Sometimes the purpose of high quality items is to bring prestige to the entire line. The firm may also produce products of lower quality to compete with the low priced product in the market. The low quality products are introduced at low prices to face competition.

(iii) Charm Prices

Charm price theory is based upon consumer psychology that prices ending in odd figures e.g. Rs. 4.95 and Rs. 9.95 have greater effect than odd or even prices such as Rs. 5 and Rs.10. This is a point of controversy and empirical research, yet it does not permit a conclusive answer. Newspaper advertisements are dominated by prices ending in odd numbers. Another explanation is that odd figures convey the notion of a discount or bargain.

(vi) Pricing Special Designs

Pricing special designs is a common practice to estimate normal full cost, then add to cost a fixed percentage to represent a fair or desirable profit. The price decision as special order is really a decision as to whether or not to produce the product at all. Here cost plays a peculiar role in special order pricing. An important base for special order pricing is good judge men estimating accurately the future cost of unfamiliar products.

(v) Load Factor Price Differentials

Here firms charging different prices at different times the same product or service in order to improve the sellers' load factor have important profit potentiates for many producers. Such load factor price differentials are part of peak load pricing theory.

Examples of load factor price differentials are off peak rates for electric energy, morning movies, summer discounts on winter clothing, etc.

Joel Dean suggests that in formulating a policy of cyclical prices, the following factors may be considered

- (a) Price Rigidity :** Firms do not believe that prices change because of business cycles. The cyclical fluctuations are caused by economic factors like income, profit and psychological factors like expectations of the consumers. They have control over these factors. They are also of the opinion that it is not healthy to change prices in response to cyclical fluctuations.

- (b) Price Fluctuation :** Price fluctuations conform to cost changes at current full cost, standard full cost, and incremental cost. Confirming cyclical changes in prices to changes in company costs is another popular cyclical policy. It amounts to stabilising some sort of unit profit margin.

- (c) Fluctuation due to Substitutes :** The use of substitute product as a cyclical pricing guide is an appropriate price policy in many situations. It may also stabilise the industry's share of the vast substitute market.

- (d) Purchasing Power :** If prices can be reduced because of a fall in the purchasing power of the people during a depression, then we have what is known as the blanket index of the purchasing power. Purchasing power index is only an average that covers up great disparities. Therefore component prices are more important.

- (e) Market Share :** Market share is determined by many factors and price is an important determinant. Price policy has a profound effect upon the larger share of the substitute market. A reduction in price would increase the market share. Market share can be a useful pricing guide for cyclical pricing.

2.3 NEW PRODUCT PRICING

Q8. Explain under what conditions it is desirable to go for penetration and skimming price policies.

Ans : (May-14, May-13)

1. Price-Skimming

The first new product pricing strategies is called price-skimming. It is also referred to as market-skimming pricing. Price-skimming (or market-skimming) calls for setting a high price for a new product to skim maximum revenues layer by layer from those segments willing to pay the high price. This means that the company lowers the price stepwise to skim maximum profit from each segment. As a result of this new product pricing strategy, the company makes fewer but more profitable sales.

Many companies inventing new products set high initial prices in order to skim revenues layer by layer from the market. An example for a company using this new product pricing strategy is Apple. When it introduced the first iPhone, its initial price was rather high for a phone. The phones were, consequently, only purchased by customers who really wanted the new gadget and could afford to pay a high price for it. After this segment had been skimmed for six months, Apple dropped the price considerably to attract new buyers. Within a year, prices were dropped again. This way, the company skimmed off the maximum amount of revenue from the various segments of the market.

Limitations of Price Skimming

There are several potential problems with this strategy.

- It is effective only when the firm is facing an inelastic demand curve. If the long run demand schedule is elastic (as in the diagram to the right), market equilibrium will be achieved by quantity changes rather than price changes. Penetration pricing is a more suitable strategy in this case. Price changes by any one firm will be matched by other firms resulting in a rapid growth in industry volume. Dominant market share will typically be obtained by a low cost producer that pursues a penetration strategy.
- 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 (such as price elasticity) 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.
- 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.

- Skimming encourages the entry of competitors. When other firms see the high margins available in the industry, they will quickly enter.
- Skimming results in a slow rate of stuff diffusion and adaptation. This results in a high level of untapped demand. This gives competitors time to either imitate the product or leap frog it with an innovation. If competitors do this, the window of opportunity will have been lost.
- The manufacturer could develop negative publicity if they lower the price too fast and without significant product changes. Some early purchasers will feel they have been ripped off. They will feel it would have been better to wait and purchase the product at a much lower price. This negative sentiment will be transferred to the brand and the company as a whole.
- High margins may make the firm inefficient. There will be less incentive to keep costs under control. Inefficient practices will become established making it difficult to compete on value or price.

Reasons for Price Skimming

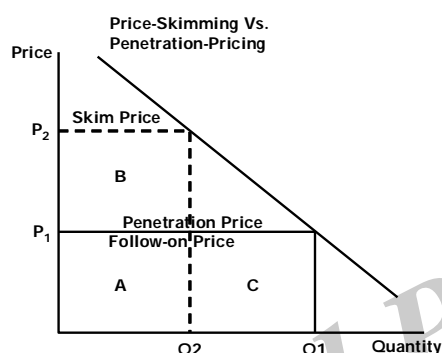
Price skimming occurs in mostly technological markets as firms set a high price during the first stage of the product life cycle. The top segment of the market which are willing to pay the highest price are skimmed off first. When the product enters maturity the price is then gradually lowered.

Price skimming occurs for example in the luxury car and consumer electronics markets. In consumer electronics, there is a confounding factor that there is typically high price deflation due to continual reductions in manufacturing cost and improvements in product quality - for example, a printer priced at \$200 today would have sold for a far higher price a decade ago.

The book market often combines price skimming with product versioning in the following way: a new book is published in hardback at a high price; if the book sells well it is subsequently published in paperback at a much reduced price (far lower

than the difference in cost of the binding) to more price-sensitive customers. The hardback usually continues to be sold in parallel, to those consumers and libraries that have a strong preference for hardbacks

However, this new product pricing strategy does not work in all cases. Price-skimming makes sense only under certain conditions. The product's quality and image must support the high initial price, and enough buyers must want the product at that price. Also, the costs of producing smaller must not be so high that they overshadow the advantage of charging more. And finally, competitors should not be in sight – if they are able to enter the market easily and undercut the high price, price-skimming does not work



2. Market-Penetration Pricing

The opposite new product pricing strategy of price skimming is market-penetration pricing. Instead of setting a high initial price to skim off each segment, market-penetration pricing refers to setting a low price for a new product to penetrate the market quickly and deeply. Thereby, a large number of buyers and a large market share are won, but at the expense of profitability. The high sales volume leads to falling costs, which allows companies to cut their prices even further.

Market-penetration pricing is also applied by many companies. An example is the giant Swedish furniture retailer Ikea. By introducing products at very low prices, a large number of buyers is attracted, making Ikea the biggest furniture retailer worldwide. Although the low prices make each sale less profitable, the high volume results in lower costs and allows Ikea to maintain a healthy profit margin.

In order for this new product pricing strategy to work, several conditions must be met. The market

must be highly price sensitive so that a low price generates more market growth and attracts a large number of buyers. Also, production and distribution costs must decrease as sales volume increases. In other words, economies of scale must be possible. And finally, the low price must ensure that competition is kept out of the market, and the company using penetration pricing must maintain its low-price position. Otherwise, the price advantage will only be of a temporary nature.

2.4 SKIMMING AND PENETRATION PRICING

Q9. Define Skimming and Penetration Pricing.

Ans :

1. Skimming Strategy

One of the most commonly discussed strategies is the skimming strategy. This strategy refers to a firm's desire to skim the market by selling at a premium price. This strategy delivers results in the following situations:

- When the target market associates quality of the product with its price, and high price is perceived to mean high quality of the product
- When the customer is aware and willing to buy the product at a higher price, just to be an opinion leader
- When the product is perceived as enhancing the customer's status in society
- When competition is nonexistent or the threat from potential competition exists in the industry because of low entry and exit barriers
- When the product represents significant technological breakthroughs and is perceived as a 'high technology' product

In adopting the skimming strategy the firm's objective is to achieve an early breakeven point and to maximise profits in a shorter time span or seek profits from a niche.

2. Penetration Pricing Strategy

As opposed to the skimming strategy, the objective of penetration price strategy is to gain a foothold in a highly competitive market. The objective of this strategy is to attain market share or

market penetration. Here, the firm prices its product lower than the others in competition. This strategy delivers results in the following situations:

- When the size of the market is large and it is a growing market
- When customer loyalty is not high; customers have been buying the existing brands more because of habit rather than for a specific preference for it
- When the market is characterised by intensive competition
- When the firm uses it as an entry strategy
- Where price quality association is weak

A large number of south east Asian firms have used this strategy to enter foreign markets. The 1970s saw Japanese firms using this strategy to gain a foothold in European and North American markets. In India, we have been witnessing the launch of several products, that have deliberately been priced lower than the leader firm.

2.5 PRICING METHODS

Q10. What are the various methods of pricing?

(or)

Discuss in brief the various pricing methods.

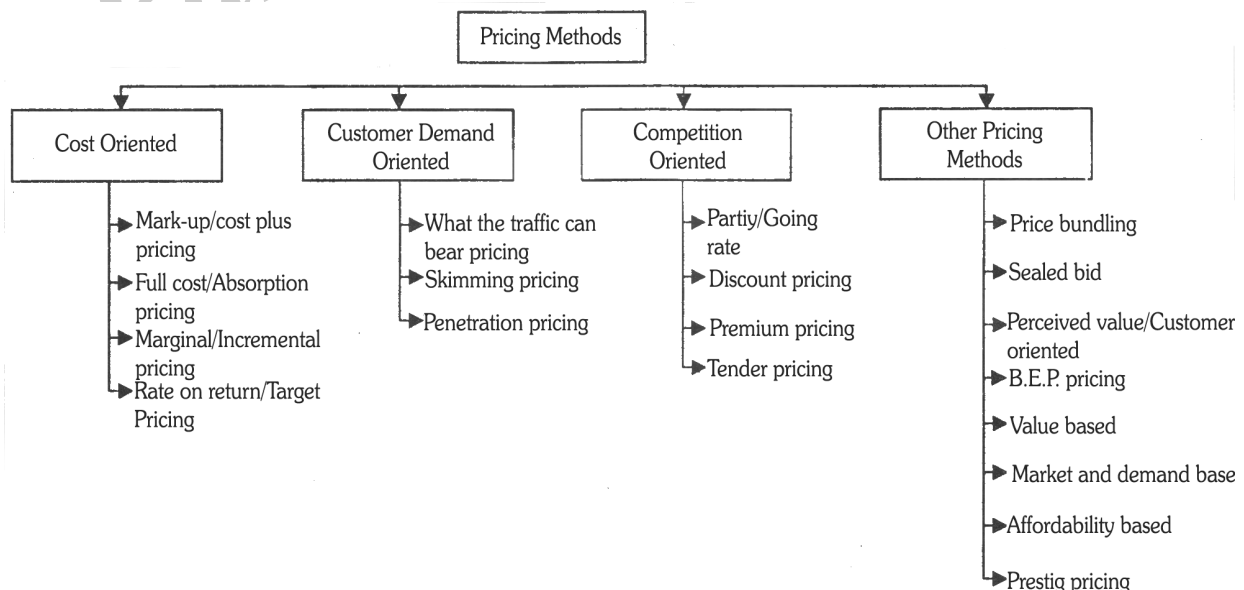
Ans :

(Dec.-20, May-19, May-16, May-15, May-12)

Pricing Methods / Pricing Approaches

Fundamentals which may affect price decisions are consumer situation and cost considerations. It is quite unfortunate that many firms have no clear pricing policies. The following are the basic policies recognized for pricing:

- Cost-oriented pricing policy,
- Customer Demand-oriented pricing policy,
- Competition-oriented pricing policy, and
- Other Pricing Policies.



2.5.1 Cost based pricing

Q11. Explain briefly about Cost based pricing.

(Dec.-20, May-19, May-16, May-15, May-13,

Ans : May-12)

Cost of production of a product is the most important variable and most important determinant of its price. There may be many types of costs such as - fixed cost, variable cost, total cost, average cost and marginal cost etc. An analytical study of these costs must be made for determining the price of a product. Methods of determining price on the basis of cost are as under:

- i) **Full Cost or Mark-up Pricing (or) Cost plus Pricing Method:** In this method, the marketer estimates the total cost of producing or manufacturing the product and then adds it a mark up or the margin that the firm wants. This is indeed the most elementary pricing method and many of services and projects are priced accordingly. To arrive at the mark up price, one can use the following formula:

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

Where, alpha (α) = Unit cost (fixed cost + variable cost)

r = Expected return on sales expressed as a percent

For example, if fixed costs for making 10,000 shirts is ₹ 1,50,000 and the variable cost per shirt is ₹ 3 then cost per shirt is ₹ 45. Now the firm expects 30 percent return on sales. Keeping this figure in mind the mark up price will be

$$\begin{aligned}\text{Mark up price} &= 45/(1 - 0.3) \\ &= 45/0.7 \text{ or } ₹ 64.28 \text{ p.}\end{aligned}$$

This method assumes that no product is sold at a loss. This method is used when there is no competition in the market or when the cost of production of a product of all the manufacturers is almost equal and the margin of profit of all the manufacturers is also equal. This method is used by retail traders also. This method of pricing is based on a simple arithmetic of adding a fixed percentage of profit to the unit cost. Thus, retail price of a

product can be the cost of manufacturer plus the margin of profit of wholesaler plus the margin of profit of retailer. Therefore, this method is also known as 'The Sum of Margin Method'.

- ii) **Marginal Cost (or) Incremental Cost Pricing Method:** Here, the company may work on the premise of recovering its marginal cost and getting a contribution towards its overheads. This method works well in a market already dominated by giant firms or characterized by intense competition and the objective of the firm is to get a foothold in the market.

In the example of shirts given above, the variable cost is ₹ 30 per shirt. As long as the firm is able to recover this cost and get a contribution towards its overheads, it is an acceptable pricing method. This 'will also work when the firm has an inventory of finished goods and it wants to liquidate it. At that time the prime concern is to recover the direct costs. The problem with this method is that, it often sparks price wars, which is not beneficial to any firm in the industry'.

- iii) **Rate of Return (or) Target Pricing Method:** Under this method of price determination, first of all, a rate of return desired by the enterprise on the amount of capital invested by it is determined. The amount of profit desired by the enterprise is calculated on the basis of this rate of return. This amount of profit is added to the cost of production of the product and thus, the price per unit of the product is determined. This method of price determination can be used by an enterprise to get a certain return on invested capital. The use of this method is possible only when there is no competition in the market.

2.5.2 Customer Demand based pricing

Q12. Explain briefly about Customer Demand based pricing.

Ans : (Dec.-20, May-19, May-17)

The basic feature of all these demand-based method is that profits can be expected independent

of the costs involved, but are dependent on the demand. This pricing method differs from Cost-driven pricing in that it starts by asking at what price the market will be prepared to pay for the product and works back to the level of profit and costs, which that price will afford to the organization.

i) 'What the Traffic Can Bear' Pricing

Pricing based on 'what the traffic can bear, is not a sophisticated method. It is used by retail traders as well as by some manufacturing firms. This method brings high profits in the short term. But 'what the traffic can bear' is not a safe concept. Chances of errors in judgement are very high. Also, it involves trial and error. It can be used where monopoly/ oligopoly conditions exist and demand is relatively inelastic to price. Buyer opposition or consumerism is bound to set in course of time when a firm sets its prices on the basis of what the traffic can bear.

ii) Skimming Pricing

One of the most commonly discussed Pricing method is the skimming pricing. This Pricing method to the firm's desire to skim the market, by selling at a premium price. This Pricing method delivers results in the following situations:

- When the target market associates quality of the product with its price, and high price is perceived to mean high quality of the product.
- When the customer is aware and is willing to buy the product at a higher price just to be an opinion leader.
- When the product is perceived as enhancing the customer's status in society.
- When competition is non-existent or the threat from potential competition exists in the industry because of low entry and exist barriers.
- When the product represents significant technological breakthroughs and is perceived as a 'high technology' product.

In adopting the skimming pricing the firm's objective is to achieve an early break-even point and to maximize profits in a shorter time span or seek profits from a niche.

iii) Penetration Pricing

As opposed to the skimming pricing, the objective of penetration pricing is to gain a foothold in a highly competitive market. The objective of this Pricing method is market share or market penetration. Here, the firm prices its product lower than the others do in competition. This method delivers results in the following situations:

- When the size of the market is large and it is a growing market.
- When customer loyalty is not high customers have been buying the existing brands more because of habit rather than any specific preferences for it.
- When the market is characterized by intensive competition,
- When the firm uses it as an entry strategy,
- Where price-quality association is weak.

2.5.3 Competition based pricing

Q13. Explain briefly about Competition based pricing.

Ans :

(Dec.-20, May-17)

Most companies fix the prices of their products after a careful consideration of the competitors' price structure. Deliberate policy may be formulated to sell its products in the competitive market. Three policy alternatives are available to the firm under this pricing method:

i) Parity Pricing or Going Rate Pricing:

Under this method, the price of a product is determined on the basis of the price of competitor's products. This method is used when the firm is new in the market or when the existing firm introduces a new product in the market. This method is used when there is a tough competition in the market, The method is based on the assumption that a new product will create demand only when its price is competitive. In such a case. The firm follows the market leader.

ii) **Pricing Below Competitive Level or Discount Pricing:** Discount pricing means when the firm determines the price of its products below the competitive level i.e., below the price of the same products of the competitors. This policy pays where customers are price; the method is used by new firms entering the market.

iii) **Pricing Above Competitive Level or Premium Pricing:** Premium pricing means where the firm determines the price of its product above the price of the same products of the competitors. Price of the firm's product remains higher showing that its quality is better. The price policy is adopted by the firms of high repute only because they have created the image of quality producer in the minds of the public. They became the market leader.

Q14. Explain briefly about other pricing methods.

Ans :

i) **Price Bundling**

One such technique for accomplishing this is called "bundling". A company bundle- customer benefits together to increase the value. Bundling occurred when Japanese Automobile manufacturers included options such as tinted windows and white-wall tires as standard equipment instead of charging additional amounts. The cost of this added value is much less than one would expect. The objective of bundling, therefore, is to add value while keeping cost increments small, and thus not to increase prices for the added value. One could, of course, also add value by additional service, higher quality, more convenience because of store location, and so forth.

ii) **Sealed Bid Pricing**

Another form of competition oriented pricing is the sealed bid pricing. In a large number of projects, industrial marketing and marketing to the government, suppliers, are asked to submit their quotations, as a part of tender. The price quoted reflects the firm's cost and its understanding of competition. If the firm was to price its offer only at its cost level, it may be the lowest bidder and may even get the contract but may not make any profit

out of the deal. So, it is important that the firm uses expected profit at different price levels to arrive at the most profitable price. This can be arrived at by considering the profits and profitability of getting a contract at different prices. This method obviously assumes that the firm has complete knowledge or information about the competition and the customer.

iii) **Customer-Oriented or Perceived Value Pricing**

There is an increasing trend to price the product on the basis of the customer's perception of its value. This method takes into account all other elements of the marketing mix and the positioning strategy of the firm, as the value of the product is a function of all these variables. This method helps the firm in reducing the threat of price wars. In fact, it can help the firm steer out the ugliest of price wars. But the key to this method is to correctly understand customer's perception of product value and not to overestimate the firm's product value. Marketing research can play an important role here.

iv) **Break Even Point (or) B.E.P. Pricing Method**

Break even point is the volume of sales at which the total sales revenue of the product is equal to its total cost. In other words, it can also be said that break even point is the volume of sales at which there is no profit and no loss. Therefore, this method is also known as 'No Profit No Loss Pricing Method'.

For the purpose of determining price under this method, total cost of production of a product is divided into two parts - Fixed Costs and Variable Costs. The price is determined equal to the total cost on production of the product. It is based on the fact that in short-run the enterprise will not make any profit but in long-run, it will start to earn profit and higher be the scale of production, more will be the amount of profit to the enterprise because all fixed costs remain constant at all the levels of production and as the fixed costs are recovered in the beginning, the enterprise starts to get profit with the increase in sales above break even point. This method of pricing is very useful for determining the price of a competitive product. Under this method B.E.P. can be calculated as under:

$$\text{B.E.P. (In Units)} = \frac{\text{Fixed Costs}}{\text{Selling Price per unit} - \text{Variable Costs per unit}}$$

$$\text{B.E.P. (In Rs.)} = \frac{\text{Fixed Costs} \times \text{Total Sales}}{\text{Total Sales} - \text{Total Variable Costs}}$$

v) Value Based Pricing

Good pricing begins with a complete understanding of the value that a product or service creates for customers. Value-based pricing uses buyer's perceptions of value, not the seller's cost, as the key to pricing. Value-based pricing means that the marketer cannot design a product and a marketing program and then set the price. Price is considered along with the other marketing mix variables before the marketing program is set.

vi) Essence of Value Pricing

Value pricing rests on the premise that the purpose of pricing is not to recover costs, but to capture the value of the product perceived by the customer.

Analysis will readily show that the following scenarios are possible with the cost-value price chain:

- Value > price > costs** : the marketer recovers his costs through price, but fails to recover the value of his product and thus misses out the profit opportunity.
- Price > value > costs** : the marketer recovers his costs as well as the value, but errs on the excess side by giving less value to the customer than what is due as per the price. He will lose the loyalty of the customer and the equity of his brand.
- Price > costs > value** : the value that he passes on to the customer is still lesser and it is doubtful if he will adequately sell his product at all. Here, his cost itself is higher than the value of the product and by maintaining his price above his costs; he makes his value delivery to the customer all the more negative.
- Price = value > costs** : the marketer matches the value and price, and wins customer loyalty; and since the value created is larger than his costs, he ensures his profits. It is obvious that scenario 4) has the maximum merit. It guarantees sustained sales and profits to the marketer. It is to be noted that in all the four scenarios, his price covers his costs alright and thus ensures his profitability, but only scenario 4) is helpful to him in the true sense.

2.6 PRODUCT LINE PRICING

Q15. Discuss about product line Pricing.

Ans :

(May-17)

Product line pricing involves the separation of goods and services into cost categories in order to create various perceived quality levels in the minds of consumers. You might also hear product line pricing referred to as price lining, but they refer to the same practice.

The goal of product line pricing is to maximize profits by positioning new products with the highest number of features or with the most cutting-edge individual features at the highest price point. At the same time, you will be keeping a base product (i.e., one with fewer or older features with lower performance expectations) on sale as a lower-priced alternative.

Why companies use product line pricing

1. Price differentiation

Price gaps create perceived quality differentials - quality-level establishment is important in cultivating the public's image of your company. Moreover, keeping your pricing strategy distinct and simple enables you to create better sales narratives, giving your sales team a better foundation to work from.

Price differentiation also reduces the likelihood that your products will cannibalize each other. Companies can maximize sales of different products by creating complementary products, not competitive products that are likely to displace each other. Instead, the price-differentiated products work together to increase market share. Think of the way in which Toyota offers a durable, low-priced alternative to their high-end Luxury model.

2. Larger variety of customers

A product line with low-end, mid-range, and high-end pricing means you're likely to pull in an array of customers with various needs who'll be catered to by different cost categories. Not everyone will have the need for your most high-end offering, not to mention the spare cash to pay for it - but if you're smart with your product line pricing, those customers who are looking for a simpler solution will still find a plan that works for them.

Strategies for product line pricing

1. Captive pricing

Captive pricing involves your company taking advantage of a product that will be used primarily to attract a large volume of customers. That product can sometimes be a loss leader—a basic product sold for a very low price or free in order to bring in new business. The point is to encourage a customer to buy additional products that enhance their original purchase.

2. Leader pricing

Leader pricing involves the assiduous use of discounting: putting items on discount helps pick up store traffic. The aim here is to get

your customers inside your store or on your web page—once they're there, they're more likely to pick up full-priced accessories for the discounted item they're buying and continue to browse.

3. Price bundling

A tried-and-true product line pricing strategy, price bundling involves packaging several related items together as one item.

2.7 PRICING STRATEGIES

Q16. State the various Pricing Strategies.

(or)

Explain the different new product pricing strategies with examples.

Ans :

(May-19)

1. Price Discounts and Allowances

The role of discount offering discounts can be a useful tactic in response to aggressive competition by a competitor. However, discounting can be dangerous unless carefully controlled and conceived as part of your overall marketing strategy. Discounting is common in many industries - in some it is so endemic as to render normal price lists practically meaningless. This is not to say that there is anything particularly wrong with price discounting provided that you are getting something specific that you want in return. The trouble is that, all too often, companies get themselves embroiled in a complex structure of cash, quantity and other discounts, whilst getting absolutely nothing in return except a lower profit margin.

Types of Discounts

i) Cash and Settlement Discounts

These are intended to bring payments in faster. However, since such discounts need to be at least 2.5% per month to have any real effect, this means paying customer an annual rate of interest of 30% just to get in money which is due anyway. What is more, customers frequently take all the discounts on offer and still do not pay promptly, it is better either to eliminate these discounts

altogether and introduce an efficient credit control system, or change terms of business so that you can impose a surcharge on overdue accounts instead.

ii) Quantity Discounts

The trouble with these is that, when formalized on a published price list, they become an established part of pricing structure and as a result their impact can be lost. As a general rule, only publish the very minimum of quantity discounts - largest customers will probably try to negotiate something extra anyway. Also keep quantity discounts small, so that company hold something in reserve for when customers do something extra for them, such as offering sole supply, or as part of a special promotion.

iii) Promotional Discounts

These are the best kind of discounts because they enable company to retain the power to be flexible. There may be times when company wants to give an extra boost to sales - to shift an old product before launching an updated one for example. At times like these special offers or promotional discounts can be useful. But try to think of unusual offers - a larger pack size for the same price or a "five for the price of four" can often stimulate more interest than a straight percentage discount. They also make sure that the end user gets at least some of the benefit, which doesn't always happen with other types of discounts.

2. Geographic Pricing Strategy

This strategy seeks to exploit economies of scale by pricing the product below the competitor's in one market and adopting a penetration strategy in the other. The former is termed as second market discounting. This second market discounting is a part of the differential pricing strategy where the firm either dumps or sells below its cost in the market to utilize its existing surplus capacity. So, in geographic pricing strategy, a firm may charge a premium in one market, penetration price in another market and a discounted price in the third.

Another issue is how to get paid. This issue is critical when buyers lack sufficient hard currency to pay for their purchases. Many buyers want to offer other items in payment, a practice known as counter trade.

Forms of Counter Trade

- i) Barter:** The direct exchange of goods, with no money and no third party involved
- ii) Compensation Deal:** The seller receives some percentage of the payment in cash and the rest in products. A British aircraft manufacturer sold planes to Brazil for 70 percent cash and the rest in coffee.
- iii) Buyback Arrangement:** The seller sells a plant, equipment, or technology to another country and agrees to accept as partial payment products manufactured with the supplied equipment. A US. Chemical company built a plant for an Indian company and accepted partial payment in cash and the remainder in chemicals manufactured at the plant.
- iv) Offset:** The seller receives full payment in cash but agrees to spend a substantial amount of the money in that country within a stated time period. For example, PepsiCo sells its cola syrup to Russia for rubles and agrees to buy Russian vodka at a certain rate for sale in the United States.

3. Promotional Pricing

Companies can use several pricing techniques to stimulate early purchase:

i) Loss-leader Pricing

Supermarkets and department stores often drop the price on well-known brands to stimulate additional store traffic. This pays if the revenue on the additional sales compensates for the lower margins on the loss-leader items. Manufacturers of loss-leader brands typically object because this practice can dilute the brand image and bring complaints from retailers who charge the list price. Manufacturers have tried to restrain intermediaries from loss leader pricing through lobbying for retail-price-maintenance laws, but these laws have been revoked.

ii) Special-event Pricing

Sellers will establish special prices in certain seasons to draw in more customers

iii) Cash Rebates

Auto companies and other consumer-goods companies offer cash rebates to encourage purchase of the manufacturers' products within a specified time period. Rebates can help clear inventories without cutting the stated list price.

iv) Low-interest Financing

Instead of cutting its price, the compare can offer customers low-interest financing. Automakers have even announced no-interest financing to attract Customers.

v) Longer Payment Terms

Sellers, especially mortgage banks and auto companies, stretch loans over longer periods and thus lower the monthly payments. Consumers often worry less about the cost (i.e., the interest rate) of a loan and more about whether they can afford the monthly payment.

vi) Warranties and Service Contracts

Companies can promote sales by adding a free or low- cost warranty or service contract.

vii) Psychological Discounting

This strategy involves setting an artificially high price and then offering the product at substantial savings Promotional-pricing strategies are often a zero-sum game. If they work, competitors Copy them and they lose their effectiveness. If they do not work, they waste money that could have been put into other marketing tools, such as building up product quality and service or strengthening product image through advertising.

4. Discriminatory Pricing

Companies often adjust their basic price to accommodate differences in customers, products, locations, and so on. Price discrimination occurs when a company sells a product or service at two or more prices that do not reflect a proportional difference in costs. In first degree price discrimination, the seller charges a separate price to each customer depending on the intensity of his or her demand. In second-degree price discrimination, the seller charges less to buyers who buy a larger volume. In third-degree price discrimination, the seller charges different amounts to different classes of buyers, as in the following cases:

- i) Customer-segment Pricing:** Different customer groups are charged different prices for the same product or service. **For example**, museums often charge a lower admission fee to students and senior citizens.
- ii) Product-form Pricing:** Different versions of the product 'are priced differently but not proportionately to their respective costs.

Short Question and Answers

1. Price

Ans :

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.

Price may be defined as the exchange (or) goods or services in terms of money. Without price there is no marketing, in the society. If money is not there, exchange of goods can be undertaken, but without price; i.e., there is no exchange value of a product or service agreed upon in a market transaction, is the key factor, which affects the sales operations.

To a manufacturer, price represents quantity of money (or goods and services in a barter trade) received by the firm or seller. To a customer, it represents sacrifice and hence his perception of the value of the product Conceptually, it is:

$\text{Price} = \frac{\text{Quantity of Money Received by the Seller}}{\text{Quantity of goods and Services rendered received by the buyer}}$

2. Pricing

Ans :

The term 'price' needs not be confused with the term 'pricing'. Pricing is the art of translating into quantitative terms (rupees and paise) the value of the product or a unit of a service to customers at a point in time.

Definitions

- i) **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".
- ii) **According to Mr. M.J. Jones and S.W. Jetty**, "Pricing begins with an understanding of the corporate mission, target markets and the marketing objectives; then pricing objectives are developed; next management estimates as to extent of flexibility in establishing prices by studying costs and profits internally and demand and competition externally; prices are, then set between these two extreme ends by deciding price strategies in the light of objectives so set; specific methods are used to set prices; final aspects is implementation and control that includes effective monitoring to get feed-back on consumer response and competitive reactions".

3. Objectives of pricing.

Ans :

The main objectives of pricing are as follows:

i) To maximize the profits

The primary objective of pricing decision is to maximize profits for the concern and therefore pricing policy should be determined in such a way so that the company can earn the maximum profits.

ii) Price Stability

As far as possible, the prices should not fluctuate too often. A stable price policy can win the confidence of the consumers. It will also add to the goodwill of the firm. For this purpose the concern should consider long run and short run elements.

iii) Competitive Situation

One of the objectives of the price decision is to face the competitive situation in the market. Prices of the commodities should be fixed keeping in the mind the competitive situation. Some times the management likes to fix a relatively low price for its product to discourage potential competitors.

iv) Achieving a Target-return

This is a common objective of well established and reputed firm in the market (either for the company's name or its brand or the quality of the product) to fix a certain rate of return on investment.

v) Capturing the market

One of the objectives of pricing a decision may be capturing the market. A company especially a big company, at the time of introducing the product in the market fixes comparatively lower prices for its products, keeping in view the competitive position with an objective of capturing a big share in the market.

4. Product line pricing

Ans :

A company extends its product line rather than reduce price of its existing brand, when a competitor launches a low price brand that threatens to eat into its market share. It launches a low price fighter brand to compete with low price competitor brands.

The company is able to protect the image of its premium brand, which continues to be sold at a higher price. At a later stage, it produces a range of brands at different price points, which serve segments of varying price sensitivities. And when a customer shows the inclination to trade up, it persuades him to buy one of its own premium

brands. Similarly, if a customer of one of its premium brands wants to trade down, it encourages him to buy one of its value brands.

5. Price-Skimming

Ans :

The first new product pricing strategies is called price-skimming. It is also referred to as market-skimming pricing. Price-skimming (or market-skimming) calls for setting a high price for a new product to skim maximum revenues layer by layer from those segments willing to pay the high price. This means that the company lowers the price stepwise to skim maximum profit from each segment. As a result of this new product pricing strategy, the company makes fewer but more profitable sales.

Many companies inventing new products set high initial prices in order to skim revenues layer by layer from the market. An example for a company using this new product pricing strategy is Apple. When it introduced the first iPhone, its initial price was rather high for a phone. The phones were, consequently, only purchased by customers who really wanted the new gadget and could afford to pay a high price for it. After this segment had been skimmed for six months, Apple dropped the price considerably to attract new buyers. Within a year, prices were dropped again. This way, the company skimmed off the maximum amount of revenue from the various segments of the market.

6. Market-Penetration Pricing

Ans :

The opposite new product pricing strategy of price skimming is market-penetration pricing. Instead of setting a high initial price to skim off each segment, market-penetration pricing refers to setting a low price for a new product to penetrate the market quickly and deeply. Thereby, a large number of buyers and a large market share are won, but at the expense of profitability. The high sales volume leads to falling costs, which allows companies to cut their prices even further.

Market-penetration pricing is also applied by many companies. An example is the giant Swedish furniture retailer Ikea. By introducing products at

very low prices, a large number of buyers is attracted, making Ikea the biggest furniture retailer worldwide. Although the low prices make each sale less profitable, the high volume results in lower costs and allows Ikea to maintain a healthy profit margin.

7. Cost based pricing.

Ans :

Cost of production of a product is the most important variable and most important determinant of its price. There may be many types of costs such as - fixed cost, variable cost, total cost, average cost and marginal cost etc. An analytical study of these costs must be made for determining the price of a product. Methods of determining price on the basis of cost are as under:

i) Full Cost or Mark-up Pricing or Cost plus Pricing Method

In this method, the marketer estimates the total cost of producing or manufacturing the product and then adds it a mark up or the margin that the firm wants. This is indeed the most elementary pricing method and many of services and projects are priced accordingly. To arrive at the mark up price, one can use the following formula:

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

Where, α = Unit cost (fixed cost + variable cost)

r = Expected return on sales expressed as a percent

For example, if fixed costs for making 10,000 shirts is ₹ 1,50,000 and the variable cost per shirt is ₹ 3 then cost per shirt is ₹ 45. Now the firm expects 30 percent return on sales. Keeping this figure in mind the mark up price will be

$$\begin{aligned}\text{Mark up price} &= 45 / (1 - 0.3) \\ &= 45 / 0.7 \text{ or } ₹ 64.28 \text{ p.}\end{aligned}$$

This method assumes that no product is sold at a loss. This method is used when there is no competition in the market or when the cost of production of a product of all the manufacturers is almost equal and the margin of profit of all the manufacturers is also equal. This method is used by retail traders also. This method of pricing is based on a simple arithmetic of adding a fixed percentage of profit to the unit cost. Thus, retail price of a product can be the cost of manufacturer plus the margin of profit of wholesaler plus the margin of profit of retailer. Therefore, this method is also known as 'The Sum of Margin Method'.

ii) Marginal Cost (or) Incremental Cost Pricing Method

Here, the company may work on the premise of recovering its marginal cost and getting a contribution towards its overheads. This method works well in a market already dominated by giant firms or characterized by intense competition and the objective of the firm is to get a foothold in the market.

In the example of shirts given above, the variable cost is ₹ 30 per shirt. As long as the firm is able to recover this cost and get a contribution towards its overheads, it is an acceptable pricing method. This 'will also work when the firm has an inventory of finished goods and it wants to liquidate it. At that time the prime concern is to recover the direct costs. The problem with this method is that, it often sparks price wars, which is not beneficial to any firm in the industry'.

8. Price Bundling

Ans :

One such technique for accomplishing this is called "bundling". A company bundle- customer benefits together to increase the value. Bundling occurred when Japanese Automobile manufacturers included options such as tinted windows and white-wall tires as standard equipment instead of charging additional amounts. The cost of this added value is much less than one would expect. The objective of bundling, therefore, is to add value while keeping cost increments small, and thus not to increase prices for the added value. One could, of course, also add value by additional service, higher quality, more convenience because of store location, and so forth.

9. Sealed Bid Pricing

Ans :

Another form of competition oriented pricing is the sealed bid pricing. In a large number of projects, industrial marketing and marketing to the government, suppliers, are asked to submit their quotations, as a part of tender. The price quoted reflects the firm's cost and its understanding of competition. If the firm was to price its offer only at its cost level, it may be the lowest bidder and may even get the contract but may not make any profit out of the deal. So, it is important that the firm uses expected profit at different price levels to arrive at the most profitable price. This can be arrived at by considering the profits and profitability of getting a contract at different prices. This method obviously assumes that the firm has complete knowledge or information about the competition and the customer.

10. Break Even Point (or) B.E.P. Pricing Method

Ans :

Break even point is the volume of sales at which the total sales revenue of the product is equal to its total cost. In other words, it can also be said that break even point is the volume of sales at which there is no profit and no loss. Therefore, this method is also known as 'No Profit No Loss Pricing Method'.

For the purpose of determining price under this method, total cost of production of a product is divided into two parts - Fixed Costs and Variable Costs. The price is determined equal to the total cost on production of the product. It is based on the fact that in short-run the enterprise will not make any profit but in long-run, it will start to earn profit and higher be the scale of production, more will be the amount of profit to the enterprise because all fixed costs remain constant at all the levels of production and as the fixed costs are recovered in the beginning, the enterprise starts to get profit with the increase in sales above break even point. This method of pricing is very useful for determining the price of a competitive product. Under this method B.E.P. can be calculated as under:

$$\text{B.E.P. (In Units)} = \frac{\text{Fixed Costs}}{\text{Selling Price per unit} - \text{Variable Costs per unit}}$$

$$\text{B.E.P. (In Rs.)} = \frac{\text{Fixed Costs} \times \text{Total Sales}}{\text{Total Sales} - \text{Total Variable Costs}}$$

Choose the Correct Answer

1. In market skimming pricing strategy [b]
 - (a) Initially price is lowers than increase
 - (b) Initially price is highest then reduced
 - (c) Initial price high maintain price high
 - (d) Initial price is low maintain low
2. Of the following pricing method _____ is not a cost based method [a]
 - (a) Value pricing
 - (b) Target pricing
 - (c) Mark up pricing
 - (d) Marginal cost pricing
3. Bank of maharashtra offering 1% higher interest rate on fixed deposit to senior citizens boys above it is practicing _____ [c]
 - (a) Promotional pricing
 - (b) Target pricing
 - (c) Segmental pricing
 - (d) Product mix pricing
4. Pricing strategies _____ is not ideal for new products [b]
 - (a) Market skimming
 - (b) Discriminatory pricing
 - (c) Promotional pricing
 - (d) None of these
5. With you all the way is the slogan of [b]
 - (a) Vodafone
 - (b) SBI
 - (c) ICICI
 - (d) Raymand
6. In penetration pricing strategy [a]
 - (a) Initially price is lower than increase
 - (b) Initially price is higher than reduced
 - (c) Initial price is high maintain price
 - (d) Initial price is low maintain low
7. BEP in (units) _____ [a]
 - (a) $\frac{\text{Fixed cost}}{\text{Contribution}}$
 - (b) $\frac{\text{Fixed cost}}{\text{P / V ratio}}$
 - (c) $\frac{\text{Fixed cost}}{\text{Sales}}$
 - (d) None of these
8. _____ strategy which companies adopt when they launch a new product [c]
 - (a) Penetration pricing
 - (b) Cost based pricing
 - (c) Price skimming
 - (d) All the above
9. _____ is the amount of money charged for a product (or) services. [c]
 - (a) Product
 - (b) Place
 - (c) Price
 - (d) None of the above
10. Where ever you go our network follows is a slog an for [a]
 - (a) HUTCH
 - (b) Airtel
 - (c) DOCOMOR
 - (d) Idea

Fill in the blanks

1. The firm's profit and survival is determined by the product's _____ .
2. The two variants of differentiation focus strategy _____ .
3. A straight reduction in price on purchase during a stated period of time is called _____ .
4. Prices that buyers carry in their minds and refers to when they look at a given product are _____ prices.
5. Attaching value added features and services to differentiate a company's offers and charging high prices is known as _____ pricing.
6. Setting a high price for a new product to skim maximum revenues layer by layer by layer from the segments willing to pay the high price _____ prices.
7. Setting a low price for a new product in order to attract a large number of buyers and large market share _____ pricing.
8. The 4p's of marketing are product _____ place, and promotion.
9. _____ is an example of complementary pricing strategy.
10. Markup price = _____ .

ANSWERS

1. Price
2. cost and differentiation
3. Discount
4. Reference
5. Value added
6. Market skimming
7. Market Penetration
8. Price
9. Loss leader strategy
10. $\frac{\alpha}{(1-r)}$

UNIT III

PROMOTION MANAGEMENT:

Promotion – Significance – Promotion Mix – Advertising – Objectives – Media – Media selection – Budget -- Types of Advertising – Advertising Effectiveness, Personal Selling – Nature – Steps in Personal Selling. Sales Promotion – Objectives – Tools, Public Relations – Direct Marketing – Forms of Direct Marketing.

3.1 PROMOTION

Q1. Define promotion. Explain the need for promotional activities.

Ans :

(Dec.-20)

Introduction

Communication is necessary in exchange activities. The products cannot be sold to the customers unless they know them. People must know that the right products are available at the right place and at the right price. This is the job of promotion in marketing. Promotion is a important in marketing mix. It can be defined as "the coordinated and self initiated efforts to establish channels of information and persuasion to facilitate the sale of goods or services."

Meaning of Promotion

Promotion is one of the four variables in the marketing mix. Basically it is a communication between producer and the consumers. After developing the product and pricing the product the next function of marketing manager is to formulate a suitable strategy for promoting the product. Promotion strategy is the fourth key element in overall marketing strategy. Promotion strategy focuses upon making the product flow through the marketing channels to the target market. Promotion activities in marketing are basically a communication exercise. Promotion intends to inform, persuade and influence people through communication.

Promotion is an essential element in modern marketing. The producer may have the best products, proper package, fair price but his efforts are incomplete without effective communication with the prospective customers. Promotion is a wider

term. It includes (i) advertising, (ii) personal selling, (iii) sales promotion activities and (iv) other promotional tools that help in enhancing sales.

Definitions of Promotion

Following are some important definitions of promotion:

- i) **According to Douglas W. Mellot** "Promotion is the chief means a firm has of influencing buyer behaviour without cutting prices. It succeeds or fails to the degree that it communicates or fails to communicate product benefits to customers."
- ii) **According to Philip Kotler** "Promotion encompasses all the tools in the marketing mix whose major role is persuasive communications."
- iii) **According to McCarthy** "Promotion is any method of informing, persuading or reminding consumers, wholesalers, retailers, final consumers or users about the marketing mix of product, place and price which has been assembled by the marketing manager."
- iv) **According to Mason and Rath** "Promotion consists of those activities that are designed to bring a company's goods or services to the favourable attention of consumers."
- v) **According to William J. Stanton** "Promotion includes advertising, personal selling, sales promotion and other selling tools."

From the above definitions it is clear that, promotion refers to activities and processes designed to change or reinforce behaviour and ideas of the consumers, through communication, so that they are persuaded to buy what they might not otherwise buy or what they do not really want to buy. Promotion is telling and selling. It is an exercise in

information, persuasion and influence. These three are inter-related in the sense that to 'inform is to persuade', and if 'a person is persuaded he is informed.'

Need for Promotional Activities

Promotion is the final element in the marketing mix. The manufacturer has to take effective steps in meeting the customers in the market after deciding about the product, its price and its distribution. In a consumer-oriented market it is the responsibility of the manufacturer to know what is needed by the customers. Even the most useful and want satisfying product will be a marketing failure if no one knows that it is available. Therefore, it becomes the duty of the manufacturer to make the customers know from where, when, how and at what price the product would be available. The basic purpose of promotional activities is to let potential customers know about the products. Following are some reasons which signifies the need of promotional activities:

1. The increasing distance between the producer and consumer and the increase in number of consumers have made it necessary for the producer to undertake promotional activities. It makes the potential consumer to know from where, when, how and at what price the product would be available.
2. Large scale production can be achieved only with large scale selling, which is possible only through the personal activities.
3. The widening of market area due to development of physical distribution facilities, have made communication necessary.
4. There is stiff competition among the manufacturers. Therefore, promotional activities are necessitated.
5. The increase in number of middlemen, have necessitated that the middlemen should be well communicated so that they can pass on the desired information to the customers.
6. When there is an imperfect competition in the market, product cannot easily be sold on the basis of product differentiation. In such a situation, only the promotional activities draw the attention of consumers.

Promotional activities are also essential to maintain the falling demand either due to entry of new product in the market or due to change in consumer behaviour.

3.1.1 Significance of Promotion

Q2. Explain the Significance of Promotion.

Ans :

(Dec.-20)

The importance of promotion can be briefly shown below:

i) Sales of the Goods in Imperfect Market

Promotion helps in the sales of the goods in imperfect market. In the imperfect market conditions, the product cannot be sold easily only on the basis of price differentiation. It is the promotional activity that provides information about the differences, characteristics and the multi-use of the products of various competition in the market. The customer is attracted to purchase the goods on the basis of such information successfully.

ii) Filling the Gap Between Producers and Consumers

Promotion helps in filling the gap between producers and consumers. Due to the tough market condition, mass selling is quite impossible without promotional activities. The distance between producers and consumers has so widened in present days to get them touched with the product that promotional activities are necessary.

iii) Facing Intense Competition

Promotion helps in facing intense competition in the market. When a manufacturer increases his promotional spending and adopts an aggressive strategy in creating a brand image, others are also forced to follow the suit. This leads to 'promotional war'. Without promoting the goods, the competition is not possible in the market. So, it is necessary to face the competition in the market with the help of promotional activities.

iv) Large Scales Selling

Promotion helps in the large selling of goods and services. Sales promotion is the result of large-scale production. It can be achieved only by appropriate methods of large scale selling. Large scale selling is possible with the help of promotional

activity. Due to the large selling of goods, there will be more chance of promotion of goods. So, it is necessary to sell lot of goods in the market for promotional activities.

v) Higher Standard of Living

Promotion helps in the rising standard of the people. The promotional activities increase the standard of living by providing the better goods at a lower rate due to large scale production and selling. It help to increase the standard of living in a good way. People can raise their standard of living with the help of promotional activity. As the promotional activities increases, the standard of living of people also increases. So, the promotional activity has a great role in the increment of a standard of people so that they can live a good and happy life.

vi) More Employment

Promotion helps to create more employment opportunities. People can gain employment opportunity with the help of promotional activities. With the help of promotional activity, many workers get motivated towards the work. Promotional activity helps to increase more employment opportunities to the people who are unemployed, as the promotional activities cannot be performed without the help of an effective sales force and the specialists in various fields.

vii) Increased Trade Pressure

Promotion helps to increase trade pressure in the market. The growth of large scales retailer, such as supermarkets, chain stores, etc. has brought greater pressure on manufacturers for support and allowance. Promotional activities help to decrease the trade pressure. There is need for promotional activities to decrease the trade pressure.

viii) Effective Sales Support

Promotion helps in the sales support of the product. Sales promotion policies are under the supplement to the efforts and impersonal salesmanship. Good sales promotion materials make the salesman's effort more productive. Promotion helps in the sales of the product. It provides good support in selling the different types of goods. Sales of different types of goods in the market are very necessary to increase the market economy.

ix) Increased Speed of Product Acceptance

Promotion helps to increase the speed of the products acceptance. Most of the sales promotion devices such as contests, premium coupons, etc. can be used faster than other promotion methods such as advertising. The increase in rapid speed of product acceptance has occurred with the help of promotional activities. As the promotional activities are done, there will be direct effect in the increment of a speed of the product. Increase in the speed of product acceptance is very important in the competitive market. So, it is necessary to increase the speed of product.

3.2 PROMOTION MIX

Q3. Define Promotion Mix. What are the objectives of promotion mix ?

Ans :

A promotional mix is important to the success of a firm because all firms want to promote and grow their firm to generate more revenue. By using promotional tools, a firm can bring in new customers and encourage these customers to come back through high quality service. A good promotional campaign starts with the promotional tools, but a great promotional campaign uses the promotional tools along with great customer service to create customer loyalty, realizing the potential loyal customers have on future business.

Objectives of Promotion Mix

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 eventhough 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.

Q4. What are the Factors Effecting the Promotion Mix ?

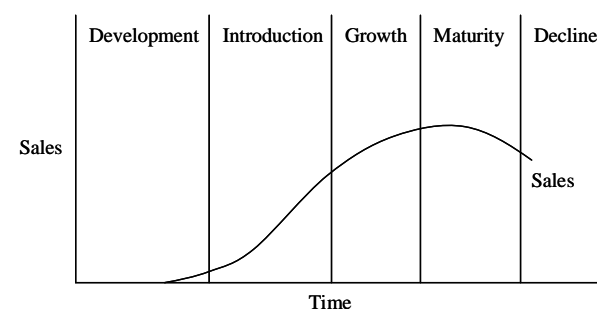
Ans :

There are various factors which are usually considered by the marketing manager in arriving at the promotional mix

1. Stages of product life cycle
2. Types of products
3. Target of promotion
4. Size of the budget
5. Push and Pull strategies
6. Organization Philosophy

1. Stages of Product Life Cycle

The stage in the life cycle of product is one of the determinants in deciding the promotional mix. The various stages in the PLC are :



Every product passes through these stages. The marketing manager has to adopt different promotional mix in different stages. At the first stage all types of promotional are required in this stage expense are very high sales is zero.

In second stage expenses are very high, Sales also very less. So we can use all promotional

tools. In maturity and growth stage expenses are less sales in high. So promotional tools are not required. During the declining stage the promotional expenditure are reduced to a great extent. In this we can use only sales promotional activities are required.

2. Types of Products

The product is generally classified two types :

- i) Consider product
- ii) Industrial product

i) Consider Goods

There are three types of consumer goods

- 1) Convenience goods
- 2) Shopping
- 3) Speciality goods

Each one require separate type promotion convenience goods are those goods that frequently purchased in this goods promotional mix is essential. In shopping product promotional mix required. In specialists goods, all promotional tools required because high unit value and high cost.

ii) Industrial Product

Industrial goods are generally classified in five categories (1) Raw material, (2) Fabricating material. Parts operating supplies, installations and equipments. In general all types of industrial goods only personal selling is required. Some times adv, sale promotion required to help for salesmen. Some industrial sellers use advertising to generate prestige.

3. Target of Promotion

The use of promotion mix is also affected by the type of person to which it is directed. Promotion may be directed at four different groups – Wholesales, Retailers, Industrial Customers and Final customer, Promotional mix is used for

- Promotion to Wholesales (Sales promotion)
- Promotion to Retailers (Sales promotion)
- Promotion to Industrial Consumer (Sales promotion)
- Promotion to Final Customer (Sales Adv.)

4. Size of the Budget

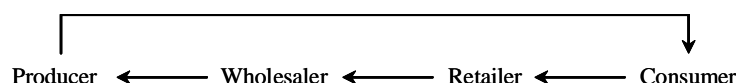
Depends upon the budget we can select promotional tools. If the high budget we can choose TV and Radio. If the low budget we can select Sales Promotion, Public Relations and Others.

5. Push and Pull Strategies

In push strategy sales promotion personal selling tools required because the company depends upon the wholesaler and retailers.

Push Strategies : Producer → Wholesaler → Retailer → Consumer

Pull Strategies : In this system, advertisement required



6. Organization Philosophy

The philosophy of the organization too affects the promotion mix. But energy company use personal selling and advertising. For consumer goods and industrial goods the company want reach objectives, they has to give all promotional mix.

Q5. Explain the importance of promotion mix.

Ans :

- (i) The activity of promotion has become important because of the widening of the market. The physical distance between producer and consumer and also the increase in the number of prospective buyers, promotion has gained importance. The producer has to now inform all the consumers so as to capture a major share of the market.
- (ii) In modern times, there is a cut throat competition in every field. New products and producers are entering the market and every producer wants to sell his products first. In order to meet the competition, the producer has to make the customer/prospective consumer aware of his products and their outstanding feature along with a comparative view of the competitor's products. This helps the consumers to select the right type of product.
- (iii) There are number of channels of distribution. The producer should not only inform the consumers but he should also inform the middlemen about the product as they would also be acting as a means to advertise the manufacturer's products to the consumers. These middlemen must be well versed in the characteristics of the goods.
- (iv) Promotion expenses are the highest of all the marketing expenses. They should be properly and strictly controlled and should be paid due attention.

Q6. Explain the various elements of promotion mix.

Ans :

Promotion mix which covers advertising, personal selling, sales promotion, publicity relations, exhibition and demonstration used in promotion. Largely it deals with non-price competition. The elements of Promotion mix are as follows:

- (a) Advertising
- (b) Sales Promotion
- (c) Personal Selling
- (d) Public Relations
- (e) Direct Marketing.

3.3 ADVERTISING
Q7. Define Advertising. Explain the nature of advertising.

Ans : (May-19, May-16, May-14, Imp.)

Meaning and Definition of Advertising

The term 'advertising' is derived from the original Latin word 'advertere' which means 'to turn' the attention. "Every piece of advertising turns the attention of the readers or the listeners or the viewers or the onlookers towards a product or a service or an idea. Therefore, it can be said that any thing that turns the attention to an article or a service or an idea might be well called as advertising.

Definitions

- i) **According to American Marketing Association**, "Advertising is any paid form of non-personal presentation of ideas, goods or services by an identified sponsor".
- ii) **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".
- iii) **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 an advertisement, is disseminated through one (or) more media and is paid for by an identified sponsor".

Nature / Features of Advertising**1. It is Mass-Communication Process**

Every piece of advertising guarantees satisfaction of human wants and wants them from needs and desires. Advertisers - manufacturers and dealers - use this mass media to communicate the message to the target audience. Communication costs and hence, it is speedy and as pervasive as it is purely commercial.

2. It is Informative in Action

Each and every advertisement is a piece of information to the listeners, readers, viewers and onlookers. An advertisement announces the arrival of a new product, talks about its special features and explains the best use of the product, thus, helping the hesitant and undecided prospect to make the decision to buy or not to buy.

3. It is a Persuasive Act

Persuasion is the power of advertising. It is its stock or strength. Advertising is, by very nature, persuasive. Advertising in any form contains persuasion because, the major function of advertising copy and the art-work is to persuade the reader or the listener or the viewer. There is a kind of logical process of persuasion known as A-I-D-A formula. That is, an advertisement draws the Attention, creates Interest, and converts interest into Desire and Desire into Action. Thus, advertising is the greatest art of persuasion.

4. It is a Competitive Act

In today's world of business competition is keen, acute and cut-throat. In each line of activity, there are many manufacturers and it is but natural that they want to push their products and services to the maximum extent with profit to them and satisfaction to the consumers. Competition is of two types namely, quality and price. In both the cases, the change in quality standards and price are to be brought to the notice of the target audience.

5. It is Paid-For

Advertising, as an activity, is not possible free of cost. If it is not paid for, it is publicity, propaganda (or) a rumor where the person may or may not spend. Advertising as an act of persuasion is deliberate and planned one and the sender of the message has to foot the bill. Whatever may be the media, each medium and media vehicle costs the advertiser. By its very nature, it is paid form of presentation of an idea, product or a service in an indirect way.

6. It Has an Identified Sponsor

Each and every advertisement is sponsored by a marketer or dealer on behalf of manufacturers. His identity is known. That is, on each product package or advertisement copy in any form, we come to know about the name of the advertiser - may be the manufacturer (or) the marketer through the name, brand or logo.

7. It is Non-personal Presentation

Advertising is an impersonal attempt to present the message regarding a product, or a service or an idea. That is, the advertiser makes use of convenient and viable media and media vehicle to pass on his 'ad' message to the target audience or target market. That is why it is called as salesmanship in print. In other words, the manufacturer and consumers are not in direct or personal contact with one another.

Q8. Elucidate the scope of advertising.

Ans :

Advertising has a wide scope in marketing and the social system. This scope has been described on the basis of activities included under advertising and their forms and systems, objectives and functions.

1. Messages

Advertising carries a message of the product. The message may be visual or oral. It is designed in a systematic and psychological manner to influence the prospective customer and formulated on the basis of need, environment and objectives.

2. Media

A large number of advertising media, with their respective advantages, disadvantages, costs, and benefits are available. The selection of a medium should be made on the basis of the type of customers to be approached, and the capacity of the organization to bear the cost.

The print media, such as newspapers, magazines, and posters have been the traditional media of advertising. The radio and television have become the common media of advertisement in recent years; but their costs are very high and cannot be borne by small firms.

3. Merchandise

Advertising covers the attributes of the product. The merchandise, i.e., the product and services to be sold, has its advantages and disadvantages. The advertiser should demonstrate the attributes of the product and avoid the criticism of a similar product of the competitors. The outstanding qualities of the product should be assessed and exposed with emphasis.

4. Advertising Functions

Advertising creates demand, promotes the marketing system, helps middleman, presents the image of the organization, and performs some other functions as will. No producer can think of sales without advertising. Salesman and sales managers can expect some results only when there is advertising.

5. Advertiser

The advertiser is considered a core institution of society. He helps the people understand the merits and demerits of his product. He controls the message and media to benefit society. A slight negligence on the part of the advertiser can destroy his image and the values of society. He has to be very cautious in selecting his advertising messages and methods. Costs and benefits are also compared before a particular medium of advertising is adopted. The economic system is influenced by the mode of advertising.

6. Objectives

Advertising has certain definite objectives, viz., increased sales, creation of awareness and interest, sustaining the established product, introducing a new product, helping middlemen help the public at large. These objectives are fulfilled by different advertisers. The main objectives of advertising are to inform, to persuade and to remind customers about the want-satisfying attributes of the products advertised.

7. Activities

Advertising assists in the performance of certain activities by the advertiser, the sponsor of the producer and the marketer. The activities included under advertising are mass communication, carrying messages, developing impressions and image building. It is an informative, persuasive and reminding communication. These activities are performed by the advertiser economically, effectively and regularly.

8. Art and Science

Advertising is considered to be art as well as a science because it has some of the characteristics of both. It is an art because the advertiser employs his creative abilities to devise effective ways of communication. Techniques and professional tenets are essential factors in advertising.

Advertising is also a science because it is based on certain socio psychological factors, which influence marketing decisions. Cause and effect relationships are made use of in advertising. If more scientific methods are employed, advertising would be suitable and relevant to its objectives.

3.3.1 Objectives of Advertising**Q9. What are the Objectives of Advertising?**

Ans :

(May-17, May-16)

Major advertising objectives include the following:

i) Increase in sales

The ultimate objective of any advertising campaign is to increase the company's sales. The fact that sales show an increase following a campaign

is encouraging, but great care is needed to ensure that the observed rise is actually due to the extra advertising and not due to some external variable (collapse of a competitor, changes in taste and fashion, or a rise in consumer's income)

ii) Spreading awareness and providing information

The most important objective of advertising campaign is to inform potential buyers about the product, its attributes, colours size, price, uses and design etc. It is very important to provide information to the potential customers in the market because the customers in the market may be unaware of the product.

iii) Attracting new customers

Here it is necessary to establish the percentage of customers who are purchasing the brand for the first time. This might not be easy and the services of a market research company may be required to obtain new customers.

iv) To keep the product alive in customer's mind

One of the objectives of advertising is to keep the memory of the product alive in the minds of the customers. Then only the buyers will buy the product.

Specific advertising campaign objectives could involve the capture within a predetermined period of a certain market share, the creation of brand awareness and motivating consumers to switch brands, or persuading intermediaries (wholesaler and retailer) to stock up with the advertised product further aims might be to:

- Encourage consumers to increase the frequency of their purchases.
- Stimulate impulse purchases.
- Increase consumer awareness of the firm's products.
- Generate a certain number of enquiries from specific customer types.
- Reminding consumers of the key advantages of the brand.
- Improve the company's corporate image amongst a particular target customer group.

Q10. State the advantages and disadvantages of Advertising.

Ans :

(May-15)

Advantages of Advertising

A) Advantages of Advertising to the Middlemen

Advertising guarantees quick sales. The middlemen dealing with the advertised products are benefited with the advertising in the following manner:

1. Creates easy sales

Advertisement informs consumers about the quality of the product. Hence, they know about the product. Sale of that product is easy for the wholesalers and retailers.

2. Increase in turnover

Advertisement helps in easy and quick sales. This increases the rate of turnover and reducing the level of stock. It also reduces maintenance cost and obsolescence risk.

3. Attracts more customers

Advertising gives detailed information about the product and the availability of the product in a particular shop. As such, it attracts more customers in that particular shop.

4. Permanent source of income

Advertisement stabilizes demand. Customers are thereby available throughout the year which ensures permanent income to the middlemen.

5. Increases the prestige of the store

Customers know about the store through advertising. The goodwill or reputation earned by the manufacturer is also shared by the selling shops. Thus, the prestige of the firm increases.

6. Reduces the burden of middlemen

Advertising is generally under-taken by manufacturer. Therefore, middlemen's work is reduced. His job is supplemented by advertisement, which makes it easy for him to sell.

7. Stimulates sellers

Advertisement saves the time and effort of the middlemen. He can contact many customers in a short period. This creates enthusiasm and confidence in him.

8. Publicity

In advertisement, product publicity and wholesale or retail shop publicity are done simultaneously. Thus, the retailers are also known to the public and thereby increase their sales too.

B) Advantages of Advertising to the Consumers

Advertising educates the consumers about the new products and their diverse uses. The following are the main advantages of advertising from the point of view of consumers:

1. Educates the customer

The aim of the advertising is to educate the customers about the introduction of a new product mentioning its different uses. It gives information to the customers about the availability of goods and services in the market. The customers come to know about these things and purchase the products according to their standard. Thus, the standard of living of the customers increases. The comparative type of advertisement of different products and substitutes will enable the public to understand more about a product or services.

2. Best quality product

Advertisement, generally stands for a quality product. Manufacturers advertise their products only for selling. If the product is not good, customers will switch on to other product (brand). Manufacturers maintain their quality to retain the market. As such, it is advantageous to customers. Benefits of standardization are assured to the customers by advertising.

3. Convenient purchase

Advertisement gives information about various brands available in the market and their special features. It makes easy for customer to buy the best one.

4. Knowledge of prices

Prices are generally announced by the manufacturer. Thus, consumer is aware of the price and he cannot be cheated.

5. Saves time

It helps customers by giving information about the availability of the product, i.e., where and when. The customers can select the best product in a particular shop. Thus, it reduces their shopping time.

6. Easy availability

Advertised products are easily available in the market. The consumer does not have to spend much time in purchasing them.

7. Improvement in standard of living

Advertisement stimulates consumption of varied and new products. More the consumption, more will be the standard of living of the consumer.

8. Comparative study

The customer can compare the various products at home without the need of roaming in the market with the help of advertisement.

9. Connecting link

Advertising is the connecting link between the manufacturer and the customers. It eliminates the middlemen. There is no profit for the middlemen. Hence the price is low.

10. Mail order business

Advertising helps the people to get the products directly from the producers through mail order business. There are places, where the products are unavailable-villages, rural areas. Advertising helps them to get the products through post. Thus, it improves the social welfare.

C) Advantages of Advertising to the Society

Advertising open the avenues of employment generation. It increases the standard of living of the society by providing better quality products at cheaper rates. The following are the advantages of the advertising to the society as a whole:

1. Provides employment

Advertisement creates employment directly and indirectly. The need for artists, copy-writers, painters, musicians, photographers, etc. creates direct employment opportunities. Advertisement leads to increase in sales and production. Thus, it indirectly creates employment opportunities for many.

2. Increase the standard of living

Advertising is an effective tool which raises the standard of living of the people of advanced countries. The standard of living is measured by the amount of national income and its distribution and the consumption pattern. Advertising gives stimulus to the consumers to buy new variety of products. It leads to large-scale production of more varieties of products followed by mass consumption. Thus, advertising creates demand for standardised products.

3. Effects values and lifestyles

Advertisement has wide exposure. It effects the purchase made by people. It also has impact on values and lifestyle of society. Advertisement plays a vital role in encouraging healthy values and lifestyles and avoiding the negative values.

4. Reduces the number of middlemen

Advertisement reduces the need of middlemen. It develops direct link between the producer and the consumer. It thus, saves selling expenses and the goods are available to consumers at less prices.

5. Educative value

Advertising educates the members of the community in the various uses of products. As such, people know the varieties of products and their availability in the market and uses and benefits. Thus, it educates the people. People become intelligent buyers. They become economic buyers. They understand the merits and demerits of products they come across.

6. Helps press

Advertising gives more income to the press. We cannot buy newspapers at a cheaper rate without advertisement. Commercial advertisement and broadcasting are undertaken by radios, television, newspapers, etc. This leads to the cheaper availability of newspapers.

D) Advantages of Advertising to the Salesmen

Advertising is the backbone of personal selling. Advertising benefits the sales force in the following manner:

1. Least effort

Advertised product can be sold very easily. Salesman's time is saved and he can contact more customers in a shorter period. He can meet many customers with the least effort.

2. Creates enthusiasm

Advertising reduces salesman's job. He can do his job in a better way to sell the products, crossing the fixed quota. Hence, it creates enthusiasm and confidence in him.

3. Consumer's need can be studied

A salesman's confidence is increased through advertising by educating and stimulating the consumers. Customer's demand and needs are studied by him correctly. The manufacturers are informed of this. They will supply the products according to the demand of the customers and thus equalize the demand and supply of their products.

Disadvantages of Advertising**A) Economic Objections****1. Advertising is not productive**

It is true that the advertising does not produce any tangible goods. But all productive work not necessarily results in tangible goods. On the other hand it renders a very valuable service. Services are always intangible. The service rendered by advertising is highly necessary, especially when one has to choose from among the hundreds of products which

are similar in most respects. Advertising facilitates choosing which in turn leads to satisfaction.

2. Advertising increases cost of goods

It is argued that advertising is responsible for increasing the cost of production which, in turn, becomes the cause of rising prices. For instance, everyday lakhs of rupees are spent in advertising through T.V. Further, the advertising expenses are ultimately shifted on to the consumers. In this way, the consumer is being heavily taxed for the privilege of looking at pretty advertisements. Advertising is, no doubt, one of the items of costs, but it is the advertising cost which brings savings in the marketing and distribution costs. Production cost is also considerably reduced in view of the fact that it makes large scale production possible and here anyone would agree with the fact that large scale production leads to substantial reduction in production costs.

3. Advertising multiplies the needs of consumers

Advertising is responsible for the multiplication of the needs of the consumers by appealing to the various sentiments and instincts who are forced to purchase goods which they cannot afford and do not need at all. Such multiplication upsets their budget and consumes their hard earned savings, if any. But this argument is also not entirely true. Advertising helps in the extension of demand and also helps in making a right selection after necessary comparison in two or more substitutes.

4. The monopoly argument

Advertising usually lays emphasis on brands. This emphasis makes the consumer to become a slave of a particular brand. The best answer to this argument is that it is the age of survival of the fittest. Moreover, all could advertise, so no monopoly effects.

5. Advertising encourages waste

People are forced to use the product as fast as possible since new products with improvements are introduced. Purchase of

new and improved things necessitates old products to be wasted. Moreover, the production of any product requires the use of exhausting natural resources which are to be preserved by planned use. This is not considered in competitive advertising.

6. Advertising forces people to desire and buy things which in fact are not within their means

It is true that advertising arouses interest for buying. But there is no physical force exerted on customers to buy things. Moreover, cautious people do not fall into "cheap trap" a term very often used to condemn advertising.

B) Social Objections

1. Misrepresentation of Facts

Most of the advertisements contain tall claims in favour of their products simply to tempt people to purchase the same. The benefits advertised are not enjoyed by the consumers in full. So, it causes tremendous loss to the consumers. However, such products are shortlived and thus soon go out of the market.

2. Wastage of National Resources

A more serious objection against advertising is that it destroys the utility of goods before it become useless due to change in fashion, improved technology, etc. It results in wastage of national wealth.

3. Press is Influenced by Advertisers

Today, the press is influenced by advertisers because they provide the major source of revenue for the existence of newspapers and journals. That is why most of their space is occupied by advertisements. However, this criticism is not totally justified as they print and publish whatever the advertiser demands and not at their own will. Advertisements are their source of income.

C) Ethical Objections

1. Consumer Deficit

People with less purchasing power cannot afford to buy articles though the advertise-

ment creates a strong desire to purchase the product. This makes a section of the society remain discontented and frustrated.

2. Birth to Social Evils

Advertisement gives birth to social evils. They appeal people to buy such articles which are injurious to their health. For instance, advertisements speak, "Wine is symbol of friendship" or "Smoking adds to personality". After getting influenced by such advertisements an innocent person starts drinking wine.

3.3.2 Types of Advertising

Q11. Explain the different types of Advertising.

Ans : (May - 19)

It is conceptually more interesting and analytically more important to classify advertising. The basis of classification, however, can be diverse, as will be evident from below:

1. On the basis of Geographical Spread

On the basis of geographical spread, advertising can be classified as:

- i) **National Advertising:** Some manufacturers may think that their target is the entire country. They select media with a countrywide base. Generally large, established firms belong to this category. Among them are Hindustan Lever, Brooke Bond, Larsen and Toubro (L & T), Escorts, Associated Cement Companies and the like.
- ii) **Local Advertising:** Small firms may like to restrict their business to State or regional level. Some firms first localize their marketing efforts and once success has been achieved, they spread out to wider horizons. A classic example is Nirma washing powder, which initially was sold only in Gujarat and subsequently entered the other markets.
- iii) **Global Advertising:** Multinational firms treat the world as their market. Firms such as National, IBM or Sony or Ford advertise globally, e.g., in periodicals like Times, Reader's Digest.

2. On the basis of Target Group

On the basis of target groups aimed at, advertising can be classified as:

- i) **Consumer Advertising:** A very substantial portion of total advertising is directed to buyers of consumer products who purchase them either for their own use or for their households. The fact that buyers of consumer items are generally very large and are widely distributed over a large geographical area enhances the importance of advertising as a marketing tool. The preponderance to such advertising can be seen by looking into at random general print media, such as newspaper and magazines etc.
- ii) **Industrial Advertising:** Industrial advertising on the other hand refers to those advertisements which are issued by the manufacturers/distributors to the buyers of industrial products. This category won't include machinery and equipment, industrial intermediates, parts and components, etc.
- iii) **Trade Advertising:** Advertisements which are directed by the manufacturers to the distribution channel members, such as wholesalers or retailers, are called trade advertising. The objective of such advertising is to promote sales by motivating the distribution channel members to stock more or to attract new retail outlets.
- iv) **Professional Advertising:** There are certain products for which the consumers themselves are not responsible for the buying choice. The classic examples are pharmaceuticals where a decision is made by doctors while the consumers are the patients. Almost similar situation exists in the field of construction where architects, civil engineers and contractors are the decision-makers. Firms operating in such market segments, therefore, have to direct their advertising to these decision-makers, who are professional people. Such advertising is called professional advertising.

3) On the basis of Demand Influence Level

i) **Primary Demand:** Primary demand is demand for the product or service in question rather than for a particular brand. The advertising that focuses on Primary demand represents a form of inter-industry competition. Simply stated, primary demand advertising is intended to affect the demand for a type of product, and not simply one particular brand of that product. If cigarette manufacturers attempt to increase the overall demand for cigarettes with an advertising campaign extolling the virtues of cigarette smoking in general, this would be a primary demand campaign.

ii) **Selective Demand:** The marketers involved in selective demand advertising attempt to establish a differential advantage and to acquire an acceptable sort of market. They do not try to stimulate the demand for the product or service. In this, the advertiser attempts to differentiate his brand from the brands of others, even though he may also hope, and perhaps intend, 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. This demand is for a particular brand such as Charminar cigarettes, Surf detergent powder, Rath Vanaspati or Vimal fabrics.

4. Institutional (or) Product Advertising

i) **Institutional Advertising:** Institutional advertising aims at building for a firm a Positive public image in the eyes of shareholders, employees, suppliers, legislators, or the general public. Institutional advertising 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 affirmative-action employer, supports the socialistic pattern of society or provides employment opportunities in the community. Institutional advertising

is often closely related to the public relations function of the enterprise.

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. Institutional Advertising may be informative, persuasive or reminder-oriented in character.

ii) **Product Advertising:** Most advertising is product advertising, designed to promote the sale or reputation of a particular product or brand. This is true whether the advertising is done by a manufacturer, a middleman, or a dealer, and whether the advertising concerns the product itself or some of its features, such as service, price, or the quality directly associated with it. Advertisements about Indane Cooking Gas are a case in point.

Product advertising deals with the non-personal selling of a particular good or service.

a) **Informative Product Advertising:** It seeks to develop an initial demand for a product. This form of advertising tends to characterize the promotion of any new type of product, for its objective is often to simply announce its availability. Informative advertising is usually used in the introductory stages of the product life cycle. It was the original approach to advertising.

b) **Persuasive Product Advertising:** To develop demand for a particular product or brand is the goal of persuasive, product advertising. It is a competitive type of promotion that is used in the growth period and, to some extent, in the maturity period of the product life cycle.

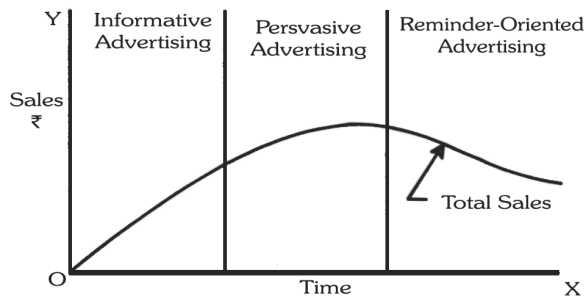


Fig.: Relation between Advertising and Product Life-cycle

- c) **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.
5. **On the basis of Timing of the Response it Elicits:** Product advertising has two sub-categories - direct and indirect action advertising.
- i) **Direct Action Advertising:** It aims at generating immediate response. Many retail messages, for instance, request consumers to buy now. Other advertisements in the direct category contain coupons, and request the consumers to redeem these soon. Finally, numerous mail-order marketers attempt to induce consumers to order at once. These promote correspondence courses and indicate that consumers who are interested in the course should mail a card to the company.
 - ii) **Indirect Action Advertising:** It does not attempt to bring about an immediate behavior response. Rather, it attempts to create favorable attitudes towards the sponsor and his products or services. The objectives of this form of advertising are long-run in nature. They include exposure, attention, comprehension, attitude change, and behavior.

3.3.3 Advertising Effectiveness

Q12. Explain briefly about Advertising Effectiveness.

Ans: (May-19, May-18, May-15, May-13, Imp)

Modern age is the age of advertisement and advertising has become a necessity for commercial success. The businessmen can demonstrate their commercial ability through advertisement. More attractive and effective the advertisement more is the sales. Thus, the marketing manager tries to make the advertisement more attractive and impressive.

Marketing experts and scholars have laid down the principles of advertisement in order to assist the marketing managers so that they can make the advertisement more attractive and impressive in pursuance with these principles. While propounding these principles.

According to R.S. Buskirk: "Be in the right media, meet to the right people, with the right message, at the right time."

Some important principles as laid down by Richard S. Buskirk and some other management experts on the advertisement are as under:

1. Claims be believable

The speech delivered on the product and the policies of institution in the advertisement should be worth believe to the common customer. No fact generating doubt in the mind of customer should be in the advertisement. The advertisement should explain the real property or utility as existed in the product or service. In case, any doubt rising facts or speeches are given in the advertisement, it is necessary to give the facts which may approve their authenticity. For example, the advertisement on toothpaste either show a picture of laboratory test or a speech of any doctor in order to approve its effect.

2. Unique presentation

An advertisement will be successful only when it would attract the spectators at once. In order to make it attractive, coloured pictures, graph, designs, etc. should be used. Some advertisements are related to the products of

children choice and small stories depicted through pictures are given with a purpose of making it attractive. The main purpose of doing this is to make the advertisement attractive.

3. Simple language

Language of the advertisement must be simple and common so that it could be easily and quickly read and grasped by the customers.

4. Repetition

In order to impress a man as per psychology, the related facts should be brought before that person frequently and repeatedly. It is necessary for the success of advertisement on the basis that the same advertisement should be repeated at intervals.

5. Incentive oriented

An advertisement can be said successful only if it motivates the consumers for purchase of the product. It should be so attractive that the consumer may think them as the means of satisfaction for the advertised goods and services viz they should immediately motivate to buy the product or service advertised.

6. Advertisement be directed to customers

Only ultimate users are the real customer of every product or service and the seller or retailers are merely the agents. The advertisement should therefore, indicate the consumers and it should be prepared by keeping in mind the consumers choice and preference both.

3.3.4 Advertising Budget

Q13. Explain briefly about Advertising Budget.

Ans :

Advertising Budget is the amount of money which can be or has to be spent on advertising of the product to promote it, reach the target consumers and make the sales chart go on the upper side and give reasonable profits to the company.

Before finalizing the advertising budget of an organization or a company, one has to take a look

on the favorable and unfavorable market conditions which will have an impact on the advertising budget. The important ones among the practices followed for deciding the advertising budget are discussed below.

1. Competitive Parity

Competitive parity is a method commonly resorted to for determining the advertising budget. Firms following this practice make their advertising budget comparable to that of their competitors. There is no unassailable logic behind this method. In fact, such budgeting often fails to reflect the firm's advertising needs/marketing requirements.

2. Affordability

This method, as the name indicates, rests on the principle that a firm will allocate for advertising whatever it can afford. Usually, small firms follow this method. They do not link their advertising allocations with their competitors' budgets, or to any specific and measurable advertising objectives. It is merely an availability-oriented budget. Even the limited funds set apart may get allocated for other items of work depending upon the firm's emergent requirements. Obviously, advertising is viewed by such firms as a mere 'appendix function'.

3. A Fixed Percentage of Turnover

Under this method, the advertising budget is set in terms of a specified percentage of sales. For instance, quite a few large firms allocate one to two per cent of their total annual turnover for advertising and promotion. This practice also has no direct relation to clear-cut advertising objectives or the actual promotional requirements of the firm. It is only a quantum approach to advertising and not a function-oriented approach with the aim of achieving a set of prede-termined objectives. As such, it has to be pointed out that the 'percentage of turnover' method also suffers from certain limitations. The fact that different products/brands at different stages of their life cycle will require varying levels of advertising support and effort is not taken into account by this method.

4. Budget Based on Functions to be Performed

The limitations and drawbacks of the methods discussed so far, take us to a more objective approach to advertising appropriations—budget based on the functions to be performed. Today, most firms that require some real benefit through advertising resort to this method. According to this method, the quantum of funds required to attain the specified advertising goals is decided on a function-to-function basis. The firm is not setting apart just a lumpsum amount for its advertising function. Advertising objectives are pinpointed, their role in achieving the overall marketing objectives is decided, and then the advertising appropriations are decided on a market-to-market, product-to-product and brand-to-brand basis.

5. Regression Analysis

In addition to the practices discussed above, companies resort to advanced quantitative techniques like regression analysis for arriving at the budget. Regression analysis is done based on historical data—either time series data or cross-sectional data. Time series data are records of past advertising expenditures and sales over time. Cross-sectional data are records of advertising expenditure and sales for a specific period over different markets. The aim is to predict the dependent variable—sale or market share. Advertising expenditure level would be one of the independent variables. The regression co-efficient corresponding to the advertising variable serves as a measure of the short-term response to advertising.

6. The Adaptive Control Model

The adaptive control model put forward by John D.C. Little adds further sophistication to the budget decision. The model recognizes that advertising budget decisions need updating because the relationship between advertising and sales changes over time with the changes in the market conditions. The adaptive control model starts with a sales response curve and locates an optimal level

of ad expenditure. The firm will now experiment with advertising at non-optimal levels in selected test markets. This is done to get more knowledge about the sales response curve, originally set. The new information coming out of the experimental marketing is added to the sales response function for arriving at the current optimal advertising expenditure rate.

Q14. Explain the approaches of advertising budget.

Ans :

1. Top Down Approach

- Top management sets the spending limit
- Advertising budget is set within the allocation limits.
- Advertising objectives and activities are planned according to the set budget.
- It is a Judgmental Approach
- Budget is not linked to the objectives.
- This leads to predetermined budget allocations which are not related to advertising objectives.

2. Build Up Approach

- Advertising objectives are set
- Activities necessary to achieve objectives are planned
- Costs of different advertising elements are budgeted.
- Total advertising budget is approved by top management.
- Budget is allocated on the basis of activities considered essential to accomplish the objectives.

Q15. Explain the various methods of advertising budget.

Ans :

(May-12)

Methods of Advertising Budget

- (i) The affordable method - All you can afford -
 - It is a simple method
 - Whatever is left out of the financial budget is allocated to advertising

- After making all business expenditures the amount left is allocated to advertising
- No consideration is given to advertising objectives or goals.
- Chances of over or under spending are high.
- A common method in small firms or firms with primary focus on new product development.

(ii) Arbitrary Allocation Method

- There is no theoretical basis of creating a budget
- Budget is allocated on the basis of what is felt necessary by decision makers
- It lacks systematic thinking
- There is no relationship with advertising objectives
- Managers believe that some amount must be spent on advertising and pick up a figure.

(iii) Percentage of Sales Method

- It is a commonly used method by large and medium sized companies
- Budget allocated depends upon the total sales figure i.e. high sales = high budget, low sales = low budget
- The basis of budget allocation is the total sale of brand or product. It may be:
- A fixed percentage of last year's sales figure is allocated as the budget,
- A fixed percentage of projected sales figures of the next year
- A fixed amount of the unit product cost is taken as advertising expense and multiplied by the number of projected sales unit.

Advantages

- It is simple, straight forward, easy to implement
- Expenditures are directly related to funds available.

Disadvantages

- It ignores that less advertising may decline sales or potential of advertising in rising sales
- It can lead to over or under spending
- It is difficult to predict sales for new products
- Decrease in sales leads to decrease in advertising budget which may be needed.

(iv) Competitive Parity Method

- Budget is based on competitors expenditure, advertisers decide budget matching competition's % of sales allocation
- Information of competitor's budget is available in trade journal and business magazine
- The basis is that collective wisdom of many firms may generate an advertising budget optimum or close to optimum
- It leads to competitive stability
- It minimizes chances of promotional wars

Disadvantages

- Each firm allocates budget according to its own specific goals
- It ignores the contribution of media and creative executions
- Information is gathered when money is spent.

(v) Objective and Task method

In this method the selling objectives and budget decision are linked and considered simultaneously. It involves -

- Defining the advertising communication objectives to be accomplished
- Deciding specific strategies and tasks necessary to achieve them
- Estimating the costs involved in putting these activities in operation
- The total of these costs is taken as the base to determine the advertising budget.

3.4 MEDIA

Q16. Define Media. Explain different types of media.

Ans : (May-17)

The term media, which is the plural of medium, refers to the communication channels through which we disseminate news, music, movies, education, promotional messages and other data. It includes physical and online newspapers and magazines, television, radio, billboards, telephone, the Internet, fax and billboards.

It describes the various ways through which we communicate in society. Because it refers to all means of communication, everything ranging from a telephone call to the evening news on television can be called media.

Types of Medias

There are several media vehicles. The major media commonly used for Advertising.

1. Print media
 2. Audio/Visual / Audio-visual/ Electronic media
1. **Print Media :** Examples of this media
 - News paper
 - Magazines
 - Trade Journals
 - Direct magic
 2. **Audio/visual/Audio-visual/Electronic media**
 - Radio
 - Television
 - Internet
 - Cinema
 - Cassettes - audio and video
 - Out door. These include
 - Hoardings
 - Postens

- Transist Advertising
- Fairs & exhibitions
- Dance, drama and puppet shows
- loud speaker announcement
- Balloons and Sky writings.

After identifying the media types, the Advertiser should select the Media Selection.

Q17. What is Print Media? Explain the various types of print media.

Ans :

It is a fact that it is one of the easiest ways to reach targeted customers. Marketers and advertisers make the most of all forms of print media, such as through magazines, newspapers and flyers. Below we give you a few advantages and disadvantages of using printed media.

1. Newspapers

There are millions of people who are accustomed to reading the newspaper in the morning to keep themselves updated about the happenings around the world. Newspapers remain as the most reliable message career as it is a mode that not only educates, but also entertains.

Advantages

(i) Wide reach

Newspapers are read by almost everyone and have reach to the far away corners of the country.

(ii) Ease of preparing and releasing the message

It is quite easy to release an advertisement in newspapers as compared to other means. Newspapers can incorporate colour advertisements that can be released in a short span of time. An organization can communicate various promotion programs without much delay.

(iii) Local coverage

It is easy to communicate within the geographically segmented market using newspapers. They contain mostly the local advertisements. An organisation has a choice of selecting a particular newspaper depending on the market circulation.

(iv) Less expensive

Newspaper advertising is cheaper as compared to TV or magazine advertising.

(v) Easy reference for audience

Long and lengthy content can be elaborated in newspapers that can be scanned as per the convenience of the buyers.

Limitations

(i) Overlooked/ unnoticed by buyers : As newspapers contain many advertisements from different and local organisations, there are high chances that the advertisements can go unnoticed. Sometimes the readers are only concerned with the news headline rather than the advertisements.

(ii) Short life: The newspaper advertisement in today's newspaper will not be of any use tomorrow as readers refer to the latest edition for news updates.

(iii) Poor quality: As compared to magazine, the message in newspapers is usually of low quality because of the paper quality and colour usage.

(iv) Front page advertising versus ROP: Newspapers charge different rates for the different position on the paper. Usually front page advertising is very expensive as against ROP. ROP stands for "Run of Paper". Most of the advertisements are on ROP basis which the newspaper can place the advertisement anywhere within the publication.

(v) Not suitable for illiterate people.

2. Magazines

Magazines are both regional as well as national. They are published weekly, fortnightly, monthly, quarterly, bi-annually, or annually. There are magazines for general public as well as for special class of people. There are magazines for men, women, and children. Specific interest magazines include magazines on trade, finance, economics, etc.

Advantages

(i) High quality visual display : They are mostly in coloured form and in good quality paper which gives the advertised product nice depiction and appeal.

(ii) Longer life: They are usually read at leisure and there are less chances of advertisements going unnoticed as compared to newspaper advertisements. Magazines have longer life than newspapers.

(iii) Specific advertisements for specific audience: An organisation can be selective in placing its advertisement based on the selective readership of the audience. As magazines service specific demographic variables as well as specific class of people (general public, business, etc.), marketers can reach a particular segment basis its business strategy.

(iv) Reliability: Magazines are considered more reliable and credible based on its respective field.

Limitations

(i) Lesser flexibility : They have less flexibility as compared to newspapers. The content to be advertised needs to be sent to the publishers well in advance within specific timelines.

(ii) Lesser frequency: Unlike newspapers, advertisements in magazines can be done weekly, fortnightly, and so on. For example, a sales advertisement for few days cannot be done in a magazine. The advertisement can be done in magazine with higher frequency for "reminder advertising".

(iii) Some waste circulation: It sometimes lacks regional selectivity as advertisement done in a national magazine may not appeal to all the regions in which the magazine is circulated.

(iv) High cost : It is more costly as compared to newspapers, etc.

Q18. Explain the concept of radio advertising. Discuss its merits and demerits.

Ans :

Radio Advertising

Radio is a medium which has certain unique characteristics, that make listeners to use it frequently during leisure time. Generally, Radio is a portable device that can be carried by people in private places, offices, parks, gym, cars etc. It offers direct communication of message to individual listeners. The trend of listening to radio is growing now a days due to increase in the number of stations.

Radio is considered as one of the important mediums for entertaining people. But advertising through radio is tough, as it lacks physical appearance, beautiful visuals, fancy camera and so on. Also, people are less attentive while listening to radio as it is used mostly while driving vehicles, exercising, and performing other activities.

Merits of Radio Advertising

The merits of radio advertising are as follows,

1. Radio advertising is used for reaching large masses, who speak different languages and it is less costly compared to other media.
2. Radio advertising is advantages for both advertisers and listeners. As India has large number of illiterate people, they can access information through radio instead of print media like news papers and magazines.
3. In radio, the news services can be run at any time in or between the other programmes also. The radio news contains important bulletins and it saves the time of listeners.
4. Radio advertisement is less costly and it is easily affordable by small firms also. Radio commercial can be produced in short span of time with minimum cost. Further, it provides a facility of repeating the commercial for a period of time.
5. Radio advertisement has effective sound power which not only influence the listeners but also create images in their mind.
6. Radio is the cheapest mode of communication compared to all other modes of communication.

7. Now-a-days in traffic rush large number of people are listening radio in their automobiles to pass their time and to enjoy the journey.

Demerits of Radio Advertising

The demerits of radio advertising are as follows,

1. One of the main drawbacks of radio advertising is that it does not provide visuals to the message and audience create their own imagination by listening to the audio, which effects the main element of communication.
2. It provides limited time for each commercial. The Advertisement should not exceed that limit time.
3. The availability of commercial radio have limited coverage areas like 28 radio stations are broadcasting in 300 countries.
4. Communication may be distorted because it is a difficult to communicate a written script orally on radio. It may generate misunderstanding among audience.

Example: The radio commercial of "Khurram-Khurram" pappad was misunderstood by the audience.

5. Sometimes radio advertising is for similar type of products and the repetition of such adds becomes monotonous which distracts the interest of audience.

Q19. What do you understand by Television Advertising? List out its merits and demerits.

Ans :

Television Advertising

Television is considered as the medium that has the leading media position as it reaches a very wide audience. Television advertising is appealing to both ear and eye. In television advertising, sponsored programmes and short commercials are used. Through this medium, it is very easy to communicate the product attributes, values and features to the customers.

The usage of products in real-life situations can be easily portrayed through television advertising. When customers see the usage, the products credibility increases.

Merits

The merits of television advertising are as follows,

1. TV Produce Noticeable Effect

TV advertisements have significant impact on the viewers when compared to the other media. Graphics and visual effects can be added to the Ad for improving the quality of the image. This helps in deliberate and spontaneous presentation of picture with good audio and video quality. TV commercials have the potential to grasp the interest of viewers towards their ads.

2. Excellent Production Quality

Television industry is improving the quality of production by applying 3D effects. Companies are improving their ads by developing their technology and content of the presentation. Television industry has number of TV commercial producers who have produced excellent quality of production.

3. Familiar Faces

TV commercial mostly uses popular models for presenting their Ads in a friendly manner as this makes the audience feel more comfortable, while viewing such ads.

4. Assists in Promoting the Products

TV has highest viewership. It is viewed by both consumers and distributors. Today, it has become easy for the distributors and producers to promote their products through commercials. For Example, the producer of Emamis Zandu Balm has promoted their product through TV ads with a jingle of "EK Balm Teen Kaam".

5. Combines Various Attributes

TV produces the commercials by combining various attributes like picture quality, colour, movement, sound, timing repetition and presentation in the home. TV commercials technique possess maximum attributes when compared to other media. It is the fastest mode of communication and generates quick results.

6. Select Right Time

The advertising firm intelligently promotes the products by utilising correct timing which facilitates in cropping the need of that product in the viewer's mind.

For Example, during football match, ads of sports shoes and energy drinks are shown by linking it with that game.

7. Image Building

TV commercials help the advertisers to build a powerful image of the company and its products in the minds of the viewers.

8. Special Effects

By using special effects, the advertisers can portray the emotions of kindness, generosity, tenderness and so on in the advertisement. This makes the ad more real and the viewers can relate to it.

Demerits

The demerits of television advertising are as follows,

1. Time Consuming

Production of a TV commercial requires better planning and discussion with the sponsors for finalizing the concept of ads. The task of gaining the approval of sponsors is very difficult and consumes significant time. If the advertisements is not produced, properly then it will result in creating a bad impact on a viewer's mind. TV commercials do not have flexibility when compared to press and radio.

2. Temporary Impact

TV commercials have temporary impact on the minds of the viewers as the advertisements are shown only for few seconds. It requires huge investment and efforts for preparing such type of singles. Even though TV ad is repeatedly presented supportive ads in other media are also required for making the ads noticeable.

3. Time Gap

TV commercial influences the minds of the viewer. But the process of buying require time, as the viewers is not prepared to buy

the products immediately after watching the ad. The viewers requires time for taking the decision and by that time they may forget that advertisements.

4. Immoveable Medium

TV commercial has a limited scope. It is confined to home and theatre. The viewers cannot move their TV to any other location whereas newspapers have scope of moving.

5. Difficult to Record the Data

TV ad is shown only for few seconds. It is difficult for the viewers to record the information like telephone number, fax, email and so on shown on that ad. If the viewers are concentrating on the concept, then they will miss the information and if they notice the information the concept will be missed.

6. Costly

Producing a TV Ad requires high cost when compared to other print production. The budget of an ad depends on the paying ability of the client prevailing market rates, product nature and the commercial values of the programme. All these factors determine the final cost of producing an advertising.

7. Clutter Effect

It is observed that the viewership for TV commercial is less when compared to the viewership of programmes. The longer the chain of commercials the smaller will be the viewership of audience. In a recent study, it was found that the viewership of TV ads is decreasing continuously. As the viewers feel bored of seeing the ads repeatedly, they skip the ad by changing the channel.

Q20. Explain the various types of Other Media.

Ans :

1. Outdoor Advertising

Outdoor advertising is referred to as literally "out of door". It is out of the business or home premises. It is also known as "mural" or "indirect advertising". This type of advertising is aimed at catching the attention of the passer-by in course of

their outdoor activity. It includes – posters, electric/neon signs, sky writing, sandwich men, transit displays, and painted displays.

Posters and placards are pasted on road sides, railway stations, or bus stands. These are usually made of thick paper sheets, wooden or metal plate. The message is usually in big letters and attention seeking that can be read from a distance.

Electric/Neon signs are permanent on a place and utilize attractive light effects. These are placed in places where large number of people gather in the evening or night.

Sky lighting is utilised to advertise the message across the sky by way of balloons, search lights, small aircrafts, or giant kites. The airplane pilots utilise smoke or illuminations for communicating the message. These have short life and not much utilised.

Sandwich men move from street to street carrying posters or messages dressed in colourful and bright costumes. The men or women who do this job are sandwiched between posters, etc. and shout slogans to attract attention towards the posters.

Transit displays are referred to all kinds of displays used in buses, trains, taxis, tuk-tuk, and any kind of transportation vehicle.

Advantages

- (i) **Geographic selectivity:** Changes can be done as required to target a particular segment.
- (ii) **Longer life:** The outdoor advertising like displays, etc. stay unless removed by the advertiser.
- (iii) **Flexibility:** High flexibility to highlight the local address and names of sellers, middlemen, etc. A marketer can have different message for different locality or region.
- (iv) **Low cost:** The cost is low as compared to television, cinema or magazine advertising.

Limitations

- (i) **Limited exposure:** There is limited audience who get exposure to the outdoor message.

- (ii) **Non-selective demographically:** People of all age groups, social, economic, etc. background get exposed to the same message. For example, an outdoor advertising meant for young women will serve no purpose for men, older women, and children.

2. Direct Mail

It refers to all forms of printed advertising delivered directly to potential buyers by post. These can take different forms like post cards, envelop enclosures, booklets and catalogues, sales letters, gift-novelties, package inserts, store publications.

Envelop enclosure can be a circular, stuffer, (or) a folder. These are bunch of papers posted to buyers.

These are sent with the purpose of generating reader's interest in the product.

Booklets and catalogues contain detailed information about the products and their prices. Booklet has limited number of product while a catalogue is much larger and carries details of wide range of products. Gift novelties like pens, wallets, calendars, etc. are imprinted with the sales message of the address along with the name and address.

Advantages

- (i) **Audience selectivity:** The marketer can clearly define and target its prospective buyers.
- (ii) **High flexibility:** The message can be easily altered and changed as required as the designing and delivering of the message is in the hands of the marketer. Unlike newspaper, television ads where message delivery and frequency is to be pre-booked.
- (iii) **Option of personal touch:** Some messages can be directly addressed to the receiver like sales letters, etc.
- (iv) **Effective:** The marketer can make the message and delivery as effective as possible as there is no competition or clutter.

Limitations

- (i) **High cost:** The cost of sending individual messages is higher as compared to a message communicated via newspapers, etc.

- (ii) **Post being considered junk:** Nowadays people in metros receive lot of post from different organisations. People tend to consider most of it as trash and show less interest.

3. Display advertising

In this advertising, the sellers display the products in shop windows, counter displays, shelf displays, floor displays, etc. It is aimed at generating interest and impulse buying especially when most of the stores have "self-service" options.

For this to be an effective tool, the advertisers need to ensure that the products are displayed artistically in the shop window, on the shelves, counters, cupboards, racks, stands, etc. The industrial goods as well as consumer goods are displayed in showrooms for customer inspection and education.

The products should be regularly rearranged to generate interest and give a feel of freshness to the buyers.

4. Trade shows, Exhibitions and Fairs

These are organised on large scale wherein various manufacturers and traders sell their products to the buyers who attend the trade show or exhibition. The manufacturers buy or rent a space for demonstration of products which are very reasonable as compared to other advertising rates. The sellers give out free brochures or sample of products to the people. It benefits the buyers to a great extent as they get the opportunity of inspecting the product from among a variety available.

In international exhibitions, traders from different parts of the world assemble at one place.

5. Internet advertising

Internet advertising has gained lot of momentum in recent times as most of the regions in the world have access to internet. Advertisers look for the most accessed websites to advertise their products. The internet sites take fees for giving space on their web page. The cost of preparing an internet advertisement is also less as compared to television, etc.

Advantages

High flexibility of giving personal touch, can be made as interactive as possible, less costly as compared to television advertising, magazine advertising, etc.

Limitations

Not everyone accesses internet, internet challenges in developing countries, frustrating for some visitors, culturally and linguistically different regions will need to have advertising message accordingly created.

3.4.1 Media Selection

Q21. Define Media Selection. Explain the criteria selecting advertising media for a company.

Ans :

Media selection is the process of choosing the most efficient media for an advertising campaign. To evaluate media efficiency, planners consider a range of factors including: the required coverage and number of exposures in a target audience; the relative cost of the media advertising and the media environment. Media planning may also involve buying media space. Media planners require an intricate understanding of the strengths and weaknesses of each of the main media options. The media industry is dynamic - new advertising media options are constantly emerging. Digital and social media are changing the way that consumers use media and are also influencing how consumers acquire product information.

Selection of Advertising Media for a Company**1. Objectives of Firm**

Company's general and advertising objectives are the prime considerations in media selection. Those media capable to meet company's expectations are likely to be selected. Advertising objectives may be to inform, remind, convince, create prestige, or to increase sales and profits. Different media have varying capacity to meet these objectives.

2. Costs Media and Company's Financial Position

Media selection decision is highly influenced by media costs and firm's ability to pay. Company has to pay for buying space or time and preparing advertising copy fit for the media to be selected. TV, radio, films are costly in terms of buying time and preparing advertising copy. Print media are relatively cheaper in both space and preparation of advertising message. Some outdoor media are quite low in cost. As per media costs and company's financial capacity, the appropriate media should be selected.

3. Reach (or) Number of People Exposed to the Message

It is an important criterion to choose among ad media. Reach means the number of different people exposed to a particular medium at least once during a specified time period. Mass media are capable to reach millions of people by just one exposure. Television has more exposure capacity compared to outdoor media in a particular time.

Local media can expose the message to limited persons. In the same way, frequency (the number of times within a specified time period the average person exposed to the message), and impact (the impact created on audience by an exposure through given medium) are also key criteria to choose among advertising media. Reach, frequency, and impact are important variables that determine cost-effectiveness of various media.

4. Company's Advertising Policy and Approach

Company's advertising policy and approach determine which of the media should be selected. For example, if company's policy is not to spend more money for advertisement and to offer the product at a low price, it may go for cheaper media.

5. Type of Buyers

People to be influenced should be taken into account while selecting the media. Buyers can

be classified into various classes as discussed in market segmentation. Each medium has its special viewers, readers, or audience. For the firm, it is important to know whether the target groups can be exposed by the particular medium.

6. Condition under which Customers are Influenced

Readers'/viewers' mood and interest determine receptivity of message. Television is the best-fit medium to associate advertising message when people are watching or enjoying related programmes. For example, advertising TVS Victor motorbike on television during the live telecast of the TVS Cup One-day Series.

However, it is difficult to determine mood or interest of readers for daily newspapers. It is relatively easy to determine mood of people during a specific programme in radio or television. In case of outdoors media, the place is very important to judge mood of people. For example, hoardings, posters, or banner near gardens or picnic places are more likely to be attracted.

7. Circulation / Coverage

The area covered by (or number of people exposed to) the medium is an important criterion. Some media are capable to cover the globe while some can cover only the limited locality. For example, the local newspapers cover limited areas, the national newspapers like The Time of India and The Economic Times cover the whole nation.

8. Repetition or Frequency

Repetition or frequency implies the number of times within specific time period an average person is exposed to the message by specific medium. Most of the outdoor media hold the message for relatively long time. Magazines or periodicals publish monthly or quarterly; mostly they publish advertisements only in a particular edition.

9. Credibility and Image of Media

In case of newspapers and magazines, the factor is critical. Naturally, advertising message

appears in the reputed newspapers or magazines carry heavy impression and effect than substandard media. People don't trust the appeal published in the lower standard media. Prestige of media becomes the prestige of advertiser. Firms opt for credible or prestigious media to carry the advertising message.

10. Past Experience

Company's own past experience may be instrumental to decide on advertising media. For example, if company has satisfactory experience of using a particular medium, there are more chances to use the same medium and vice versa.

11. Experience of other Companies

Experience of other companies is one of the important considerations in media selection. Company may try to know what other companies say about applicability and usefulness of various media. Views of other companies must be followed with care and caution.

12. Expert Opinion

Marketing experts or consultants who work on professional basis can be consulted to suggest an appropriate medium to carry the message. These experts, on the basis of analysis of market situations in relation to products to be advertised, can recommend the suitable media. Since they have experience and expertise in the field, they are in better position to judge the suitability of each of the media in relation to product and company's financial position. They charge fees for their consultancy services.

13. Type of Advertising Message

Each advertising message needs specific advertising vehicle. If a message is simple, print media are sufficient. If a message is complicated, and the company wants to demonstrate and explain, audiovisual media suit the needs.

14. Others

Apart from above mentioned factors, there are certain factors that affect media selection decision.

They are listed as under

- (a) Effectiveness of Media
- (b) Availability of Media
- (c) Government Rules and Regulations
- (d) Time and Place
- (e) Type of Products, etc.

Media selection is a crucial decision. It determines the cost-effectiveness of media. Failure of advertising programme, in many cases, is attributed to use of inappropriate media. Advertiser should consider all these factors carefully and should select the most favoured or suitable media.

3.5 PERSONAL SELLING - NATURE**Q22. What is personal selling ? Explain the objectives of personal selling.**

Ans :

Introduction

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.

Meaning

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.

Definitions

- i) **According to Ripley**, "Salesmanship is the power to persuade plenty of people pleasurably and permanently to purchase your product at a profit".

- ii) **According to H. W. Horignton**, "Salesmanship is a personal service rendered to the community in connection with the marketing of goods. It is a service which is essential to the producer and distributor of goods as well as to the consumer".
- iii) **According to Harold White Head**, "The art of presenting and offering that the prospect appreciates the need for it and that a mutually satisfactory sale follows".
- iv) **According to W. M. Scott**, "It is a part of salesman's business to create demand by demonstrating that the need does exist although before his visit there was no consciousness of that need".

Objectives

The objectives of personal selling could be quantitative and qualitative.

- (a) **Quantitative** : These are all short-term objective.
- 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** : These are long-term 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.

Q23. Explain the role of personal selling.*Ans :*

Determining the information to be exchanged. In keeping with the objectives established by the communications models, the salesperson may have a variety of messages to communicate, such as creating awareness of the product or service offering, demonstrating product benefits for evaluation, initiating trial, and/or closing the sale. It may also be necessary to answer questions, counter misconceptions, and discover potentially unmet needs.

Examining promotional mix alternatives. In previous chapters, we discussed the roles of advertising and sales promotion, direct marketing, and public relations / publicity. Each of these program elements offers specific advantages and disadvantages, and each needs to be considered when the promotional mix is developed.

Evaluating the relative effectiveness of alternatives. The effectiveness of each program element must be evaluated based on the target market and the objectives sought. Personal selling is effective in many situations, but other program elements may be more attractive in other cases. For example, advertising may do a better job of repeating messages or reaching a large number of people with one distinct, consistent message.

Q24. Explain the importance of personal selling.*Ans :***(May-14)**

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 there 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 offer services to customers and retailers.
8. Personal selling is useful to prepare market plans 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.

Q25. 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 determine 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 communications 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 bottom 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.

Q26. 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 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 information related to market trends.

(e) To promote Goodwill

In order to withstand the cut-throat competition in 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.

Q27. What are the various approaches of personal selling ?

Ans :

Personal Selling Approaches

To market their product to customers, organizations use different approaches, depending on the nature of product or services, resources of the organization, expertise or others. Initially there were four approaches which were being practiced but later one more approach came into practice.

1. Stimulus Response Selling

It is the simplest approach to selling. It uses structured questions and statements, which act as stimuli for the customer and sales person get the desired response in their favor. Words and statements of sales person furnish a stimulus if they are well planned and hit the nail on the head.

Planning or preparation of conversation is being done at the sales person end. He prepares structured questions whose answer is most likely to be in "YES" leading towards the end of the sale in "YES".

This approach involves less contribution of the buyer, its one sided conversation in favor of sales person, who has the aim to sell at any cost. So it's suitable in the situations when buyer is unprofessional and has less knowledge.

Example includes telemarketing, in which one script is being memorized and then repeated on every call till the sale call is closed.

2. Mental State Selling

It is formula approach to selling. It is similar to stimulus response selling as it also uses structured question to lead the buyer to different mental states. These mental states are AIDA (Attention, Interest, Desire, Action). Sales person should be intelligent enough to keep track of buyer's mental state while asking him questions.

It is bit technical and requires sound mental ability of the sales person. First he tells customer about his product/service to gain Attention, then tries to develop customers' interest, after that a stage, conviction comes, when salesperson describes the functions and benefits of products/services. After that in the stage of desire he should overcome the hesitation of customer and make him positive about his product/service and at the end sought the sales call.

3. Need Satisfaction selling

In this approach, first of all the problem is identified. Sales person first listen to customer and let him take the initial part of conversation to uncover the needs of buyer. When need is identified then sales person tells about his product/services and how can they benefit customers and tell the entire features. Then sale is closed either with positive response from the customer (or) negative.

4. Problem Solving Selling

In this approach problem is already identified, sales person need to define it to the customer and then tell him all the alternatives available even of competitors to solve the problem. He also explains his own company's product/service, after that he evaluate the alternatives carefully; doing comparisons of all and then sought the sales call.

5. Consultative Selling

In this approach both buyer and seller works with collaboration. In this approach seller tries to help the buyer out in accomplishing his organizational objectives and strategies. It involves two way interactions. Seller sincerely tries to seek out the problem of buyer and use all his resources and expertise to provide him services. It may take several days for sales to be done.

3.5.1 Steps in Personal Selling

Q28. Outline the process of personal selling.

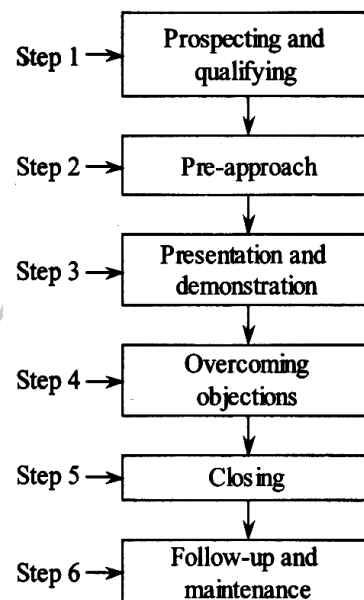
Ans :

(Dec.-20)

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.



Figure

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 leads 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) **Logial 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.

Q29. Explain the criteria for evaluating personal selling.

Ans :

A number of criteria may be used to evaluate the contribution of the personal selling effort to the pro-motional program. They include the following:

- **Provision of marketing intelligence:** The ability of the sales force to feed back information regard-ing competitive programs, customer reactions, market trends, and other factors that may be impor-tant in the development of the promotional program.
- **Follow-up activities:** The use and dissemination of promotional brochures and correspondences with new and existing customers, providing feedback on the effectiveness of various promotional programs.
- **Program implementations:** The number of promotional programs implemented; the number of shelf and/or counter displays used, and so forth; the implementation and assessment of cooperative advertising programs.
- **Attainment of communications objectives:** The number of accounts to whom presentations were made (awareness, evaluation), the number of trial offers accepted, and the like.

Combining these criteria with those used by the sales department, the promotions manager should be able to accurately assess the effectiveness of the personal selling program. Making these evaluations requires a great deal of cooperation between the departments.

Q30. Compare and contrast advertising and personal selling.*Ans :*

	Basis of Difference	Advertising	Personal Selling
1.	Personal, Non-Personal	Advertising is a non-personal form of marketing communication. It involves no face-to-face contact between sender and receiver of message.	Personal selling is a personal form of marketing communication in which selling is made through face-to-face contact.
2.	Individual, Mass communication.	Advertising is a form of mass communication. Here mass media like T.V., radio, newspaper is used. Message is communicated to a group at the same time.	Personal selling is a type of individual communication. Here message is communicated individually, i.e., at one time message is communicated to one person only. Mass media is not used here.
3.	Feedback	Immediate feedback cannot be taken in advertising as it is one-way communication. In case the message is not understood by the audience then, they cannot immediately inquire for their doubts/queries.	Immediate feedback can be taken by salesmen during sales talk/sales call. It is a form of two-way communication. Target customers can inquire about their doubts/queries from the salesman immediately if the message is not clear, to them.
4.	Adjustability of Message	In advertising message cannot be adjusted as per the requirements/background of individual target audience. Same message is given to all target audience irrespective of their individual differences.	In personal selling, message can be adjusted by the salesmen as per the requirement/back-ground/ circumstance of individual target customers, i.e., message can be molded for different target customers.
5.	Objective	The objective of advertising is to inform, persuade and remind the target customer. Here emphasis is on brand-awareness, brand-popularity, brand-preference, etc. Here through communication of message, sales-objective is achieved. Hence, sales-objective is achieved indirectly through communication objective.	Objective of personal selling is to sell the product. Here achieving sales is direct objective.
6.	Usefulness	Advertising is more useful for consumer goods having wide market area.	Personal selling is more useful for industrial goods where number of customers is less.
7.	Cost Per	Here, cost per audience is less, as advertising message is communicated to large group of persons.	Here cost per audience is more as message is communicated individually to each target customer.
8.	Speed	In advertising, message can be delivered quickly by using fast media like newspaper.	In personal selling, message communication is a slow process, as each target-customer is contacted separately.

3.6 SALES PROMOTION

Q31. Define sales promotion? Explain the need of sales promotion.

Ans :

(May-19)

Introduction

Sales promotion consists of diverse collection of incentive tools, mostly short-term designed to stimulate quicker and 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

- i) **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.
- ii) **According to William J. Stanton**, "Sales promotion is an exercise in information, persuasion and influence".

- iii) **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".
- iv) **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 Off" 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 popularizing 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 salesforce 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.

Q32. Explain the Scope of Sales Promotion.

Ans :

The scope of sales promotion can be visualized 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.

Q33. Explain the Distinct Characteristics of sales promotion.

Ans :

Sales promotion is one of the powerful tools used to achieve various promotional objectives. The following are the important characteristics of a successful sales promotion.

1. Maximum Effect at Minimum Cost

The nature of promotion objective involves achievement of objective by way of sales promotion instead of advertising, then the promotion objective is achieved through minimum cost.

2. Motivates Consumers to Buy Now

Successful sales promotions strive towards purchasing now rather than postponing to future. The role of consumers in this case is to take instant decision to process the transaction further.

3. Offers What the Consumers Want

Sales promotion should never use that strategy which is not desirable by target consumers. They can attract consumers only if the offers are interesting, exciting and valuable to them.

4. The Promotion should be Clear and Uncomplicated

The successful sales promotions have powerful incentive to carry-out the process. There is a direct relationship between subsidiary offer and main offer. The promotion should be clear so that the consumers can understand the promotional offer better. If the promotion is not clear, then the target consumers will not get attracted to the offer made.

5. Promotion should be Highly Visible

The strategy behind making the offer is to attract the target consumers. In this case, the selection of media crucial. If the promotion is effective, then it results in high visibility and creative qualities.

6. Promotion should Benefit all Concerned

Promotions consist of co-operation of sales force and channel members. These few aspects are motivated to; greater extent in order to get the promotional efforts successful.

7. Promotion must be Believable and Honest

The foremost aspects of promotion which are crucial to the target consumers are promotion should be both believable and honest,

otherwise, the consumers loose interest in this aspect. The other key aspects which the target consumers look in to promotion are exact details of the product, no exaggerations, respecting public intelligence etc.

8. Promotion must be Legal

Promotion by no means should be illegal. The marketers must carefully analyze the authenticity and legality of promotion prior to announcement in the market.

9. Promotion must be Implemented Efficiently

Few types of promotions comprises of handling houses and premium suppliers. Proper arrangement in this case helps in reducing complexities arising due to involvement of outside parties.

Q34. Explain the various Reasons for the growth of Sales Promotion

Ans :

- 1. Cost-Effective:** High cost of media advertising such as newspapers and TV, is one of the main reasons to find more cost-effective forms of sales promotion.
- 2. Growth of Super markets:** The growth of huge supermarkets necessitated the need for aggressive selling. On-the-shelf promotion is another reason for its growth.
- 3. Accelerates Cashflow:** By inducing more sales through sales promotion, inflow, of cash increases — This could be one of the objectives of the firm.
- 4. Production capacity:** To main the high production capacity, a company may go for sales promotion to accelerate sales.
- 5. Creation of Goodwill:** Media advertising tends to be impersonal whereas sales promotion is more personal, linking the manufacturer with the customer.
- 6. Fun and Excitement :** The introduction of a certain amount of fun and excitement into promotions which customers can enjoy as participants.

7. **To attract buyers:** To encourage impulse buying and attract first-time buyers, sales promotion is used.

3.6.1 Objectives of Sales Promotion

Q35. Explain the various objectives of sales promotion ?

Ans : (May-19)

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:

- i) Increasing consumption
- ii) Broadening distribution channel
- iii) Educating consumers regarding product improvement.

Q36. Explain the Advantages and Disadvantages of sales promotion.

Ans :

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.

Q37. Discuss about various sales promotion strategies.

Ans :

The sales promotion strategy is an important element in overall marketing strategy. Sales promotion strategy involves identification of objectives, effective communication for attracting attention, allocation of budget, determining the correct promotional mix, introduction of strategic approach and finally evaluation. We shall study about each one of them briefly here.

1. Objectives

The marketer should determine his sales promotion objectives. He should determine what is to be accomplished and what kind of buyer responses are desired. Sales promotion tasks should be objective oriented. These tasks are informing, persuading and reminding the customers about the products. The sales manager should inform consumers about his product and should highlight its special features. He has not only to inform the customers but persuade them to buy it.

2. Communication

Sales promotion should attract the attention of the target audience. If the prices, discounts, off season facilities etc, are not adequately and effectively communicated, the effort of sales promotion would be wasted. A point to be noted here is that the audience evaluates not only the message but also the source of the message in terms of its credibility. The purpose of communication is to persuade potential customers to purchase the product.

The sales manager determines the message to be aimed at the target market to gain product acceptance. The overall marketing objectives define the role of communication in sales promotion. Identifying the target audience is the main task of a sales promotion communication. The audiences response to the message source helps determine the effectiveness of the message.

3. Medium of Reach

Sales promotion may adopt different methods for approaching people. Strategic variables are taken into account while deciding a particular method of sales promotion. Consumer promotion has been considered a very effective mode of sales promotion; potential consumers are offered samples, coupons, etc; to promote sales. The point of purchase display is a silent strategy to trigger off buying decisions. Retailers rely on in-store displays to familiarize customers with their product. A showroom display makes it easy for prospective buyers to familiarize themselves with the different features of the product.

Trade promotion through buying allowance, free goods, merchandise allowances, push money etc; help to enhance sales by retailers and traders. Packaging is another important form of promotion, particularly for consumer goods. It may carry selling messages and information about the product. A good package design attracts the shopper's attention away from other products. It is a proper blend of colour, design and shape.

4. Budget

One of the most difficult marketing decisions facing companies is how much to spend on promotion. It is not surprising that industries and companies vary considerably in how much they spend on promotion. It is important to determine sales promotion budgets before resorting to sales promotion activities. The resources and sales potentials are estimated before the formulation of budgets. Sales promotion budgets should be adequate so that they achieve the promotion objective.

5. Promotional Mix

Companies face the task of distributing the total promotion budget over the four promotion tools of advertising, sales promotion, publicity and sales force. Within the same industry, companies can differ considerably in how they allocate their promotional budget.

Companies are always searching for ways to gain efficiency by substituting one promotional tool for another as its economics become more favourable. Many companies have replaced some field sales activity with ads, direct mail and telemarketing. Other companies have increased their sales promotion expenditures in relation to advertising, to gain quicker sales.

The trial and error method, past performance and corporate policies may influence the appropriate promotional mix. Many firms have increased their sales with the application of appropriate combinations of the promotion media, sales promotion and personal selling are supported with publicity.

The promotion mix is a variable in the marketing strategy. It should be clearly decided how far a particular element should be used in combination with other promotional methods.

6. Strategic Approach

The kind of promotional mix employed determines the promotional strategy. Generally speaking a particular combination, type or amount of sales promotion, personal selling, publicity and advertising are brought into the promotional mix, which becomes the promotional strategy in the course of implementation. The marketing strategy as much guides the determination of the promotional strategy, which may be divided into sale promotion strategy, personal selling strategy, publicity strategy and advertising strategy. The strategies, sustaining promotional strategy, developmental promotional strategy or promotional appropriation.

(i) Push and Pull Strategies

The push and pull promotional strategies may be used to enhance sales.

- The push strategy concentrates on middlemen or retailers who push the sale of the product to the final consumers. This strategy covers cooperative advertising, attractive terms of sale, coupons and discount facilities.
- The push strategy asks the sellers or retailers to attract the layers. Trade promotion is thus the main form of the push strategy. Trade promotions refers to buying allowances, free goods, co-operative advertising, push money, sales contests and so on. The marketing manager has to adopt both these strategies to promote sales.

Features of push strategy

Industrial marketing strategies are mostly the push type strategies

relying primarily on personal selling. Also in the sale of medical products and in life insurance, marketers have to employ a lot of salesmen to call on physicians and prospects for life insurance. In push type promotion, personal selling expenses are considerable and dealer margin is also higher. In this, after – sale service is also important and marketers rely on selective distribution.

- The pull strategy is directed toward the final buyers. It persuades the buyers to go to the sellers to buy. Sales promotion, particularly customer promotion, is an important form of the pull strategy. Customer promotion, may call for the offer of samples, money-refund offers, prices-off, premiums and so on.

Features of pull strategy

Pull strategies depend upon mass communication.

- Products are literally pulled by buyers through the channels on the basis of mass promotional efforts. In a pull strategy, the product is pulled through the channel by creating end- user demand.
- Customers force retail shops to stock those mass- promoted products.
- In turn, retailers demand the highly advertised product from wholesalers. The firms having well- known brands can exercise control over channels through pull promotion strategies.
- Personal salesmanship plays a secondary role in pull promotion. Marketer rely on intensive distribution.
- Dealer margins are also lower in pull promotion.

Push – Pull strategy

Most consumer goods manufacturers generally employ a push- pull (combination) strategy to sell their products. The ratio of pull to push may differ according to the requirements of market situation. Salesmen are used to push the goods through the marketing channel, while advertising and sales promotion will support personal selling to accelerate sales. Thus, all tools of promotion work together.

(ii) Sustaining Promotional Strategy

The main aim of this strategy is to stabilise the market share. Sales promotion becomes necessary to sustain a market share. At a laggard stage, the markets may shrink. Unless appropriate steps are taken, the marketer may find that the market may be slipping away for, to his product. But this strategy can be adopted only after employing the penetrating strategy. That is, the market share should not decline after a higher level of sale has been attained. The sustaining promotional strategy stabilises the market share. Sales force promotion by way of bonus and other incentives may contain the market from slipping away. Steps are taken to prevent the sales force from going across to the competitors. Brand loyalty of customers is fostered and reinforced.

(iii) Developmental Promotional Strategy

The introduction of new products may require expansion of the market. Innovators need to have a developmental strategy. New products or brands are popularized by offering trade discounts, cash rebates, premiums, money refunds, and so on. The new consumers are given effective after- sales service. Consumer franchise building is done with development strategy. The promotional mix for a brand not yet popular may require emphasis on both personal selling and sales promotion.

(iv) Promotional Appropriation

Promotional objectives determine promotional appropriation. The forms of promotion, the costs of each component of promotion, the activities to be performed and appropriation on personal selling, sales promotion, advertising and publicity are determined under this strategic approach. The marketing manager has to arrive at the optimum promotional mix of the given objectives. And this requires proper planning and programme evaluation.

Product attributes, brand differentiation, purchase frequency, the nature of the market, the size of market and its location, the nature of prospective buyers, their purchase frequency, distribution and price strategies are evaluated before the formulation of an appropriate sales promotion strategy.

7. Evaluation of sales promotional strategy

Sales promotional strategies should be evaluated twice.

- First at the stages of implementation and secondly after the final performance because implementation control will suggest improvements during the application of the promotional strategy, while „performance control“ will be a guide for the future. Implementation control covers initial planning, objectives, promotional packages, and printing of special premiums and packaging materials, distribution to retailers, etc. Even though it has proved successful whenever tried, very few firms adopt this strategy. Many manufacturers believe only in performance control.
- Performance is evaluated in the light of planned objectives. Consumer surveys and consumer experiments are used to evaluation techniques show how far the sales promotion techniques have been effective in increasing sales through motivating consumers and sellers, and point the way to improvement in sales promotion.

Q38. Classify the Different types of Sales Promotion.*Ans :***(May-18)**

The different kinds of sales promotions are as follows:

(i) Sales promotional letters

Several large companies utilise 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, danglers, strickers, mobile wobblers and streamers are used at the retail shop level to induce purchase.

(iv) Demonstrations

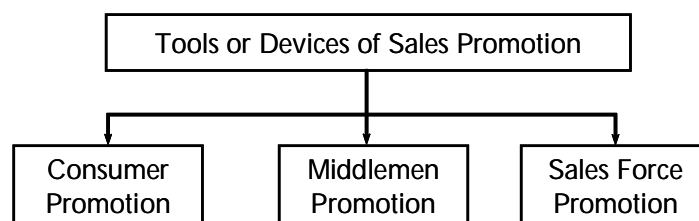
Companies resort to product demonstrations for sales promotion especially, when they are coming up with a product new to the market. In India, recently, several low unit price products like light beverages and washing powders and high unit price products like washing machines and personal computers utilised 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.

3.6.2 Tools of Sales Promotion**Q39. Explain the various Tools of Sales Promotion.***Ans :***(May-19, May-18, May-16, May-13, Imp.)**

The various sales promotion devices can be classified in three ways as shown in figure below:

**Figure****1. Consumer Promotion**

Sales promotion directed at consumers may be done with a view to increase the products rate of using among existing consumers or to attract new consumers to the company's product. It may also be undertaken to retaliate the competitors' sales promotion or other activities.

Consumer contests may be helpful in achievement of marketing objectives such as the following:

- i) Introducing a new product,
- ii) Opening up new territories or markets,
- iii) Getting consumers to increase the frequency of their purchases,
- iv) Increasing brand awareness and maintaining brand loyalty,
- v) Offsetting price competition,
- vi) Activating slow-moving products,
- vii) Obtaining information such as names, addresses and opinions of users of the product for the purpose of research.

Forms of Consumer Promotion

i) Free Distribution of Samples

It involves free distribution of samples to ultimate consumers. The samples may be distributed door to door, or may be offered in a retail store, or with the purchase of any particular product. These samples may also be given to professionals to recommend. This helps the consumer to verify the real quality of the product. This is suitable for introducing a new product of daily use, e.g., promotion of surf excel.

ii) Coupons

A coupon is a certificate that entitles the consumer to a specified saving on the purchase of a specified product. These coupons are usually issued by the manufacturers through the retailers or in most of the cases; they are kept inside the package. The consumer may get a discount of the value stated on the coupon at the time of purchase. The retailers are reimbursed the value of coupons by the manufacturers, e.g., lifebuoy issues coupons on purchase.

iii) Premiums or Bonus Offers

An offer of a certain amount of product at no cost of consumers who buy a stated amount of a product or a special pack thereof is called premium offer or bonus offer. This

method is very popular now-a-days in view of the acute competition. Premium may be kept inside the pack or in the form of reusable container.

iv) Money Refund Offer

This offer is generally stated in media advertising that the manufacturer will return the price if the product is not to the satisfaction of the consumer within a stated period. For example, Bull-worker exerciser is promoted this way.

v) Price off or Temporary Price Reduction

This involves an offer to consumers of a certain amount of money off the regular price of a product. This is done to attract consumers of other brands to his product. This offer is generally made on some specific occasions or festivals such as Diwali or Id etc. or when a substitute or competing product enters the market.

vi) Contests or Sweepstakes

At times, contests are arranged with a view to attract new users to the company's product. An opportunity under this device is given to consumer to contest with a chance to win cash prizes, free air trips or goods. It is an indirect manner of introducing a new product. In such contests, consumers are asked to replay very simple question in a form available on purchase of the company's product.

vii) Bonus Stamps

Such bonus stamps are issued to the consumers by the retailers or manufacturer in proportion to their purchases. The consumer goes on collecting stamps until he has sufficient quantity to obtain desired merchandise in exchange of the stamps.

viii) Draw

Under this system, every purchaser making a purchase of certain specified amount is offered a coupon during a certain period. After the expiry of the period a draw is made and attractive prizes are given to the winners.

ix) Cheap Bargain (or) Self Liquidating Premium

Under this method, the consumer is offered another product at a cheaper rate along with the purchase of company's product. For example, a plastic bucket of 5 liter at ₹ 5 only with the purchase of one kg. pack of 'Surf'.

x) After Sale Service

Under this method, the producer gives a guarantee to the consumers to maintain the product for a certain specified period. It is called warranty. If, during this period, consumer feels any problem, he may get the defect removed at no cost. It develops faith among the consumers about the quality of the product.

2. Middleman Promotion

Incentive programmes for dealers aim at obtaining maximum cooperation from distribution channels such as wholesalers, semi-wholesalers and retailers, who form the vital links in the distribution chain. Manufacturers want preferred store locations and special displays. They want the product to be displayed in those retail outlets where it is possible to attract the maximum number of consumers. Because more manufacturers seek this kind of merchandising help than retailers can provide, the practice of trade deals has shown increased acceptance.

There are different types of deals and the most common among them are described below:

i) Buying Allowance Discount

The buying allowance or discount is offered to the dealer to induce him to buy the manufacturer's product. Such discount may be either deducted on invoice price or on cash paid. Such allowance or discount may be given at a fixed percentage on each minimum quantity of product purchased during a stated period of time.

ii) Buy-back Allowance

This method of promotion is practiced to prevent a post deal sales decline. Under this method, the manufacturer offers a certain amount of money for additional new purchases based on the quantity of purchases made on the first trade deal.

iii) Display and Advertising Allowance

The allowance is offered to the dealer to display the manufacturer's product. The allowance is given on the basis of space provided to display the manufacturer's product in the shop.

iv) Dealer-Listed Promotion

Under this method dealer name and address is given on the advertisement and other publicity material as calendars, diaries, etc.

v) Push Money or PM's

This is an incentive payment in cash or in kinds to the retailer or salesman to push the sale at a fixed rate for each article sold.

vi) Sales Contests

It is device used to stimulate and motivate distributors, dealers and their sales staff. They are offered cash prizes for those who will win the sale contest, i.e., who will make the highest sales of the company's product. In view of the winning chance, sellers participate in the contest.

vii) Free Gifts

Under this method, producer gives free gifts to the dealer on the basis of quantity of product purchased by him.

viii) Advertising Material

The advertising materials such as calendars, New Year diaries, literature, sign boards, packing bags, posters, etc. are supplied by the producer of the product to the dealer or middlemen for advertisement.

ix) Credit Facility

The producers allow credit to their dealers, based on the quantity purchased by them. This enables them to purchase bulk quantity.

3. Sales Force Promotions

Personal selling by far is the most important method of sales promotion. To make it highly effective, sales force promotion schemes are felt necessary. The tools for sales force promotions are:

i) Bonus to Sales Force

A quota of sale is fixed for each salesman during a fixed stated period. Bonus is offered on sales in excess of the quota fixed. In order to get the higher premium the salesman will try to sell more quantities of goods.

ii) Sales Force Contest

Sales force contests are announced to stimulate company salesmen to redouble their interest and efforts over a stated period with prizes to be the top performer.

iii) Sales Meetings, Salesmen's Conventions and Conferences

These are conducted by the manufacturers for the purpose of education, inspiring and rewarding, the salesmen. New-products and new selling techniques are described and discussed in such meetings.

3.7 PUBLIC RELATIONS

Q40. Define Public Relations. What are the characteristics of Public Relations?

Ans :

Introduction

Most firms in today's environment are not only concerned to customers, suppliers and dealers but also concerned about the effect of their actions on people outside their target markets. It is a planned effort by an organization to influence the attitudes and opinions of a specific group by developing a long term relationship. The target group may include a large number of interested public (customers, stock holders, government agency, and special interest group).

A public is any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives. Public relations (PR) involve a variety of programs designed to promote or protect a company's image (or) its individual products.

Definitions

- i) "Public relation is a deliberate and continuous effort to establish and maintain understanding between an organization and its public".

- ii) "Public relations are a broad set of communication activities used to create and maintain favorable relations between the organization and its publics. Customers, employees, stockholders, government are officials and society".

- iii) **According to Indian Institute of Public Relations**, "Public relations practice is the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organization and its public".

- iv) **According to International Conference of Public Relations Institutions**, "Public relations practice is the art and social science of analyzing trends, predicting their consequences, counseling organization leaders and implementing planned programmes of action which will serve both the organization and the public interest".

- v) **According to Public Relations Society of America (PRSA)**, "Public Relations (PR) help an organization and its publics relate to each other to the benefit of both".

Public relations (or) PR is an activity aimed at increasing communication and understanding between an organization and individual and one or more groups called publics. The ultimate goal of any public relations effort is for a corporation, institution, organization or individual to win favor with the general public. In order to do this, the public's interests and concerns must be addressed. Good communication is the foundation of any successful public relations campaign.

Characteristics of Public Relations

The characteristics of public relations are:

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 specialized 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 organizations compete 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.

Q41. What are the functions of public relations?

Ans :

The primary function of the public relations is to create the favourable image of the company and its product in the minds of the public by communicating the policies, practices, performances and achievements to the public. Public is a very wide term which includes consumers, dealers, employees, shareholders, government and the community at

large. Now we shall discuss how the public relations communicate with the various sections of the public.

1. Communicating with Consumers

The goodwill and image of the company and its products in the mind of the consumers is a dominating factor for the success of the business enterprise.

- A favourable image must be created both about the product of the company as well as the company itself in the mind of the consumers.
- Public relations play an important role in creating a favourable image about the company and its products in the mind of the consumers.
- Consumer relations activities include providing proper information regarding company's history, background, policies, objectives and nature as well as quality of products.
- The knowledge of consumer's mind about the company and its products can be studied through surveys, research and probes etc.
- The consumers should be kept well informed from time to time about the availability and the quality of the products. Attempts should also be made to adjust the company's products, policies and practices to meet the consumer's preferences.
- Every possible effort should be made to find out the consumer's need and then indicate how a suitable product will meet that need and provide satisfaction to the consumers.

2. Communicating with Dealers

It is true particularly in case of large manufacturers who totally depend on dealers to sell their products.

- The dealers represent the manufacturers to the public and to the community at large of which he is a part.
- Therefore, good dealer relationship becomes most important for them.

- Dealer's relations are a key note in any company's public relations programme mainly in India. In India, it is a regular phenomenon in case of several products (such as cement, steel, raw films, paper, life saving medicines, certain food products etc.) That their periodical shortage is experienced for a substantial part of the year.
- Stocks go underground overnight and thus the prices are substantially increased. It is also known as black marketing.
- Such activities on the part of scrupulous dealers bring bad name to the manufacturers in the eyes of the consumers and the government.
- In order to avoid such type of phenomenon, the dealers should be educated and trained.

3. Communicating with Shareholders

A shareholder is a person who has invested money in the company. Therefore, naturally expect a reasonable return on his investment, keeping in-view the risk he is taking by investing his money in the company.

- Thus, good company shareholders relation-ship cannot be built up if the company is not fair to them in the declaration of proper dividend every year besides holding regular meetings etc.
- The amount of dividend also affects the price of the share in the stock market. Besides the declaration and payment of dividends regularly, good companies also try in different ways to build up better company-share-holders relations.
- For instance, the attractive annual report, which is an important means of communication, creates good image of the company in the mind of the shareholders.

4. Communicating with Employees

Nowadays strikes, lockouts, gheraos etc. are common everywhere in industries and mainly in India. This is a clear cut indication of poor employer-employee relations.

- It affects the production and the progress adversely.
- It is mainly due to communication gap between the employer and the employees. No doubt that this is the area of personal department but the public relation can also play an important role in this connection.
- A good company always tries to build up loyalty amongst its employees and motivates them to higher productivity or better performance.
- The public relations department can assist the personnel department in its efforts to bring about improved working conditions, grievance procedures, promotional policies, employee's training, career-planning, education, health and other welfare activities.
- A family atmosphere may be built up inside the company by effective communication with employees.

5. Communicating with the Community

Communication with the community is most essential for developing goodwill and favourable image of the company in the minds of the general public. It is, therefore, necessary for every company to realise its social responsibilities towards the community at large. After all, the shareholders, consumers, dealers, employees or even the company itself is an integral part of the community.

Effective communication with the community can be established through

- (i) Providing donations to charitable institutions,
- (ii) Providing educational facilities by establishing schools and colleges and also providing scholarships to poor and brilliant students,

- (iii) Encouraging family planning programmes,
- (iv) Adoption of a code of fair trade practices,
- (v) Assisting in the removal of poverty, backwardness and ignorance etc.

In this connection it should be kept in mind that the community relations' activities must be geared to the actual needs felt by the community at large and should not be just a form of glorification for the company or their owners' name.

Q42. Explain the major tools of public relation.

Ans :

Public relations (PR) tools and activities, can promote positive attitudes and behaviours towards your business that will help convert interested consumers into customers.

PR tools are very cost-effective, and often give you a greater degree of control than more broadly targeted advertising campaigns. Consider using these PR tools to build your business's reputation.

1. Media relations

Media strategies focus on circulating messages through media channels to manage how your business is portrayed by the media. Your media tools might include releasing media statements and fact sheets, offering on-site media tours to encourage journalists to report positive messages about your business, and using social media to get the attention of journalists and track journalists who report in your market.

By developing good media contact lists and building relationships with key journalists to pitch media releases and story ideas to, you can use local, regional or state media to:

- Promote your business
- Manage risks, issues or crises affecting your business.

2. Advertorials

Advertorials are advertisements in the form of news stories or reviews in newspapers. Advertorials allow you to associate your advertising with the credibility of the newspaper.

Many businesses employ advertising or marketing professionals to help them develop TV advertorials - which are commonly used as a form of advertising and product placement.

3. Social media

Social media lets you bypass the media and go straight to your customers. Using social networking sites such as Facebook and Twitter allows you to follow and be followed by journalists, drive web traffic, manage issues by responding quickly to criticisms or negative perceptions, and increase exposure for your business brand. Learn more about social media and your business.

Newsletters : Print or emailed newsletters are a good way to promote your business, communicate with customers and keep them informed of new products and services.

Regular newsletters can strengthen your personal connections with customers and reflect your business brand and personality. A well written newsletter offers information of value to your customers.

4. Brochures and catalogues

'Take home' (or) mail-out brochures (or) catalogues can help keep your customers thinking about your business and its products and services.

Properly designed brochures and catalogues give customers confidence in you and your brand, and help drive customers to your website or store. Information contained in business brochures and catalogues can be effectively reworked for your website, helping you do business online.

5. Business events

Events are opportunities for business people to gain exposure for their businesses, promote new products or services and make sure accurate information reaches targeted customers.

From a sales point of view, events are a chance to counter customer doubts and build customer confidence. They can also help you research your market and competitors, and build your mailing list. Make sure you go to the event prepared with marketing materials to disseminate and a way to collect information and customer details.

Trade shows are an opportunity for businesses to compete in their industry and share information with people in similar lines of work. Learn more about promoting your business at trade shows and exhibitions.

6. Speaking engagements

Speaking at events where customers are likely to attend helps position you as a leader or innovator in your field. As a business owner or leader, building your reputation as an expert also builds the reputation of your business - and draws new customers.

7. Sponsorships (or) partnerships

Partnerships and sponsorships are good for business. Supporting a not-for-profit cause can help build feelings of goodwill and loyalty towards your business. Community partnerships may involve an exchange of funds or in-kind benefits to grow a local community organisation in return for benefits that promote your business reputation.

Partnerships can help consumers identify your brand with good business practice and good ethics.

8. Community relations

Building good relationships with members of the community where you do business helps build customer loyalty. Find out where the customers in your community live by collecting postcodes at point of sale.

Engaging local stakeholders and decision makers helps build your profile and level of influence, helping you to attract more customers through word-of-mouth and ensuring your business interests are factored into community decision making.

Q43. State the advantages and disadvantages of public relations

Ans :

Advantages

1. Credibility

Public relations communications are not perceived in the same light as advertising that is, the public does not realize the organization either directly or indirectly paid for them they tend to have more credibility. The fact that the media are not being compensated for providing the information may lead receivers to consider the news more truthful and credible.

2. Cost

In both absolute and relative terms, the cost of public relations is very low, especially when the possible effects are considered. While a firm can employ public relations agencies and spend millions of dollars on PR, for smaller companies this form of communication may be the most affordable alternative available.

Many public relations programs require little more than the time and expenses associated with putting the program together and getting it distributed, yet they still accomplish their objectives.

3. Avoidance of clutter

These are typically perceived as news items, public relations messages are not subject to the clutter of ads. A story regarding a new product introduction or breakthrough is treated as a news item and is likely to receive attention. When Steven Jobs (the founder of Apple Computer) announced his return to Apple, after being with another firm for years, all the networks covered it, as did major newspapers and magazines. Some (like CNN) devoted two- to three-minute segments to the story.

4. Lead generation

Information about technological innovations, medical breakthroughs, and the like results almost immediately in a multitude of inquiries. These inquiries may give the firm some quality sales leads.

5. Ability to reach specific groups

Some products appeal to only small market segments, it is not feasible to engage in advertising and/or promotions to reach them. If the firm does not have the financial capabilities to engage in promotional expenditures, the best way to communicate to these groups is through public relations.

6. Image building

Effective public relations helps to develop a positive image for the organization. A strong image is insurance against later misfortunes.

Disadvantages**1. No Guarantees**

Even great PR firms cannot guarantee positive results. The nature of the business is volatile and publications can be infrequent or nonexistent for long periods of time. It can also take long time for PR to gain traction for a business and the payoffs may not be noticeable until months later. In a larger firm, there is also no guarantee that a portfolio won't end up in the hands of an intern or inexperienced agent, even though the cost does not reflect it. Giving a third party control of PR can leave a business vulnerable if they do not take the care to manage.

2. Price

Hiring a good PR specialist or firm can be very expensive, which can make it impossible for startups or small businesses to use it effectively. Cheaper agencies can provide low quality publicity that does little for a business, which just ends up being a waste of money as well. There is no reason a cheap PR firm or freelancer with a low rate cannot provide you with good PR, but typically businesses get what they pay for when it comes to PR.

3. Unnecessary

Sometimes PR just is not needed, but that does not mean it will not be sold to a business. Small businesses and startups can often do their own PR in the form of blogs and guest posts, or simply outreach to writers. It takes more time and might not be as effective as

hiring a third party, but it is much cheaper and can still provide results.

Choosing to start a PR campaign can be a stressful choice for a business owner and the decision should not be taken lightly. Be sure to shop around to find a quality PR specialist that fits the budget and can provide quality references. Be wary of people who promise great results could just be trying to close a sale. Sometimes PR is the best investment a business can make, but in other situations the added cost can be a huge mistake.

3.8 DIRECT MARKETING**Q44. Define Direct Marketing. Explain the features of Direct Marketing.**

Ans : (May-17, Imp.)

Meaning

Direct marketing (DM) is the process by which a firm approaches its customers on one-to-one basis and markets its products directly to them. In conventional marketing, a firm approaches the customers on a mass basis and sells to them indirectly.

It communicates one-on-one with existing festival or event-goers via mail, the telephone or the internet. It relies on organisers developing a list of people who previously attended the event and obtaining knowledge about their demographic profile and preferences. Incentives for consumers to provide information may include entry in a competition and the receipt of next year's event programme. Organisers can purchase lists of potential event consumers from direct marketing agencies.

Direct marketing can be very effective in either of these cases and is often the least expensive way to inform the target audience of the event.

Definition of Direct Marketing

- i) **According to Direct Marketing Association of USA**, "Direct marketing is an interactive system of marketing which uses one or more advertising media to affect a measurable response and/or transaction at any location".

Features of Direct Marketing

Successful direct marketing is based on four types of characteristics / feature. These are targeting, interaction, control and continuity, or TICC for short, as shown in figure. The figure can be looked at either as four triangles or alternatively as one triangle inside another. These features are discussed below:

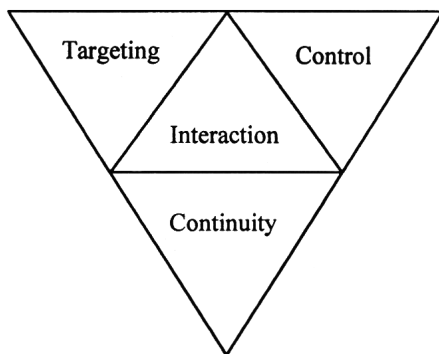


Fig. : TICC Features of Direct Marketing

1. **Targeting:** It refers to the selection of the recipients of the marketer's message, whatever media they may use, be it broadcast media, print advertising, direct mail, or telemarketing of sales calls. They may be targeting our established customers, identified prospects or a much larger audience of 'suspects'.
2. **Interaction:** It has been placed in the centre. It includes the stimuli marketers produce in the hope of eliciting a response from the people in the target market. Their response is also included in the interaction triangle. In all cases marketers will attempt to attribute a response to the correct stimulus.
3. **Control:** It is the management of marketing system. It includes setting objectives, planning at the strategic and operational level, budgeting and assessment of results.
The process is cyclical, future planning being informed by past results. The completeness of the data within the interaction triangle will be crucial to the exercise of control.
4. **Continuity:** It is about retaining customers, cross-selling other products and upgrading them. Marketers' painstaking care in recording interaction enables them to communicate with customers, recognising their interest and showing appreciation of their past customs.

Q45. State the Advantages and Disadvantages of Direct Marketing.

Ans :

Advantages of Direct Marketing

The importance of direct marketing is as follows:

1. Focused Approach

It is possible to identify a very specific target market using direct marketing techniques. This makes it a very useful promotional tool for niche products because it is possible to target only those who are likely to respond to the promotion - there is less wastage.

2. Cost Effective

Although cost per thousand people reached may be high as compared to other mass marketing promotional techniques, direct marketing can be very cost effective for niche products.

3. Immediate and Flexible

Some promotional activities can take a great deal of time to develop from first idea to final execution, for example, TV ads. Direct marketing is flexible and there are short lead times associated with its use because of which it often has an immediate impact on customer responses.

4. Easy International Reach

It is relatively easy to adapt a direct marketing campaign to an international target market.

5. Tailored Messages

Direct marketing also offers greater opportunities for developing tailor-made messages for particular groups of consumers.

6. Rapid Delivery

Direct marketing is both swift and flexible in achieving results. This is especially true for telemarketing, one of the direct marketing tools, as the results of a conversation can be logged immediately and scripts adjusted straight away to improve results.

7. Multiple Uses

Direct marketing doesn't just have to be used to sell - it can be used to test new markets and trial new products or customers, to reward existing customers to build loyalty, collect information for future campaigns, or segment a customer base.

8. Ease of Management

Direct marketing provides greater control and accountability than other marketing methods. It is easy to measure results because you know exactly how many people you've contacted in the first place. Once you have run a direct marketing campaign and know the conversion rates involved, you can work on refining and improving your success rates. Plus it also makes it easier to plan, forecast and budget for future direct marketing campaigns.

9. Testing Capability

Direct marketing allows you to test, test and test again in order to hit upon the most successful combination of direct marketing tools. Any of these variables such as timing, list, message, mailer and offer can be adjusted, tested again, and measured to find the optimum direct marketing proposition.

10. Relationship Building

Direct marketing is far more effective at initiating and developing a meaningful dialogue with new customers. From the outset you have a direct relationship with them, which can also be used as part of a push pull strategy to stimulate demand for retailers.

Disadvantages of Direct Marketing**1. May be Seen as Competing with Existing Intermediaries**

May upset marketing intermediaries as sales through direct marketing may be taking sales

away from them. In effect, you may end up competing with your own customers, that is, the intermediaries.

2. May be Seen as Intrusive by Consumers

Especially a problem for door-to-door and telemarketing.

3. Costs

Initial customer acquisition costs are high - high cost per thousand reached; and database development can be expensive.

4. Fraud

There is also the concern that personal information collected by legitimate direct marketing agencies could be purchased by unscrupulous or shady companies for the express purpose of fraud.

5. Lack of Awareness

Many people are unaware of how the personal information they include on an order form or survey may be used for targeted advertising later.

6. Cost

The cost per thousand will be higher than almost any other form of mass promotion (although the wastage rate may be much lower). Large quantities of paper are thrown away in direct marketing.

7. Alienation

Some recipients resent direct marketing being "forced" upon them, and boycott companies that do so. Moreover, they may obtain Prohibitory Orders against companies whose direct marketing mail they find offensive.

8. Privacy Concerns

Legitimate Direct Marketing firms should offer methods by which individuals can 'opt out' of these lists upon request. Direct Marketing agencies must respect the do-not-call list maintained by government agencies.

3.8.1 Forms of Direct Marketing

Q46. Discuss the various Forms of Direct Marketing.

Ans : (May-17)

Direct marketers can use a number of channels for reaching prospects and customers. These include face-to-face selling, direct mail, catalog marketing, telemarketing, TV and other direct-response media.

1. Face-to-face Selling

The original and oldest form of direct marketing is the field sales call. Today most industrial companies rely heavily on a professional sales force to locate prospects, develop them into customers, and grow the business. Or they hire manufacturers' representatives and agents to carry out the direct-selling task. In addition, many consumer companies use a direct-selling force: insurance agents, stockbrokers, and distributors working for direct-sales organizations such as Avon, Amway.

2. Mail Order Marketing/Catalogue Marketing

Mail Order Marketing (MOM)/Catalogue Marketing, also known as Mail Order Business (MOB), is one of the well-established methods of direct marketing. Since many mail order marketers use catalogues for communication with the consumer, this form of marketing is often referred to as catalogue marketing. In this method, the consumers become aware of a product through information furnished to them by the marketer through catalogues dispatched by mail. The entire marketing takes place by mail. Interested consumers respond by placing a mail order on the marketer; the product is supplied to the consumer by mail; payment by the consumer is also made by mail, either by VPP or by cheque, or by credit cards. The success of a catalog business depends on managing customer lists carefully to avoid duplication or bad debts, controlling inventory carefully, offering quality merchandise, so returns are low, and projecting a distinctive image. Some

companies add literary or information features, send swatches of materials, operate a special hotline to answer questions, send gifts to their best customers, and donate a percentage of profits to good causes.

Business marketers are making inroads as well. Putting their entire catalog online provides better access to global consumers than ever before, saving printing and mailing costs. Sales to foreign (mainly European) markets have driven earnings increases at Viking Office Products because, unlike the United States, Europe has few superstores, so is very receptive to mail order. The e-catalog business in South Asia is witnessing a gradual growth. Here is a brief description of some of the e-catalog businesses in India.

3. Direct Mail Marketing

Direct mail marketing (DMM) is similar to MOM. Usually, when a trading house markets various products by mail order, we refer to it as MOM or MOB and when a manufacturer markets his products by the same method, we refer to it as DMM. In direct mail marketing, not only letters/brochures are mailed to the prospects, but free product samples, gifts and compliments are also mailed, depending on the context.

Offer Elements

The offer strategy has five elements:

- i) Product
- ii) Offer
- iii) Medium
- iv) Distribution method, and
- v) Creative strategy.

The direct-mail marketer also must choose five components of the mailing itself:

- i) **Outside Envelope:** The outside envelope should contain an illustration, preferably in color, or a catchy reason to open it, such as the announcement of a contest, premium, or benefit. A colorful commemorative stamp, a non-standard shape or size of envelope, and a handwritten address, all attract attention.

- ii) **Sales Letter:** The sales letter, brief and on good-quality paper, should use a personal salutation and start with a headline in bold type. A computer-typed letter usually outperforms a printed letter, and a pithy P.S. increases response rate, as does the signature of someone whose title is important.
- iii) **Circular:** A colorful circular accompanying the letter usually increases the response rate by more than its cost.
- iv) **Reply Form:** Direct mailers should feature a toll-free number and a website where recipients can print coupons.
- v) **Reply Envelope:** A postage-free reply envelope will dramatically increase the response rate.

Direct mail should be followed-up by an e-mail, which is less expensive and less intrusive than a telemarketing call.

4. Telemarketing

Telemarketing describes the use of telephone operators to attract new customers, to contact existing customers to ascertain satisfaction levels, or to take orders. In the case of routinely taking orders, it is called telesales. Many customers routinely order goods and services by telephone.

Companies use call centers for inbound telemarketing - receiving calls from customers - and outbound telemarketing - initiating calls to prospects and customers.

In India, there are a large number of call centers for inbound and outbound telemarketing. Wipro BPO Solutions and Daksh by IBM are two such major players in this sector. In addition, companies such as ICICI, HDFC, and Reliance have their own call centers to attend to customer queries. Banks and credit card companies have been some of the major users of telemarketing in India. Offers for "instant loans" and other banking services, and prospecting customers for credit cards have been the main focus areas of telemarketing by banking and financial-services companies. Companies, other than financial services, are also using phonelines to drive home their sales messages, and to connect with consumers as part of a larger sales effort.

5. Direct Response Marketing

Direct Response Marketing (DRM) is; another expression that we come across in the context of direct marketing. It is similar to, but not exactly the same as direct mail marketing. What distinguishes direct mail marketing and direct response marketing from each other is the media/instruments used. While direct mail marketing relies on mail, i.e., letters/mailers for obtaining the response, direct response marketing uses more instruments/media (including letters/mailers), like telephone, radio, TV and computer. Some direct response marketing campaigns, for example, rely totally on television 'infomercials' (commercials which give information about product, benefits and usage aspects).

Depending on the media used - press, radio, or TV - response is elicited by giving a contact address/ phone number/fax number. In the case of press, usually a coupon is also attached to enable response.

6. Tele-shopping/Home Shopping

Tele-shopping, alternatively known as home shopping, is one of the relatively more recent editions of direct marketing. Here, the marketer hawks the product on the air and the consumer watches it on his TV screen at home, phones up the marketer and buys his requirement.

7. Database Marketing

Database marketing is yet another expression we come across in direct marketing. Although all forms of direct marketing are database-driven, some experts treat database marketing as a distinct form of direct marketing.

Q47. Compare and Contrast Direct Marketing and advertising.*Ans :*

Direct Marketing	Advertising
i) Selling to Individuals: Customers are identified by address and name.	i) Mass Selling: Buyers are identified as broad groups sharing common demographic and psychographic characteristics.
ii) Direct Marketing can build personal relation with each customer.	ii) Mass advertising cannot build personal relation.
iii) Direct Marketing copy is "You" plus "Benefits" copy - i.e., it is more personal.	iii) Advertising copy is "Me" and "It" copy - it focuses on what the company and the product does.
iv) The medium is the market place, i.e., the product is ordered through telephone, e-mail, etc.	iv) The retailer outlet is the market place.
v) Marketer controls the product until delivery.	v) Marketer may lose control over the product as it enters the distribution channel.
vi) Direct Marketing is used to motivate an immediate order and enquiry.	vi) Advertising is used to build image, awareness, recall, loyalty, etc.
vii) Effectiveness of Direct Marketing can be measured accurately.	vii) Effectiveness of mass media such as advertising is more difficult to measure.

Short Question and Answers

1. Define promotion.

Ans :

Introduction

Communication is necessary in exchange activities. The products cannot be sold to the customers unless they know them. People must know that the right products are available at the right place and at the right price. This is the job of promotion in marketing. Promotion is an important part in marketing mix. It can be defined as "the coordinated and self initiated efforts to establish channels of information and persuasion to facilitate the sale of goods or services."

Meaning of Promotion

Promotion is one of the four variables in the marketing mix. Basically it is a communication between producer and the consumers. After developing the product and pricing the product the next function of marketing manager is to formulate a suitable strategy for promoting the product. Promotion strategy is the fourth key element in overall marketing strategy. Promotion strategy focuses upon making the product flow through the marketing channels to the target market. Promotion activities in marketing are basically a communication exercise. Promotion intends to inform, persuade and influence people through communication.

Promotion is an essential element in modern marketing. The producer may have the best products, proper package, fair price but his efforts are incomplete without effective communication with the prospective customers. Promotion is a wider term. It includes (i) advertising, (ii) personal selling, (iii) sales promotion activities and (iv) other promotional tools that help in enhancing sales.

Definitions of Promotion

Following are some important definitions of promotion:

- i) **According to Douglas W. Mellot** "Promotion is the chief means a firm has of influencing buyer behaviour without cutting prices. It succeeds or fails to the degree that it communicates or fails to communicate product benefits to customers."

2. Define Promotion Mix.

Ans :

A promotional mix is important to the success of a firm because all firms want to promote and grow their firm to generate more revenue. By using promotional tools, a firm can bring in new customers and encourage these customers to come back through high quality service. A good promotional campaign starts with the promotional tools, but a great promotional campaign uses the promotional tools along with great customer service to create customer loyalty, realizing the potential loyal customers have on future business.

Objectives of Promotion Mix

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.

3. Define Advertising.

Ans :

Meaning and Definition of Advertising

The term 'advertising' is derived from the original Latin word 'advertere' which means 'to turn' the attention. "Every piece of advertising turns the attention of the readers or the listeners or the viewers or the onlookers towards a product or a service or an idea. Therefore, it can be said that any thing that turns the attention to an article or a service or an idea might be well called as advertising.

Definitions

- i) **According to American Marketing Association**, "Advertising is any paid form of non-personal presentation of ideas, goods or services by an identified sponsor".

ii) **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".

iii) **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 an advertisement, is disseminated through one (or) more media and is paid for by an identified sponsor".

4. Objectives of Advertising

Ans :

Major advertising objectives include the following:

i) Increase in sales

The ultimate objective of any advertising campaign is to increase the company's sales. The fact that sales show an increase following a campaign is encouraging, but great care is needed to ensure that the observed rise is actually due to the extra advertising and not due to some external variable (collapse of a competitor, changes in taste and fashion, or a rise in consumer's income)

ii) Spreading awareness and providing information

The most important objective of advertising campaign is to inform potential buyers about the product, its attributes, colours size, price, uses and design etc. It is very important to provide information to the potential customers in the market because the customers in the market may be unaware of the product.

iii) Attracting new customers

Here it is necessary to establish the percentage of customers who are purchasing the brand for the first time. This might not be easy and the services of a market research company may be required to obtain new customers.

iv) To keep the product alive in customer's mind

One of the objectives of advertising is to keep the memory of the product alive in the minds of the customers. Then only the buyers will buy the product.

5. Advertising Budget.

Ans :

Advertising Budget is the amount of money which can be or has to be spent on advertising of the product to promote it, reach the target consumers and make the sales chart go on the upper side and give reasonable profits to the company.

Before finalizing the advertising budget of an organization or a company, one has to take a look on the favorable and unfavorable market conditions which will have an impact on the advertising budget. The important ones among the practices followed for deciding the advertising budget.

6. Percentage of Sales Method

Ans :

- It is a commonly used method by large and medium sized companies
- Budget allocated depends upon the total sales figure i.e. high sales = high budget, low sales = low budget
- The basis of budget allocation is the total sale of brand or product. It may be:
- A fixed percentage of last year's sales figure is allocated as the budget,
- A fixed percentage of projected sales figures of the next year
- A fixed amount of the unit product cost is taken as advertising expense and multiplied by the number of projected sales unit.

Advantages

- It is simple, straight forward, easy to implement
- Expenditures are directly related to funds available.

Disadvantages

- It ignores that less advertising may decline sales or potential of advertising in rising sales
- It can lead to over or under spending
- It is difficult to predict sales for new products
- Decrease in sales leads to decrease in advertising budget which may be needed.

7. Competitive Parity Method*Ans :*

- Budget is based on competitors expenditure, advertisers decide budget matching competition's % of sales allocation
- Information of competitor's budget is available in trade journal and business magazine
- The basis is that collective wisdom of many firms may generate an advertising budget optimum or close to optimum
- It leads to competitive stability
- It minimizes chances of promotional wars

Disadvantages

- Each firm allocates budget according to its own specific goals
- It ignores the contribution of media and creative executions
- Information is gathered when money is spent.

8. Objective and Task method*Ans :*

In this method the selling objectives and budget decision are linked and considered simultaneously. It involves -

- Defining the advertising communication objectives to be accomplished
- Deciding specific strategies and tasks necessary to achieve them
- Estimating the costs involved in putting these activities in operation
- The total of these costs is taken as the base to determine the advertising budget.

9. Define Media.*Ans :*

The term media, which is the plural of medium, refers to the communication channels through which we disseminate news, music, movies, education, promotional messages and other data. It includes physical and online newspapers and magazines, television, radio, billboards, telephone, the Internet, fax and billboards.

It describes the various ways through which we communicate in society. Because it refers to all means of communication, everything ranging from a telephone call to the evening news on television can be called media.

10. Define Media Selection.*Ans :*

Media selection is the process of choosing the most efficient media for an advertising campaign. To evaluate media efficiency, planners consider a range of factors including: the required coverage and number of exposures in a target audience; the relative cost of the media advertising and the media environment. Media planning may also involve buying media space. Media planners require an intricate understanding of the strengths and weaknesses of each of the main media options. The media industry is dynamic - new advertising media options are constantly emerging. Digital and social media are changing the way that consumers use media and are also influencing how consumers acquire product information.

11. What is personal selling.*Ans :***Introduction**

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.

Meaning

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.

Definitions

- i) **According to Ripley**, "Salesmanship is the power to persuade plenty of people pleasurably and permanently to purchase your product at a profit".
- ii) **According to H. W. Horignton**, "Salesmanship is a personal service rendered to the community in connection with the marketing of goods. It is a service which is essential to the producer and distributor of goods as well as to the consumer".
- iii) **According to Harold White Head**, "The art of presenting and offering that the prospect appreciates the need for it and that a mutually satisfactory sale follows".
- iv) **According to W. M. Scott**, "It is a part of salesman's business to create demand by demonstrating that the need does exist although before his visit there was no consciousness of that need".

Q12. Define sales promotion.

Ans :

Introduction

Sales promotion consists of diverse collection of incentive tools, mostly short-term designed to stimulate quicker and 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

- i) **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.
- ii) **According to William J. Stanton**, "Sales promotion is an exercise in information, persuasion and influence".

13. Define Public Relations.

Ans :

Most firms in today's environment are not only concerned to customers, suppliers and dealers but also concerned about the effect of their actions on people outside their target markets. It is a planned effort by an organization to influence the attitudes and opinions of a specific group by developing a long term relationship. The target group may include a large number of interested public (customers, stock holders, government agency, and special interest group).

A public is any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives. Public relations (PR) involve a variety of programs designed to promote or protect a company's image (or) its individual products.

Definitions

- i) "Public relation is a deliberate and continuous effort to establish and maintain understanding between an organization and its public".

- ii) "Public relations are a broad set of communication activities used to create and maintain favorable relations between the organization and its publics. Customers, employees, stockholders, government are officials and society".
- iii) **According to Indian Institute of Public Relations**, "Public relations practice is the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organization and its public".
- iv) **According to International Conference of Public Relations Institutions**, "Public relations practice is the art and social science of analyzing trends, predicting their consequences, counseling organization leaders and implementing planned programmes of action which will serve both the organization and the public interest".
- v) **According to Public Relations Society of America (PRSA)**, "Public Relations (PR) help an organization and its publics relate to each other to the benefit of both".

14. Define Direct Marketing.

Ans :

Meaning

Direct marketing (DM) is the process by which a firm approaches its customers on one-to-one basis and markets its products directly to them. In conventional marketing, a firm approaches the customers on a mass basis and sells to them indirectly.

It communicates one-on-one with existing festival or event-goers via mail, the telephone or the internet. It relies on organisers developing a list of people who previously attended the event and obtaining knowledge about their demographic profile and preferences. Incentives for consumers to provide information may include entry in a competition and the receipt of next year's event programme. Organisers can purchase lists of potential event consumers from direct marketing agencies.

Direct marketing can be very effective in either of these cases and is often the least expensive way to inform the target audience of the event.

Definition of Direct Marketing

- i) **According to Direct Marketing Association of USA**, "Direct marketing is an interactive system of marketing which uses one or more advertising media to affect a measurable response and/or transaction at any location".

15. Direct Mail Marketing

Ans :

Direct mail marketing (DMM) is similar to MOM. Usually, when a trading house markets various products by mail order, we refer to it as MOM or MOB and when a manufacturer markets his products by the same method, we refer to it as DMM. In direct mail marketing, not only letters/brochures are mailed to the prospects, but free product samples, gifts and compliments are also mailed, depending on the context.

Offer Elements

The offer strategy has five elements:

- i) Product
- ii) Offer
- iii) Medium
- iv) Distribution method, and
- v) Creative strategy.

Choose the Correct Answer

1. Promotion is the element _____ of marketing mix. [d]
(a) Second (b) Fifth
(c) First (d) Third
2. Promotion is important in _____. [a]
(a) Competitive market (b) Global
(c) Wider market (d) Local market
3. Which of the following is the spark plug of our marketing mix ? [d]
(a) Place (b) Price
(c) Product (d) Promotion
4. Promotion persuades and convinces the and influences his/her behaviour to take the desired action _____. [b]
(a) Seller (b) Buyer
(c) Wholesalers (d) Retailers
5. Promotion message has two basic purposes _____. [d]
(a) Persuasive communication (b) Tool of competition
(c) None of these (d) Both a and b
6. Promotion is responsible for _____. [d]
(a) Advertising the product
(b) Pricing the product
(c) None of these
(d) Stimulating consumer demand for product
7. Promotion mix includes _____. [c]
(a) Advertising, publicity (b) Personal selling
(c) All the above (d) All forms of sales promotion
8. Which of the following is non - personal presentation and impersonal salesmanship for mass selling _____. [a]
(a) Advertising (b) Publicity
(c) Personal selling (d) Sales promotion
9. Which of the following is a best means of oral and face to face communication for making sales _____. [b]
(a) Sales promotion (b) Personal selling
(c) Advertising (d) Marketing
10. Promotional element of marketing mix is information _____. [d]
(a) Information (b) Persuasion
(c) Reminding (d) All the above

11. 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
12. Mission, Money, Message, Media and Measurement are 5M's of _____. [c]
(a) Marketing mix (b) Marketing
(c) Advertising (d) Channels of distribution
13. Advertising Medias _____. [d]
(a) Newspapers and magazines (b) Radio
(c) Television (d) All the above
14. Advertising lacks in _____. [d]
(a) Credibility (b) Trustworthiness
(c) Creditworthiness (d) Both (a) and (b)
15. 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
16. Advertising is very helpful for quickly introducing a _____. [b]
(a) Pricing policy (b) New product
(c) New brand (d) Credibility
17. Advertising responsible for creating and rising the _____. [a]
(a) Standard of living (b) Shares of shareholders
(c) Dividend (d) Commission
18. Advertising must be carried on by a _____. [b]
(a) Identified seller (b) Identified sponsor
(c) Identified manufacturers (d) None of these
19. Advertising is a paid form of _____. [b]
(a) Remuneration (b) Communication
(c) Incentive (d) Publicity
20. An organization can drive maximum benefit by giving importance to _____. [c]
(a) Marketing (b) Sales Promotion
(c) Personal Selling (d) Production
21. Personal selling facilitates the seller to understand each customer's _____. [a]
(a) Preferences (b) Attitudes
(c) Demand (d) All the above

22. Personal selling provides a human touch to _____. [a]
(a) Business transactions (b) Marketing transactions
(c) Cash transactions (d) Production transactions
23. Personal selling provides a package of inputs of experts from different areas such as _____. [d]
(a) Installation (b) Trouble shooting
(c) Sales (d) All the above
24. The end result of any distribution effort is the ready availability of _____. [c]
(a) Price (b) Place
(c) Product (d) Promotion
25. When does the whole of business becomes useless? [a]
(a) Product is not available when actually needed
(b) Production is less
(c) Customers dislike the product
(d) All the above
26. Duty of a sales person is _____. [d]
(a) Motivation (c) Confidence about the product
(b) Generate interest (d) All the above
27. Personal selling is more effective in the trial stage of the _____. [b]
(a) Production process (b) Lessoning
(c) Communication process (d) All the above
28. Personal selling takes place between _____. [a]
(a) Manufactures to retailer (c) Both a and b
(b) Purchase process (d) Marketing process
29. Personal selling is a _____. [a]
(a) Two-way communication (c) Three-way communication
(b) One-way communication (d) Four-way communication

Fill in the blanks

1. A _____ is important to the success of a firm because all firms want to promote and grow their firm to generate more revenue.
2. _____ efforts acts as a tool in maintaining loyalty among customers who purchase the product in specific stores frequently.
3. _____ is a paid form of non-personal presentation of ideas, goods or services by an identified sponsor.
4. _____ is demand stimulating device designed to supplement advertising and facilitate personal selling.
5. _____ is a personal form of communication which involves an interactive relationship between the seller and the buyer.
6. _____ involves the business attempting to locate, contact, offer, and make incentive-based information available to consumers.
7. A _____ is a specified amount of money set aside to promote the products or beliefs of a business or organization.
8. Advertising helps to identify the product's _____.
9. Advertising message can be addressed to numerous persons at a time collectively called _____.
10. Advertising is a _____ and _____ of communication.
11. _____ is one of the oldest professions in the world.
12. Salesmanship is one of the skills used in _____.
13. _____ selling is an important element in the promotion mix.
14. _____ is possible in personal selling.
15. The main function of personal selling is to provide services to the _____.
16. _____ is one of the simplest approach to selling.
17. AIDA stands for _____.
18. _____ selling approach both buyers and sellers works with collaboration
19. Personal selling is more effective in the trial stage of the _____ process
20. Personal selling takes place between _____ and _____.

ANSWERS

1. Promotional Mix
2. Promotional
3. Advertising
4. Sales promotion
5. Personal Selling
6. Direct marketing
7. Promotional budget
8. Sponsor
9. Audience of advertisement
10. Non-personal and Indirect means
11. Selling
12. Personal selling
13. Personal
14. Feedback
15. Customers
16. Stimulus response selling
17. Attention, interest, desire and action
18. Consultative
19. Production
20. Sales person; prospective customer

UNIT IV

CHANNEL MANAGEMENT & RETAILING:

Marketing Channels: Nature – Channel Levels - Channel Structure &. Participants – Functions of Marketing Intermediaries - Channel Design Decisions - Channel Conflict and Resolution - Online Marketing - Online Marketing Channels – objectives – Merits – demerits –Retailing: Meaning – Significance – Emerging trends – forms of retailing – formats of retail stores.

4.1 MARKETING CHANNELS

4.1.1 Nature

Q1. Define the term channel. Explain the nature of marketing channels.

Ans : (May-19)

Introduction

Manufacturers normally use intermediaries for taking their products to the users. The inter-mediaries bear a variety of names.

All such intermediaries constitute the marketing channel. The manufacturer's branch offices, depots, warehouses and showrooms too form part of the marketing channel. Where institutional channels like chain stores, super markets, etc., are used by the firm, they too form part of the marketing channel of the firm.

Channels play a pivotal role in marketing; they perform a number of vital distribution functions. Their importance emanates from the functions performed by them.

Firms rely on the marketing channels for generating customer satisfaction and for achieving differentiation over competitors. Channels are thus a vital source of competitive advantage for the firm.

Meaning

A channel of distribution (sometimes call a marketing channel) is a group of individuals and organizations 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

- i) **According to American Marketing Association** 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.
- ii) **According to Kotler & Armstrong** 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.
- iii) **According to John A, Howard** "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."
- iv) **According to William J. Stanton** "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".
- v) **According to Philip Kotler**, "Every producer seeks to link together the set of marketing intermediaries that best fulfil the firm's objectives. This set of marketing intermediaries is called the marketing channel (also trade channel or channel of distribution)".
- vi) **According to William J. Stanton**, "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".

- vii) **According to E. W. Cundiff and R. S. Still**, "Channel of distribution is a path traced in the direct or indirect transfer of the title to a product as it moves from a producer to ultimate consumers or industrial users".

A major focus of channels of distribution is delivery. It is only through distribution that public and private goods and services can be made available for use or consumption. The emergence and arrangement of a wide variety of distribution oriented institutions and agencies, typically called intermediaries because they stand between productions on the one hand and consumption on the other.

Nature of Channel 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.

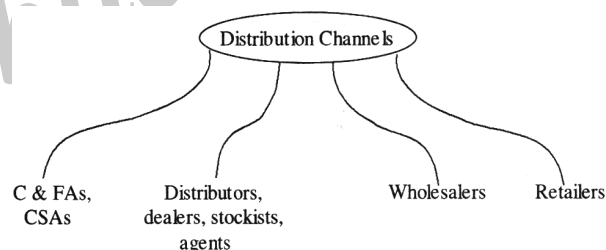
10. Supply Demand Linkage

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.

Q2. Explain the different types of distribution channels.

Ans :

The various types of distribution channels are as follows:



1. Carrying and Forwarding Agents, (C&FAs), Consignment Selling Agents (CSAs)

C & FAs and CSAs are called as Facilitators. C & FAs are an acronym for "Carrying and Forwarding Agents" where as CSAs are an acronym for "Consignment Selling Agents". Generally, C&FAs are transports and acts as a marketing channel between company and its distributors. The functions performed by C & FA is to assemble company plant in a warehouse in order to break bulk and then dispatch to the distributors which have indents from the company. The stock kept in the C & FAs warehouse belong to the company only and C&FAs are responsible for physical possession of the goods. It was mandatory to keep atleast one C & FA in each state for those companies possessing national distribution prior to the setup of Value Added Tax

(VAT) in India in order to avoid problems related to Sales Tax rules. Consignment Selling Agents perform the same functions as C&FAs in addition they also undertake the process of selling goods to the market and the worth of the goods sold to the company are remitted by them. C&FAs and CSAs perform as per the contract with company.

2. Distributors, Dealers, Stockists, Agents

i) Distributors

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.

ii) Dealers

The Dealers acts as a source for distribution to carry out their contacts in the market place with the help of wholesaler/retailers or institutions.

iii) Stockists, Agents/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 hires them.

Example

Real estate brokers

The agents also deal with the buyers and sellers, but their dealings are on a permanent basis. Most of the agents of the producers are small businesses with limited sales personnel. These agents can sell the products of the manufacturers as they have the contractual authority.

3. 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. Their activities are different from the retailers in several ways such as,

1. The wholesalers usually deal with the business customers, so they give less importance to the products promotion, location and atmosphere of their outlet.
2. The transactions of wholesaling are huge and involve large areas of trade when compared to the retailers.
3. The legal regulations imposed by the governments are different for retailers and wholesalers.

Services Rendered by the Wholesalers

The wholesalers services are categorized into two types which are as follows,

- (i) Services to manufacturers
- (ii) Services to retailers.

(i) Services to Manufacturers

(a) Assists in Focussing on Production

The wholesaler by performing the marketing functions help the manufacturer to focus on the production problems.

(b) Provides Assistance in Large Scale Production

The wholesalers assemble orders from retailers and transfers them to the manufacturers or makes bulk purchases from the manufacturers for resale.

(c) Distribution Facilities

The wholesaler is responsible for collecting small orders and distributing goods to number of retailers and relieves the manufacturer from this task.

(d) Ascertaining Demand and Forecasting

With the placement of orders by the wholesalers, the manufacturers are able to control their rate of production and evaluate their demand or sales as per the changes in the demand pattern and direction.

(e) Financing

The wholesalers usually deposit some cash as a security with the manufacturers and make bulk purchases in cash from them. This helps in providing financial assistance to the manufacturers.

(f) Assists in Production

The wholesalers place advance orders for the periods having low demand to help the manufacturers to maintain consistent production.

(g) Warehousing

The wholesaler makes bulk purchases from the manufacturers and stores them in the warehouses till the time they are sold to the retailers. This relieves the manufacturer from the burden of maintaining warehouses.

(h) Assists in Sales Organization

The sales organizations are readily available with wholesalers which helps the manufacturer in making quick sales.

(ii) Services of Wholesalers to Retailers**(a) Facilities of Purchasing**

The wholesalers maintain the stock of goods from the various producers and serve the retailers requirements at regular intervals. As the retailer has to serve several customers, he has to stock different varieties of products. But it is not possible for a retailer to buy different varieties of products directly from various manufacturers. Wholesalers make his job convenient by stocking goods from different manufacturers.

(b) Low Inventory

The retailer may not be able to make bulk purchases and stock them in warehouses, as he does not have adequate capital and warehouse facilities. The wholesaler stocks the goods and supplies it to the retailers in smaller quantities to meet their requirements of low inventory.

(c) Risk Taking

The wholesalers by maintaining the stock of goods, bears the risk of fluctuations in market prices or deterioration of the goods because of natural calamities, pesticides etc., and saves the retailers from these risks.

(d) Financial Help

The wholesalers provide credit facility to the retailers by supplying them goods on credit.

The retailers can make the payment for the goods after selling the product to the customers and collecting money from them.

(e) Information about new Product

The wholesalers make the retailers aware of the new product, that are being produced, with the help of the salesmen who are employed specifically to spread the product awareness.

(f) Specialization Benefits

The wholesalers are usually specialized in some product lines and purchases from those producers who manufacture the best quality products at a reasonable price. This specialization advantage is also provided to the retailers as they purchase goods from them.

(g) Advertisement Advantage

The wholesalers establish the demand for their goods through effective advertisements. This demand is duly met by the retailers. Hence, the retailers do not have to spend on advertisements.

(h) Consultancy Services

The retailers receive advice from the wholesalers on different activities of marketing like display of goods on the outlet etc. The retailers also become aware about the product quality with the help of advertisement material supplied by the wholesalers.

(i) Transport Facilities

Wholesalers supply the goods to the retailers, through their own transportation, which enables the retailers to save their transport expenses that are incurred for bringing the goods to his outlet.

(j) Price Stability

By maintaining the stock of goods, the wholesalers are able to supply the goods when it is required and warehouse them when it is not in demand. This helps in saving the retailers from bearing the risk of price fluctuations.

4. 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.

Functions and Services Rendered by Retailer

The retailers perform several functions which are as follows,

1. Providing Wide Varieties of Products

The retailers provide a wide varieties of brand designs, colors, sizes and prices at one place, which helps the customers to make the best selection. Usually, the manufacturers produce specific types of products and if these manufacturers had their own stores which sell their own goods, then it would become inconvenient for the customers to visit each shop for purchasing various products. The retailers provide convenience to the customers by making the products of various brands and varieties available at one location.

2. Sorting

The manufacturers who produce single line or multiple line of products sell their outputs to some buyers as it helps in minimizing their costs. The ultimate consumers would like to purchase from a wide variety of goods and services. So, the retailers must to maintain a balance between the demands of producers and consumers by gathering goods from different producers, purchasing them in large quantities and selling them in small quantities to the consumers individually. This process is known as sorting. In this process, the retailers perform the activities and functions which adds value to the product.

3. Breaking Bulk

The retailer provides the products in small quantities to the customers as per their needs and the consumption patterns of household. This helps in minimizing the costs of warehousing, transportation, and inventory.

4. Rendering Services

The retailers provide many services to the customers which facilitates them to purchase and use the products. These services include

providing credit facilities to the customers, maintaining the information to answer the customer's queries and so on. The retailers attract the customers by displaying unique products. The services of the retailers help in transferring the ownership from manufacturer to the consumer, providing guarantee of product by the owner, providing after sales service, and handling the complaints of the customers if any. The filing processing and delivering and installation of the orders are done by the retailers of the product at the place of the customers.

5. Risk Bearing

The retailers bear a different type of risk to manufacturers and wholesalers as there is a possibility of a customer coming back and returning the product. In such type of situations, the retailer has to bear the risk of product ownership. But, many firms have buy back scheme and the return schemes through which the retailers can return the unsold item.

6. Maintaining Inventory

The most important function of the retailers, is to maintain the inventory so that the products can be made available to the customers when needed. This will enable the customers to have an easy access to the products and services.

7. Communication Channel

The retailers act as a two way communication channel between the producers and the consumers. The retailers provide the information about the preferences of the customers and the present and new products to the producers. The retailers also provide information to the customers about the date of the new product launch in the market which helps them to become aware about the products and services of the outlet.

8. Transport and Advertising Function

Retailers help in performing the functions of advertising and transport. Wide varieties of products are transported from the wholesalers place to the retailers place, and all these arrangements for transfer of goods are done

by the retailers. In some situations, the retailers also deliver the product at the place of customers. Hence, the retailers help in the process of storing, transporting and advertising the product.

Services Rendered by the Retailer

1. Storing or Warehousing

By maintaining the stock of different kinds of goods, a retailer can make the goods available to the customer whenever they are needed. As the average number of customers may not be able to stock goods which are used regularly, the retailer relieves them by holding the stocks of these goods.

2. Variety of Choices

The retailer maintains an appropriate mix of product varieties produced by various companies that gives a variety of choices to the customers.

3. Demand Creation

The retailers perform various activities for creating a demand for the wholesalers and producers. The activities undertaken by them include displaying products, offering various services such as providing the required information to the customers.

4. Distribution

The retailer is very efficient in distributing the products to the customers. Due to his experience, he possess abundant information about goods which enables him to help the customers in making appropriate selection of goods.

5. Credit Facilities

The credit facilities are provided by the retailers to the customers lead that to a huge volume of sales.

6. Personal Services

Several personal services are provided by the retailers to the customers like repair service, after sales service and so on.

7. Information

The retailers gather the information about the marketing trends, changes in fashions, preferences etc., for the manufactures to whom the customer meets through retailer.

8. Other Services

The retailer makes the products available to the customers as per the season, advises the customers, offers the goods return facility and improves the knowledge of customers about the product.

Q3. What are the criteria followed to select a channel?

Ans :

(May-15)

Some of the factors to consider while selecting a channel of distribution are: (1) The Nature of the Product (2) The Nature of the market (3) The Nature of Middlemen (4) The nature and size of the manufacturing unit (5) Government Regulations and Policies and (6) Competition.

Distribution of goods is as important as production. Existence of an organisation largely depends upon a proper and well organized system of distribution. It is therefore, necessary that utmost attention should be paid in selecting a channel of distribution.

Various constituents of the marketing mix like promotion etc., are closely related to the channels of distribution. A wrong choice of distribution channel ultimately increases the price of the product. Deciding a proper channel of distribution is not an easy task. It involves a careful study and consideration of many factors stated below.

1. The Nature of the Product

These factors include physical characteristics of a product and their impact on the selection of a particular channel of distribution.

Various factors under this category are :

- (a) **Perishability:** Products which are perishable in nature are distributed by employing a shorter channel of distribution so that goods could be delivered to the consumers without delay. Delay in distribution of these products will deteriorate their quality.

(b) **Size and weight of product** : Bulky and heavy products like coal and food grains etc. are directly distributed to the users involve heavy transportation costs. In order to minimize these costs a short and direct distribution channel is suitable.

(c) **Unit value of a product** : Products with lesser unit value and high turnover are distributed by employing longer channels of distribution. Household products like utensils, cloth, cosmetics etc. take longer time in reaching the consumers.. On the other hand, products like jewellery having high product value are directly sold to the consumers by the jewellers.

(c) **Standardization** : Products of standard size and quality usually take longer time by adopting longer channel of distribution. For example, machine tools and automobile products which are of standard size reach the consumer through the wholesalers and retailers. Un-standardized articles take lesser time and pass through shorter channels of distribution.

(e) **Technical Nature of Products** : Industrial products which are highly technical in nature are usually distributed directly to the industrial users and take lesser time and adopt shorter channel of distribution. In this case after sales service and technical advice is provided by the manufacturer to the consumers.

On the other hand, consumer products of technical nature are usually sold through wholesalers and retailers. In this manner longer channel of distribution is employed for their sales. After sales services are provided by the wholesalers and retailers. Examples of such products are televisions, scooters, refrigerators, etc.

(f) **Product Lines** : A manufacturer producing different products in the same lines sells directly or through retailers and lesser time is consumed in their distribution. For example, in case automobile rubber products this practice is followed. On the other hand, a manufacturer dealing only in one item appoints sole selling agents, wholesalers and

retailers for selling the product. For example, in case of 'Vanaspati Ghee' longer distribution channel is undertaken.

2. The Nature of the market

This is another factor influencing the choice of a proper channel of distribution. In the words of Lazo and Corbin "Marketing managements select channels on the basis of customer wants-how, where and under what circumstances. The number of buyers of the product affects the choice of a channel of distribution.

Following factors are considered in this regard :

(a) **Consumer of industrial market** : In case of industrial markets, number of buyers is less; a shorter channel of distribution can be adopted. These buyers usually directly purchase from the manufacturers. Marketing intermediaries are not needed in this case.

But in case of consumer markets, where there are a large number of buyers, a longer channel of distribution is employed. Distribution process cannot be effectively carried out without the services of wholesalers and retailers.

(b) **Number of prospective buyers** : If the number of buyers is likely to be more, the distribution channel will be long. On the other hand, if the number of consumers is expected to be less, the manufacturer can effectively sell directly to the consumers by appointing salesmen.

(c) **Size of the order** : If the size of the order placed by the customers is big, direct selling can be undertaken by the manufacturer as in case of industrial goods. But where the size of the order is small, middlemen are appointed to distribute the products.

(d) **Geographic concentration of market**: Where the customers are concentrated at one particular place or market, distribution channel will be short and the manufacturer can directly supply the goods in that area by opening his own shops or sales depot. In case where buyers are widely scattered, it is very difficult for the manufacturer to establish a direct link with the consumers, services of wholesalers and retailers will be used.

- (e) **Buying habits of customers** : This includes tastes, preferences, likes and dislikes of customers. Customers also expect certain services like credit and personal attention and after sales services etc. All these factors greatly influence the choice of distribution channel.

3. The Nature of Middlemen

Marketing intermediaries are vital components in the distribution of goods. They greatly influence the marketing of goods.

Important factors relating to the selection of a particular middleman are explained as under:

- (a) **Cost of distribution of goods** : Cost of distribution through middlemen is one of the main considerations to be taken into account by the manufacturer. Higher cost of distribution will result in the increased cost of product. The manufacturer should select the most economical distribution channel.

In finalising the channel of distribution, services provided by the intermediaries must be kept in mind. It may be pointed out that the manufacturer can select an expensive marketing intermediary because that may ensure various marketing services which cannot be offered by others.

- (b) **Availability of desired middlemen** : Sometimes desired middlemen may not be available for the distribution of goods. They may be busy in dealing with the competitive products. Under such circumstances the manufacturer has to make his own arrangements by opening his branches or sales depots to distribute the goods to the consumers.

- (c) **Unsuitable marketing policies for middlemen** : The marketing policies of the manufacturer may not be welcomed by the middlemen the terms and conditions may not favour the middlemen. For example, some wholesalers or retailers would like to act as sole selling agents for the product in a particular area or region.

- (d) **Services provided by middlemen** : The manufacturer should select those middlemen who provide various marketing services viz,

storage, credit and packing etc. At the same time the middlemen should ensure various services to customers.

- (e) **Ensuring greater volume of sales** : A manufacturer would like to appoint that middlemen who assure greater sales volume over the long run.

- (f) **Reputation and financial soundness** : In appointing middleman, the manufacturer must take into consideration the financial stability and reputation of the middleman. A financially sound middleman can provide credit facilities to customers and make prompt payment to the manufacturer.

4. The nature and size of the manufacturing unit:

The nature and size of manufacturing unit has a great impact on the selection of a distribution channel.

The various considerations in this regard are as follows:

- (a) **Manufacturer Reputation and Financial Stability** : Reputed and financially sound manufacturing concerns can easily engage middlemen as compared to lesser reputed and newly established units. Usually a manufacturing unit having a sound financial base can easily distribute the goods without appointing middlemen by opening their own sales depots and branches. A financially weaker unit cannot operate without the help of middlemen.

- (b) **Ability and Experience of the Undertaking** : Industrial undertakings having ample marketing ability and experience can effectively manage their distribution activities themselves. They have lesser dependence on undertaking intermediaries. On the other hand, marketing units possessing lesser marketing ability and experience depend more on middlemen for the distribution of goods.

- (c) **Desire for Control of Channel** : A manufacturer may resort to a shorter distribution channel in order to exercise effective control over distribution. This is

suitable in case of perishable goods and is helpful in establishing direct link between the manufacturer and the consumer. The cost of distribution may be more by adopting such a channel of distribution.

(d) **Industrial Conventions:** Industrial conventions followed influence the selection of distribution channel. If a particular mode of distribution is adopted in an industry, the same will be followed by every manufacturing unit in that industry in distribution their products.

(e) **Services Provided By the Manufacturers :** The selection of marketing intermediaries is also influenced by various services provided by the manufacturer. These services include extensive advertisement for the product, after sales services and facilities of credit. The manufacturers providing these services can easily avail the services of reputed retailers and wholesalers.

5. **Government Regulations and Policies:** Government policies and regulations also influence the choice of distribution channels. The Government may impose certain restrictions on the wholesale trade of a particular product and takeover the distribution of certain products. All these restrictions have a direct impact in selecting the channel of distribution.

6. Competition

The nature and extent of competition prevalent in a industry is another detrimental consideration in selecting a distribution channel. Different manufacturers producing similar products may employ the same channels of distribution.

4.1.2 Channel Levels

Q4. Explain the different types of Channel Levels.

Ans : (May-19)

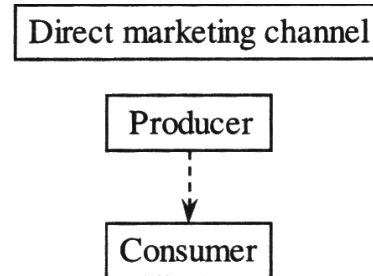
1. Direct Marketing Channel

Direct marketing channel is also known as zero level channel. No intermediaries exist in this channel. In this distribution system the goods are

sold directly by the producer to its customer. The firms perform all the channel functions and make use of their own sales personnel for reaching the consumers.

Example

Direct marketing firm, Eureka Forbes which produces vacuum cleaners.

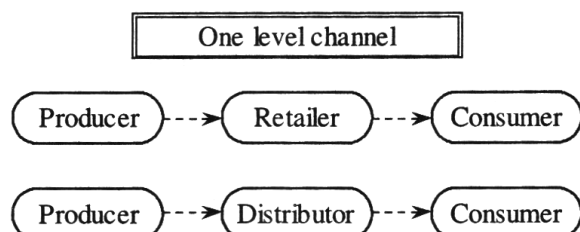


2. Indirect Marketing Channel

There are 'n' number of intermediaries present at every level of an indirect marketing channel. In the indirect marketing channel, a third party is used for distributing the goods and services of the company. Based on the intensity of distribution, indirect marketing channel is categorized into the following types,

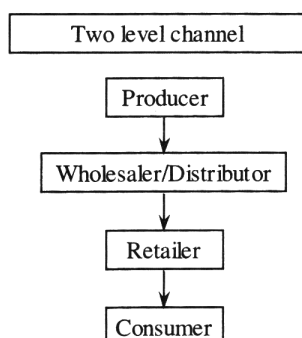
(i) One Level Channel

In one level channel, only one intermediary exists (i.e., either a retailer or a distributor) between the producer and the consumer. If the distributor is an intermediary, then this channel is used for specialty commodities such as, washing machines, refrigerators or industrial products.

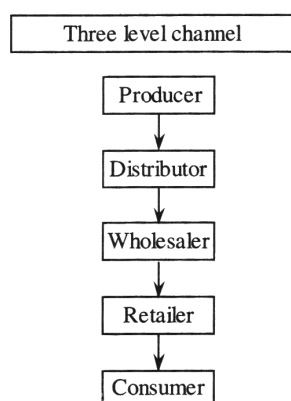


(ii) Two Level

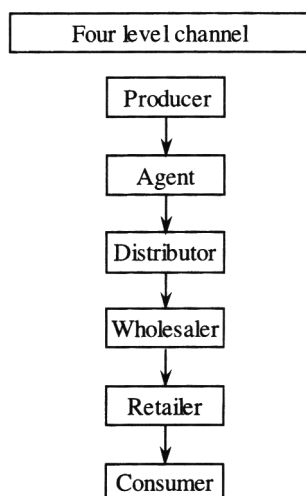
In the two level channel, two intermediaries exist (i.e., either wholesaler/distributor and retailer) between the producer and the consumer.

**(iii) Three Level Channel**

In this channel, three middlemen exist i.e., distributor, wholesaler and the retailer between the producer and consumer.

**(iv) Four Level Channel**

In the fourth level channel four middlemen exist i.e., the agent, the distributor, the wholesaler and the retailer between the producer and consumer. This channel is mostly utilized for consumer durable goods.



Apart from the above channels many different combinations of channels exist. Based on the kind of product, different channels are selected. Short channel is selected for non-durable and perishable goods, whereas longer channel is selected for consumer durable products. Hence, different types of channels are selected for different products.

4.2 CHANNEL STRUCTURE**Q5. Define channel structure.**

Ans :

The distribution channel structure refers to the hierarchical setup comprising interdependent and autonomous parties that specifically play a crucial role in the smooth distribution of the goods/services. The entire structure is mediated by different intermediaries lying between the point of production and the final consumption point.

Q6. Write about channel management. Explain the framework of channel management with figure.

Ans :

The distribution channel management refers to the management of all those activities which are mostly related with the firm's distribution function. The decision making process can be efficiently implemented by the guidelines, given by the strategy of distribution. This strategy needs to be implemented by the management function of the firm. There are two phases in the distribution channel management. They are, the ex-ante and the ex-poste phase. The ex-ante phase consists of all those activities that are specifically engaged in designing and developing the channel of distributions, and all these activities are the preliminary activities which occurs before the functioning of distribution channel. This activities of ex-ante begins with the strategy of distribution which makes effort to create commercial and logistical network so as to attain the objectives of distribution channel. The distribution process involves the evaluation of site for the warehouses, facilities of transportation storage, ordinary and payment procedures.

The objectives of distribution should be considered while mapping the process, as soon as

the set of objectives are accomplished managers will strive for the development of the distribution channel. For this purpose, different firms are required to perform the processes which have been undertaken to carry out the various functions of distribution. When large number of in-built activities have to be performed then the channel manager must appoint some personnel who can take up and perform such activities in a more efficient manner than others.

In order to start the effective functioning of the channel, partners, the channel managers are also required to get involved in it by providing the required infrastructure, setting the retail outlets, assisting the channel partners in obtaining and installing software for the process of ordering and payment and the like.

A channel usually consists of interdependent and autonomous entities that are working continuously for the achievement of goals. As, they are interdependent there are more chances for the occurrence of conflict between the channel members. Thus, the channel manager are required to manage the channel in such a way that the distribution objectives could be easily attained.

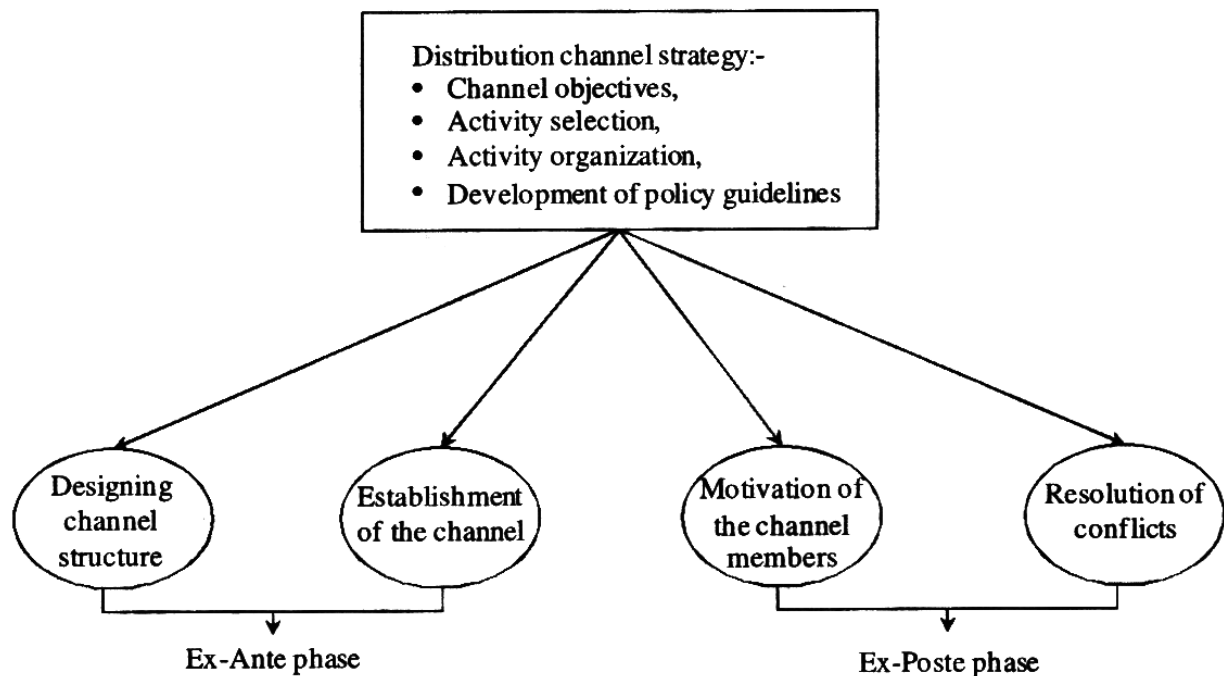


Fig. : Framework of Channel Management

The channel manager must motivate his/her channel members. So that they can perform their tasks efficiently within the channel system, they should be motivated to take part in the activities of sales promotion that have been developed by the company.

Finally, the most significant task of the channel manager is to resolve the conflicts which may takes place among the channel members.

Distribution Channel Structure

The distribution channel structure refers to the hierarchical setup comprising interdependent and autonomous parties that specifically plays a crucial role in the smooth distribution of the goods/services. The entire structure is mediated by different intermediaries lying between the point of production and the final consumption point.

The distribution channel can be diagrammatically represented as follows,

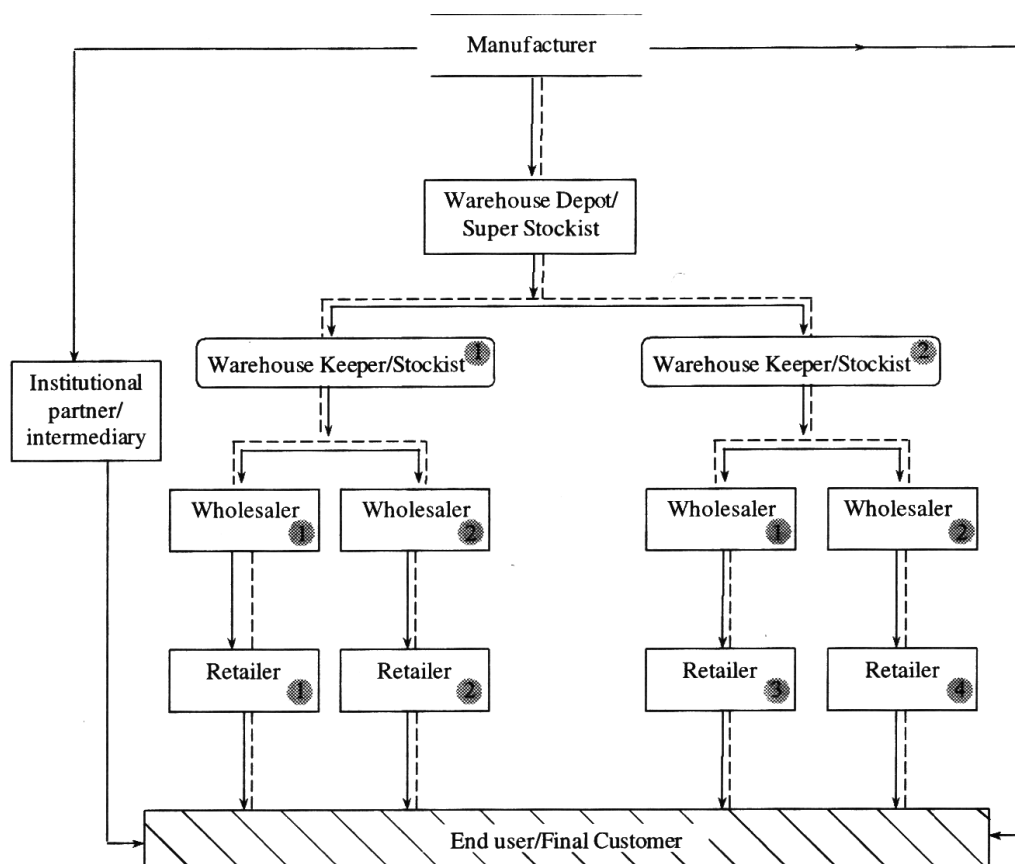


Fig.: Direct Distribution Channel, — Direct Distribution Channel, - - - Indirect Distribution Channel

The distribution channel structure deals with the following aspects,

1. The structure of distribution channel is multi layered and complex in nature.
2. The major players include the manufacturer, the stockist, wholesaler, and the retail distribution outlets.
3. Apart from the traditional distribution channel structure, the firm may take the services of special institutional partners, for the purpose of product distribution.
4. A firm may directly reach the final customer/ eliminating the cost of starting and maintaining a formal distribution channel structure. Example: Computer manufacturing firm, Dell incorporation follows this type of distribution pattern.

The distribution channel structure can be explained with the help of an example of pharmaceutical distribution sector. There exists a series of intermediaries in India. It involves the producer supplying the goods to the clearing and forwarding agent company owned depot or super stockist. From here the goods will be taken to the stockist and from his outlet. The goods will then be supplied to medical-institutions, wholesalers, retailers and finally, it is the retailers who sell the product to the final consumers.

In India, the distribution of pharmaceutical is decentralized in most of the situations and thus it is a complex system, whereas in the western countries, the goods can be supplied directly by the producer at the retail level.

The drug distribution is done to the rural and suburban areas through medical stores, organizations which are strategically located. These organizations supply the drug to the dispensaries and government hospitals. The goods will be obtained directly from the firm by these organizations through the tender invitation. The tenders are invited by the government hospitals and institutions and also by private institutions.

➤ **Post-liberalization Scenario**

With the introduction of liberalization, the pattern of drug distribution in India has undergone some changes, and has influenced the types of intermediaries used. The pharma organizations are opting for clearing and forwarding agents as the intermediaries instead of using the warehouses and company-owned depots. The firm will be able to reduce some expenses by opting for C & F agents. It has been believed that the C & F agent are capable enough to understand the requirements of market and offer information to the producer about the trends in sales.

➤ **Stockists**

According to some evaluations, there are nearly 60,000 stockist in India. These stockists usually work on a margin of 8% on the 'Maximum Retail Price' (MRP) of the price-controlled drugs and on decontrolled products, the margin will be up to 16%.

Every stockist manages the business of nearly 6 to 8 organizations, but some stockists deal with more than 50 firms. These stockists were basically non-competitive and every stockist used to deal with a selected group of retailers.

But with the occurrence of mergers and acquisitions in drug industry, stockists were landed in difficulty as the number of stockists almost doubles and this increased the complexity of the activities.

➤ **Retail**

With the increase in competition at the stockist level the retailers gained a lot from this. It resulted to the increase in the retail chain outlets in India for the first time. In Chennai it was Subiksha Retail Services Pvt. Ltd.,

which started the retail pharmacy for the first time. In United States, the Medicine Shoppe is one of the biggest retail drug stores. It had planned for establishing nearly 100 outlets in India.

➤ **Distribution Margins in India**

There are fixed distribution margins in India. This margin has been fixed as per the provisions of Drug Price Control Order (DPCO). The stockist's margin in case of controlled drugs has been fixed at 16% and for decontrolled formulations, it has been fixed at 20%. The stockist usually receives 5-10% cash discounts from the producers through the issue of free packs. While the retailers get 2% cash discounts from the stockists.

4.2.1 Participants of Channel Structure

Q7. Discuss in detail about the various types of channel structures.

OR

Explain briefly about,

- (a) **The channels for consumer products**
- (b) **Channels for business and industrial products**
- (c) **Alternative channel arrangement**
- (d) **Non-traditional channels**
- (e) **Strategic channel alliances.**

Ans :

There are various channels available for a product to reach its ultimate consumer. It is the responsibility of the Marketer to select the best alternative channel from the group of alternative channels. Marketing the consumer products is different from marketing the business and Industrial products. The various channel structures (or distribution networks) available for consumer products and business and industrial products are briefly discussed below,

(a) Channels for Consumer Products

Huge number of consumers are available in the market and organizations can opt each and every available route to reach consumers. The distribution network for consumer products contain all the channel members such as wholesalers, retailers and distributors/dealers.

The following figure depicts the distribution networks for FMCG (Fast Moving Consumer Goods) products.

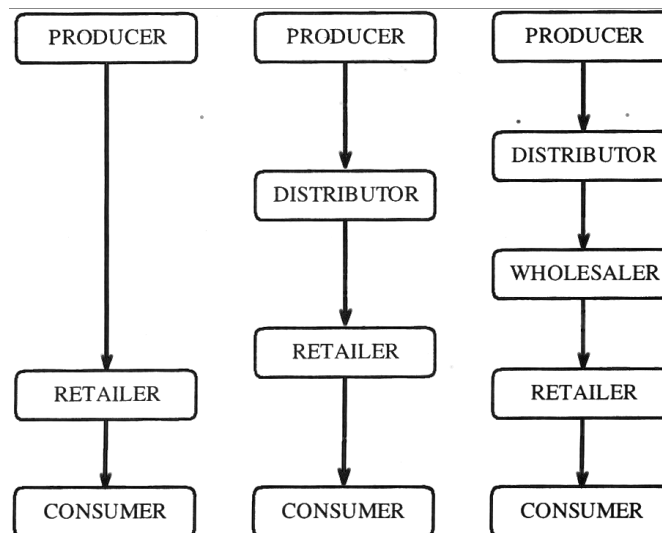


Fig.: Distribution Networks for Consumer Products

(b) Channels for Business and Industrial Products

Being technical in nature and follows B2B business, the distribution network for industrial products is required to be short. The network here is simple which flows from producer to customer rather than selling directly to customers, producer may be industrial distributor or agents to reach the distributors located in remote areas.

The following figure depicts the distribution networks for industrial products.

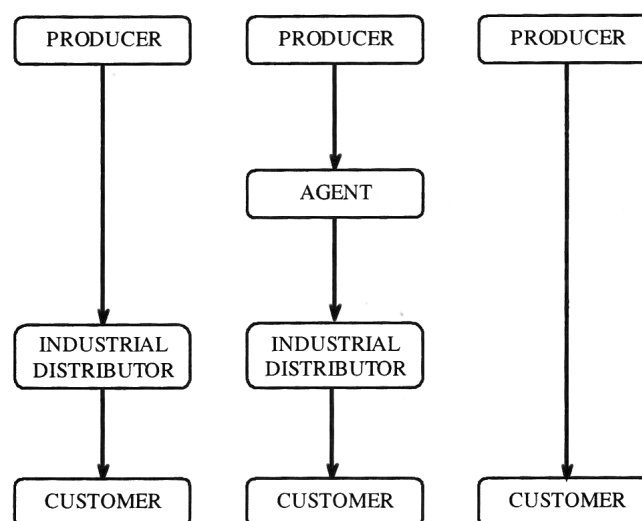


Fig.: Distribution Network for Industrial Products

(c) Alternative Channel Arrangements

Mostly, a producer chooses different types of channels for the distribution of its products to the end consumer rather than by selling it to through only one specific channel. Alternative channel arrangements comprises multiple channels, Non-traditional channels and strategic channel alliances.

1. Multiple Channels

Employing two or more distribution channels for the distribution of same products to consumers is known as "Dual Distribution" or "Multiple Distribution". Increased preference for online shopping in consumer markets is forcing the Retailers to opt multiple distribution channels. For instance, companies like Dominos, PVR cinemas etc., are making use of Multiple distribution channels. All these companies carryout trading of their products through Retail stores via internet and Telephone orders.

(d) Non-traditional Channels

Usually, non-traditional channel arrangements assists the company in differentiating company's product from that of competitors products. Nontraditional channels consists of mail-order channels, internet or infomercial. In spite of the fact that nontraditional channels restricts brand's coverage, the firm is using non-traditional channel because it is used to serve the customers belonging to the Niche market. It can have huge market access and customer focus without seeking direct participation from the channel intermediaries. For big firms, non-traditional channels also shows another way to sell its products to the final consumers. For example, sony pictures have joined hands with the home shopping network in the United States to organize a three-day shopping event so as to bring awareness in the market segment of Adult women. A movie was released on the Best-selling Auto biography with the help of international four operators and Travelling websites providing attractive travelling packages, this movie plays a vital role in the promotion of Tourism in India.

(e) Strategic Channel Alliances

Strategic channel alliances are usually formed so that the company is capable of accessing the well-established distribution channel of another

manufacturer/producer. Strategic channel alliances are usually formed when the establishment of marketing channel relationship is a time consuming and costlier affair. Example, in the year 2010, IPL (Indian Premier League) and youtube entered into a contract in which youtube is permitted to telecast IPL cricket league matches live across various Nations except United State. From the year 2010, people are able to watch IPL matches online at www.youtube.com/ipl website.

Strategic channel alliances helps the company in carrying out promotional activities. When compared to Mergers and Acquisitions strategic channel alliances are more advantageous for growing business as it mainly concentrates on global markets.

4.2.2 Functions of Marketing Intermediaries

Q8. Who are marketing intermediaries? What are the common types of intermediaries?

Ans :

Distribution channels plays an important role in the distribution of goods and services. It consists of producers, wholesalers and retailers that are functioning coordinately and interdependently. In distribution management, there are certain firms that are capable of performing all the activities by themselves whereas, most of the firms unite to form a chain wherein different activities are undertaken by different firms. The specific form of organization that is engaged in sorting and repacking, it undertakes the activities such as storage, transportation, warehousing materials handling then it is usually referred to as "Middle men, Intermediaries or Resellers".

Common types of Intermediaries

The term marketing intermediaries is referred to as the people and firms involved in the flow of goods/services existing between the producers and the consumers. The common types of intermediaries include,

1. Middlemen

It refers to those people who acts as a mediator between the producer and the customer.

2. 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 hires them.

Example

Real estate brokers

The agents also deal with the buyers and sellers, but their dealings are on a permanent basis. Most of the agents of the producers are small businesses with limited sales personnel. These agents can sell the products of the manufacturers as they have the contractual authority.

3. 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. Their activities are different from the retailers in several ways such as,

1. The wholesalers usually deal with the business customers, so they give less importance to the products promotion, location and atmosphere of their outlet.
2. The transactions of wholesaling are huge and involve large areas of trade when compared to the retailers.
3. The legal regulations imposed by the governments are different for retailers and wholesalers.

4. Retailers

Retailing is a process involving set of activities resulted in the creation of value address products and services that must be sold to the final consumers for their personal or household use.

5. Distributor

The retailer is very efficient in distributing the products to the customers. Due to his

experience, he possess abundant information about goods which enables him to help the customers in making appropriate selection of goods.

6. Dealer

The Dealers acts as a source for distribution to carry out their contacts in the market place with the help of wholesaler/retailers or institutions.

7. Value-added resellers

This type of intermediaries usually makes purchases of basic products from the manufacturers and add value to the product, modify it and again the product will be resold to the consumer.

8. Merchants

The merchants are also intermediaries who undertake the physical possession of goods which they sell. They assume the ownership of the goods which they sells to the other intermediaries or to the final consumers.

9. Facilitating (C&F Agents) Agents

C & FAs and CSAs are called as Facilitators. C & FAs are an acronym for "Carrying and Forwarding Agents" where as CSAs are an acronym for "Consignment Selling Agents". Generally, C&FAs are transports and acts as a marketing channel between company and its distributors. The functions performed by C & FA is to assemble company plant in a warehouse in order to break bulk and then dispatch to the distributors which have indents from the company.

The stock kept in the C & FAs warehouse belong to the company only and C&FAs are responsible for physical possession of the goods. It was mandatory to keep atleast one C & FA in each state for those companies possessing national distribution prior to the setup of Value Added Tax (VAT) in India in order to avoid problems related to Sales Tax rules.

Q9. What are the functions performed by channel members (or) intermediaries?*Ans :* (May-19, May-14, Imp.)

The intermediaries or distribution channels are needed because the firm may not be able to directly reach the customers and sell the products to them as each firm is found to be associated with millions of customers. The channel members play a crucial role in making the products available to the customers. For this purpose, a variety of functions are performed by them which includes,

Distribution channels help in transferring the products from manufacturers to consumers. It helps in reducing the time, place and possession gap which differentiates the goods and services from consumers and manufacturers. Several functions are performed by the marketing channels which are as follows,

1. Buying Goods

Marketing channel members purchase a wide variety of goods from the manufacturers or from different channels.

2. Carrying Stock

Marketing channel members assume the risk involved in buying and holding of stock.

3. Selling

Marketing channel members carry out the activities which are needed for selling the goods to customers or other channel members.

4. Transporting

Marketing channel members help in arranging the transportation facility for delivering the goods at the desired location.

5. Financing

Marketing channel members provide the funds needed for covering the expenses of the channel activities.

6. Promoting

Marketing channel members promote the product either by giving advertisement at national and local level or by selling the product personally.

7. Negotiating

Marketing channel members ascertain the ultimate price of the products and payment and delivery terms.

8. Marketing Research

Marketing channel members supply the information with respect to the demand of the customers.

9. Servicing

Marketing channel members provide many different services like credit, delivery, and returns.

4.3 CHANNEL DESIGN DECISIONS**Q10. Define Channel Design.***Ans :***Channel design**

Channel design is presented as a decision faced by the marketer, and it includes either setting up channels from scratch or modifying existing channels. This is sometimes referred to as reengineering the channel and in practice is more common than setting up channels from scratch.

The term design implies that the marketer is consciously and actively allocating the distribution tasks to develop an efficient channel, and the term selection means the actual selection of channel members.

Finally, channel design has a strategic connotation, as it will be used as a strategic tool for gaining a differential advantage.

Q11. What are the channels design decisions.*Ans :*

(May-17)

Designing a channel systems calls for analyzing customers needs, establishing channel objectives, identifying the major channel alternatives and evaluating them.

Analyzing service output levels desired by customers understanding what, where, why, and how target customers buy the first step in designing the marketing channel produce five service outputs :

- (a) **Lot size:** The lot size is the number of units that the marketing channel permits a typical customers to buy on a buying occasion. The smaller is the lot size, the greater the service output level that the channel must provide.
- (b) **Waiting time:** Waiting time is the average time that customer of That channel wait for receipt of the goods. Customers normally prefer fast delivery Channels. Faster service requires a great service output level.
- (c) **Special convenience:** Special convenience expresses the degree to which the marketing channel makes it easy for customers to purchase the product.
- (d) **Product variety:** Product variety represents the assortment breadth provided by the marketing channel. Normally customers prefer greater Assortment breadth because it increases the chance of exactly meeting their need.
- (e) **Service backup:** Service backup represents the add-on service (credit, delivery, installation, repairs) provided by the channel. The greater the service. backup, the greater the work provided by the channel.

The marketing manager must know the service output desired by the target customers provided increased levels of service output means increased costs for the channel and higher prices for customers.

4.4 CHANNEL CONFLICT AND RESOLUTION

Q12. Define Channel Conflict. Explain different types of Channel Conflicts.

Ans: (May-18, May-16, May-15, May-14, Imp)

Channel conflict is a situation in which channel partners have to compete against one another (or) the vendor's internal sales department. Channel conflict can cost a company and its partner's money

as partners try to undercut one another. It can also lower morale within the channel and cause some partners to consider other vendors. Channel conflict may also occur among various segments of corporate departments, such as the sales channel.

To manage channel conflict the marketer must understand

- a) the type
- b) the nature or cause
- c) magnitude of the conflict

He should also appreciate that conflict cannot be totally eliminated. It can only be minimised.

Type of Conflict

In any channel arrangement there can be three types of conflict

- i) Vertical level conflict
- ii) Horizontal level conflict
- iii) Multichannel level conflict.

(i) The Vertical level Conflict

Vertical level conflict occurs when the channel member at one level, is in conflict with another member at the next higher or lower level. For example, a conflict between the wholesaler and the manufacturer is a vertical level conflict (or) the major retailers in the town conflicting with the distributor over entitlements, is another example of vertical level conflict. Another example of vertical conflict is the non-cooperation and boycott of pharmaceutical companies by their wholesalers and chemists during 1989-90.

(ii) Horizontal level Conflict

Conflict at the same level between channel members is called horizontal level conflict. Hence, inter stockist conflict or conflict at the retail level among retailers on issues like pricing and territory jumping are examples of horizontal level conflict.

(iii) Multichannel level Conflict

Sometimes, the middlemen come in conflict with the manufacturer, using both direct and indirect means of distribution. Such a conflict is called multichannel level conflict. For

example, a firm may have its own franchise outlet or its own shop in an area, where it may also be distributing the product through established middlemen. The former is direct distribution, while the latter is indirect distribution. The conflict may occur when the franchise prices its products lower than the middlemen, wholesaler, or dealer, or when the firm retails a larger range of products through its own outlet than through the wholesaler or stockists. Likewise, conflict occurs when an order has been obtained with the joint efforts of the company's sales force and dealer.

Q13. What are the Causes of Conflict ?

Ans :

Channel conflict occurs largely due to financial and non-financial reasons. These in turn may be traced to the following causes :

(i) Goal Incompatibility.

A major factor causing conflict between manufacturers and wholesalers is the perceived goal incompatibility between them. For example, while the manufacturer perceives his goals to be market share and profit maximisation in the long run, wholesalers perceive their goal to be sales maximisation and thereby profit maximisation. The latter even prefer to work at higher margins and on short term profitability. This makes the manufacturer accuse the wholesaler of being 'fair weather partners' and the wholesaler accuses the manufacturer of squeezing his margins. This is typically what happens, with all large manufacturers and their channel members today.

(ii) Role Ambiguity

Many a time, conflicts occur because of role ambiguity. This is a common cause of conflict in multichannel conflict. For example, the role of the manufacturer's sales force and that of the dealer in selling products to major accounts or institutional customers in the territory, is often unclear in some companies. This often creates conflict in these companies' relationship with the channel.

A well known automobiles component manufacturer had such a conflict when one of its distributors started selling directly to retailers bypassing large wholesalers in the territory. The wholesalers re-volted and started pushing the competitors' products. Lack of role clarity of any of the channel members can be a source of potential conflict.

(iii) Difference in Perception of the Market

Different perceptions of the market and economy may also create a conflict between the manufacturer and middlemen. For example, a manufacturer may perceive an opportunity in the booming Indian middle class market and introduce new products, multiple brands, and even appoint wholesalers in distant areas. The existing dealers of this firm may not see the picture this way and may perceive the appointment of multiple dealers and downsizing their (former dealers) territory as dilution of their control over the market.

Q14. Explain the various resolutions managing the Conflict.

Ans :

(May-18, May-16, May-14)

It refers to the seriousness of conflicts. At times, the conflict may not be of a magnitude demanding the manufacturer's attention, for example, inter-dealer conflict in the territory over prices or territory jumping. But when the conflict assumes significant magnitude (this is often reflected by the impact the conflict has on the manufacturer's sales and market share in the territory), the manufacturer must take the initiative to resolve it, for ultimately it is the manufacturer who is the leader of the channel. Moreover, a serious conflict will affect his market share in the territory.

Managing the Conflict

To minimise the conflict, the manufacturer may take the following steps:

(a) Communication

An effective way to minimise channel conflict is to have regular communication between the manufacturers and the channel members. Most Chief Executives today spend time with

their channel members to understand market dynamics and communicate the brand's positioning strategies. These meetings are also used to resolve channel members' problems. These issues are resolved at times through informal meetings or discussed in in-house newsletters which they send to all their major dealers.

This newsletter informs channel members of happenings in the market place and also the company's perspective of the products and markets.

(b) Dealer Councils

The way to resolve conflict is through formation of dealer councils. Such councils can resolve issues in horizontal level conflicts and even vertical conflicts. The manufacturer continues to play the key role in these councils. Often the criticism or fear voiced in this regard, is that such councils can provide a platform for dealers to jointly voice their grievance against the manufacturer. These councils unite dealers. But, if the manufacturer can keep the councils focused on market leadership and maximisation of returns on investment, and is also willing to accept constructive suggestion, the dealer council can become an effective tool for intervening in the market place.

(c) Superordinate Goals

The way to resolve channel conflict is to evolve superordinate goal of maximising customer satisfaction. If the channel members can be motivated to perceive customer satisfaction as the ultimate goal of all members in the leading to profit maximisation for all concerned, then much of the conflict can be resolved. Often superordinate goals development is easier, only when the threat from the other firms is high.

(d) Arbitration and Mediation

Often, the conflict among channel members may be resolved only through arbitration and mediation. Generally in intramiddlemen conflict - horizontal or vertical (wholesaler versus retailers) - the manufacturer may arbitrate or mediate. But, when it is between

the manufacturer and dealers, arbitration or mediation may be done by independent individuals or institutions like a court or government agency, like the drug controller mediating between pharmaceutical companies and their stockists.

4.5 ONLINE MARKETING

4.5.1 Objectives

Q15. Define Online Marketing. What are the objectives of Online Marketing?

Ans : (May-15, Imp.)

Internet marketing, also referred to as online marketing, Internet advertising, (or) e-Marketing, is the marketing of products or services over the Internet. When applied to the subset of website-based advertisement placements. Internet marketing is commonly referred to as Web advertising (also Webvertising) and Web marketing.

The Internet has brought many unique benefits to marketing, one of which being lower costs for the distribution of information and media to a global audience. The interactive nature of Internet marketing, both in terms of providing instant response and eliciting response, is a unique quality of the medium. E-marketing is sometimes considered to have a broader scope since it refers to digital media such as web, e-mail and wireless media, but also includes management of digital customer data and electronic customer relationship management systems (E-CRM systems).

Internet marketing ties together creative and technical aspects of the Internet, including design, development, advertising, and sales. Internet marketing does not simply entail building or promoting a website, nor does it mean placing a banner ad on another website. Effective Internet marketing requires a comprehensive strategy that synergizes a given company's business model and sales goals with its website function and appearance, focusing on its target market through proper choice of advertising type, media, and design.

Marketing on the Internet is a part of electronic commerce, or e-commerce, or e-business.

Objectives of Online Marketing

Internet marketing can serve several purposes:

1. Actual Sales of Products

Products are ordered, sale and purchase online through internet. Many sites like amazon.com, eBay involve in actual sales of products.

2. Promotion/Advertising

Customers can be quite effectively targeted in many situations because of the context that they, themselves, have sought out. For example, when a consumer searches for a specific term in a search engine, a "banner" (or) link to a firm selling products in that area can be displayed. Print and television advertisements can also feature the firm's web address, thus inexpensively drawing in those who would like additional information.

3. Customer Service

The sites may contain information for those who no longer have their manuals handy and, for electronic products, provide updated drivers and software patches.

4. Market Research

Data can be collected relatively inexpensively on the Net. However, the response rates are likely to be very unrepresentative and recent research shows that it is very difficult to get consumers to read instructions. This is one of the reasons why the quality of data collected online is often suspected.

4.5.2 Merits and Demerits of online Marketing

Q16. Explain the merits of online marketing.

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

The Internet constitutes a reliable, readily accessible and inexpensive means of bringing together buyers and sellers, large and small, right across the globe. With internet marketing, the market comes to the doorsteps of the customer. Basically, Internet marketing has all the plus points, which direct marketing has. After all, it is the form of direct marketing.

Internet marketing confers significant benefits on the seller as well as the buyer. It is a true win-win proposition.

1. Benefits to the Seller

(i) **Access to all Markets :** With Internet marketing, a marketer located in any part of the globe can compete in the markets of the whole world. The internet enables firms/marketers to free themselves of the inherent limitations of their existing geographic location. An internet marketer can attract customers located all over the world, compete for the global market, build global supply chains and operate with global strategies. Opening a website is the equivalent of opening a marketing office, which anyone in the world can access, readily and instantly. In other words, it is the equivalent of opening branches everywhere in the world.

(ii) **Opportunity for Constraints :** Free Growth With internet marketing, a business can grow unimpeded by the various constraints that normally delimit the growth under conventional marketing. Limitations of showroom/retail shop space, warehouse space, sales staff and other resources do not choke a business in internet marketing.

(iii) **Scope for Enhancing Customer Value and Customer Services :** Being an interactive medium and a platform for innovation, the internet presents great opportunities to the seller to enhance customer value.

- a) It offers many services and products from a single stop.
- b) It helps in targeting the customer individually and customizes the offer.
- c) Imparts speed to responses; and speed becomes a customer value.

(iv) **Building 'Relationship' with Customers :** Like other direct marketing methods, internet marketing also helps build 'relationship' with customers. Being totally interactive & one-to-one marketing, internet marketing is more effective in this respect compared to other forms of direct marketing.

(v) Helps Reduce Costs

(a) Business/Transaction Costs: Since internet marketing conducts business processes and transactions through real-time interactions using, electronic media and paperless technologies, it significantly reduces the cost of various business operations, transaction costs in particular. It is estimated that the cost of producing and processing an invoice in internet marketing is less than one-tenth of what it costs to process it in conventional marketing.

(b) Channel Costs: Channel costs, which are a significant part of marketing costs, are reduced considerably when a product is marketed through the internet. In internet marketing one need not maintain a vast network of showrooms or employ an army of sales staff. All it needs is some core staff to download and execute orders. As stores need not be maintained, the associated costs of rent, insurance, utilities as well as sales personnel are eliminated.

(c) Communication/Promotion Costs: Communication/promotion costs, which are another major part of marketing costs, can also be reduced in internet marketing as the internet enables gaining worldwide communication is a low unit cost.

(vi) Enhances Productivity of Sales People : Internet marketing also makes marketing/sales people more efficient and productive. Since basic transactions are taken care of by the computer programme, sales people are free to devote their time for more meaningful tasks, leaving the mechanical transactions to the net.

(vii) Enables the Marketer Adjust to Market Conditions Quickly : Marketing on the internet enables the marketers to adjust fast to changing market conditions. They can quickly know what the market wants and offer it. For example, they can add products to their basket, alter prices, enlarge services and fine tune their offerings with greater speed.

(viii) Flexibility in Marketing Communications

: As a medium of communication, the internet is a versatile tool indeed. It is the equivalent of a combination of several media newspaper, magazine, billboard, radio, telephone, and TV. Internet marketing allows flexibility in marketing communications; it allows the marketer to adjust the size and other attributes of his medium the website at short notice. Conventional media, like print or broadcast, do not lend for such quick adjustment. Moreover, with the internet, there is no upper limit on advertising space, in contrast to other media.

2. Benefits to the Consumer**(i) Convenience**

a) Sitting at home, the customer can purchase the products and service. He can escape all the hassles involved in conventional shopping, which include a physical visit to the shop. More importantly, he can escape the frustration involved in going all the way to the shop just to know that the product he was looking for was not available there at all.

b) He can order his requirements at any time - day or night - and from wherever on the globe he is located.

c) He can have a complete online interaction with the marketer; he can have an online demonstration of the product; he can place an online order; he can also pay online and complete the whole purchase process on the internet.

(ii) Scope for Informed and Competitive Buying : Scope for informed buying is the second major benefit from Internet marketing for the consumer. The Internet offers him access to a great deal of information about the products and services he is looking for.

(iii) Search Advantage and Wider Options : In conventional shopping, consumers stop with limited searches. They visit four or five outlets at best before deciding on the brand to be bought. They conclude that the benefits of extended search will be just incremental

and, the search is quite tedious. With Internet shopping, the situation is different; for high value purchase in particular, extended search often proves highly beneficial. It throws up a large number of options and the search is hassle free.

- (iv) **Consumers can Bargain on the net with a Host of Sellers** : Most importantly, because of the interactive nature of the Internet, the consumer can actually bargain on the net with a host of sellers and get the best price and terms. He can compare a multitude of brands-feature by feature-and their prices, and secure the best deal.
- (v) **Consumers can get 'More for Less'** : With Internet marketing, consumers can get more value for their money. As a rule, Internet marketers make competitive offers to the customers, voting for a policy of giving 'more for less' in value-price equation. They do so largely because they know that in a borderless e-commerce world, consumers are in a position to buy from anywhere, wherever they will get the best price and value.
- (vi) **Transparency** : Internet marketing also provides for a very high degree of transparency, which was hitherto unknown in business transactions. There is no suppression of information. By browsing through the Internet, buyers can become aware of just about all sellers selling the particular product and their prices and terms.
- (vii) **Accuracy of Information** : Accuracy of information regarding schemes, discounts and validity guarantees are all available and this actually makes him want to buy more.

3. Marketing Benefits of Internet

- (i) **Internet makes Global Marketing a Reality** : The Internet has already become the first truly cost- effective, widespread global marketing medium. With the Internet's roots in worldwide networking and its technology enabled via simple telephone line or television cable access, any marketer theoretical could reach any online consumer anywhere in the world at any time. Information can be transmitted via e-mail or over the Web and

received instantly, without regard to time zones or geographic location. No technical skills are necessary.

- (ii) **Internet Offers Increased Business Penetration** : As a business tool, the Internet is unprecedented its penetration of the business community. The Internet's historic roots are implanted in science an: business, and business-to-business usage has continued to lead the growth of the Internet. The Internet will continue to be an accepted place, potentially the preferred place, for businesses to do business and for marketers to reach business people. In fact, the opportunities for segmentation and targeting proliferate dramatically with the Internet's growth.

One of the very real differentiators of the Internet's power is that it has a remarkable leveling effect on business. It can make a very small company look larger than it is. That means even a tiny company can compete, atleast electronically, with organizations many times its size. That company can now extend its marketing efforts through the Internet to any part of the globe and take advantage of the same Internet channel used by industry giants. Internet technology is inexpensive, is widely available, and can be completely outsourced. A company does not have to make a major investment to get on the Net and use it as a powerful means of marketing.

- (iii) **Internet Provides a Unique form of Communications Intimacy** : If marketing is about building relationships, then Internet Marketing is about building lasting relationships. With the medium's maturation and the increasing integration of database marketing practices, targeting and one-to-one marketing on the Internet are fast becoming the norm, and that means marketers will be able to address the individualized needs of constituents.

Customers and prospects who are receptive to promotional e-mail could form the basis for an e-mail list that is potentially one of the best performing lists. E-mail lists will continue to come onto the market, and the selection criteria will continue to improve as

promotional e-mail gains acceptance. E-mail newsletters are enormously popular because they put valuable information into subscribers' e-mailboxes, usually free of charge.

- (iv) **Internet Changes the Economics of Marketing :** The stunning cost implications of electronic marketing in part fuel the Internet's unprecedented growth. The Internet is not only cost-effective it is downright cheap in comparison to other media.

A marketer can build and host a Website and reach a worldwide audience at a cost that is far less than the cost of one national television commercial. Electronic communication has a whole different cost structure from traditional print, direct mail, telemarketing, or television media. There are no media placement costs associated with launching a corporate Website or employing e-mail as a marketing medium. One may have to rent e-mail addresses, but do not have to engage printers or mail-houses, or pay postage, when disseminating e-mail. There are no hotel, travel, (or) on-site materials costs for virtual seminars and events. There are no printing and mailing costs for electronic fulfillment. Even order taking is cheaper with the Internet, especially if electronic catalogs are used to replace traditional paper catalogs.

- (v) **Internet Establishes a Brand-New Sales Channel :** The Internet completely transforms the selling process for marketers. Successful electronic commerce users have found that they can dramatically reduce the cost of sale via the Internet. The story of Amazon.com (www.amazon.com), a company that defied the standard practice of opening retail store locations and instead chose to sell books exclusively on the Internet, is legendary.

Q17. What are the limitations of online marketing.

Ans : (May-18)

1. **All Products do not Lend Equally well for Internet Marketing :** The first limitation is that internet marketing is not suited for any and every product. For example, when Philips

India went in for Internet marketing, it had to select a few products and keep the others off.

2. **Costs Involved are not Inconsequential:**

Another limitation is that the costs involved in internet marketing are not as low as is often made out. The costs do not stop with a one-time expenditure on the setting up of the website. The marketer is required to keep spending sizeable sums on running, maintaining, and updating the site. Moreover, websites have to be kept alive round the clock and throughout the year, as customers are spread over different time zones, and want to do business on the net whenever they wish.

3. **Questionmarks about Profitability:** One has to take a note of the fact that as of now most internet- marketers (B2C) are struggling to make their business viable and profitable. Even Amazon, the world's biggest online marketer, is yet to break even. The point is that while internet marketing is full of potential, the execution part is beset with difficulties.

4. **Threat to Information Security:** Many consumers are hesitant to purchase items over the Internet because they do not trust that their personal information will remain private.

Recently some companies that do business online have been caught giving away or selling information about their customers. Several of these companies provide guarantees on their websites, claiming that customer information will remain private.

5. **Customers Trust on Virtual Marketers:**

Consumers have a concern with e-commerce merchants that whether or not they will receive exactly what they purchase. Online merchants have attempted to address this concern by investing in and building strong consumer brands (e.g., Amazon.com, eBay, Overstock.com), and by leveraging merchant/feedback rating systems and e-commerce bonding solutions. All of these solutions attempt to assure consumers that their transactions will be free of problems because the merchants can be trusted to provide reliable products and services.

Q18. Explain different online channels.*Ans :***(May-15)**

There are various approaches and method to e-marketing and advertising. It is important know about each method so that one can compare the results. These various forms are:

1. E-Mail Marketing

The primary reason many people use the internet is to send and receive e-mail messages. With millions of people online and the numbers substantially increasing each year, it is little wonder that marketing wonder that marketing communicators have turned to e-mail as a viable advertising medium. E-mail advertising is simply the use of the internet for sending commercial messages. However, as with any other advertising medium, there is no such thing as a single type of e-mail message; rather, e-mail messages appear in many forms, ranging from pure-text documents to more sophisticated versions that use all the audio-video powers of the internet.

2. Web Blogs Marketing

Blogs are, in a manner of speaking, "everyman's" way of communicating with others and establishing digital communities wherein individuals, mostly of like mind, can exchange their views on issues of personal relevance. It is in this context that products and brands are sometimes discussed. It is here where companies can endeavor to further enhance the equity of their brands and perhaps even to generate additional business.

3. Article Marketing

Article marketing is a type of advertising in which businesses write short articles related to their respective industry. These articles are made available for distribution and publication in the marketplace. Each article contains a bio box and byline (collectively known as the resource box) that include references and contact information for the author's business. Well-written content articles released for free distribution have the potential of increasing the authoring business' credibility within its market as well as attracting new clients. These articles are often syndicated by other websites, and published on multiple websites.

4. Viral Marketing

Viral marketing sometimes refers to Internet-based stealth marketing campaigns, including the use of blogs, seemingly amateur websites designed to create word-of-mouth for a new product or service. Often the goal of viral marketing campaigns is to generate media coverage via "off-beat" stories worth many times more than the campaigning company's advertising budget.

5. Buzz Marketing

Buzz marketing is a marketing technique consisting, as its name suggests, of making a noise around a new product or offer. Similar to Viral Marketing, it differs from it in the control of the content of the advertising message. Buzz marketing activities are designed to get consumers talking about a product or service. Buzz fosters mystery, stimulates questions, surprises audiences and exploits consumption contexts to generate the desired behaviour.

6. Rich Media Advertising

These are any web ads that move, talk, beep, or flash. As communication lines improve and desktop computers get more powerful, transmission times shorten and become less of an issue with users.

This opens the door for these kinds of ads that require more processing capability - and provide the first glimpse of what filmed commercials on the web would be like. It was only a matter of time before internet advertisers began using online formats that were more dynamic than banners in their use of motion, sights, and sounds. This newer form of virtual advertising is referred to as rich media, and includes pop-up ads, interstitials, superstitials, and now even video advertisements.

7. Display or Banner Ads

The most popular advertising format in the internet's short advertising history has been the static advertisement known as a display, or banner, ad. This format can be considered analogous to a static print ad in a magazine or newspaper. Banner ads are a staple of internet advertising. These are typically small, static ads placed in frequently visited Websites. Banner ads on the internet are ubiquitous. Click-Through Rates (CTRs) to banner ads are very low, averaging less than 0.3 per cent. Banner ads for B2B companies receive somewhat higher CTRs than do those for B2C companies.

8. RSS Marketing

RSS stands for Really Simple Syndication and it may be difficult to conceptualise in the beginning. RSS works by RSS feeds which needs to be generated by website. People can subscribe to these RSS feeds and can view the content of the website via their RSS reader. By this people are enabled to receive the content directly on their desktop. This method is quite new as compared to others and has become really popular following spam issues in email marketing.

9. Forum Marketing

Forum is a place where people gather and discuss their problems, strategies etc. There are many forums on the web that you can join and participate in discussion. Most of the forums allow a link back to the website in the signature text which would appear below the post you make. Again a good traffic builder.

10. Search Engine Optimization Marketing

There is a much loved saying among the interactive advertising community that "If you are not on Google, the business does not exist". Although this statement is true to.

4.5.3 Online Marketing Channels

Q19. Define the term Online Marketing Channels.

Ans :

(May-18)

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

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

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

Q20. Compare and contrast Online Marketing and Traditional Marketing.*Ans :*

S.No.	Online/Internet Marketing	S.No.	Traditional Marketing
1.	Internet marketing is very economical and fast way to promote product.	1.	Traditional marketing is very expensive and takes more time to promote product.
2.	Internet marketing is very useful for promoting product globally (without any additional cost).	2.	It is very expensive and time consuming process.
3.	In Internet marketing, requirement of manpower is low.	3.	In traditional marketing, manpower is important requisite for success.
4.	In Internet marketing, firm can sell or buy product 24x7, round the year.	4.	It is not possible in Traditional . marketing.
5.	Paying professional and experienced marketing company is very economical.	5.	Paying renowned advertising and marketing company is very costly.
6.	Internet Marketing is more measurable. Branding is important and traditional marketing does have benefits when it comes to branding. Internet marketing allows marketers to see exactly what they are paying for.	6.	Traditional Marketing is less measurable.
7.	Internet marketing can increase conversions more.	7.	Traditional marketing develops a campaign and then hopes that it will work. This makes it difficult for traditional agencies to test new ideas or even look into all of the details to determine the effectiveness of a campaign.

4.6 RETAILING**4.6.1 Meaning****Q21. Define the term Retailing. Explain the evolution of Retailing.***Ans :***(May-19)****Concept of Retailing**

Retail, also known as Retailing, retail sale, or retail transaction, is the sale of goods or services to customers or ultimate consumers, not for resale, but for use and consumption by the purchaser. The retail transaction is at the end of the supply chain. Manufacturers sell large quantities of products to retailers, and retailers sell small quantities of those products to consumers. Retailing is the bridge between the manufacturer and the consumer.

Definitions

1. **According to W.J. Stanton**, "Retailing includes all activities directly related to sales of goods or services to the ultimate consumer for personal a non-business use".
2. **According to Cundiff and Still**, "Retailing consist of those activities involved in selling directly to ultimate consumer."

Retailing is an end part of distribution process. It involves selling products and services to customers for their non-commercial, individual or family use. Unlike whole-selling, retailing is aimed at the actual consumer and involve for personal consumption and not for institutional consumption.

Evolution of Retailing

- **The first stage:** - "Anecessity" up to 1950s and 1960s, retailing was Manufacturer Driven. Retailing was reactive to customers' needs, product lines were expanded, cash handling was simple. There was little in-store information and there was little in the say of entertainment. It was product driven.
- **The second stage:** "A Nicety", from 1960s through 80s, was retailer driven. Retailer became proactive to customer needs, national chains developed, sales became permanent mass advertising took over from local, marketing became multi channel, and retailers talked about "fulfillment of desire". It was driven by market and finance.
- **The third stage:** "An Event", from 90s, until now was consumer driven. Retailers began to anticipate consumers' needs, multi-channel marketing made its debut, relationship promotions were the vogue with an emphasis on CRM, edutainment and "infotainment" were introduced to tickle the consumer's jaded palate, and above all brands are selling lifestyle.
- **The fourth stage:** "Consumer Created". Brands and products will be created by consumers. The ultimate attempt to get closer to consumer will result in brands being made by consumers. Consumers are now creatomers - to create content, designs, and even brands.

Q22. Explain the characteristics of Retailing.*Ans :*

1. **Small quantity makes large quantity :** A retailer is selling in small quantities through break bulk function. However, the small quantities become large when aggregated.
2. **Customer service:** A retailer provides different services to the customers, like home delivery and credit facility.
3. **Point of Sales Promotion:** A manufacturer going in for sales promotion has to provide it to the final point from where the customer buy. Sale to be offered at this point only.
4. **Different forms:** Retailers have undergone a sea-change. Traditionally retailers were in the form of Hats, Melas, and Mandies; then the forms changed to mom-and-Pop stores or Kirana stores, super Bazars etc; and now the organised retail is before us. From brick-and-mortar-stores now there are many forms of non-store based retailers.
5. **Location and Layout being Important:** Location is very important for the retailers, otherwise customer footfalls may be a problem. Customers are time-poor and hence location is very important. Apart from location, layout is equally important especially in the new retailing environment. Ambience, the part of extended marketing mix is the necessity rather than a luxury. It is because of this reason that most of the mom-and-pop stores are undergoing interiors.

Q23. What are the Functions of Retailers?*Ans :*

1. **Providing an assortment and Breaking Bulk:** A retailer buys in bulk and provides customers in smaller quantities. It also provides customers an assortment rather than one product only.
2. **Bridge between Manufacturers and customers:** A retailer is a bridge between manufacturers on the one hand and customers on the other. It is the retailers who comes into direct contact with the customers and thus has the best feedback from them

for upward communication to the manufacturers. The instructions received from the manufacturers about the use are also passed on to customers only by the retailers.

Manufacturers	Customers
Product is made available	Hires knowledgeable sales people
Promotes Product	Offers better quality and lower prices
Offers necessary services	Offers post-sale services

Becomes knowledge agent about the use Provides immediate service

Table : Retailers Services as Bridge between Manufacturers and the Customers

- Adds value to Customers:** A retailer adds value to the customer. An online retailer may provide the facility of home shopping. An offline retailer may provide the facility of home delivery. Since most of the retailers of the same kind are located in the same vicinity there is a facility of comparison shopping to the customers. Retailers do provide different kinds of facilities to make their shopping experiential - Store hours, Parking access, Shopper- friendliness of store layout, Credit acceptance, Level & caliber of salespeople, Amenities such as gift wrapping, Rest room availability, Employee politeness, Handling special orders, Delivery policies, Time spent at check-out lines, and Customer follow-up. All of these are a few of these facilities that have a strong influence on total retail experience.
- Creating Utilities:** A retailer creates Time Utility (making product available as and when customers need), Place Utility (making availability where customers can reach), Possession Utility (making things available for sale or hire), and Form Utility (enhancing the marketability of a product by changing its physical characteristics).
- Innovation through Competition:** Competition is at its maximum at the retail level. To attract more and more potential customers to buy from them, they go in for maximum innovation, either through providing new choices in terms of products and prices or extending credit facilities and extending other services.

4.6.2 Significance of Retailing

Q24. Explain the significance of retailing.

Ans :

(May-19, May-17)

The Importance of Retailing

1. Sales to Ultimate consumers of the products

In a retail transaction, the goods and services are sold to ultimate or final consumers. The products don't get resold after this transaction. Goods and services sold at this point can be used for various purposes such as for domestic use, household use or for industrial use.

Hence, at this point manufacturer can interact with his consumers through retailer and know about their views.

2. A convenient form of selling quantity-wise

The meaning of word retail is to break down the goods in small pieces and reselling them. the goods are bought by the retailer in large quantities from the middleman or manufacturer and bulk is divided into small quantities and sold to consumers as per their requirements.

To do this, the retailer can repack goods in various quantities and shapes so that it is convenient for consumers to choose and carry them to their homes.

3. Convenient Place and Location

Retailer stores are generally set up at locations which are convenient for consumers to reach. A retail store can be of various forms such as it could be a small shop, small store, or a multiplex. Goods can be sold through internet and mobile apps as per the convenience of consumers.

Moreover, shopping online is becoming a new trend because of the advancement in technology and courier services. Therefore, more and more companies are taking their business online where customers can view products at the comfort of their home and buy them.

4. Retail businesses contribute to the economy

In many countries, the retail business is one of the biggest contributors to the Gross Domestic Product (GDP) and its contribution has increased as compared to past and is also increasing by leap and bounds. Retailing is a driving force of the economy and its ambition is to encourage sustained growth.

5. Retail is interdisciplinary

Retailing has developed from a number of interrelated disciplines such as economics, geography, management, economics, and marketing. Economics is useful to manage the finances of a store. The good knowledge of geography is important to make the right choice of location to open a store.

Management plays an important role in managing your staff and inventory and similarly, right marketing helps you to penetrate in the market.

6. Provides Comfort and facilities for shopping

Shopping has become a pleasant experience because of all the facilities and comfort provided by chain stores, shopping malls,

multiplexes, etc. People now don't think shopping as work but they look forward to it and consider it as a stress releasing and family activity.

The giant retailers provide various facilities such as air conditioning, parking, entertainment, kids play section, lifts, trolleys to carry goods, and food facilities, etc. and retailing through mobile phones ensures doorstep delivery on all orders placed through the website or mobile apps.

7. Advantage of an expert and specialist

Retailers are experts and have experience in selling products to customers. He has a better understanding of customers and their likes and dislikes because of this regular contact with them. He stores products as per the need of customers and sells them to customers in different sizes and shapes.

4.6.3 Emerging Trends

Q25. Explain the emerging trends of retailing.

Ans :

(May-19, May-17, Imp.)

Emerging trends of Retailing

1. Shift from Unorganized to Organized Retailing

Retailing in India is thoroughly unorganized. There is no supply chain management perspective. The key factors that drive the growth of organized retailing in India are higher disposable incomes, rising urbanization, growing consumerism, nuclear family structure, growing number of educated and employed women population.

2. Store Design

Irrespective of the format, the biggest challenge for organized retailing is to create an environment that pulls in people and makes them spend more time in shopping and also increases the amount of impulse shopping.

3. **Competition Advertisements:** Competition is increasing between different types of retailers. Discount stores, departmental stores, supermarkets, etc. all compete for the same customers. The small independent retailers survive by providing personal services to the customers.

4. **New Form of Retailing**

Modern malls made their entry into India in the late 1990s, with the establishment of Crossroads in Mumbai and Ansal Plaza in Delhi. India's first true shopping mall, 'Crossroads' complete with food courts, recreation facilities and large car parking space was inaugurated as late as 1999 in Mumbai. Malls have given a new dimension to shopping experience.

5. **Technology**

Technology today has become a competitive tool. It is the technology that helps the organized retailer to score over the unorganized players, giving both cost and service advantages. Technology has also made possible the growth of non-store retailing.

6. **Consumer Buying Behaviour**

In India, there are no uniform trends with respect to consumer buying behaviour. There are visible differences in the shopping pattern of consumers across income segments. Organized retailing has definitely made headway in the upper class.

Advertisements: However, even in this segment, items such as milk, fruits, vegetables and a significant portion of 'through-the-month' purchases seem to be done at traditional outlets. Organized retail outlets seem to be associated with branded items/special purchases. Organized retailing does not seem to have made an impact on the lower class, except for 'curiosity' shopping.

7. **Entertainment**

Modern retail formats provide a place for people to assemble, and a means of entertainment, by providing facilities such as food courts, mini theatre, children's play spaces and coffee shops. These facilities help the customers enjoy shopping.

4.6.4 **Forms of Retailing**

Q26. What are the various Forms of Retailing?
(or)

Bring out the different forms of retailing.

Ans :

1. **On the Basis of Institutionalisation-Organised and Unorganised :** Organized retail is nothing but a retail place where all the items are segregated and brought under one roof, unlike the unorganized retail where there are different things sold in different shops. It also aims to bring maximum of different brands making the same type of product together.

The retail sector in India is highly fragmented and mostly owner-run "Mom and Pop" outlets. The entire sector is dominated by small retailers consisting of local Kirana shops, general stores, footwear and apparel shops, hand-cart hawkers and pavement vendors. These together form the "unorganised retail" (or) "traditional retail."

2. **On the Basis of Extent of Ownership :** Some of them may be independent retailers; whereas, others may be branded stores (like Khadim), or franchise stores (like Action, Subway)
3. **On the basis of Product Lines :** Specialty stores (carry depth but not width), General Merchandise retailers (Broader assortment but not many brands), monster-sized mass merchandisers (like Costco's hyper market), and smaller general stores (such as drugstores and convenience general stores).
4. **On the basis of Categories :** There can be different categories and if one store deals only in one of these categories it comes into that category. In India it is easy to see so many such stores - food and non food stores. Within non-food we may have a bamboo store, store selling only seasonal fruits and vegetables, drug store, hardware store, sanitary wares store and so on so forth.

Retail Stores in Non Food sector include many categories. Specific reference can be made to Drug Stores, which are specific types of speciality stores that focus on beauty and health and personal grooming merchandise. These sell prescription pharmaceuticals. These are more aggressive on price and purchasing patterns, located in city or shopping centres but, now more and more located at neighbourhood locations.

5. **On the basis of Store - Store-based and Non-Store-Based Retailing :** Store-based retailers are the ones who operate through a fixed location store, whereas non- store-based retailers operate without any stores. Retailers purchase the goods from a middleman known as a distributor or directly from the manufacturer. Stores may sell a wide variety of merchandise or can specialise in certain types of products. Retail stores may vary greatly in size. The selling of goods and services without establishing a physical store is known as Non-Store Retailing. Non-Store Retail formats include Category Retailing, Direct Selling, Vending Machines, TV Shopping, Multi-channel Retailing (retailers using several retail channels in parallel to sell their merchandise).

4.6.5 Formats of Retail Stores

Q27. Explain the Formats of Retail Stores.

Ans : (Dec.-20)

1. Store Based Retail Stores (Brick-and-Mortar Stores) in India

- **Mom-and-Pop Stores:** Mom & Pop stores are stand-alone stores owned and managed by individuals and their families. They typically carry fewer goods (lesser variety), do not adhere to any uniform display format and goods are supposedly priced higher.

It is interesting to note however that some of the biggest names in organized retail like Wal-Mart or Tesco started their journey as a single (mom & pop) store.

These stores generally cater to small sections of society and located near to the residences of consumer. Indian Kiranas, a form of mom-and-pop stores will continue to survive because they have one of four attributes of a successful retailer - either to be the cheapest, the biggest, the best, or the nearest. There are over 12 million mom-and-pop stores in India.

- **Category Killers:** Owner grown specialty stores with discount overtones are called category killers. Also known as Category Specialists, (or) Power Retailers offer limited merchandise categories with great breadth and depth of assortment usually in large stores. Small speciality stores have expanded to offer a range of categories. They are called category killers as they specialise in their fields, such as electronics (Best Buy) and Sporting goods. Low prices offered by them can "kill" a category of merchandise for other retailers, mainly speciality stores.

- **Department Stores:** Most of the Department stores operate below one roof of large buildings but due to realty prices, they operate from multi-stored facilities in major cities. These stores are large retail units, with wide variety and deep assortment under one roof. These are structured into different departments - Clothes, Accessories, appliances, home furnishing, jewellery, cosmetics, toys, furniture, sports goods, kitchenwares, garments or consumer electronics. Location may be spread across city centres. They often serve as anchor stores in shopping stores.)

- **Malls :** These are the largest form of retail formats. They offer an ideal shopping 'experience by providing a mix of all kinds of products and services, food and entertainment under one roof.

Examples are East Delhi Mall, Pacific Mall, Ambience Mall, etc.

"Mall's day is yet to come."

Malls are not yet venues for serious shopping but are more a hunt of the window shopper, impulse purchaser and the cinema-goer. Mall footfalls have a different mindset. The reasons are -

- a) Most of the cities are yet to see malls which are well managed.
- b) Except for a handful of malls most do not offer customers the experience and delight they promise.
- c) In some of the reasons, such as NCR, malls have been 'over built'.
- d) The mall developers' rental models are never transparent.
- e) Attitude of mall developers - where shops are running after care takers begging them to turn on air conditioning.

- **Specialty Store :** The retail chains dealing in specific categories of goods and provide deep assortment in these categories are specialty stores. There are specialty retail stores for all merchandise categories - clothing, shoes, accessories, food, appliances, automotive supplies, home electronics equipment, furniture, toys, home furnishings, jewellery, health and beauty, books and music.

Specialty stores reduce risk if they keep the merchandise according to tastes of targeted customers. Specialty stores are vulnerable to oversaturation; with rapidly turning merchandise, every season has to be on-trend or sales suffer; and these stores are over-dependent on changes in customer preferences or of outgrowing a customer.

- **Discount Stores:** These are the self-service stores, general merchandise or factory outlets that provide discount on MRP items. They focus on mass selling and reaching economies of scale or selling the stock left after the season is over. Discount store may be Full Line Discount Stores. Most stores operate on 50,000 to 80,000 sq feet. These stores accept

lower margins for higher volumes. These provide wide assortment from food to toys to automotive services, garden supplies, and sports equipment.

A full line department store offers a broad variety of branded merchandise at low prices, from such categories as electronics, furniture, gardening tools, and so on and so forth. These have origin in the US with Wal-Mart, Kmart, and Target.

They are considered the poor cousins of retailing. But discount stores that sell apparel and accessories at 30-40 per cent lower than the marked price are giving the primary retail chains a run for their money.

- **Hard Discounters:** Follow a very aggressive everyday low price strategy with prices up to "20% to 30% below those of conventional super markets. They offer limited assortment. Basic assortment consists of food items with a high turnover and few sizes and brands offered per product category.

- **Variety Stores and Value Retailers :** offer a broad assortment of inexpensive and popularly priced merchandise. Categories covered are clothes, accessories, jewellery, candy, toys, etc. Strong competition from category specialists, discount stores and food retailing formats that carry a range of non food items of similar product lines. To avoid competition they are targeting at low income customers and located in low rent areas.

- **Off-price Stores:** Sell inconsistent assortment, like clothes, accessories, cosmetics or footwear at low prices. Retailers use aggressive buying strategy. Selling off-season and irregular items. One-price store and factory outlet is a type of off price retailers.

- **Hypermarkets/Supermarkets:** These are generally large self-service outlets, offering a variety of categories (food products and non-food products like cosmetics and non-prescription drugs) with deep assortments and central checkout facilities. Hypermarkets

Originated in France. Size ranges from 9000 m² to 30,000 m² (e.g., Carrefour). These are located at isolated sites or close to shopping centres.

Conventional Supermarkets were located in neighbourhood locations and share of non-food items included 10% to 25%, which also covered health and beauty aids and products. Usually such stores are located in city or neighbourhood location.'

- **Convenience Stores:** These are comparatively smaller stores located near residential areas with self-service element. Usually situated at locations that are easy to access, open for long hours (say 24 hours), small and family oriented, and facilities are limited. Very limited assortment is food-oriented. These remain open for an extended period of the day and have a limited variety.

- **Superstores:** Larger and more diversified than conventional supermarkets. Size varies between 1000 m² or 1500 m² and 5000 m² with expanded service delivery, bakery, seafood, and non-food sections. Share of non-food items ranging from approximately 20 to 40%.

A similar store larger than superstore (up to 9,500 m²) and offering higher share of non-food items (from 25 to 50% of sales) is sometimes referred to as *Combination Stores*. Combination stores lead to operating efficiencies and cost savings. Non-food items provide higher margins.

Superstores and combination stores can be located in city, or in neighbourhood or even in isolated sites, where customers can come by car. The chain of 'More' launched by Kumar Mangalam Birla in 2006 comes under the category of small supermarket stores.

- **Warehouse Clubs:** These stores are specific to the USA and not prevalent elsewhere. Business members represent less than 30% of the customer base with 70% sales, made to end users and small-sized firms. Membership is necessary with annual subscription. The largest warehouse clubs in the USA are Costco and SAM's.

Warehouse Clubs have low prices for limited assortment comprising half food and half general merchandise.

2. Non-Store Based Retailers

Those engaged in the sale of products using marketing methods which do not include a fixed physical location. Non-store based retailers enjoy many benefits. First, there is freedom from a physical retail presence. Second, the high fixed cost of running a retail outlet is eliminated. Third, the width of customer coverage is wider in comparison of a fixed location store. Fourth, the warehousing cost is eliminated. Non-store based retailing provides a cheap and centralised location. On the other hand, the disadvantages include fear of credit card abuse and luxury items' sale is a problem.

Examples of non-store retailing include:

- **e-tailors :** These retailers provide online buying facility via internet. These provide a picture and description of the product. Due to the convenience and wide variety these stores are becoming very popular. Foreign direct investment in multibrand retail may have been relegated to the cold storage, but competition is still burgeoning for the neighbourhood store - from a plethora of e-retail websites ranging from eBay to those run by popular brands. E-tail or is clearly coming of age in India. In India aviation tickets is the biggest e-tailing market.
- **Catalogue Sales or Mail-Order Retailing :** Sale through catalogue eliminates the constraints of space and time, because, the business doesn't require physical store locations with all the associated overhead expenses like rent, employee wages, utility bills, etc.
- It can all be done out of one big warehouse with minimal employees, vastly reducing overhead costs.
- Some of the product available through catalogue sale include Fenner belt, Reader's Digest, Tupperware, books, etc are sold through catalogue. Mail- Ordering format offers many advantages which include.

- First, it increases convenience, as shoppers can buy from the convenience of their own homes.
- Second, the firms make themselves available whenever the customers want to buy.
- Third, it garners increase in terms of customer in the world. Fourth, targeting is easy.
For example using the post code, targeted campaigns can be developed using geographical / demographical criteria.
- Fifth, personalization - large numbers of personalized mailings can be undertaken regularly.
- Sixth, Response rates can be high.
- Seventh, there is Flexibility of creative scope.
- Eighth, the money may come in advance or at the time of delivery (if it is through value payable post - VPP), hence there is no need of any credit facility.

Mail-order Marketing	Traditional Marketing
i) Part of the core Process	i) It has a Separate Function
ii) It aimed at individual relationships, identifiable	ii) It targeted markets and targeted groups
iii) It measurable promotions and relationships results	iii) It measurability related to market share and sales
iv) In additional to traditional marketing instruments also customer value as an instrument	iv) Four important marketing instruments (4Ps)
v) IT integral part of the marketing activities	v) IT initially limited to marketing research. Not until the application of database marketing (1990) and later the Internet (2000) was IT applied more often
vi) The application of the Internet is a logical evolution	vi) The application of the Internet is still often regarded as a means of mass communication

Table : Distinction between Mail-order Marketing and Traditional Marketing

- **In-Home Demonstrations** : A product demonstration (or “demo” for short) in-home is a promotion where a product is demonstrated to potential customers. Door-to-door, and by- appointment or without appointment salespeople demonstrate such products as Eureka Forbes water purifier, cleaning machine, Tupperware, encyclopedias, vacuums, and carpet stain removers.
- **Vending Machines** : A vending machine is card- or cash operated retail marketing format which dispenses the merchandise when a customer deposits money, validated by a money detector sufficient to purchase the desired item. It eliminates the use of sales personnel and allows 24-hour sales. Second, a vending machine can be place any where. If a particular place is not suitable, though a fixed store can't be shifted, can be changed to any other place. Operating a vending machine can be costly affair, but a vending machine avoids those expenses.

On the other hand, high priced goods can't be sold through vending machine, because it requires more and more coins, secondly, the consumers are even otherwise reluctant to buy high-priced items not displayed. Third, there is always danger of theft and stock outs. Beverages, chocolates,

milk, and cash withdrawals have become quite commonly sold items through vending machines. The oldest vending machine in India is the weighing machine on major railway stations. The most popular vending machine nowadays is Banks' ATMs, followed by Mother Dairy,

- **Direct Response Television Advertising:** Direct Response Television, or DRTV for short, or Teleshopping includes any television advertising that asks consumers to respond directly to the company - usually either by calling an 1800 number or by visiting a web site.

The product is demonstrated directly in the living rooms on TV. This is a form of direct response marketing. There are two types of direct response television, short form and long form. Short form is any DRTV commercial that is two minutes or less in length. Long form direct response is any television commercial longer than two minutes. This was the accepted term for an infomercial from 1984 until "infomercial" came into vogue in 1988. The most common time period available for purchase as "long form" infomercial media is 28 minutes, 30 seconds in length. Long form is used for products that need to educate the consumer and create awareness, and typically have a higher price. A relatively small amount of media time may be purchased in lengths less than 30 minutes but more than 2 minutes. Five minute is the most commonly available time of these lengths.

- **Multi-Level Marketing :** Multi-level marketing (MLM) is a marketing strategy in which the sales force is compensated not only for sales they personally generate, but also for the sales of others they recruit, creating a downline of distributors and a hierarchy of multiple levels of compensation. Other terms for MLM include pyramid selling, network marketing, and referral marketing.

Some sources classify multi-level marketing as a form of direct selling rather than being direct selling. Multi Level Marketing in India is suitable for work from home mom students and part time professionals.

- **Haat :** In India, weekly bazaars are organised on a regular basis in both urban and rural areas. Every day of a week, at one or the other place such bazaars are being held. In Jaipur every Friday, HATWARA is being held.

In Delhi on different days the haats are known with the day of the week are being held. No. of consumer firms are visiting weekly rural haats, not to shop but to choose prospective rural customers. Number of haats in India stands at 43,384, according to 2001 Census.

- **Hawkers**

In India, hawkers or street vendors are quite popular. It is not uncommon to hear the voices of 'Tala Theek Kara Lo', Pressure Cooker/Gas Chulha Theek Kara Lo', 'Chhole Kulchewala', 'Dusutti Le Lo', and so on in the street. Street vendors are found in almost every city in India. These hawkers sell not just clothes and accessories, but also local food.

3. On the Basis of Organisational Structures

- **Pure-Play Retailers**

Companies that do business through one predominant channel are called pure-play retailers. The term pure play is usually attributed to online retailers that have never operated brick-and-mortar stores nor engaged in other types of non-store distribution.

- **Dual-Channel Retailers**

The companies that operate brick-and-mortar stores and also maintain transactional Web sites or catalogue divisions are called dual-channel retailers.

- **Multi-channel Retailers**

The companies that operate brick-and-mortar stores, catalogues, and online stores are called multi-channel retailers. They are also called

Triple-plays, as most of the publishers do. Leading brands such as Woodland, Samsung and Nokia among others have woken up to the potential of online retail shops, and joined the fray. Apart from tie-ups with generic e-retailers, big companies are opening dedicated online retail stores to tap the customer who shops online in addition to physical stores.

➤ **Electronic-Spinoffs**

Companies that originally traded through other electronic means before opening online stores are called electronic spin-offs. For example Discovery Communications once operated stores, catalogues, and online stores in addition to its TV channels, Discovery Channel and Animal Planet. In late 2007 the company announced plans to acquire the Web site HowStuff Works.com in order to enhance its internet business.

➤ **Nontransactional Retail Sites**

Web sites used purely for information and promotion that do not sell online are called nontransactional sites. Snapdeal.com is just one such site.

4. Chain Stores

Chain stores are those retail outlets that share a brand and central management, and usually have standardized business methods and practices. These characteristics also apply to chain restaurants and some service-oriented chain businesses. In retail, dining and many service categories, chain businesses have come to dominate the market in many parts of the world. A franchise retail establishment is one form of chain store.

The displacement of independent businesses by chains has generated controversy and sparked increased collaboration among independent businesses and communities to prevent chain proliferation.

Types of Chain Stores

- There are different types of chain stores depending on the kind of products the company creates
- Business chains (encompass many industries, including music, clothing, and electronics stores)
- Restaurant chains (which create a different kind of consumer product than traditional business chains, and therefore operate under different guidelines).
- A business chain is a network of physical business locations, which all provide similar services or products, and share the same brand. They inevitably also share some degree of central management, supply chains, training programs, personnel, and so forth. They may be part of a single company or franchises, in which individual store owners license the use of the shared brand, training, and expertise.

Chains of both types tend to make purchases and licensing agreements as a single entity. Even two stores or restaurants or businesses owned by the same person or group can constitute a local chain. Several large chains are among the largest retail businesses in the world.

Advantages of Chain Stores

- Since the decor is the same and carry the same merchandise, it is easier to recognise and depend on them for convenience of quality. Large chain stores deal in many items in one place, thus performing the service of a primary store for the necessary products.
- Chain stores successfully provide innovative products as there is high degree of footfalls and in-store advertising.

- Chain stores are representatives of new consumer driven society. In these stores the commodities sold are defined as social status goods. They sell goods what customers want, these stores also tell the customers as to what they need and want and what they should buy.
- Large chain stores carry more general merchandise than a small independent store; instead of specializing in one area, they have multiple brands for a variety of items. This can be seen as an efficient way to attract customers to a store by offering a lower price and a variety of brands in one place.
- Chain stores create new jobs for people who were not employed by the small stores. Sometimes they are welcomed by the owners of the small stores because they pay them an inflated price for their store just to eliminate it and its competition
- Chain stores displace small and independent stores being run by members of the community is the biggest disadvantage of chain stores. At these stores no bargaining is done. Third, these stores have no personal relationship with the customers.

Rahul Publications

Short Question and Answers

1. Define the term channel.

Ans :

Introduction

Manufacturers normally use intermediaries for taking their products to the users. The inter-mediaries bear a variety of names.

All such intermediaries constitute the marketing channel. The manufacturer's branch offices, depots, warehouses and showrooms too form part of the marketing channel. Where institutional channels like chain stores, super markets, etc., are used by the firm, they too form part of the marketing channel of the firm.

Channels play a pivotal role in marketing; they perform a number of vital distribution functions. Their importance emanates from the functions performed by them.

Firms rely on the marketing channels for generating customer satisfaction and for achieving differentiation over competitors. Channels are thus a vital source of competitive advantage for the firm.

Meaning

A channel of distribution (sometimes call a marketing channel) is a group of individuals and organizations 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

- i) **According to American Marketing Association** 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.
- ii) **According to Kotler & Armstrong** 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.

iii) **According to John A, Howard** "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."

iv) **According to William J. Stanton** "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".

v) **According to Philip Kotler**, "Every producer seeks to link together the set of marketing intermediaries that best fulfil the firm's objectives. This set of marketing intermediaries is called the marketing channel (also trade channel or channel of distribution)".

2. Different types of Channel Levels.

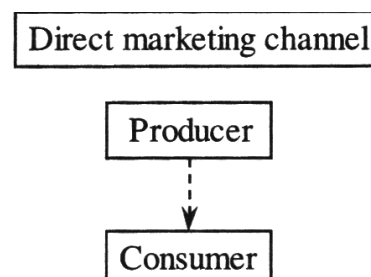
Ans :

1. Direct Marketing Channel

Direct marketing channel is also known as zero level channel. No intermediaries exist in this channel. In this distribution system the goods are sold directly by the producer to its customer. The firms perform all the channel functions and make use of their own sales personnel for reaching the consumers.

Example

Direct marketing firm, Eureka Forbes which produces vacuum cleaners.

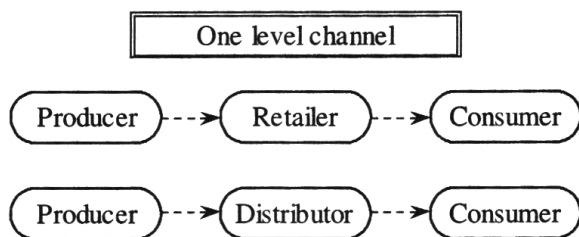


2. Indirect Marketing Channel

There are 'n' number of intermediaries present at every level of an indirect marketing channel. In the indirect marketing channel, a third party is used for distributing the goods and services of the company. Based on the intensity of distribution, indirect marketing channel is categorized into the following types,

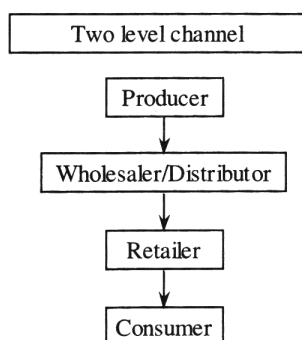
(i) One Level Channel

In one level channel, only one intermediary exists (i.e., either a retailer or a distributor) between the producer and the consumer. If the distributor is an intermediary, then this channel is used for specialty commodities such as, washing machines, refrigerators or industrial products.



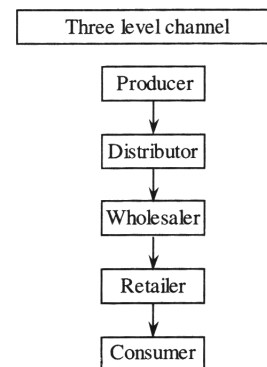
(ii) Two Level

In the two level channel, two intermediaries exist (i.e., either wholesaler/distributor and retailer) between the producer and the consumer.



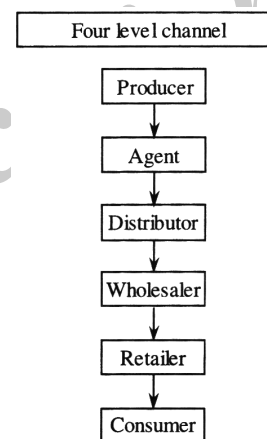
(iii) Three Level Channel

In this channel, three middlemen exist i.e., distributor, wholesaler and the retailer between the producer and consumer.



(iv) Four Level Channel

In the fourth level channel four middlemen exist i.e., the agent, the distributor, the wholesaler and the retailer between the producer and consumer. This channel is mostly utilized for consumer durable goods.



Apart from the above channels many different combinations of channels exist. Based on the kind of product, different channels are selected. Short channel is selected for non-durable and perishable goods, whereas longer channel is selected for consumer durable products. Hence, different types of channels are selected for different products.

3. Define channel structure.

Ans :

The distribution channel structure refers to the hierarchical setup comprising interdependent and autonomous parties that specifically play a crucial role in the smooth distribution of the goods/ services. The entire structure is mediated by different intermediaries lying between the point of production and the final consumption point.

4. Write about channel management.*Ans :*

The distribution channel management refers to the management of all those activities which are mostly related with the firm's distribution function. The decision making process can be efficiently implemented by the guidelines, given by the strategy of distribution. This strategy needs to be implemented by the management function of the firm. There are two phases in the distribution channel management. They are, the ex-ante and the ex-poste phase. The ex- ante phase consists of all those activities that are specifically engaged in designing and developing the channel of distributions, and all these activities are the preliminary activities which occurs before the functioning of distribution channel. This activities of ex-ante begins with the strategy of distribution which makes effort to create commercial and logistical network so as to attain the objectives of distribution channel. The distribution process involves the evaluation of site for the warehouses, facilities of transportation storage, ordinary and payment procedures.

The objectives of distribution should be considered while mapping the process, as soon as the set of objectives are accomplished managers will strive for the development of the distribution channel. For this purpose, different firms are required to perform the processes which have been undertaken to carry out the various functions of distribution. When large number of in-built activities have to be performed then the channel manager must appoint some personnel who can take up and perform such activities in a more efficient manner than others.

5. What are the functions performed by channel members.*Ans:***i) Buying Goods**

Marketing channel members purchase a wide variety of goods from the manufacturers or from different channels.

ii) Carrying Stock

Marketing channel members assume the risk involved in buying and holding of stock.

iii) Selling

Marketing channel members carryout the activities which are needed for selling the goods to customers or other channel members.

iv) Transporting

Marketing channel members help in arranging the transportation facility for delivering the goods at the desired location.

v) Financing

Marketing channel members provide the funds needed for covering the expenses of the channel activities.

6. Define Channel Design.*Ans :*

Channel design is presented as a decision faced by the marketer, and it includes either setting up channels from scratch or modifying existing channels. This is sometimes referred to as reengineering the channel and in practice is more common than setting up channels from scratch.

The term design implies that the marketer is consciously and actively allocating the distribution tasks to develop an efficient channel, and the term selection means the actual selection of channel members.

Finally, channel design has a strategic connotation, as it will be used as a strategic tool for gaining a differential advantage.

7. Define Channel Conflict.*Ans :*

Channel conflict is a situation in which channel partners have to compete against one another (or) the vendor's internal sales department. Channel conflict can cost a company and its partner's money as partners try to undercut one another. It can also lower morale within the channel and cause some partners to consider other vendors. Channel conflict may also occur among various segments of corporate departments, such as the sales channel.

To manage channel conflict the marketer must understand

- a) the type
- b) the nature or cause
- c) magnitude of the conflict

He should also appreciate that conflict cannot be totally eliminated. It can only be minimised.

8. Type of Conflict

Ans :

In any channel arrangement there can be three types of conflict

- i) Vertical level conflict
- ii) Horizontal level conflict
- iii) Multichannel level conflict.

(i) The Vertical level Conflict

Vertical level conflict occurs when the channel member at one level, is in conflict with another member at the next higher or lower level. For example, a conflict between the wholesaler and the manufacturer is a vertical level conflict. Or the major retailers in the town conflicting with the distributor over entitlements, is another example of vertical level conflict. Another example of vertical conflict is the non-cooperation and boycott of pharmaceutical companies by their wholesalers and chemists during 1989-90.

(ii) Horizontal level Conflict

Conflict at the same level between channel members is called horizontal level conflict. Hence, inter stockist conflict or conflict at the retail level among retailers on issues like pricing and territory jumping are examples of horizontal level conflict.

(iii) Multichannel level Conflict

Sometimes, the middlemen come in conflict with the manufacturer, using both direct and indirect means of distribution. Such a conflict is called multichannel level conflict. For example, a firm may have its own franchise outlet or its own shop in an area, where it may also be distributing the product through established middlemen. The former is direct distribution, while the latter is indirect distribution. The conflict may occur when the

franchise prices its products lower than the middlemen, wholesaler, or dealer, or when the firm retails a larger range of products through its own outlet than through the wholesaler or stockists. Likewise, conflict occurs when an order has been obtained with the joint efforts of the company's sales force and dealer.

9. Define Online Marketing.

Ans :

Internet marketing, also referred to as online marketing, Internet advertising, or e-Marketing, is the marketing of products or services over the Internet. When applied to the subset of website-based advertisement placements. Internet marketing is commonly referred to as Web advertising (also Webvertising) and Web marketing.

The Internet has brought many unique benefits to marketing, one of which being lower costs for the distribution of information and media to a global audience. The interactive nature of Internet marketing, both in terms of providing instant response and eliciting response, is a unique quality of the medium. E-marketing is sometimes considered to have a broader scope since it refers to digital media such as web, e-mail and wireless media, but also includes management of digital customer data and electronic customer relationship management systems (E-CRM systems).

10. Objectives of Online Marketing

Ans :

Internet marketing can serve several purposes:

1. Actual Sales of Products

E.g., Amazon.com. Products are ordered, sale and purchase online through internet. Many sites like amazon.com, eBay involve in actual sales of products.

2. Promotion/Advertising

Customers can be quite effectively targeted in many situations because of the context that they, themselves, have sought out. For example, when a consumer searches for a specific term in a search engine, a "banner"

or link to a firm selling products in that area can be displayed. Print and television advertisements can also feature the firm's web address, thus inexpensively drawing in those who would like additional information.

3. Customer Service

The sites may contain information for those who no longer have their manuals handy and, for electronic products, provide updated drivers and software patches.

4. Market Research

Data can be collected relatively inexpensively on the Net. However, the response rates are likely to be very unrepresentative and recent research shows that it is very difficult to get consumers to read instructions. This is one of the reasons why the quality of data collected online is often suspected.

11. Define the term Retailing.

Ans :

Concept of Retailing

Retail, also known as Retailing, retail sale, or retail transaction, is the sale of goods or services to customers or ultimate consumers, not for resale, but for use and consumption by the purchaser. The retail transaction is at the end of the supply chain. Manufacturers sell large quantities of products to retailers, and retailers sell small quantities of those products to consumers. Retailing is the bridge between the manufacturer and the consumer.

Definitions

1. **According to W.J. Stanton,** "Retailing includes all activities directly related to sales of goods or services to the ultimate consumer for personal a non-business use".
2. **According to Cundiff and Still,"** Retailing consist of those activities involved in selling directly to ultimate consumer."

12. Explain the significance of retailing.

Ans :

The Importance of Retailing

1. Sales to Ultimate consumers of the products

In a retail transaction, the goods and services are sold to ultimate or final consumers. The products don't get resold after this transaction. Goods and services sold at this point can be used for various purposes such as for domestic use, household use or for industrial use.

Hence, at this point manufacturer can interact with his consumers through retailer and know about their views.

2. A convenient form of selling quantity-wise

The meaning of word retail is to break down the goods in small pieces and reselling them. the goods are bought by the retailer in large quantities from the middleman or manufacturer and bulk is divided into small quantities and sold to consumers as per their requirements.

To do this, the retailer can repack goods in various quantities and shapes so that it is convenient for consumers to choose and carry them to their homes.

3. Convenient Place and Location

Retailer stores are generally set up at locations which are convenient for consumers to reach. A retail store can be of various forms such as it could be a small shop, small store, or a multiplex. Goods can be sold through internet and mobile apps as per the convenience of consumers.

Moreover, shopping online is becoming a new trend because of the advancement in technology and courier services. Therefore, more and more companies are taking their business online where customers can view products at the comfort of their home and buy them.

4. Retail businesses contribute to the economy

In many countries, the retail business is one of the biggest contributors to the Gross Domestic Product (GDP) and its contribution has increased as compared to past and is also increasing by leap and bounds. Retailing is a driving force of the economy and its ambition is to encourage sustained growth.

13. Chain Stores

Ans :

Chain stores are those retail outlets that share a brand and central management, and usually have standardized business methods and practices. These characteristics also apply to chain restaurants and some service-oriented chain businesses. In retail, dining and many service categories, chain businesses have come to dominate the market in many parts of the world. A franchise retail establishment is one form of chain store.

The displacement of independent businesses by chains has generated controversy and sparked increased collaboration among independent businesses and communities to prevent chain proliferation.

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Choose the Correct Answer

1. The act of obtaining a desired object from someone by offering something in return is called an _____ [b]
(a) Translation (b) Exchange
(c) Relationship (d) None
2. Innovation means _____ [c]
(a) Compensation (b) Inspiration
(c) Develop implement a new idea (d) None
3. A _____ discount is offered by the seller to intermediary who perform functions like selling, storing and record keeping [b]
(a) Quality (b) Trade
(c) Cash (d) Seasonal
4. Delivery channels means [b]
(a) Maternity word
(b) Handling over the products to the buyer
(c) Places where products are made available to the buyers
(d) All of the above
5. Value added services means [c]
(a) Costlier products (b) Large no. of products
(c) Additional services (d) Poor services
6. Relationship selling means [b]
(a) Preparing a list of relatives (b) Cross selling
(c) Selling to relative (d) None of the above
7. _____ Company sells to consumer through intermediaries to help company to promote the products [c]
(a) Direct marketing channel (b) Hybrid distribution
(c) Indirect marketing channel (d) None
8. _____ Channel refers to zero level channel. [a]
(a) Direct marketing channel (b) Hybrid distribution
(c) Indirect marketing channel (d) None
9. _____ Conflict occurs when the channel member of one level conflict with other member at the next higher level. [a]
(a) Vertical level (b) Horizontal level
(c) Multichannel level (d) None
10. _____ conflict at the same level between channel member. [b]
(a) Vertical level (b) Horizontal level
(c) Multichannel level (d) None

11. The last part of a supply chain which is engaged in selling product or a service is, [a]
(a) Retailer (b) Supplier
(c) wendor (d) Agent
12. Function of retailing include, [d]
(a) Time factor (b) Communication
(c) Size factor (d) All the above
13. Foods items and other groceries are made available to the customers at, [a]
(a) Convenience stores (b) Super markets
(c) Big bazar (d) Hyper markets
14. Theory of retailing which explains the retail evolution with an institutional life cycle concept is, [d]
(a) Selective theory (b) Retail accordion theory
(c) Natural selection theory (d) Wheel of retailing theory
15. Following constitutes the important activities of retailing. [d]
(a) Sorting (b) Arranging assortment
(c) Breaking bulk and holding stock (d) All the above
16. The giant retailers who dominates the single area of merchandise, [c]
(a) Discount stores (b) Super market
(c) Category killers (d) None of the above
17. _____ ensures a direct interaction with end users of goods or services in the value chain. [b]
(a) Distributors (b) Retailing
(c) Agents (d) None of the above
18. Physical repackaging of the products by retailers in small unit sizes is _____. [a]
(a) Breaking bulk (b) Sorting
(c) Holding stock (d) Extending services
19. Retailers are also classified based on, [c]
(a) Channels of distribution (b) Transport
(c) Number of outlets (d) All the above
20. Gross margin is, [b]
(a) Cost of goods sold - Net sales (b) Net sales - Cost of goods sold
(c) Net profit - Net sales (d) Net profit - Cost of gods sold

Fill in the blanks

1. Set of inter depend organization that help make a product (or) service available for use (or) consumption by the business is _____ channel.
2. Bank ATM's all _____ channel.
3. _____ are intermediates that ownership of the goods that they sell to customers.
4. VAR's means _____ .
5. _____ is a situation in which channel partners have to compete against one another.
6. _____ is the marketing or product (or) services over the internet.
7. _____ is a type of advertising in which business write short articles related to Industry.
8. RSS stands for _____ .
9. Companies that do business through one predominant channel are called _____ .
10. _____ are those retail actlets that share a brand and central management.
11. _____ distribution is restricted to only a portion or percentage of available outlet in each geographical area.
12. Big Bazaar, Shoppers Stop, Westside, Globus are few examples of _____.
13. EDI stands for _____.
14. _____ and _____ are the classification of retailers based on the merchandise range.
15. The strategy used to attract the shoppers towards a specific store is called as _____.
16. _____ refers to the business of buying goods in large quantities from a manufacturers or wholesalers and then selling them to consumers.
17. Retail outlets convert the _____ into _____.
18. _____ is the number of merchandise categories offered by a retailer.
19. Each item of merchandise offered by a retailer is referred to as _____.
20. Through _____ a retailer sells and delivers merchandise and services to its customers.

ANSWERS

1. Distribution
2. Alternate delivery
3. Merchants
4. Value added resellers
5. Channel conflict
6. Online marketing
7. Article advertising

8. Really simple syndication
9. Pure play retailers
10. Chain store
11. Selective
12. Departmental stores
13. Electronic Data Interchange
14. Departmental stores
15. Traffic strategy
16. Retailing
17. Heterogeneous products into homogeneous products
18. Variety
19. Stock Keeping Unit (SKU)
20. Retail channel.

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UNIT V

Digital Marketing, Marketing Information System and Marketing Research:

Digital Marketing: The new digital world - trends that are driving shifts from traditional marketing practices to digital marketing practices, the modern digital consumer and new consumer's digital journey. Marketing strategies for the digital world – latest practices. – Understanding the relationship between content and branding and its impact on sales, search marketing, mobile marketing, video marketing, and social-media marketing. Online campaign management; overview of search engine optimization (SEO)

Concept of MKIS - Components of a Marketing Information System - Internal Records System-Marketing Intelligence System-Marketing Research System-Marketing Decision Support System - Marketing Research Process - Marketing Research Vs MKIS - Marketing Research in India.

5.1 DIGITAL MARKETING

5.1.1 Definition of Digital Marketing

Q1. Define digital marketing. Explain the objectives of digital marketing.

Ans : (Dec.-20, Imp.)

Digital Marketing

Digital marketing refers to the management and execution of marketing activities by using digital electronic technologies and channels like digital TV, E-mails, web, wireless media and digital data concerning consumer behavior and its attributes. Digital marketing helps in reaching the target customers on-time without consuming much resources and in an interactive manner. Internet marketing is one of the types of digital marketing.

Digital marketing comprises various activities and these activities undergo frequent changes as per the development innovations in the digital resources. Consumer preference to digital resource, cost effectiveness, execution speed and customer experience with digital resources are the factors which are forcing the marketers to focus on 'digital marketing activities'.

Thus, it may be stated that digital marketing helps towards the integration of the markets with the consumers, which in turn would facilitate the purchase and consumption of the product or service, further the field of digital marketing also involves knowledge of traditional marketing. It performs the same role as that of traditional marketing i.e., acting as a platform to connect potential customers with the market.

Objectives of Digital Marketing

The following are the major objectives of digital marketing,

1. It aims to promote new products and services by acting as a platform for potential marketers to reach their target customers.
2. To create brand awareness for the product/service.
3. To help the marketer to understand the present and potential needs of the consumers.
4. Digital marketing also facilitates engagement among the audience in relation to the business.
5. It aims to create brand awareness for a given product or service.
6. It facilitates publicity and promotion of new products and services in the market.
7. It also aims to increase the level of customers satisfaction and generate brand loyalty.
8. Its aim also involves the transfer of goods and services from the marketers to the end users.
9. It aims to create demand for products through attractive advertisements.
10. It helps the marketers to reach the customer through a variety of digital marketing tools such as social media, videos, audio chats, web blogs, web apps etc.
11. It helps in market segmentation of the marketers products.

12. It aims to help the marketer reach their target audience.

Thus it may be concluded that digital marketing is a new and evolving field which possess potential for immense growth in future.

Q2. Explain the various components of digital marketing.

Ans :

1. Online Internet/Web Marketing

Online marketing is the achievement of marketing goals through the utilization of the internet and the web based technologies. Online marketing is also known as internet marketing or marketing on the web.

Online marketing is a part of e-business or e-commerce or electronic commerce. The internet marketing has changed vie way of working, buying and living of the people. It involves the exchange of products, services, information and payments through the electronic medium of networks.

2. Internet (or) Online Advertising

Internet/web advertising is a form of advertising that uses internet and world wide web so as to deliver marketing information and also to gain customers attention. Banner ads, E-mail marketing, search engine result pages are some of we examples of web advertisement. The major advantage of this kind of advertising is information is not restricted to any : articular geography or time. This form of advertising is also referred to as interactive advertising that uses interactive media (interactive Tv, mobile devices, internet) to promote the customer's buying decision.

3. Search Engine Marketing

Search engine marketing is one of the types of internet advertising which attempts to enhance the accessibility of websites in Search Engine Results Pages (SERPs) by using Search Engine Marketing (SEM) activities and Search Engine optimization (SEO) strategies.

4. Mobile Marketing

Mobile marketing is one of the types of digital marketing which helps the organizations in communicating and interacting with target customers through mobile device or wireless network. For example, mobile phone/cell phone, MMS/ SMS, PDA etc.

5. E-mail Marketing

E-mail marketing refers to the marketing done through electronic mail. In E-mail marketing, E-mail/messages are sent only to those people who have agreed to receive messages. E-mail marketing is a highly economical digital marketing. For digital marketers, E-mail marketing is considered as highly powerful and highly economical tool.

6. Viral Marketing

Viral marketing is also known as Electronic Word-of-Mouth (EWOM) or word-of-mouse. In viral marketing, word-of-mouth communication is done through e-mail or SMS and social networking technology is used to pass on the messages via self-replicating viral processes which affects marketing activities.

7. Social Media Marketing

Social media marketing is a type of internet marketing where social web channels and technologies or online collaborative media is used for carrying out marketing activities like sales, distribution, public relations and customer service. Social networks, online communities, blogs, Twitter, Youtube, Whatsapp and wikis are some of the examples of social web channels and technologies.

8. Blog Marketing

A major component of digital marketing is blog marketing. Many companies host their own blogs wherein they promote their new products or services. Alternatively, the company may take the help of specialized bloggers to publicize and promote its products.

Generally in case of blog marketing , it needs to be updated on a regular basis.

9. Interactive Marketing

This component/mode of digital marketing includes chat box and other types of interactive platforms wherein the customers interact with the marketers.

10. Audios and Videos

One of the most popular form of digital marketing is audio and video marketing. A good example of audio marketing is the 'podcasts'. Further, video marketing is carried out using digital videos which carry the marketers message to the target audience. B2C (Business to Consumers) and B2B (Business to Business) videos are regularly broadcasted on popular digital video platforms such as Youtube etc.

11. Digital (or) Online Public Relations

Most of the B2B organizations are opting for web based, digital public relations over the traditional public relation media. Organizations are opting for online contacts wherein postal mails and virtual press releases are becoming common methods of digital Public Relation (PR).

Q3. Explain the need and scope of digital marketing.

Ans :

The concept of digital marketing had gained importance in recent years. To remain competitive in the business world, organizations need to be visible to their target audience. In today's highly digitalized world, this is possible only through digital marketing.

Need for Digital Marketing

The following points highlight the need for digital marketing,

(a) To Remain Competitive

A primary reason for organizations to go for digital marketing is for it to remain competitive. Most of the firm's competitors are

already employing digital marketing tools. Further a firm's present and potential customers expect the firm to be visible on the digital marketing platform. Thus, it is a basic need for every organization to utilize the platform of digital marketing to remain competitive.

(b) To Improve Customer Relations

The use of digital marketing is needed for the organization to improve its relation with its customers. This is all the more true in case of B2B (Business to Business) customers where the customers are smaller and more influential. Targeted RPC advertising is an excellent way for the organization to improve its relationship with its customers.

(c) To be Up-To-Date

Digital marketing is needed because the traditional tools of marketing are declining and more and more firms are shifting their marketing budget from traditional marketing sources to digital marketing.

Scope of Digital Marketing

The scope of digital marketing is very wide. It encompasses all areas of marketing and has replaced traditional marketing sources, to become the top tool of marketing worldwide. Most global organizations are opting for digital marketing rather than traditional marketing.

According to a research study organizations are focusing their marketing budget towards inbound digital marketing tools such as social media marketing, company's website, popular search engines etc.

The competition for effective digital marketing has become intense. Researcher Shepra conducted a survey of potential customers and found that 71% of B2B customers look for information on the internet. Further customers are influenced by the information found on the internet, web blogs, social media posts and videos. Thus it may be stated that the influence and scope of digital marketing is very wide.

5.1.2 Classification of digital marketing**Q4. Explain the Classification of digital marketing.***Ans :*

Digital Marketing can be classified into Pull and Push marketing.

1. Pull Digital Marketing

Pull digital marketing technologies involve the user having to seek out and directly grab (or pull) the content via web searches. Web site/blogs and streaming media (audio and video) are good examples of this. In each of these examples, users have a specific link (URL) to view the content.

2. Push Digital Marketing

Push digital marketing technologies involve both the marketer (creator of the message) as well as the recipients (the user). Email, SMS, RSS are examples of push digital marketing. In each of these examples, the marketer has to send (push) the messages to the users (subscribers) in order for the message to be received.

5.1.3 History of Digital Marketing**Q5. Explain the evolution of Digital Marketing .***Ans :*

- The term Digital marketing was first used in the 1990s, but digital marketing has roots in the mid-1980s.
- When the SoftAd Group, now ChannelNet, developed advertising campaigns for automobile companies: People sent in reader reply cards found in magazines and received in return floppy disks that contained multimedia content promoting various cars and free test drives
- In year 2000 a survey in the United Kingdom found that most retailers had not registered their own domain address.
- Digital marketing became more sophisticated in the 2000s and the 2010s, when the proliferation of devices' capability to access digital media at almost any given time led to great growth.

- Statistics produced in 2012 and 2013 showed that digital marketing was still a growing field.
- Digital marketing is often referred to as 'online marketing', 'internet marketing' or 'web marketing'.
- The term digital marketing has grown in popularity over time, particularly in certain countries.
- In the USA online marketing is still prevalent. In Italy, digital marketing is referred to as web marketing.
- In the UK and worldwide, however, digital marketing has become the most common term, especially after the year 2013.

5.1.4 New Digital World**Q6. Define the term New Digital World.***Ans :*

- Digital media growth is estimated at 4.5 trillion online ads served annually with digital media spend at 48% growth in 2010.
- An increasing portion of advertising stems from businesses employing Online Behavioural Advertising (OBA) to tailor advertising for internet users.
- But OBA raises concern of consumer privacy and data protection.

5.1.5 Major Factors Affecting the Digital Marketing**Q7. What are the Major Factors Affecting the Digital Marketing ?***Ans :*

- (a) **India's literacy rate is at 74.04%. Kerala is the most literate state in India, with 93.91% literacy. Six Indian states account for about 70% of all illiterates in India:** Uttar Pradesh, Bihar, Madhya Pradesh, Rajasthan, Andhra Pradesh and West Bengal. Thus increasing literacy positively effecting the digital marketing growth in India.

- (b) **Expensive technology:** The mobile and internet rates are very competitive and now it is in reach of a common man also.
- (c) **Cost of advertising:** The cost of advertising is very low. One can have its own website in just Rs. 5000 in India. One can promote his product on Google with Google AdSense with just Rs.1000 a month.
- (d) **Inherited limitation of Technology:** In India the youth is very adaptable towards technology but still large population is not so friendly with the electronic gadgets.
- (e) **Unavailability of Infrastructure facilities in India :** The internet connectivity is still not available in Indian rural areas.
- (f) **Believe in Traditional business practices :** The small businessman having running its business in a small area and quite focused on that area only then he prefers Traditional ways of Promotion as it he finds it is more visible to the people around.
- (g) **Lack of Online Business Experience:** Lack of awareness about the digital marketing is also a major limitations in the growth of the digital market.

5.2 BENEFITS AND LIMITATIONS OF DIGITAL MARKETING

Q8. Explain the benefits and Limitations of Digital Marketing.

Ans :

Benefits of Digital Marketing

Following are the benefits of digital marketing,

1. Easy Effective Marketing

Digital marketing is an easy and effective means for the organization to communicate its marketing message to a large number of present and potential customers. It has revolutionized marketing activities on popular social media platforms such as Facebook, Twitter, Linked In etc.

2. Enables Direct Advertising

It acts as an effective platform for the organization to advertise about its product and create brand loyalty for its product.

3. Permanent Ad Display

Unlike traditional ads, ads on digital platforms are more permanent and can be accessed by potential customers any time.

4. International Advertisement

A major benefit of digital marketing is that it provides the company a good platform to advertise its offerings to the global customers very easily.

5. Brand Promotion

It acts as an effective mode for brand promotion. Thus strengthening the organizations loyal customer base.

6. Boosts Sales

Digital marketing has made it possible for a prospective customer to shop any time (24/7) across any geographic area. Thus it boosts the overall sales figure for the company.

7. Cost Effective

It has been found that digital marketing tools are very cheap and cost effective, in comparison to traditional marketing modes such as TV, radio, magazines etc. Social media marketing platform such as Facebook, Linked In, Whatsapp, Instagram have become cost effective platform of digital marketing.

Limitations of Digital Marketing

Digital marketing suffers from the following limitations,

(a) Highly dependent upon Internet

Most modes of digital marketing are dependent upon internet facility. Thus in areas where there is no internet facility digital marketing would not be effective.

(b) Fierce Competition

A major limitation of digital marketing is the intense competition from local, national and international brands. The customer is provided with many alternative choice.

(c) Limited to Consumer Products

A major limitation of digital marketing is that it is effective mode for marketing consumer products but is not impactful incase of industrial and pharmaceutical products.

(d) Lack of Privacy

There is no privacy on the digital marketing platform, competitor may copy the firms product, pricing strategy or may even sell the product in their own name.

5.2.1 Benefits of Digital Marketing over Traditional Marketing**Q9. Explain the benefits of Digital Marketing over traditional Marketing.**

Ans :

1. Enlarged engagement with stakeholders

A well- sought and publicized website would aid potential clients, prospects and followers in viewing your website, looking at other available products and services, buying them, rating them as well as providing feedback. All of this, while enhancing the prospects of the business. A good website, is the equivalent of a online visiting card, with much more print space.

2. Instantaneous publicity

Digital marketing allows businesses to instantaneously publicize online within a matter of few minutes as compared to the time- consuming traditional methods such as distributing sales flyers. Usage of social media may be the most effective for sharing breaking news and enabling your messages to be communicated on a larger scale and quicker, through mere 'share options'.

3. Concurrent results and High measurability of efforts

It helps to track the traffic coming to the website, almost simultaneously, measuring important facets such as the conversions, demographics of the audience, their locations, peak trading times and much more, all offered by Google analytics.

4. Reduced costs

High advertising costs for both visual and print media can be replaced for more effective and marginal costs by using digital marketing by establishing successful online marketing strategies.

5. Brand development

Targeting the needs of the target audience becomes easier by maintaining a website which contains quality worthy content. This gives a boost to the value generation and leads to the generation of newer opportunities. The same can be achieved via email marketing and/or social media channels.

6. Levelled field for competing

Strong digital marketing strategy allows diverse businesses to compete with each other on similar lines irrespective of the size. A website with good reput, which entitles its customers to a smooth customer journey, is unparalleled. Also, in most cases , a small company can use the very same tools and techniques as a big company to play out in the same market.

7. Simple to measure

Google Analytics makes it easier to measure specific goals. It provides more in- depth reports of the data while making large chunks of consumer data comprehensible to all businesses. Google analytics has integrated with AdWords and launched real time analytics, all making the process even more manageable and aiding in value creation.

8. Non intrusive communication

Email marketing is a non – intrusive way of communicating commercial or fund raising messages to an audience, usually potential customers while giving them an option of opting out of the regular email alerts as per relevance, opposing the traditional marketing gimmicks such as calls and messages at inconvenient times.

9. Greater exposure

Digital marketing opens up doors to an international platform for businesses because even a single marketing campaign can be viewed worldwide. Costs of launching a campaign against traditional methods, is considerable. However, one should view it as a long- term investment and can also optimize the key word search content.

10. Scope for refinement of strategy

Whilst gathering and analyzing chunks of consumer data, strategies can be upgraded accordingly. This method allows businesses to refurbish their strategies at any point to maximize efficacy at the fraction of cost of traditional marketing.

5.3 TRENDS THAT ARE DRIVING SHIFTS FROM TRADITIONAL MARKETING PRACTICES TO DIGITAL MARKETING PRACTICES
Q10. Distinguish between traditional way of marketing and digital marketing.

Ans :

(Imp.)

The following are the key differences between traditional marketing and digital marketing,

S.No.	Area	Traditional Marketing	Digital Marketing
1.	Definition	The U.K Chartered Institute of Marketing defined marketing as "The management process responsible for identifying, anticipating and satisfying customer needs profitably".	Digital marketing refers to the management and execution of marketing activities by using digital electronic technologies.
2.	Scope	Its scope is limited and narrow.	Its scope is very wide.
3.	Flexibility	Not Flexible. The ad placed is static and not changeable.	It is highly flexible and the content of the ads can be tailor made as per the requirement.
4.	Target Audience	The ad message may or may not reach the target audience.	There is a very high probability that the message would reach the target audience.
5.	Capital Requirement	Generally requires huge capital investment for creating the desired impact.	Do not require huge capital.
6.	Option of Tracking	No option of tracking and analytics is available.	Detailed tracking and analytics of the ads are available on real time basis.
7.	ROI	The ROI (Return on Investment) cannot be tracked.	The ROI can be easily and accurately tracked.
8.	Cost	Highly expensive.	Very cheap and cost effective.
9.	Ad Time Duration	The time duration of the ads is for a limited time period.	The time duration of the ad is for longer duration of time.
10.	Accessability	It is accessible to all type of consumers.	Its accessability is limited to consumers who have access to internet.
11.	Examples	It includes TV, radio, newspapers, magazines, Billboards, Brochures etc.	It includes social media, content marketing, videos, SEM, SEO, E-mail marketing etc.

Q11. Discuss briefly the current trends of digital marketing.*Ans :*

The field of digital marketing is highly dynamic and evolving on a daily basis. The following are the latest trends in the field of digital marketing,

- (a) The present day digital ads are being made with a specific target audience and target goal in mind. This is because potential customers are bombarded with multiple ads.
- (b) Video marketing has become a powerful mode of digital marketing. It has become popular and influential mode of marketing in the digital world.
- (c) The digital marketing tools have become more powerful and are helping the organization to track every step movement of the customer on the web page and other digital platforms.
- (d) Conversational digital marketing interface such as Amazon's Alexa, Google's Assistant, Chat bots, Microsoft's Cortana etc have gained immense popularity among the customers. They have become a part of the daily lives of customers.
- (e) A current trend in digital marketing is the personalization of ads on the digital marketing platform. For instance, marketers are trying to attract regional customers by employing native language of the target audience in the ads to make them.
- (f) A new trend in digital marketing field is the increased use of voice marketing. For instance, Google incorporation had revealed that more than 20% of its searches are based on voice searches. Popular voice based platforms such as Aloc, Siri etc are gaining popularity and have potential to grow further.
- (g) The variety of content that is being marketed on the digital marketing platform is evolving on a regular basis. Content on the digital platform has become more integrated and is still evolving. For example, voice based content is being integrated with video content and so on.

(h) Digital marketing modes are getting advanced and effective through the employment of application programming, machine learning algorithm and artificial intelligence programs. This had made all business organizations to accurately predict its marketing spent and overall budget.

(i) Digital marketing tools have become more advanced and marketers can accurately measure the ROI (Return on Investment). Thus old ROI metrics such as CPC (Counts Per Click), CPL (Counts Per Lead) etc are being replaced by advanced tracking and analyzing softwares.

Thus it may be stated that the digital marketing field is changing on a revolutionary pace. It has lot of further potential to grow and evolve.

5.4 THE MODERN DIGITAL CONSUMER AND NEW CONSUMER'S DIGITAL JOURNEY
Q12. Who are digital consumers. Explain the characteristics of modern consumers.*Ans :*

Human beings have been communicating and interacting with each other for thousands of years. It is just the communication channels that evolve with the passage of time. The internet has made us digital consumers.

In digital marketing, it is important to pay attention to rapidly evolving communication channels. The consumer behavior is changing because of the enabling nature of digital technology and an easy access to information.

Establishing assumptions about people is not an ideal approach when it comes to digital consumers. The ideal approach to understand the buying behavior of your digital prospects is to conduct a thorough research.

➤ **Digital-savvy consumers are well informed:** the internet has been around for quite a time and people now have learned how to fully utilize its power. As people become more aware of the modern

communication technology, they use it more efficiently. This means marketers have to give their best in order to win well-informed prospects.

- **They want relevant and quick information:** excessive information and a variety of options have made people accustomed to getting the right and hazard-free solutions within seconds. For example, if your website is not responsive or slow, the visitors are likely to bounce back and move on to the next option. It is the instant gratification that makes a visitor love your site. So, while you build a website for your business, make sure that it provides engaging material and highly relevant information.

Characteristics of the modern consumer

1. Around-the-clock-shopping

"There's an expectation among today's consumers that the ability to consume is a 24/7 thing," "When consumption can take place at any time of the day, retailers have to address the requirements of different consumer needs throughout day."

2. Consumers are in Control

"Customers in today's era are much more in control of their shopping experience, and they know they can dictate the shopping experience that they want,"

3. Content Consumers

"Customers are branching out with this significantly broader ability to explore your products in the moment," "They have closer relationships with what they're buying and the reasons for buying it in their mind. Content has tremendous influence on how they're behaving,

Collaborators

"There is a lot more collaboration and sharing of information that can influence consumer decisions compared to the offline experience," "eBay can complement those experiences with our retail partnerships."

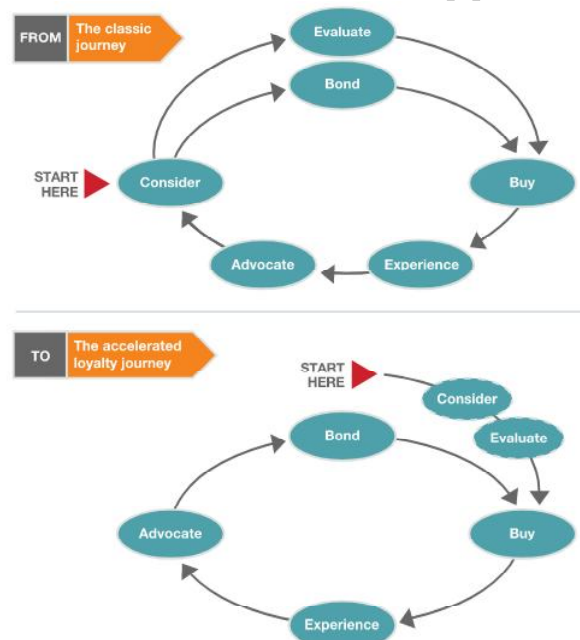
Q13. Define customer journey?

Ans :

A "customer journey" identifies all customer interactions with your business from the customer's point of view.

"Digital customer journeys" combine *all* the contacts a customer has with a brand basic online consumer data, information about transactions, browsing history on all devices, and online customer service interactions.

A digital customer journey map is a complete framework that enables you to see how clients and prospects connect with your brand and product. It shows all the different stages that customers go through as they interact with your online channels, from awareness, to consideration, to purchase



1. Proactive personalization uses information about a customer - either based on past interactions or collected from external sources - to instantaneously customize the experience. Remembering customer preferences is a basic example of this capability, but it extends to personalizing and optimizing the next steps in a customer's journey, such as immediately putting a valued traveler on an upgrade list.
2. Contextual interaction uses knowledge about where a customer is in a journey to deliver them to the next set of interactions,

such as a retail site showing a customer the status of a recent order on the home page. Some hotels are experimenting with using their app to operate like a key when a customer gets to his or her room.

3. Journey innovation extends the interaction to new sources of value, such as new services, for both the customer and the brand. Companies mine their data and insights about a customer to figure out what adjacent service her or she might appreciate. The best companies design journeys that enable open-ended testing to allow for constant prototyping of new services or features. This may include, for example, an airline's app that has the ability to integrate with a taxi service so that travelers can book cars to pick them up when they arrive at their destination.

5.5 MARKETING STRATEGIES FOR THE DIGITAL WORLD – LATEST PRACTICES

Q14. Write about the various strategies to be followed for digital marketing.

Ans :

(Dec.-20)

Digital marketing is highly dynamic and is changing and evolving at a rapid pace. Some researchers state that organizations need to follow clearly defined strategies to be successful at digital marketing of their products.

The following are some popular digital marketing strategies which can be employed by firms for impactful marketing,

(a) E-mail Marketing

It is one of the oldest and most effective digital marketing strategy which can be used by firms. A research study conducted by Data and Marketing Association found that the Return on Investment (ROI) which a firm would get by investing in E-mail marketing was 125%. Thus it is a popular digital marketing strategy.

(b) Social Marketing

Social media marketing is one of the best digital marketing strategy which can be employed by firms to attract attention of

present and prospective customers. Research data concluded that 91 % of the marketers, believe it to be a very good mode of digital marketing.

It helps in increasing customer traffic, boosts sales and develops a pool of brand loyal customers.

(c) PPC Strategy

The PPC (Pay Per Click) digital marketing strategy is popular method of advertising on search engines. It is an excellent tool to generate pool of potential customers. It is unique in the sense that the ads are targeted to interested customers and the firms pay only when customers click on the ad.

(d) SEO Marketing Strategy

The SEO (Search Engine Optimization) strategy is a powerful digital marketing strategy which facilitates increased traffic to your website and helps build trust among your prospective and present customers. Through SEO, the firm can ensure that its website is reflected among the top search results. Thus increases the probability of clicks by interested web users. The firm need to hire a good SEO provider to employ this strategy effectively.

(e) Content Marketing

It is a very good digital marketing strategy for B2B and B2C customers. 90% of the B2C customers are influenced by the content they read about a product or service on the internet. Further 89% of B2B marketers believe that it is a very effective digital marketing strategy.

It helps in increasing sales, creating relationships with customers, create brand awareness about the firms offerings.

(f) Retargeted Marketing

It is also known as retargeting advertising. It involves showing relevant ads to those web users who are interested to know about a product and who had previously visited the company's website. The aim of this digital marketing strategy is to convert a prospective customer into an actual consumer (purchaser).

Q15. Discuss the trends of digital marketing in India.*Ans :*

Digital Marketing in India has been seeing a continuous growth year after year. There are many trends emerging with the advent of new technologies. The following points highlight the status/trends of digital marketing in India,

1. Change from Tactical SEO to SEO Strategy

Google's introduction of humming bird update has changed the search engine behaviour by improvising the SE algorithm. Thus, change from Tactical SEO to SEO strategy has occurred.

2. Increased Social Media Marketing in India

Social Media is used by many people in India. Especially, India ranks second in the usage of Facebook. This increased usage has made many retailers to sell online especially on facebook.

Example: Flipkart, Myntra, Yatra, 99 acres, shopclues etc.

Even, the e-tailers are spending huge amounts in advertising and using E-commerce to sell.

3. Content Marketing

Content Marketing is at its peak. People are searching and consuming the - text, audio, images and videos from web.

4. Key Performance Indicators (KPI) and Return on Investment (ROI)

KPI's and ROI's are utilized by Indian digital marketing consultant to increase the conversion rate, improve customer experience and gain high brand reputation.

5. Viral Video Marketing

Usage of Viral Video to market on the social media is increased countlessly. It resulted in developing brand identity, enhanced brand strategies to explain about themselves and gain brand loyalty.

6. Responsive/Mobile Marketing

Increased usage of smartphones, tablets, touchpads has brought a boon to mobile marketing in India. Also, usage of internet on these devices has made the marketers to reach the audience easily.

Other major trends are,

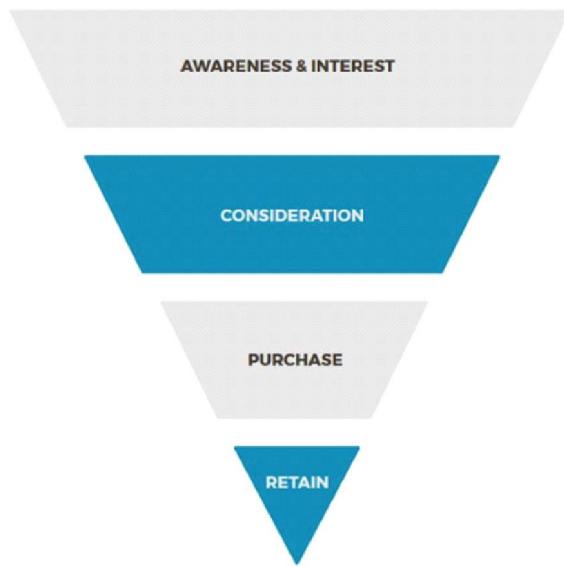
- Localization
- Personalization
- Innovations in online payment
- Humanization of Digital marketing
- Integrated Marketing.

**5.6 UNDERSTANDING THE RELATIONSHIP
BETWEEN CONTENT AND BRANDING
AND ITS IMPACT ON SALES**
Q16. Define content marketing?*Ans :*

Content marketing is a digital marketing strategy in which companies create honest, transparent, and educational content on a consistent basis for an ideal buyer profile. Typically, the goal is to use the publication and promotion of content to drive organic website traffic, increase qualified lead generation, and (ultimately) empower the sales team to close more deals faster.

The core objectives of any marketing strategy are to raise a business' profile, improve awareness or reputation amongst an audience, and ultimately, create more leads. The right content can play a huge role in achieving all of these goals, particularly when supplemented with social media amplification to ensure the widest possible reach.

The impact of content marketing on sales cycle is perhaps best described as 'symbiotic.' In today's digital world, where huge volumes of information are easily accessible online, there are very few sales processes that take place without prospects doing at least a small amount of research first.



- **Stage 1 – Awareness and interest:** This is where a potential buyer becomes aware of your product or service, and begins to gather information.
- **Stage 2 – Consideration:** Gathering information is known as the consideration phase, leading to either a positive or a negative decision.
- **Stage 3 – Purchase:** A positive decision is a purchase, while a negative decision results in prospects leaving the sales funnel or returning to the top.
- **Stage 4 – Retention:** The funnel doesn't end with a purchase, and instead the retention phase ensures repeat business and business advocacy.

Q17. Explain the relationship between content and branding and its impact on sales.

Ans :

A brand is the idea or image of a specific product or service that consumers connect with, by identifying the name, logo, slogan, or design of the company who owns the idea or image. Branding is when that idea or image is marketed so that it is recognizable by more and more people, and identified with a certain service or product when there are many other companies offering the same service or product. Advertising professionals work

on branding not only to build brand recognition, but also to build good reputations and a set of standards to which the company should strive to maintain or surpass. Branding is an important part of Internet commerce, as branding allows companies to build their reputations as well as expand beyond the original product and service, and add to the revenue generated by the original brand

When working on branding, or building a brand, companies that are using web pages and search engine optimization have a few details to work out before being able to build a successful brand. Coordinating domain names and brand names are an important part of finding and keeping visitors and clients, as well as branding a new company. Coordination of a domain name and brand names lends identification to the idea or image of a specific product or service, which in turn lets visitors easily discover the new brand.

Branding is also a way to build an important company asset, which is a good reputation. Whether a company has no reputation, or a less than stellar reputation, branding can help change that. Branding can build an expectation about the company services or products, and can encourage the company to maintain that expectation, or exceed them, bringing better products and services to the market place.

➤ **Impact on Sales**

Using user generated content is recognizing that fact that digital marketing has changed: consumers takes now an active part in the promotion process. A recent study reveals that 70% of consumers prefer peer recommendations and reviews rather than professionally written content. Gone are the days when you could just sell with a one-fits-all marketing campaign. In fact, consumers are now in control of the entire digital message, they own their story and listening to what they want is far more effective than any typical marketing campaign.

5.6.1 Search Engine Marketing (SEM)

Q18. What do you mean by search engine? What are its components?

Ans :

A search engine is a software program that allows the user to find the specific documents

through keyword searches. Search engine is defined as a technique of finding data according to the user typed query without being concerned about its location. Search engines are replacing WAIS broadband search engines because of their highly developed and complex behaviour.

Example

Topic is a search engine that is basically used in Lotus Notes, Adobe Acrobat applications. The searching done by employing Topic Search engine is done using both keywords and information. The result of this search is a hit-list arranged according to the preference assigned by the search engine.

Components of Search Engines

Search engine consists of three components they are,

1. Spider (or) Crawler (or) Robot (bot)
2. Index (or) Database
3. Search Utility.

1. Spider (or) Crawler or Robot (bot)

A spider can be defined as a program that collects the information and the URL of the page related to the search terms by traversing the web. The information of the page is page's title and keywords included within the page's text and also information related to other webpages. The website designers also include additional keywords which are concealed by enclosing them in HTML tags called meta tags. The term 'meta' indicates that the keyword specifying the web content is itself but not a part of the content.

2. Index (or) Database

Index stores the information collected by the spider. It is also known as the storage element of a search engine. It checks for the availability of the information related to webpage. If the information is already present, then a comparison is made with the new page information to find out whether or not to update the existing information with the index or database. The user can search quickly over very large amount of stored information.

3. Search Utility

Search utility job is to take the search terms provided by the user and determines the entries for the webpages in the index or database to match these search terms. Ideally, a search utility is a program that creates a list whose role is to link the URLs determined by the search engine in the index matching terms related to the search terms provided by the user.

Q19. Define Search Engine Marketing (SEM)? Explain the importance of search engine marketing.

Ans :

(Imp.)

Search Engine Marketing

Search Engine Marketing (SEM) is one of the digital marketing strategy which is used to increase the visibility of website to a user in results pages of a search engine. From the perspective of marketing, SEM can be defined as a process through which various methods are utilized in order to improve the market visibility and exposure for a brand, product or service through search engines like google, yahoo etc. Thus, in the current marketing environment, SEM is one of the effective way of promoting products and expanding business.

Importance of Search Engine Marketing (SEM)

The concept of Search Engine Marketing (SEM) plays a very important role in the following manner,

1. Provide Instant Traffic

SEM provide instant traffic which help the advertisers to create advertising campaigns on search engines like google, yahoo, being etc within an hour. Thus, will provide better search result to the customers.

2. Provide Quality Traffic

Every marketer or advertiser wants enough traffic on continuous basis in order to maintain pace of business. However, it is very important for them to hold genuine traffic. For this purpose, SEM will the best strategy

which provide good results. SEM can help marketers or advertisers in controlling the amount of traffic because in this type of marketing, they are directly connected with publisher to pay per click, per day or per month.

3. Provide Terms of Search

SEM helps the marketer in measuring the performance of marketing campaign i.e., which key term or key word is triggering the ads on the search network. For example, Google search engine provide search terms reports to the marketers or advertisers. Addition to this, search terms are also very helpful in identifying the search term with high potential and also gives suggestion to add some terms to your existing search terms or words.

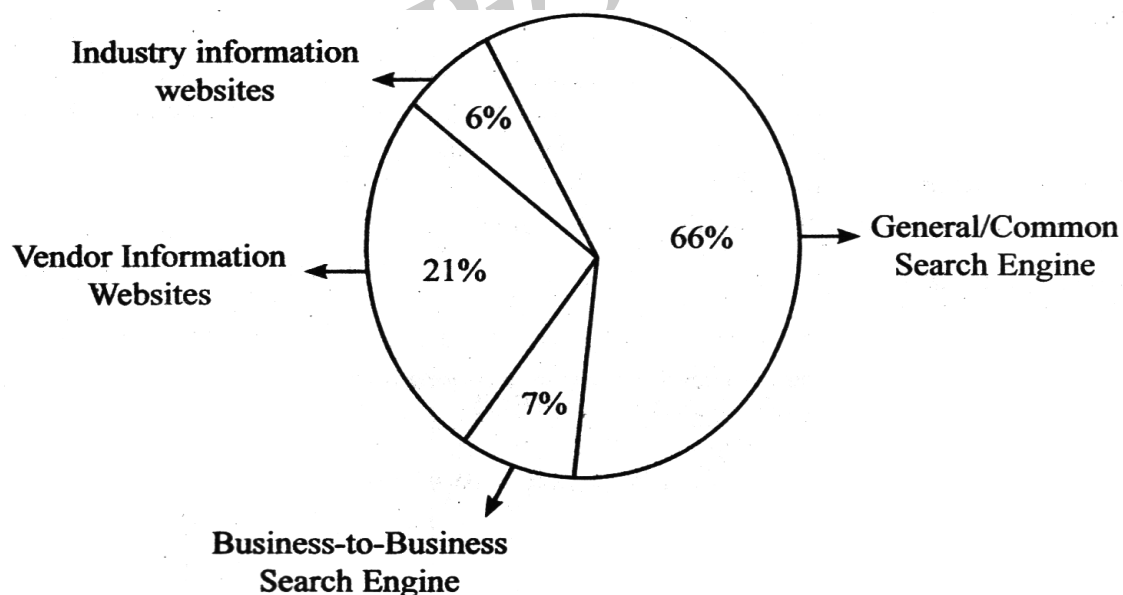
4. Reaches Consumers

SEM reaches consumers directly at right time when a internet users (consumers) requires any new information. SEM is non-intrusive for internet users (consumers) and it does not interrupt their tasks.

5. Provides Immediate Results

SEM provide immediate results to the users as it is the fastest way of driving traffic to a website.

In the present business scenario, Search Engine Marketing (SEM) is getting more popular day-by-day. Because search engines pushes majority of new users to most websites as shown in the following figure,



From the above figure, it can be seen as search engine drive so much traffic to different websites. Therefore, for a marketer it becomes essential to advertise his products through search engine for more popularity and awareness among users about the products. While doing this, marketer should ensure that the rank of his website should be as high as possible in the results of different search engines (google, yahoo, being etc.). Such a activity will be referred as an effective way of Search Engine Marketing (SEM) where marketer can optimize the website by ranking high in the search results.

5.6.2 Mobile Marketing

Q20. What do you mean by mobile marketing? What are its advantages and disadvantages? Write briefly about the various sources or activities used in mobile marketing.

Ans.:

(Imp.)

Mobile Marketing

Mobile marketing refers to the marketing of goods or services by using the mobile phone of the customers as the medium. Mobile marketing is one of the types of digital marketing which helps the organizations in communicating and interacting with target customers through mobile device or wireless network. For example, mobile phone/cell phone, MMS/ SMS, PDA etc.

It refers to the marketing of goods or services by using the mobile phone of the customer as the medium. The number of mobile phone users is more than 3.5 billion worldwide.

Advantages of Mobile Marketing

The advantages of mobile marketing are,

- (i) Easy access to multiple target customers globally.
- (ii) Marketing ads sent on mobile phones are more to be read by the potential customers.
- (iii) It has a higher penetration rate than PC's.
- (iv) Smart phones and I Phone mobiles have provided a big boost to mobile marketing.

Disadvantages of Mobile Marketing

- (i) Some target customers do not prefer to get advertising messages on their personal mobile phones.
- (ii) There could be issues of infringement upon the consumers privacy due to mobile ads.

Activities or Sources Used in Mobile Marketing

In mobile marketing, companies uses the following activities or sources,

1. Mobile Website

Companies design and develop websites of mobile version to attract customers. They

design their website in such a manner that it can be opened by a customer in his mobile phone and can easily access it.

2. Mobile Search

Mobile search activity belongs to the traditional method of marketing i.e., web-based search marketing. But it is well developed now and customers can easily search any information about company through their mobile phones.

3. Mobile E-Mail

The introduction of smart phones enable the customers as well as companies to contact with each other through electronic-mails. A smart phone user can easily access his e-mail account from his mobile with the help of internet connection.

4. Mobile Advertising

Mobile Advertising is one of the modern technique for marketing of products and services. It enable marketers to offer products through text messages to the mobile users. In present scenario mobile phones has become common and basic means of communication. It allows users to communicate through voice, or video calls, e-mails, photos, paying bills, booking tickets etc. As per the report of Mobile Marketing Association, today there are more number of mobile phone subscribers than landline subscribers in the World. Most of the organizations are getting benefited with various mobile marketing campaigns mobile advertising is helping marketers in increasing brand awareness, customer loyalty and revenues of organization.

5. Mobile Applications

The smart phones depends upon the applications of various categories like gaming, businesses, searching, videos, purchasing, shopping etc. Companies designing mobile applications to target customers in more appropriate way. With mobile applications companies can sell the products and customers can buy it. For example, Amazon.in.

6. Mobile Social Networking

Social networking websites like Twitter, Facebook, Instagram etc have their mobile applications which can be accessed by users through mobiles. As such marketers targetting this mobile applications of social network to attract new customers and retain existing customers.

5.6.3 Video Marketing

Q21. Explain briefly about Video Marketing.

Ans :

Video marketing is carried out by using digital videos which consist of the message of marketers or company for the target audience. In present world, video marketing plays a crucial role as it put more impact on the target audience than other methods of digital marketing. Generally, companies uses online videos to provide additional information to their customers which may includes the following,

- How to use company's products.
- Latest news or offers of company.
- Entertainment messages to the customers with reference to company's products.
- Advantages of products etc.

Success in video marketing depends on the way of publishing a video i.e, how the company presented the video, what kind of message is given in video (positive or negative) and what kind of technical details used in it for the benefits of target customer. On the whole, companies should select appropriate video commercial for providing product or company information to the customers.

Now-a-days, Youtube, Facebook, Instagram and Whatsapp are the most commonly used social media through which companies and common business people are sharing their videos to target groups of customers. These media, allows to send any kind of video through internet connection. Types of Videos

There are three types of video which are used for business marketing, they are as follows,

1. Informative videos
2. Educational videos
3. Entertaining videos.
4. Analysis of online videos

1. Informative Videos

Informative videos are prepared to provide some information to the target audiences. It can be a online equivalent of a newscast where a talking head discuss about any topic or issue. Addition to this, it can also be a video brochure which presenting a detail information about the company and its products.

2. Educational Videos

Educational videos are prepared to educate about any product or for any step-by-step process. It may also involves any demonstration of product. For example, unboxing a new mobile, opening a e-mail account etc.

3. Entertaining Videos

Entertaining videos are always be in the first number of any online channel or media like Youtube. Most viewers prefer to view entertaining video for fun and reducing mental pressure. As such, companies can target customers by providing entertaining video with a message and basic information of their products.

4. Analysis of Online Videos

Online videos are the most popular form of digital marketing. The following are the tools and techniques for measuring the performance of online videos,

- (i) **Discovery Metric** : This is a common performance metric measurement tool which is provided by youtube, This performance measurement metric tells the marketer as to "how the viewers found your video". It explains about the keywords, internal or external links, which lead the viewer to view your video.
- (ii) **A.R.M** : A.R.M stands for Audience Retention Metric. This online video analysis tool helps the marketer to understand the popularity of the video (i.e.,) it explains about the point at which the audience lost their interest in the

marketers video. This information would help the marketer to objective review the video and take remedial measures to make it more appealing for the target audience.

- (iii) **Conversion Rate** : It refers to the percentage of video viewers who contacted the marketer, by either following the marketers, web address or by contracting the phone numbers, provided in the video. The thumb rule is that the more conversion rate, more is the effectiveness of the marketers video and vice versa.

5.6.4 Social-Media Marketing

Q22. What do you understand by social media? Explain.

Ans :

At present social media has gained more importance in the digital marketing. Because, it has become a platform for the people to communicate with each other easily. People can share their opinions and experiences by using social networks. They can also share their articles and sites which they like through social book marking services, micro blogs, blogs and other online communities.

Traditional media like news paper, radio, television etc., allows only one way conversation. Where as, social media is two way conversational in nature due to this, social media varies from traditional media, social media allows to have conversation with multiple parties so, it is a participatory activity rather than spectator sport.

Social media is helpful for marketers to broad cast their message to the potential customers both in online and offline Different form of social media is used for online marketing. They includes.

1. Blogs
2. Social networks like face book, linked in and Google.
3. Micro blogging services like twitter
4. Media sharing sites like flicks and youtube
5. Social book marketing and news services like Digg, Stumble upon and delicious etc.,

Social media is helpful for the companies to become a part of the community. A company can create a page on all popular social network sites about their product or business it provides a facility for the customers to twitter feed and to like this helps the company to provide updates to the customers about their products and also enables to connect one-on-one with online customer base.

By using social media a company can target specific demographic group like age, gender etc., and their ads can be displayed only to their target group of people. Social media enables the customers to give feed back about any company after using their products. The feedback can be positive or negative. So, the company need to know how to tackle with all types of comments.

To retain any customer, a company need to follow the customers by sending post and by giving reply. So that, they can feel you're listening to them.

Social media is a best tool to promote any kind of business in this competitive world and one should have sound knowledge to access it in a better way for estimated results.

Q23. What do you mean by social networking? Explain social networking with Facebook, LinkedIn and Google+.

Ans :

(Imp.)

Social Networking

Social networking is making connections with friends, family, colleagues, business clients and other business via., social media sites like Facebook, Linked In, Twitter, Google+ etc. It occurs socializing and for business purpose. It is a true online community where people share their experiences, opinions, thoughts etc through posts and statuses.

It is a large website which hosts a community of online users and enables them to communicate and interact with each other publicly or privately. Social network helps people update their statuses or share experiences at workplace, school etc and stay updated about events happening around them.

➤ Facebook

Facebook is an America based social media and social networking site which enables people to interact with each other through private messages

status updates, comments etc. It has a online community of more than 1 billion users. Its importance in the fields of communication, journalism, business and social networking is enormous.

➤ **Social Networking with Facebook**

Facebook has users across the globe who devote countless hours to the site by interacting with people. It can be accessed from various devices like smart phones, laptops, desktops, tablet computer etc which makes it convenient. Users can register and customize the profile by filling out various details in it. Before starting to upload pictures or status in it, users must "add friends" so that their post have an audience. After adding other users as "friends", a user can post status updates, exchange messages, share pictures, links videos, blogs, articles and so on. They can join common interest user groups which are organized by various subjects like workplace, hobbies, school etc. They may even categorize their friends into other lists such as "close friends", acquaintance, "people from work" etc. Facebook helps to shape relationships among people. It also has an option to "report" or "block" offensive and unpleasant people or content. Facebook can prove to be a powerful marketing too. A company/Business page is to be created with details about it. Pictures and videos of the business, its production services or facilities which would attract people's interest should be uploaded. The page must be active and posts must be updated often to encourage people to "Like" and "Suggest" it to others. Questions must be asked to encourage comments from users. The page must be monitored properly and questions and issues must be responded timely for improving the company's marketing activities.

➤ **Linked In**

Linked In is a employment and business oriented social media sites which is mainly used for professional networking. It enables its users to share CVs and also allows employers to post jobs. It is network for business people and professionals. Linked In has a strong and older user base of 100 million people. It has more affluent demographics, and higher visibility among professionals and business people. It is the most widely used medium which is used to reach potential business decision makers of an industry.

➤ **Social Networking with Linked In**

To get the best out of Linked In, first, a company page or an individual account is to be created which serves as a home base. It is more like a Facebook profile customers and other users can read and engage with the posts. For using various business-specific functions, like company's overview, career opportunities, products and services etc., tabs can be added to the company page photos and video of the business can also be added here. If a user creates an individual account to explore carrier opportunities then he/she may in various details while creating the profile. For example LinkedIn enables the user to enter various details like name of the school, college, university, previous workplace, experience/fresher etc. After filling out all these details Linked In creates a well laid out professional profile for the user. They may also update contact details and their CVs in their profile. LinkedIn allows the users to add power point presents to their profile by using the application "slide share".

A Linked In Poll application enables users to ask questions to their subscribes or customers which encourages audience engagement and attracts new prospects. Blog and Twitter feed can added to a Linked In profile. It also allows its users to create groups of mini-networks in which professionals can discuss various topics about industry It also helps to share insights with subscribers and engage in industry debate. If a group is created, it must be promoted by using digital media to encourage people to join it, So that the group has large audience. Participating in other groups has a large audience. Participating in other groups is also necessary for a great social experience in Linked In.

➤ **Google+**

Google plus (Google+) is a social network launched by Google which works like other social networking ; ' allowing users to share posts, pictures, video etc. In addition to this, it also offers more transparency as how a user interacts and with whom he/she shares. It has various features like internet based communities, text and video chat called "Hangouts" location tagging, events, grouping various relationships with other users into circles, ability to upload and edit pictures to a private cloud-based albums and much more.

➤ Social Networking with Google+

Google+ offers a clear user interface and is more organized. It ties its posts to the Google's search engine, so when a user posts information on Google+, it also appears in the search results of Google. For example, if a visitor user searches information which is posted in a Google+ profile, it will also appear in the search results of Google search engine. This also boosts up the Google search ranking of the company. Just like Facebook and other social media, Google+ needs a profile to be created. A company page similar to Business pages on Facebook, can be created by filling in all the details to represent the company's brand. The sign up process is same for an individual account as well. It also allows users to share videos and photos on their page. A user can invite other users (friends, family, colleagues etc) to become friends. Google+ lets the users to segment similar "friends" into various "circles". Posts can be directed to specific circles by company size, region, industry etc. To attract audience to a profile, one must actively participate and regularly post pictures and videos on Google+. The content or information which is posted must be interesting to the subscribers to encourage engagement. Google+ also has a features "Hangouts" which enables the users to conduct text and video chat with other users.

Q24. What is blogging? How it is used as a social medium.

Ans :

Blogging

Blog refers to an online informational website or journal which displays the information in reverse chronological order. The term "blog" is derived from "web log", which were previously used by people to post a journal about their day.

Blogging is the act of writing, controlling and running a blog. It equips web pages with various tools for an easier writing, sharing, linking and posting of content on the internet.

Blogging as a Social Medium

Blog serves as a platform for a community of writers to share their views on a specific subject. It can be about anything from tech reviews, tutorials to recipes. For example, A food blog about various recipes updated on weekly basis. Marketers utilize

blogs for their marketing potential. For example, when a company launches a product or services, they create a blog consisting of a detailed description of it and shares it on other social media as well.

Blogs have archives in which the recent articles or blog posts appear on the surface and the previous and older blog posts are down in the list. Previously, Blogs could only be created by people who were used to website marking. But now, blogs are easy to build and user-friendly. There's no such criteria for creating a blog and almost anyone who has internet access can create a blog.

They should be updated frequently on weekly basis or monthly basis. After completing the blog creating the link of the blog must be shared across various other social media sites like Facebook, Twitter, Google+, Gmail etc. to invite audience to the blog. Sharing link to the blog via., social media encourages individual involvement in the online social community.

Blogging is a type of social connection as it allows for reader engagement and helps in building personal connection with readers. It enables the readers to comment and have a discussion about the blog with the blogger or other people in the online community. Blog guests or audience can share blogs on their social media as well. Blogging is an effective platform to display description information with effective visuals with interests its readers. For these reasons, Blogging can be effectively used for earring out marketing activities.

Q25. What is twitter? Discuss microblogging with twitter.

Ans :

Twitter

It is an American based social networking and online news site which allows its users to post and interact by using short text messages known as Tweets. Each tweet is limited to 280 characters only for all languages except for Korean, Chinese and Japanese, which have a character limit of 140 characters per tweet. For this reason it is also categorized as a micro blogging site.

Most of the B2B businesses sign up for Twitter for their marketing plans. It is simple and user-friendly. Registration is required for tweeting, which can be easily by signing up using on email ID, password and various other details.

The following are the things to be considered while using Twitter for a B2B marketing plan, to get the best out of it.

1. Tweet Often

Maintaining a constant presence is very crucial for a successful marketing. Tweeting several times a day is good enough to show the company presence in Twitter.

2. Attract more Followers

The company must attract more followers which can be existing and potential customers to its twitter account by publicizing its Twitter feed on other media.

3. Relevance

The tweets must be posted by taking customers interest into consideration. It can be about a newly launched product, industry news, specials etc.

4. Keep it Short

The tweets must be short and brief, mostly a single sentence would suffice.

5. Tweet Link to Blogs Facebook Page and Other Social Media

Link can be posted on twitter to invite people to the company's blog or article, a post on company's Facebook page etc. In this way, twitter can be used as promotional vehicle for marketing.

6. Use Hash tags

A hash tag is created by adding a hash (#) character before a word which makes it equivalent to keyword. Twitter makes it clickable and also helps user to search for that particular topic.

7. Monitoring Twitter Verse

Many customers would use twitter to ask queries or talk about any other issues by sending tweets or private tweets. They must be answered and make sure that the customer is satisfied.

Microblogging

A microblogging is a miniature blog which broad-casts very posts to a subscriber's group. It is a social networking service in which a short text message or statuses is only posted to a separate feed.

Microblogging with Twitter

Twitter is a Microblogging service which broad casts short text post from individual users to a group of followers. These posts are similar to blogs but are much shorter with 240 characters per tweet. It is quite different from other social networking sites as it doesn't enable a user to share pictures, have group discussions or private messaging etc. It only offers public message distribution to a community of followers. The users can download its application from app store or can visit its website www.twitter.com. Twitter has about 100 million users. Many businesses sign up and follow the tweets of top businesses sign up and follow the tweets of top businesses and other. They receive a notification whenever there's a new tweet. Twitter is also useful for marketing of new products and services. For example, when a new product is launched, the marketing team would post a tweet about it so that their followers are informed first.

Q26. What is a You tube and Flicker? How they are used in sharing photos and videos?

Ans :

You Tube

You Tube, LLC is an American based video sharing website which enables its users to upload, share, view, rate comment, add to favorites, and subscribe to videos and channels in the website.

Social Sharing with You Tube

Social sharing is the most interesting aspect of social web. Various social networking sites such as Facebook, Youtube, Google+, and Instagram etc. are popular for their media sharing features, which enable their users to share pictures, music, and movies with people across the globe. Each site has its own specific type of media sharing like youtube is the leading video-sharing site on the web.

You Tube has a wide range of corporate media and user-generated videos including movie trailers, video clips, music videos, Tv show clips, audio recording, short films, documentaries, video blogging (v logs), educational videos and tutorials, short original videos, and live streams. The content is available to the viewers freely without subscriptions. While some of the channels are subscription-based premium channels and other film rentals. Uploading to a personalized Youtube channel requires

registration which is free of cost. Registered users enjoy unlimited uploading. Media corporations like Vevo, BBC, Hulu, CBS etc provide some of their content as part of the Youtube partnership program. Potentially inappropriate videos require an affirmation from the users that they are 18 years old or above for access.

Features

Following features make youtube the leading video sharing site,

1. Playback

It uses dynamic Adaptive streaming over HTTP (MPEG-DASH)

2. Quality and Formats

The videos can be streamed in various resolutions ranging from 240 P to 2160 P.

3. Uploading

Registered user can upload unlimited number of videos with a maximum length of 12 hours.

4. 3D Videos

It offers 3D videos, which can be viewed with common anaglyph (cyan /red lens) glasses.

5. 360° Videos

It also offers 360° enabled videos which can be viewed from Google cardboard, a virtual reality system and other virtual headsets.

6. Live Streaming

Registered users can live stream the videos with a 4k resolution at 60 fps, which also supports 360° videos. Youtube also introduced super chat, a live streaming feature which enables its viewers to donate between \$ 1 and \$ 500 to get their comment highlighted.

You Tube also enables its users to share videos privately to a selected list of people. The user must invite people to the private video by sharing the link via., Mail, SMS etc. A public beta of community is also launched by youtube, which is social media feature that enables the users to post images, texts, GIFs, live videos etc. Through a separate "community" tab in the channel.

➤ Flickr

Flickr is a social networking site which hosts photos and videos posted by registered users. These pictures are shared across a community of online users. Bloggers and photo researchers use Flickr for

hosting images which are embedded in their social media and blogs. It is mostly used by photography enthusiasts and professional photographers to display their work to a wide range of online users.

➤ Social Sharing with Flickr

A user profile is to be created to start posting pictures (and videos) in Flickr. A brief description of an individual is also written. Which is called a Bio. Uploads which are set to be publicly visible appear in a separate section called Photostream. Flickr enables a user to organize their pictures and posts into albums. Every photo can be book marked by clicking on the star button beneath the photo. This adds the photo to the Faves (meaning favorites). It works like the "Like" button of Facebook. All Faves photos can be accessed through Faves tab.

Flick allows its users to view the status of their account. It shows recent views, top views, source breakdown in the form of charts and graphs. It has separate tab of recent activity which gives a glimpse of all the recent activities of a user account such as comments made. Faves and replies and Faves received, message and a customized view.

Exposure to the uploaded pictures (and videos) can be obtained by involving more in the Flickr's community. Contact lists from Gmail, Facebook, Yahoo and other social media can be imported to connect with friends and acquaintances. Following other people and joining groups enhances the efficiency of Flickr. There are user-created groups which are allotted to particular types of photography and subjects. For example, If a group has "Nature photography" as its subject then the members of the group only share pictures relating to nature.

5.6.5 Difference Between Social Media Marketing and Digital Marketing

Q27. What are the differences between social media marketing and digital.

Ans :

Digital Marketing uses all digital channels to build awareness and promote the product and services to the target audience. It includes online marketing, social media marketing and mobile marketing.

Social Media Marketing is often contrasted with digital marketing, but they are not the same, as in social media marketing is just one component of digital marketing which uses social media as a platform to reach customers and build relationships with them.

BASIS FOR COMPARISON	SOCIAL MEDIA MARKETING	DIGITAL MARKETING
Meaning	Social Media Marketing is a form of marketing that uses social media sites, forums and blogs to promote product or brand and create awareness about them.	Digital Marketing implies promoting and attracting customers, through all digital platforms including internet based and non-internet based channels.
Reach	Limited	Wide
Based on	Content	Banners
Concerned with	Engaging with the social media user, in the best manner.	Reaching the target audience through different digital marketing platforms.

5.6.6 Overview of Search Engine Optimi-zation (SEO)

Q28. What do you understand by Search Engine Optimization? What are its types? How SEO is different from SEM?

Ans :

(Imp.)

Search Engine Optimization (SEO)

The process of optimizing the website with a aim to get free traffic from search engines is known as Search Engine Optimization (SEO) google knowledge graph defined "SEO as the process of maximizing the number of visitors to a particular website by ensuring that the website appears high on the list of results returned by a search engine".

SEO helps to focus more on the website as how the website terms or keywords can match with the desired customers searching requirements. Marketers need to identify the keywords of such customers which they may use while searching their queries and also marketers are required to feature or arrange those keywords throughout the website by using HTML codes. Addition to this, SEO also helps the marketers to organize the website in such a way that search engine can more effectively determine its content.

Types

There are two basic types of Search Engine Optimization (SEO), they are,

1. On-page SEO
2. Off-page SEO.

1. On-Page SEO

On-page SEO is used to optimize the website for maximum visibility in the results of search engines. Some of the examples of on-page SEO are as follows,

- (i) Use of clean and well-formatted URLs with proper keywords.
- (ii) Social sharing integration in the content of website i.e., making easy for readers to share the content of website on social media.

- (iii) Posting blogs with quality and shareable content which can easily provide high rank in search engine.

2. Off-Page SEO

Off-page SEO is used to gain natural back links from other websites. It simply involves the activities which can be performed outside the boundaries of your website. Some of the examples of off-page SEO are as follows,

- (i) Link building from other quality websites.
- (ii) Social book marking through website like Digg, Reddit etc.

Differences between SEO and SEM

Following are the differences between Search Engine Optimization (SEO) and Search Engine Marketing (SEM),

S.No.	Basis	Search Engine Optimization (SEO)	Search Engine Marketing (SEM)
1.	Meaning	It is the process of getting more visibility or traffic in search engine results through free, organic, editorial or natural results.	It is the process of getting more visibility or traffic in search engines results through paid ads.
2.	Purpose	It uses organic or natural search.	It uses paid search.
3.	Expensive	It is less expensive in long-term plans.	It is more expensive in long-term plans.
4.	Dependency	It is the component of SEM. Thus, it depends on SEM.	It is independent but for success of SEM cannot be proceed without organic SEO.
5.	Traffic	Traffic on a website is obscure to predict, therefore, it is quite difficult to control traffic.	Traffic on a website is controllable.

5.7 CONCEPT OF MKIS

Q29. Define Marketing Information Systems. What are the characteristics of Marketing Information Systems.

Ans :

(Dec.-20, May-16, May-12)

Definition of Marketing Information System

Marketing information system (MIS) is an orderly procedure for the regular collection of raw data both internally and externally and the conversion of these data into information for making marketing-decisions. Different authors have defined MIS as:

i) According to Cundiff, Still and Govoni,

"Marketing information system is an organized set of procedures, information handling routines and reporting techniques designed to provide the information required for making marketing decision".

ii) According to K. Cox and K. Gonod, "MIS is a set of procedures and methods for the regular and planned collection, analysis and presentation of information in making marketing decisions".

iii) According to Richard H. Brien & James, "Marketing information system is structured interacting complex of persons, machines and procedures designed to generate an orderly flow of pertinent information collected from intra and extra firm sources, for use as the base for decision making in specific responsibility areas of marketing management".

- iv) **According to Professor Alder Lee**, marketing information system is “an interacting, continuing, future oriented structure of people, equipment and procedure designed to generate and process an information flow which can aid business executives in the management of their marketing programmes.”

Characteristics of Marketing Information System

1. MIS is a consciously developed master plan for information flow. It is an ongoing process and operates continuously.
2. MIS provides integration and co-ordination among marketing planners, salesforce and external environment.
3. MIS is future-oriented. It anticipates and prevents problems as well as solves marketing problems. It is both a preventive as well as a curative process in marketing.
4. MIS provides scientific base to marketing with the help of operations research techniques.
5. Management gets a steady flow of information on a regular basis, the right information, for the right people, at the right time.

5.7.1 Components of Marketing Information System

5.7.1.1 Internal Records System, Marketing Intelligence System, Marketing Research System

Q30. Explain the components of marketing information system.

Ans :

(Dec.-20, May-17, May-15, May-13, Imp.)

The marketing information system concept is illustrated in figure below. The marketing manager, in order to do marketing planning, execution and control responsibilities needs (shown extreme right) information about developments in marketing environment (shown extreme left). The role of the MIS is to assess the manager's information needs, develop the needed information and distribute the information in a timely fashion to the marketing managers. The needed information is developed through internal marketing information, marketing intelligence activities and marketing research. These are the three major components or divisions of marketing information system and have been explained below:

- 1) Internal Marketing Information/ Internal Report System
- 2) Marketing Intelligence System
- 3) Marketing Research System
- 4) Analysis and Processing/ Analytical Marketing System

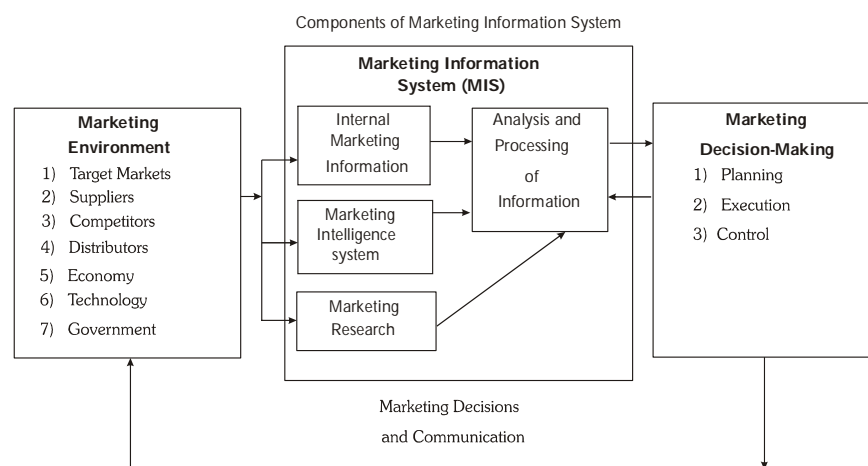


Fig. Marketing Information System

1. Internal Marketing Information

The most basic information system used by marketing managers is the internal records system. They include detailed reports on orders, sales, prices, inventory levels, receivables, payables and so on. By analyzing this information, marketing managers can spot important opportunities and problems.

All enterprises which have been in operation for any period of time have a wealth of information. However, this information often remains under-utilized because it is compartmentalized, either in the form of an individual entrepreneur or in the functional departments of larger businesses. That is, information is usually categorized according to its nature so that there are, e.g., financial, production, manpower, marketing, stockholding and logistical data. Often the entrepreneur or various personnel working in the functional departments holding these pieces of data, does not see how it could help decision-makers in other functional areas. Similarly, decision-makers can fail to appreciate how information from other functional areas might help them and therefore do not request it.

The internal records that are of immediate value to marketing decisions are: orders received, stockholdings and sales invoices. These are but a few of the internal records that can be used by marketing managers, but even this small set of records is capable of generating a great deal of information. Below is a list of some of the information that can be derived from sales invoices:

- i) Product type, size and pack type by territory,
- ii) Product type, size and pack type by type of account,
- iii) Product type, size and pack type by industry,
- iv) Product type, size and pack type by customer,
- v) Average value and/or volume of sale by territory,
- vi) Average value and/or volume of sale by type of account,
- vii) Average value and/or volume of sale by industry,
- viii) Average value and/or volume of sale by salesperson.

By comparing orders received with invoices an enterprise can establish the extent to which it is providing an acceptable level of customer service. In the same way, comparing stockholding records with orders received helps an enterprise ascertain whether its stocks are in line with current demand patterns.

2. Marketing Intelligence System

Marketing intelligence is the systematic collection and analysis of publicly available information about competitors and developments in the marketing environment. Marketing Intelligence Vs Marketing Research: Marketing intelligence includes internal data about the firm's own operations: Overall sales; market shares; product-wise, region-wise and territory-wise data on sales; information about channel members, their classification according to their current and potential turnover and contribution to the company's sales. In industrial markets, similar data has to be maintained about customers as well.

All this data is essential for marketing planning as well as operations in general and need not be restricted to a product category or a specific research study. It should be maintained by the marketing intelligence section of the client organization. A market researcher called in for a specific project should usually not need to collect this data as part of the project; the manager must have access to such information on a continuous basis, independent of marketing research.

(i) Unfocused Scanning

The manager, by virtue of what he/she reads, hears and watches exposes him/herself to information that may prove useful. Whilst the behavior is unfocused and the manager has no specific purpose in mind, it is not unintentional.

(ii) Semi-Focused Scanning

Again, the manager is not in search of particular pieces of information that he/she is actively searching but does narrow the range of media that is scanned. For example, the manager may focus more on economic and business publications, broadcasts, etc, and pay less attention to political, scientific or technological media.

(iii) Informal Search

This describes the situation where a fairly limited and unstructured attempt is made to obtain information for a specific purpose. For example, the marketing manager of a firm considering entering the business of importing frozen fish from a neighboring country may make informal inquiries as to prices and demand levels of frozen and fresh fish. There would be little structure to this search with the manager making inquiries with traders he/she happens to encounter as well as with other ad hoc contacts in ministries, international aid agencies, with trade associations, importers/exporters, etc.

(iv) Formal Search

This is a purposeful search after information in some systematic way. The information will be required to address a specific issue. Whilst this sort of activity may seem to share the characteristics of marketing research it is carried out by the manager him/herself rather than a professional researcher. Moreover, the scope of the search is likely to be narrow in scope and far less intensive than marketing research.

Marketing intelligence is the province of entrepreneurs and senior managers within an agri-business, it involves them in scanning newspapers, trade magazines, business journals and reports, economic forecasts and other media. In addition it involves management in talking to producers, suppliers and customers, as well as to competitors. Nonetheless, it is a largely informal process of observing and conversing.

Some enterprises will approach marketing intelligence gathering in a more deliberate fashion and will train its salesforce, after-sales personnel and district/area managers to take cognizance of competitors' actions, customer complaints and requests and distributor problems. Enterprises with vision will also encourage intermediaries, such as collectors, retailers, traders and other middlemen to be proactive in conveying market intelligence back to them.

3. Marketing Research

Marketing research is the third component of marketing information system. Marketing research is the systematic design, collection, analysis and reporting of data and findings relevant to a specific marketing situation facing the company.

Marketing Information System Vs Marketing Research

Marketing research: Marketing research is the search for and analysis of information relevant to the identification and solution of any problem in the field of marketing.

Marketing Information System

Marketing information system is defined as a set of procedures and methods for regular and planned collection, analysis and presentation of information in making marketing decisions.

Marketing research is only a part of marketing information system, while MIS is an ongoing system. Thus, MIS is a wider concept than marketing research.

4. Analysis and Processing of Information

Within the MIS there has to be the means of interpreting information in order to give direction to decision. These models may be computerized or may not. Typical tools are:

- i) Time series sales models,
- ii) Brand switching models,
- iii) Linear programming,
- iv) Elasticity models (price, incomes, demand, supply, etc.),
- v) Regression and correlation models,
- vi) Analysis of Variance (ANOVA) models,
- vii) Sensitivity analysis,
- viii) Discounted cashflow
- ix) Spreadsheet what if models.

These and similar mathematical, statistical, econometric and financial models are the analytical sub-system of the MIS. A relatively modest investment in a desktop computer is enough to allow an enterprise to automate the analysis of its data. Some of the models used are stochastic, i.e., those containing a

probabilistic element whereas others are deterministic models where chance plays no part. Brand switching models are stochastic since these express brand choices in probabilities whereas linear programming is deterministic in that the relationships between variables are expressed in exact mathematical terms.

5.7.2 Marketing Decision Support System

Q31. Define Marketing Decision Support System.

Ans :

MDSS Comprises of collection, storage, Analysis and reporting of marketing Data.

On account of the highly competitive environment especially in western countries, marketing managers frequently find themselves seeking a wide range of information in order to take the right decision. This means that the marketing manager should not only be concerned with the availability of the requisite information but also with its accuracy and adequacy.

It provide the way for the creation of a marketing decision support system. Marketing decision support system Such system comprises of collection, storage analysis and reporting of marketing data. The introduction of computers has facilitated the setting up of marketing decision support system. The main difference between marketing information system and marketing decision support system is that whereas the former is centralized, the better is decentralized and allows marketing manages to interact directly with the database.

Concept of MDSS

Marketing Decision Support System is a coordinate collection of data, systems, tools and techniques with supporting software and hardware by which organization gathers and interprets relevant information from business and environment and turns it into a basis for marketing action.

The figure given below illustrates the concept of MDSS.

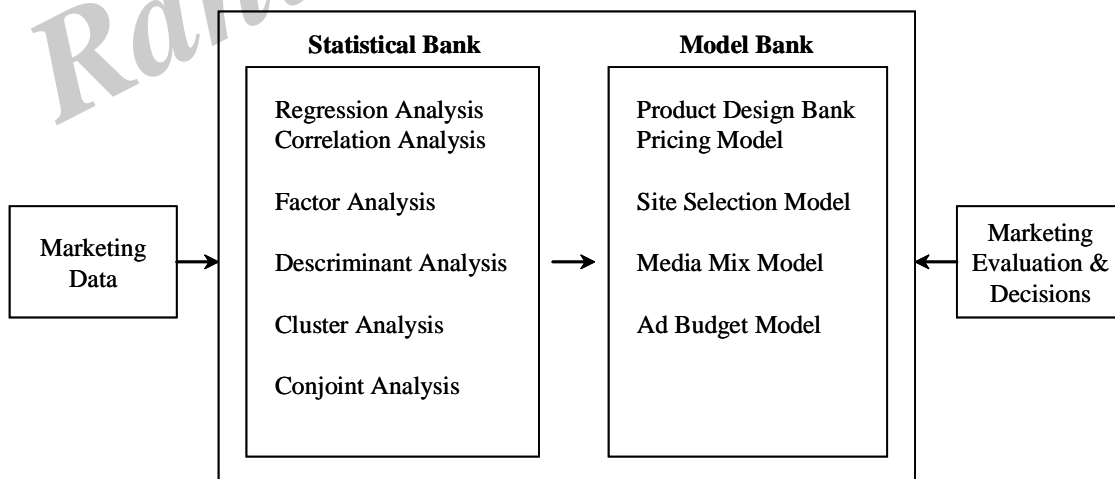


Figure: Marketing Decision support System

Suppose a marketing manager needs to analyze a marketing problem and take action. He puts question to the appropriate model in MDSS. The model draws up data which are analyzed statistically. The manager can then use a program to determine the optimum course of action.

Marketing managers in growing number of companies today have available computer marketing work stations. These work stations are to marketing managers like cockpit control to pilots which arm managers with pertinent information so that they could in the right direction.

Q32. What are the Characteristics of MDSS?

Ans :

A good MDSS have the following characteristics.

1. Interactive

The process of interaction with the MDSS should be simple and direct. With just a few commands the user should be able to obtain the results immediately. There should be no need for a programmer in between.

2. Flexible

A good MDSS should be flexible. It should be able to present the available data in either discrete or aggregate form. It should satisfy the information needs of the managers in different hierarchical levels and functions.

3. Discovery Oriented

The MDSS should not only assist managers in solving the existing problems but should also help them to probe for trends and ask new questions. The managers should be able to discover new patterns and be able to act on them using the MDSS.

4. User Friendly

The MDSS should be user friendly. It should be easy for the managers to learn and use the system. It should not take hours just to figure out what is going on. Most MDSS packages are menu driven and are easy to operate.

Q33. Explain the components of MDSS.

Ans :

Marketing decision support system can be classified in to five components.

1. Data sources
2. Data management
3. Display
4. Statistical analysis
5. Modelling

1. Data Sources

Data sources are a major component of marketing decision support system. These sources can be both internal and external for example, a company's accounting system is an internal data source this source provides data pertaining to orders, sales, inventory levels, receivables and payables.

Library sources as well as syndicate service are the examples of external data sources. Library sources contain a wide range of information such as Govt. publications, reports, periodicals etc.

2. Data Management

In the view of variety of internal and external data sources. It becomes necessary for the company to devise a proper data base management. This involves identifying relevant data from a variety of sources, deciding on the extent of data and keeping the data in an easily available form.

3. Display

Data format allow the retrieval of data easily and promptly. Display formats could range from simple and hoc retrieval to more formal displays. A company may have a graphic display package consisting of such options as time series plots bar and pie charts, scatter diagrams where comparison of two measures is involved.

4. Statistical Analysis

This involves the performance of different statistical operations such as calculation of averages, standard deviation and progression. Such calculations are helpful in understanding the relationship among market variables.

5. Modelling

Modelling is last component of marketing decision support system models are mathematical formulations. Marketing decision can be tested against the model to ascertain what could be the possible out come in a given situations.

Q34. What are the difference between MIS and MDSS ?

Ans :

MIS

A marketing information system consists of people, equipment and procedures to gather, sort, analyze, evaluate and distribute needed, timely, and accurate information to marketing decision maker.

MDSS

Enable decision makers to Interact directly with databases and analysis systems are integrated system including hardware, Communication network, database, model base, software base, and the DSS user (decision –maker) that collect and interpret information for decision making.

Difference between MIS and MDSS

MIS		MDSS	
1)	Structured Problem.	1)	Unstructured Problem.
2)	Use of reports.	2)	Use of Models.
3)	Rigid Structured.	3)	User Friendly Interaction.
4)	Information displaying Restricted.	4)	Adaptability.
5)	Can Improve decision making by clarifying raw data.	5)	Can improve decision making by using analysis.

5.8 MARKETING RESEARCH

Q35. Define Marketing Research. What are the objectives of Marketing Research?

Ans :

(April-19, May-17)

Definitions

- i) **According to The American Marketing Association.** The systematic gathering, recording and analysis of data about problems relating to the marketing of goods and services".
- ii) **According to Richard Crisp** "The systematic objective and exhaustive research for and study of the facts relevant to any problem in the field of marketing."

Objectives of Marketing Research:

Marketing research is undertaken for attaining the following objectives:

1. To Provide Basis For Proper Planning

Marketing and sales forecast research provides sound basis for the formulation of all marketing plans, policies, programmes and procedures.

2. To Reduce Marketing Costs

Marketing research provides ways and means to reduce marketing costs like selling, advertisement and distribution etc.

3. To Find Out New Markets for The Product

Marketing research aims at exploring new markets for the product and maintaining the existing ones.

4. To Determine Proper Price Policy

Marketing research is considered helpful in the formulation of proper price policy with regard to the products.

5. To Study in Detail Likes and Dislikes of the Consumers

Marketing research tries to find out what the consumers, (the men and women who constitute the market) think and want. It keeps us in touch with the consumers, minds and to study their likes and dislikes.

6. To Know The Market Competition

Marketing research also aims at knowing the quantum of competition prevalent in the market about the product in question. The company may need reliable information about competitor's moves and strategies which are of immense significance for further planning.

7. To Study The External Forces and Their Impact

Marketing research provides valuable information by studying the impact of external forces on the organization. External forces may include conditions developing in foreign markets, govt, policies and regulations, consumer incomes and spending habits, new products entering in the market and their impact on the company's products.

Q36. Explain the nature of marketing research.

Ans :

Nature of Marketing Research**1. It is a Function of Marketing Management**

Marketing research operations helps the marketing executives to keep abreast with the

environmental changes by providing right information on dynamic environments to facilitate decision-making. The marketing environment consists of customers, competitors, suppliers, distributors, etc. The information generated through marketing research can be used to determine most appropriate marketing mix. Thus, marketing research is a well recognized and very important function of marketing management.

2. It is an Integrated Effort

A teamwork or group effort is needed for carrying out marketing research activities in any organization. Research objectives are set by planning executives and data requirement for the accomplishment of these objectives are determined by the data analyst. The data processor should know the nature and location of available data to retrieve and process it at the desired time. Thus, marketing research is a team effort.

3. It is a Systems Approach

Marketing research involves a number of activities, viz., collection, recording, tabulating, analyzing and interpretation of information. Each of these activities are performed by some experts who are supervised by marketing management executives. Thus, marketing research constitutes a systems approach from start to finish.

4. It is an Inter-Disciplinary Process

Marketing researcher collects vast amount of information from various disciplines, viz., economics, sociology, psychology, etc., and uses various statistical and mathematical techniques to process this information. Psychological and sociological information is used to study consumer behavior. Thus, marketing research is based on inter-disciplinary approach.

5. It is an Imperfect Science

Science is an open discipline which hides nothing and brings everything to surface. A scientific method is a set of prescribed

procedures for establishing and connecting general laws. In marketing research the objectives and assumptions inherent in the phenomenon are formulated and then data is collected and analyzed to draw inferences. Marketing research can be viewed as scientific effort to enhance knowledge by developing concepts, collecting and analyzing meaningful data and the critical study of concepts and premises. But the studies in marketing research are never exact as it deals with unpredictable and dynamic human behavior. The results are always uncertain with certain amount of risk. Thus, marketing research is based on scientific method and can be termed as science but it cannot be designated as perfect like other social science, i.e., it is an imperfect science.

6. Indispensable for the New Product Introduction

Before introducing a new product, the market research is used to find out suitable avenues and place of the new products. It reveals the various opportunities of new markets and reveals the methods to reach the markets.

7. Market-Orientation

The objective of marketing research is to enable the firms to produce the goods and services acceptable to the customers. It sees that the goods and services must reach the market easily, quickly, cheaply and profitably. The right course of action to approach and sustain the market is possible with suitable marketing research.

Q37. Elucidate the scope of marketing research.

Ans :

The scope of marketing research is very wide and it provides useful information about all the aspects of marketing, for instance :

1. Product or service features desired by the customers

This information can be collected from the customers through a well defined research instrument. Furthermore the relative importance of various features can also be obtained.

2. Pricing

The information regarding the prices charged by the competitors for the same and nearly same products (or) services can be obtained by market survey.

3. Consumer Behaviour

The research can be conducted to know about buying habits of the consumers. Information can be obtained regarding why consumers buy something; when do they buy it; from where they buy; how much do they buy; who accompanies them during the shopping etc. Information to these key question will help the marketer in improving his offering.

4. Distribution

The information can be obtained about the effectiveness of channel member their motivation level and what needs to be done to improve their motivation level, in identifying the training needs etc.

5. Promotion

Vital information can be obtained regarding the media habits of consumers which can provide vital inputs for the media planning. Advertising effectiveness can also be measured by pre and post testing techniques which can help in identifying the best advertisement and its impact on the consumers. The consumers response both qualitative and quantitative can help in identifying the best sales promotion technique for ones product or service.

5.8.1 Marketing Research Process

Q38. Outline the process of Marketing Research.

Ans : (May-17, May-16, May-15, May-14, May-13, May-12, Imp.)

1) Specifying Research Objectives

In this step of the research process researchers must first obtain answers to the questions, "What is the purpose of this study?" and "What are the objectives of the research?" If these questions are not properly answered at the outset, the study is likely to be

misdirected and to pursue vague or obscure goals. The probable result will be that the collected data will not be as valid and/or reliable as desired.

2. Preparing a List of the Needed Information

After a satisfactory statement of the study's purpose and objectives has been established, it is necessary to prepare a list of the information needed to attain the objectives. The contents of such a list will be determined by the objectives of the research and the situation leading to the research request.

3. Designing the Data-collection Project

After the research objectives have been specified (step 1) and the list of needed information has been prepared (step 2), the researcher should determine whether such information is already available, either in company records or in outside sources. Certainly, the researcher should not collect data from the field until the appropriate secondary source of information has been reviewed. If the needed information is not available from secondary sources, the researcher will have to collect data in the field, and so it will be necessary to design a data-collection project.

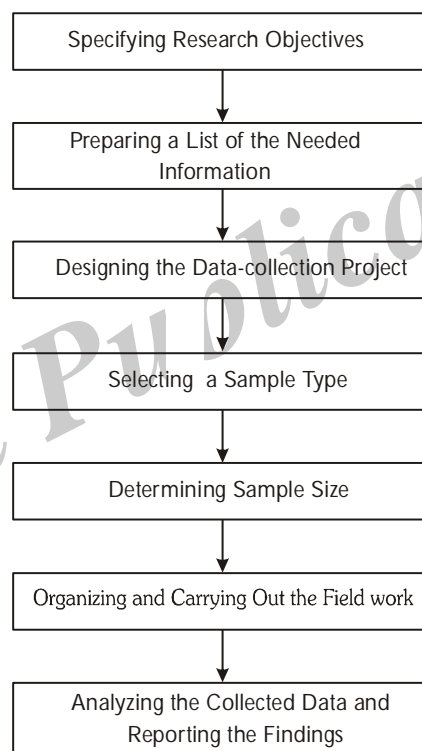


Fig. Marketing Research Process

4. Selecting a Sample Type

Almost all marketing research projects are interested in information about a large population such as all families with children at home or all retail grocery stores. As it is impractical to collect data from all members of such large populations, a sample is selected. Various types of samples are possible, but they can be classified into two general categories- non-probability and probability.

5. Determining Sample Size

The researcher must also decide how large a sample to select. Marketing research samples vary from fewer than 10 to several thousand. He researcher must consider the problem at hand, the budget, and the accuracy needed in the data before the question of sample size can be answered.

6) Organizing and Carrying out the Field work

Fieldwork includes selecting, training, controlling and evaluating the members of the field force. The methods used in the field are very important, for they usually involve substantial part of the research budget and are a potential source of error through lack of both validity reliability. Fieldwork methods are dictated largely by the method of collecting data, the sampling requirements, and the kinds of information that must be obtained.

7) Analyzing the Collected Data and Reporting the Findings

After all interviews and/or observations have been made, the completed data-collection forms must be processed in a way that will yield the information the project was designed to obtain.

First, the forms need to be edited to ensure that instructions were followed, that all questions were asked or observations made, and that the resulting data are consistent and logical. Next, the data must be prepared for tabulation. This means the data must be assigned to categories and then coded so the responses can be put into the computer. The responses are usually tabulated and analyzed on a computer.

5.8.2 Marketing Research Vs MIS

Q39. Compare and contrast marketing research and marketing information system.

Ans :

(May-19, May-14)

Difference between Marketing Research and Marketing Information System

S.No.	Basis of Distinction	Marketing Research	Management Information System
1.	Nature	It lays stress on external information	MIS uses both types of data internal and external data
2.	Aim	Marketing Research is concerned with solving of problems.	MIS is concerned with preventing problems and their solutions
3.	Use	Marketing Research operates in fragmented intermittent fashion - on a project to project basis.	MIS always work on a continuous basis.
4.	Focus	Marketing Research lays focus on past information	MIS is more concerned for future.
5.	Use of Computer	Marketing Research is not computerized base	Mis is totally computerized based
6.	Dependence	One source of information input into a marketing information system.	MIS includes other sub-systems, besides market research

5.8.3 Marketing Research in India

Q40. Explain briefly about Marketing Research in India.

Ans :

1. Emerging Sectors

Though FMCG continues to be the mainstay of the MR business (almost in the tune of 65-70% of the total pie), new sectors like telecom, media (digital) and insurance have emerged important sectors in

terms of consumer insights for MR. Despite slowdown in the recent past coupled with talent crunch and competitive pricing by agencies, approximately ₹ 900 crore. MR Industry (Excludes KPO) is well poised to take a big leap.

2. External Suppliers

There are number of advertising agencies but unfortunately this is not true for MR industry, as the industry is very fragmented in nature with many small firms on the spectrum and a few firms dominating the scene. The Overall Market gets divided into full services MR agencies and the KPO Services clocking around 18% of CAGR (Source: Industry Estimation). During the last couple of years there has been a consolidation between MR agencies in their scale of operations and data management practices. India has become the popular destination for the MNC based research agencies since there is untapped potential of new sets of consumers with an opportunity to serve huge population.

There is now a direct competition from the emerging online search options wherein the customers gets every bits of information within seconds, so MR should spruce up its data collection and analysis tools so as to get the confidence of its customers with the MR works. MR firm should also understand that today's CMO doesn't has ample time to sit back and think rather they trust research firms who know their business and deliver the value accordingly.

3. Challenges and the Opportunities inside MR

First, MR is changing and from its early days of data collection (Pen n Paper Method) to new technological devices like PDA's, mobile phones & in-built camera's which can record exact state of the matter of every interview. Second, MR has become more of a commodity rather than delivering differential value to the end consumer. Still MR is being performed in mega cities and towns rather than pushing it to the rural economy which undoubtedly is the next biggest growth opportunity in our country for all the products/services. Third, MR industry is also facing a crunch in having the right kind of people skilled with a good training background to understand the nitty-gritty of the clients brief. Fourth, today's most of the research work is being covered with a regular monitoring job like tracking, audience measurement, syndicated

studies etc rather than with a specific problem. Fifth, the nature of the industry is fragmented and largely being driven by price factor worrying product's to service industry clients. Sixth, as a result, absence of talents due to low price factor has resulted in MR firms having a project to project assignment system where in they do the piecemeal job i.e. data collection and not the analysis which is done at the client side. Seventh, communisation of the information and the proliferation of smaller firms have led the industry not being able to get out of the talent-price circle.

To get rid of this problem many MR Firms like TNS, Synovate or Nielsen is planning to arrange their own sets of training to fresh graduates for the industry. Nielsen has opened up its training centre near Mumbai with two years curriculum in the field of Market Research, similarly TNS is hiring from various backgrounds to notch up its mid-level research function. Eighth, another important factor could drive the market in future - data mining or statistical tools which could help the customers to understand the intricacies of the problem in a more simple term rather statistically define it.

4. New Tools and Techniques

Besides the emergence of the improved data collection technique, there has been a major rise towards analytics, data-mining and warehousing agencies during the last couple of years. Data warehousing is a technique to store and maintain the data that can be used for generating information and insights while data mining helps to draw a consumer insights from the large pool of longitudinal data series or a time series data. Many emergent sector like Telecom or Insurance which has grown phenomenally in the past, need these kinds of data sets to draw strong insights of their consumer behaviour towards the services of the same.

5. Career in MR

Even though the industry is small in sales turnover and fragmented in nature, still there are options for one to grow and make a career in the field of market research. Don't forget this is also a part of the service industry which is contributing almost 60% of our nation's economy. There are interesting jobs available for people with a background in Statistics, Psychology, and Management in the field of MR.

Short Question and Answers

1. Define digital marketing.

Ans :

Digital marketing refers to the management and execution of marketing activities by using digital electronic technologies and channels like digital TV, E-mails, web, wireless media and digital data concerning consumer behavior and its attributes. Digital marketing helps in reaching the target customers on-time without consuming much resources and in an interactive manner. Internet marketing is one of the types of digital marketing.

Digital marketing comprises various activities and these activities undergo frequent changes as per the development innovations in the digital resources. Consumer preference to digital resource, cost effectiveness, execution speed and customer experience with digital resources are the factors which are forcing the marketers to focus on 'digital marketing activities'.

Thus, it may be stated that digital marketing helps towards the integration of the markets with the consumers, which in turn would facilitate the purchase and consumption of the product or service, further the field of digital marketing also involves knowledge of traditional marketing. It performs the same role as that of traditional marketing i.e., acting as a platform to connect potential customers with the market.

2. Scope of Digital Marketing

Ans :

The scope of digital marketing is very wide. It encompasses all areas of marketing and has replaced traditional marketing sources, to become the top tool of marketing worldwide. Most global organizations are opting for digital marketing rather than traditional marketing.

According to a research study organizations are focusing their marketing budget towards inbound digital marketing tools such as social media marketing, company's website, popular search engines etc.

The competition for effective digital marketing has become intense. Researcher Shepra conducted a survey of potential customers and found that 71% of B2B customers look for information on the internet. Further customers are influenced by the information found on the internet, web blogs, social media posts and videos. Thus it may be stated that the influence and scope of digital marketing is very wide.

3. Explain the Classification of digital marketing.

Ans :

Digital Marketing can be classified into Pull and Push marketing.

1. Pull Digital Marketing

Pull digital marketing technologies involve the user having to seek out and directly grab (or pull) the content via web searches. Web site/blogs and streaming media (audio and video) are good examples of this. In each of these examples, users have a specific link (URL) to view the content.

2. Push Digital Marketing

Push digital marketing technologies involve both the marketer (creator of the message) as well as the recipients (the user). Email, SMS, RSS are examples of push digital marketing. In each of these examples, the marketer has to send (push) the messages to the users (subscribers) in order for the message to be received.

4. Define the term New Digital World.

Ans :

- Digital media growth is estimated at 4.5 trillion online ads served annually with digital media spend at 48% growth in 2010.
- An increasing portion of advertising stems from businesses employing Online Behavioural Advertising (OBA) to tailor advertising for internet users.
- But OBA raises concern of consumer privacy and data protection.

5. Benefits of Digital Marketing

Ans :

Following are the benefits of digital marketing,

i) Easy Effective Marketing

Digital marketing is an easy and effective means for the organization to communicate its marketing message to a large number of present and potential customers. It has revolutionized marketing activities on popular social media platforms such as Facebook, Twitter, Linked In etc.

ii) Enables Direct Advertising

It acts as an effective platform for the organization to advertise about its product and create brand loyalty for its product.

iii) Permanent Ad Display

Unlike traditional ads, ads on digital platforms are more permanent and can be accessed by potential customers any time.

iv) International Advertisement

A major benefit of digital marketing is that it provides the company a good platform to advertise its offerings to the global customers very easily.

v) Brand Promotion

It acts as an effective mode for brand promotion. Thus strengthening the organizations loyal customer base.

6. Who are digital consumers.

Ans :

Human beings have been communicating and interacting with each other for thousands of years. It is just the communication channels that evolve with the passage of time. The internet has made us digital consumers.

In digital marketing, it is important to pay attention to rapidly evolving communication channels. The consumer behavior is changing because of the enabling nature of digital technology and an easy access to information.

Establishing assumptions about people is not an ideal approach when it comes to digital consumers. The ideal approach to understand the buying behavior of your digital prospects is to conduct a thorough research.

7. Define content marketing?

Ans :

Content marketing is a digital marketing strategy in which companies create honest, transparent, and educational content on a consistent basis for an ideal buyer profile. Typically, the goal is to use the publication and promotion of content to drive organic website traffic, increase qualified lead generation, and (ultimately) empower the sales team to close more deals faster.

The core objectives of any marketing strategy are to raise a business' profile, improve awareness or reputation amongst an audience, and ultimately, create more leads. The right content can play a huge role in achieving all of these goals, particularly when supplemented with social media amplification to ensure the widest possible reach.

The impact of content marketing on sales cycle is perhaps best described as 'symbiotic.' In today's digital world, where huge volumes of information are easily accessible online, there are very few sales processes that take place without prospects doing at least a small amount of research first.

8. Components of Search Engines

Ans :

Search engine consists of three components they are,

- i) Spider (or) Crawler (or) Robot (bot)
- ii) Index (or) Database
- iii) Search Utility.

i) Spider (or) Crawler or Robot (bot)

A spider can be defined as a program that collects the information and the URL of the page related to the search terms by traversing the web. The information of the page is page's title and keywords included within the page's text and also information related to other webpages. The website designers also include additional keywords which are concealed by enclosing them in HTML tags called meta tags. The term 'meta' indicates that the keyword specifying the web content is itself but not a part of the content.

ii) Index (or) Database

Index stores the information collected by the spider. It is also known as the storage element of a search engine. It checks for the availability of the information related to webpage. If the information is already present, then a comparison is made with the new page information to find out whether or not to update the existing information with the index or database. The user can search quickly over very large amount of stored information.

iii) Search Utility

Search utility job is to take the search terms provided by the user and determines the entries for the webpages in the index or database to match these search terms. Ideally, a search utility is a program that creates a list whose role is to link the URLs determined by the search engine in the index matching terms related to the search terms provided by the user.

9. Define Search Engine Marketing (SEM)?

Ans :

Search Engine Marketing

Search Engine Marketing (SEM) is one of the digital marketing strategy which is used to increase the visibility of website to a user in results pages of a search engine. From the perspective of marketing, SEM can be defined as a process through which various methods are utilized in order to improve the market visibility and exposure for a brand, product or service through search engines like google, yahoo etc. Thus, in the current marketing environment, SEM is one of the effective way of promoting products and expanding business.

10. Advantages of Mobile Marketing

Ans :

The advantages of mobile marketing are,

- (i) Easy access to multiple target customers globally.
- (ii) Marketing ads sent on mobile phones are more to be read by the potential customers.
- (iii) It has a higher penetration rate than PC's.
- (iv) Smart phones and I Phone mobiles have provided a big boost to mobile marketing.

11. Video Marketing.

Ans :

Video marketing is carried out by using digital videos which consist of the message of marketers or company for the target audience. In present world, video marketing plays a crucial role as it put more impact on the target audience than other methods of digital marketing. Generally, companies uses online videos to provide additional information to their customers which may includes the following,

- How to use company's products.
- Latest news or offers of company.
- Entertainment messages to the customers with reference to company's products.
- Advantages of products etc.

12. What do you understand by Search Engine Optimization?

Ans :

The process of optimizing the website with a aim to get free traffic from search engines is known as Search Engine Optimization (SEO) google knowledge graph defined "SEO as the process of maximizing the number of visitors to a particular website by ensuring that the website appears high on the list of results returned by a search engine".

SEO helps to focus more on the website as how the website terms or keywords can match with the desired customers searching requirements. Marketers need to identify the keywords of such customers which they may use while searching their queries and also marketers are required to feature or arrange those keywords throughout the website by using HTML codes. Addition to this, SEO also helps the marketers to organize the website in such a way that search engine can more effectively determine its content.

13. Define Marketing Information Systems.

Ans :

Definition of Marketing Information System

Marketing information system (MIS) is an orderly procedure for the regular collection of raw data both internally and externally and the conversion of these data into information for making marketing-decisions. Different authors have defined MIS as:

- i) **According to Cundiff, Still and Govoni,** "Marketing information system is an organized set of procedures, information handling routines and reporting techniques designed to provide the information required for making marketing decision".
- ii) **According to K. Cox and K. Gonod,** "MIS is a set of procedures and methods for the regular and planned collection, analysis and presentation of information in making marketing decisions".
- iii) **According to Richard H. Brien & James,** "Marketing information system is structured interacting complex of persons, machines and procedures designed to generate an orderly flow of pertinent information collected from intra and extra firm sources, for use as the base for decision making in specific responsibility areas of marketing management".

14. Define Marketing Research.

Ans :

- i) **According to The American Marketing Association.** The systematic gathering, recording and analysis of data about problems relating to the marketing of goods and services".
- ii) **According to Richard Crisp** "The systematic objective and exhaustive research for and study of the facts relevant to any problem in the field of marketing."

15. Nature of Marketing Research

Ans :

- i) **It is a Function of Marketing Management**

Marketing research operations helps the marketing executives to keep abreast with the environmental changes by providing right information on dynamic environments to facilitate decision-making. The marketing environment consists of customers, competitors, suppliers, distributors, etc. The information generated through marketing research can be used to determine most appropriate marketing mix. Thus, marketing

research is a well recognized and very important function of marketing management.

- ii) **It is an Integrated Effort**

A teamwork or group effort is needed for carrying out marketing research activities in any organization. Research objectives are set by planning executives and data requirement for the accomplishment of these objectives are determined by the data analyst. The data processor should know the nature and location of available data to retrieve and process it at the desired time. Thus, marketing research is a team effort.

- iii) **It is a Systems Approach**

Marketing research involves a number of activities, viz., collection, recording, tabulating, analyzing and interpretation of information. Each of these activities are performed by some experts who are supervised by marketing management executives. Thus, marketing research constitutes a systems approach from start to finish.

- iv) **It is an Inter-Disciplinary Process**

Marketing researcher collects vast amount of information from various disciplines, viz., economics, sociology, psychology, etc., and uses various statistical and mathematical techniques to process this information. Psychological and sociological information is used to study consumer behavior. Thus, marketing research is based on inter-disciplinary approach.

16. Marketing Decision Support System.

Ans :

MDSS Comprises of collection, storage, Analysis and reporting of marketing Data.

On account of the highly competitive environment especially in western countries, marketing managers frequently find themselves seeking a wide range of information in order to take the right decision. This means that the marketing manager should not only be concerned with the availability of the requisite information but also with its accuracy and adequacy.

Choose the Correct Answer

1. _____ is information which is provide on a periodc basis [c]
(a) Monitoring information (b) Requested information
(c) Recurrent information (d) None
2. _____ is systematic collection and analysis of publicity available information about competitors and development in the market place [c]
(a) Internal records (b) Marketing research
(c) Marketing intelligence (d) Market information
3. _____ is to collect analyze and supply relevant marketing information to the managers [a]
(a) Marketing information system (b) Marketing research
(c) Both (d) None of these
4. _____ are the major component of marketing decision support system [b]
(a) Data management (b) Data source
(c) Display (d) None of the above
5. _____ is the last component of marketing decision support system [d]
(a) Data management (b) Display
(c) Statistical techniques (d) Modeling
6. _____ is the percentage (or) ratio of a firm's sales to the total industry sales in a particular market [c]
(a) Sales analysis (b) Annual plan
(c) Market share analysis (d) None of the above
7. _____ comprises of collection, storage, analysis and reporting of marketing data [c]
(a) Marketing research (b) Research
(c) Marketing decision support system (d) None
8. _____ measure actual sales against sales planned. [b]
(a) Market share analysis (b) Sales analysis
(c) Annual plan (d) None of the above
9. _____ format allow the retrieval of data easily and promptly [c]
(a) Data source (b) Data management
(c) Display (d) Modeling
10. _____ refers to the information that has been collects from invoice, sales reports and payment history. [b]
(a) Primary data (b) Secondary data
(c) Both (d) None of the above

Fill in the blanks

1. Designing and operating a MIS is a _____ process.
2. _____ is systematic collection and analysis of publicity available information about competitors.
3. MDSS stands for _____ .
4. _____ is the startin point in the marketing research.
5. _____ can improve decision making by classifying raw data.
6. The reports are classified into _____ types.
7. _____ is more future oriented when compared to market research.
8. MBO stands for _____ .
9. CRM stands for _____ .
10. _____ has widnened gap between the producer and consumers.
11. SEO stands for _____.
12. _____ refers to the management and execution of marketing activities by using digital electronic technologies.
13. The term Digital marketing was first used in the _____.
14. A _____ identifies all customer interactions with your business from the customer's point of view.
15. _____ is a digital marketing strategy in which companies create honest, transparent, and educational content on a consistent basis for an ideal buyer profile.
16. The number of mobile phone users is more than _____ worldwide.
17. _____ networking is making connections with friends, family, colleages, business clients and other business.
18. _____ refers to an online informational website or journal which displays the information in reverse chronological order.
19. _____ SEO is used to optimize the website for maximum visibility in the results of search engines.
20. _____ SEO is used to gain natural back links from other websites.

ANSWERS

1. Complex
2. Market intelligence
3. Marketing decision
4. Problem definition
5. MIS
6. Four
7. MIS
8. Management by objective
9. Customer relationship management
10. Mass marketing
11. Search Engine Optimization
12. Digital marketing
13. 1990s
14. Customer journey
15. Content marketing
16. 3.5 billion
17. Social
18. Blog
19. On-page
20. Off-page

FACULTY OF COMMERCE
M.Com (CBCS) (New Syllabus) II - Semester Examination
December - 2020
MARKETING MANAGEMENT

Time : 2 Hours]

[Max. Marks : 80

PART - A - (4 × 5 = 20 Marks)

ANSWERS

Note : Answer any four questions.

1. Product Levels (Unit - I, Q.No.4)
2. What are the objectives of Pricing? (Unit - II, SQA-3)
3. Advertising Vs. Publicity.

Ans :

S.No.	Advertising	S.No	Publicity
1.	Advertising is a paid promotion done by a company to boost the sales of their products and services.	1.	Publicity is an unpaid promotion which most of the times done by third party and it involves circulation of NEWS or information.
2.	Advertising is sub-part of promotion-mix.	2.	Publicity is sub-part of public relations.
3.	The nature of advertising is impersonal and general.	3.	The nature of publicity is both personal as well as impersonal.
4.	Advertising is controlled by company itself.	4.	Company has no control on publicity. It is controlled by third party.
5.	The target audience of advertising is target buyers and customer.	5.	The target audience of publicity is general public.

4. Channel Conflict (Unit - IV, SQA. 7)
5. Write a short note about Mobile Marketing. (Unit - V, Q.No. 20)

PART - B - (4 × 15 = 60 Marks)

Note : Answer any four questions.

6. Discuss the role of Packaging and Labelling in the present era. (Unit - I, Q.No. 27, 30)
7. State different stages of PLC and suggest measures to be taken in each stage. (Unit - I, Q.No. 15)
8. Explain in detail about various factors influencing Price. (Unit - II, Q.No. 6)

9. What are the different Methods of Pricing? Explain in detail.
(Unit - II, Q.No. 10, 11, 12, 13)
10. What are the steps involved in Personal Selling? Write in detail. (Unit - III, Q.No. 28)
11. What is meant by Promotion? Explain its significance in the present competitive era. (Unit - III, Q.No. 1,2)
12. Discuss the merits and demerits of Online Marketing Channels. (Unit - IV, Q.No. 16)
13. Explain in detail about various formats of Retail Stores. (Unit - IV, Q.No. 27)
14. What is Digital Marketing? State the marketing strategies for the Digital World. (Unit - V, Q.No. 1,14)
15. What is MKIS? What are the components of MKIS? (Unit - V, Q.No. 29, 30)

FACULTY OF COMMERCE
M.Com II - Semester (CBCS) Examination
May / June - 2019
MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 80

Note: Answer all the questions from Part - A and Part - B
Each question carries 4 marks in Part - A and 12 marks in Part - B

PART - A (5 × 4 = 20 Marks)
[Short Answer Type]

ANSWERS

- | | |
|---|---------------------|
| 1. Product mix. | (Unit-I, SQA - 3) |
| 2. Skimming pricing. | (Unit-II, SQA - 5) |
| 3. Promotion mix. | (Unit-III, SQA - 2) |
| 4. Functions of marketing intermediaries. | (Unit-IV, Q.No. 9) |
| 5. Marketing decision support system | (Unit-V, SQA - 16) |

PART - B (5 × 12 = 60 Marks)
[Essay Answer Type]

- | | |
|--|------------------------|
| 6. (a) What is product life cycle and discuss in brief the different stages of product life cycle. | (Unit-I, Q.No. 14, 15) |
|--|------------------------|

(OR)

- (b) Explain the different kinds of branding decisions and state the essentials of an effective branding.

Ans :

1. Brand Sponsor Decision

The brand can be sponsored by the manufacturer or producer (also called national or international brand) such as Amul, Godrej, Tata, Sony, etc. The distributor or retailer could also use its own brand.

Thus, when Videocon started its business in electronics, it introduced TVs under the brand Videocon in the market. Similarly, Mobilink (main brand Motorola) and Shyam's Garments (New Delhi) and Nalli Sarees use their own brand names. The third is the licensed brand as being operated by Coca-Cola Company in India.

2. Brand Strategy Decision

The line extensions are mostly the result of pressures from consumers to provide variety. Brand extension comes mostly from the manufacturers' side to leverage the existing brand equity. While multi-brands are introduced to set up flanking brands at each end of the market segment, providing maximum security to the company.

3. Brand-Repositioning Decision

A competitor may launch a new brand close to the one carried by a particular company. Or it may need repositioning of the brand when the original product would become more effective. For example, Rasna was earlier targeted to children and was later re-positioned to attract and include mother's along with the influencer, the child. Another example came to light when Balm, a cure for headache and cold was displaced by Vicks Vaporub for colds.

Essentials for Effective Branding**1. Mission Statement**

A mission statement is a brief sentence that describes your business. It provides information on who you are, what you offer and who you serve. For example, JP | Designs is a freelance graphic design business that aids multi-dimensional creative entrepreneurs with their brand identity.

2. Brand Voice

Your brand voice is the purposeful expression of your brand through words. This means the way you write blog posts, Instagram captions and how you reply to emails is all a part of your brand voice.

3. Target Audience

Your target audience is the group of people you direct your marketing towards. Identifying your target audience, and speaking directly to them, allows you to effectively create products and services they need. Without a target audience, you end up screaming into the abyss.

In order to communicate with them effectively you'll need to understand their demographics and psychographics. The demographics are the measurable traits: age, income and location. The psychographics are the immeasurable traits: hobbies, interests and values.

4. Professional Design

To exhibit a professional business, it's vital to invest in a professional design. A professional design creates a sense of authority, experience and trust. At the beginning of creating a business, investing in a professional designer isn't always possible. But, that doesn't mean you can't exhibit professional design. There are numerous resources that aid the "design-challenged" in this realm.

5. Brand Style Guide

A brand style guide is the compilation of all your brand elements. This includes anything from: logo variations, fonts, color palettes, icons, patterns, brand collateral, etc. I suggest also utilizing any inspiration that was gathered during the design process. Keeping your inspiration at the forefront reminds you of the overall aesthetic of your brand rather than just showcasing the "rules."

7. (a) Discuss the cost and demand based pricing methods with suitable examples. **(Unit-II, Q.No. 11, 12)**

(OR)

- (b) State the pricing objectives and the factors influencing pricing decisions. **(Unit-II, Q.No. 3, 5)**

8. (a) What is advertising effectiveness? Discuss, how do you measure the advertising effectiveness. **(Unit-III, Q.No. 12)**

(OR)

- (b) What are the objectives of sales promotion and discuss the tools and techniques of sales promotion. **(Unit-III, Q.No. 35, 39)**

9. (a) What is channel conflict? How do you resolve it? Explain. **(Unit-IV, Q.No. 12, 14)**

(OR)

- (b) Discuss the significant role of retailing and its emerging trends. **(Unit-IV, Q.No. 24, 25)**

10. (a) Discuss in brief the different components of marketing information system. **(Unit-V, Q.No. 30)**

(OR)

- (b) Explain the steps involved in marketing research process. **(Unit-V, Q.No. 38)**

FACULTY OF COMMERCE
M.Com (CBCS) (New Syllabus) II - Semester Examination
May / June - 2018
MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 80

Note: Answer all the questions from Part - A and Part - B
Each question carries 4 marks in Part - A and 12 marks in Part - B

PART - A (5 × 4 = 20 Marks)
[Short Answer Type]

ANSWERS

- | | |
|---------------------------|---------------------|
| 1. Define brand | (Unit-I, SQA - 6) |
| 2. Skimming price | (Unit-II, SQA - 5) |
| 3. Promotion mix | (Unit-III, SQA - 2) |
| 4. Functions of Packaging | (Unit-I, SQA - 9) |
| 5. Market research | (Unit-V, SQA - 14) |

PART - B (5 × 12 = 60 Marks)
[Essay Answer Type]

6. (a) What is marketing mix? Explain in brief the various elements of marketing mix.

Ans :

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

Definitions of Marketing Mix

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

- W. J. Stanton

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

- Philip Kotler

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

1. Product

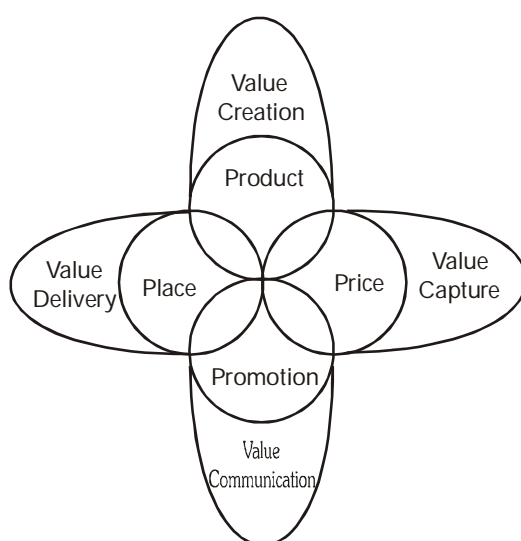
Product means the good and services combination the company offers to the target market. In developing the product must think about activities.

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

2. Place

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

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



3. Price

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

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

4. Promotions

Promotion means activities that communicate the customers.

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

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

(OR)

- (b) Explain in brief the different stages of PLC. (Unit-I, Q.No. 15)
7. (a) Discuss in brief the various factors affecting pricing decisions. (Unit-II, Q.No. 5)
- (OR)**
- (b) Explain in brief different pricing methods. (Unit-II, Q.No. 11, 12, 13)
8. (a) What is advertising end explain how do you measure the advertising effectiveness. (Unit-III, Q.No. 7, 12)
- (OR)**
- (b) Discuss the various types of tools and techniques of sales promotion. (Unit-III, Q.No. 38, 39)
9. (a) What is channel conflict? Explain how do you resolve it. (Unit-IV, Q.No. 12, 14)
- (OR)**
- (b) Define on-line marketing channel and state its merits and demerits. (Unit-IV, Q.No. 16, 17)
10. (a) Explain in brief the components of MIS. (Unit-V, Q.No. 30)
- (OR)**
- (b) Explain the steps involved in marketing research process. (Unit-V, Q.No. 38)

FACULTY OF COMMERCE**M.Com. II - Semester (CBCS) (New Syllabus) Examination****May- 2017****MARKETING MANAGEMENT**

Time : 3 Hours

Max. Marks: 80

Note: Answer all the questions**PART - A (5 × 4 = 20 Marks)****[Short Answer Type]**

1. Functions of packaging
2. Penetration pricing
3. Advertising objectives
4. Channel Design
5. Marketing Research

ANSWERS**(Unit-I, SQA - 9)****(Unit-II, SQA - 6)****(Unit-III, SQA - 4)****(Unit-IV, SQA - 6)****(Unit-V, SQA - 14)****PART - B (5 × 12 = 60 Marks)****[Essay Answer Type]****Note:** Answer all the questions by using internal choice

6. a) Discuss the different stages of new product development process. **(Unit-I, Q.No. 12)**
OR
b) What is product life cycle? Discuss the critical areas of each stage of product life cycle. **(Unit-I, Q.No. 14, 15)**
7. a) State the factors influencing price and discuss about product line pricing. **(Unit-II, Q.No. 5, 15)**
OR
b) Discuss about demand based and competition based pricing methods. **(Unit-II, Q.No. 12, 13)**
8. a) What are the media sources? How do you select media sources? Explain with examples. **(Unit-III, Q.No. 16, 21)**
OR
b) What is direct marketing? Discuss about different forms of direct marketing. **(Unit-III, Q.No. 44, 46)**
9. a) What are the channel design decisions? Explain in brief. **(Unit-IV, Q.No. 11)**
OR
b) Discuss the role and significance of retailing and its emerging trends in Indian context. **(Unit-IV, Q.No. 24, 25)**
10. a) Explain the components of Marketing Information System in brief. **(Unit-V, Q.No. 30)**
OR
b) Define marketing research and explain the steps in marketing research process. of securitization. **(Unit-V, Q.No. 35, 38)**

FACULTY OF COMMERCE

M.Com. II - Semester Examination

May/June - 2016

MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 80

SECTION - A (5 × 4 = 20)

Answer all the questions

1. Branding
2. Cost based pricing
3. Advertising media
4. Retailing
5. MKIS

ANSWERS

(Unit-I, SQA - 7)

(Unit-II, SQA - 7)

(Unit-III, SQA - 3)

(Unit-IV, SQA - 11)

(Unit-V, SQA - 13)

SECTION - B (5 × 12 = 60)

Answer all the questions

6. (a) Describe the stages in product life cycle. (Unit-I, Q.No. 15)

OR

- (b) Explain the significance of branding, packaging and labelling. (Unit-I, Q.No. 21, 27, 30)

7. (a) Write about the factors influencing pricing decision's. (Unit-II, Q.No. 5)

OR

- (b) Give a classification of pricing methods with suitable examples. (Unit-II, Q.No. 11, 12, 13)

8. (a) Explain the objectives of advertising. (Unit-III, Q.No. 7, 9)

OR

- (b) Brief explain about various sales promotional tools. (Unit-III, Q.No. 39)

9. (a) Write about the various formats of retail stores. (Unit-IV, Q.No. 27)

- (b) Discuss about the channel conflicts and their resolutions. (Unit-IV, Q.No. 12, 15)

10. (a) What do you understand by marketing decision support system? (Unit-V, Q.No. 31)

OR

- (b) Write about the stages in Marketing Research. (Unit-V, Q.No. 38)

FACULTY OF COMMERCE
M.Com. II - Semester Examination
May/June - 2015
MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 80

Note : Answer all the questions from Part - A and Part - B. Each question carries 4 marks in Part - A and 12 marks in Part - B.

SECTION - A (5 × 4 = 20)

ANSWERS

- | | | |
|----|---------------------------|---------------------|
| 1. | Product mix | (Unit-I, SQA - 3) |
| 2. | Cost plus pricing | (Unit-II, SQA - 7) |
| 3. | Objective and Task method | (Unit-III, SQA - 8) |
| 4. | Channel conflict | (Unit-IV, SQA - 7) |
| 5. | Marketing research | (Unit-V, SQA - 14) |

SECTION - B (5 × 12 = 60)

Note: Answer all the questions by using internal choice in not exceeding 4 pages each.

- | | | |
|-----|---|-----------------------------|
| 6. | a) Explain various stages in the new product development process. | (Unit-I, Q.No. 12) |
| | OR | |
| | b) Define brands, what are the qualities of a good brand? | (Unit-I, Q.No. 16, 18) |
| 7. | a) Explain the methods of pricing with their limitations. | (Unit-II, Q.No. 11, 12, 13) |
| | OR | |
| | b) What are the factors influencing pricing? | (Unit-II, Q.No. 5) |
| 8. | a) How can advertising effectiveness be evaluated? | (Unit-III, Q.No. 12) |
| | OR | |
| | b) What are the advantages and disadvantages of advertising? | (Unit-III, Q.No. 10) |
| 9. | a) What are the criteria followed to select a channel? | (Unit-IV, Q.No. 3) |
| | OR | |
| | b) What is online marketing? Explain different online channels. | (Unit-IV, Q.No. 15, 18) |
| 10. | a) Discuss the components of marketing information system and their importance. | (Unit-V, Q.No. 30) |
| | OR | |
| | b) What are the steps in marketing research process? | (Unit-V, Q.No. 38) |

FACULTY OF COMMERCE
M.Com. II - Semester Examination
April/May - 2014
MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 80

Note: Answer all the questions from Part - A and Part - B. Each question carries 4 marks in Part - A and 12 marks in Part - B.

SECTION - A (5 × 4 = 20)

ANSWERS

- | | | |
|----|--------------------|---------------------|
| 1. | Product mix | (Unit-I, SQA - 3) |
| 2. | Break even pricing | (Unit-II, SQA - 10) |
| 3. | Advertising | (Unit-III, SQA - 3) |
| 4. | Channel Management | (Unit-IV, SQA - 4) |
| 5. | Sales promotion | (Unit-V, SQA - 12) |

SECTION - B (5 × 12 = 60)

Note: Answer all the questions by using internal choice in not exceeding 4 pages each.

- | | | |
|-----|---|-------------------------|
| 6. | a) Explain the process of new product development. | (Unit-I, Q.No. 12) |
| | OR | |
| | b) What is a brand? Explain the characteristics of a good brand. | (Unit-I, Q.No. 16,18) |
| 7. | a) "Price is always a trial and error mechanism". Explain. | (Unit-II, Q.No. 4) |
| | OR | |
| | b) Explain under what conditions it is desirable to go for penetration and skimming price policies. | (Unit-II, Q.No. 8) |
| 8. | a) Why is personal selling considered to be the best among the different elements of the promotional mix? | (Unit-III, Q.No. 22) |
| | OR | |
| | b) What are the different techniques for measuring the effectiveness of advertising? | (Unit-III, Q.No. 12) |
| 9. | a) What are the different types of channel conflicts? How can they be resolved? | (Unit-IV, Q.No. 12, 14) |
| | OR | |
| | b) Define online marketing. What are the objectives of online marketing? | (Unit-IV, Q.No. 15) |
| 10. | a) Explain the difference between marketing information system and marketing research. | (Unit-V, Q.No. 39) |
| | OR | |
| | b) What are the various steps involved in conducting marketing research? | (Unit-V, Q.No. 38) |

FACULTY OF COMMERCE
M.Com. II - Semester Examination
April/May - 2013
MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 80

Note : Answer all the questions from Part - A and Part - B. Each question carries 4 marks in Part - A and 12 marks in Part - B.

SECTION - A (5 × 4 = 20)

ANSWERS

- | | |
|------------------------|----------------------|
| 1. Product mix | (Unit-I, SQA - 3) |
| 2. Cost plus pricing | (Unit-II, SQA - 7) |
| 3. Personal selling | (Unit-III, SQA - 11) |
| 4. Channel Conflict | (Unit-IV, SQA - 7) |
| 5. Marketing research. | (Unit-V, SQA - 14) |

SECTION - B (5 × 12 = 60)

Note: Answer all the questions by using internal choice in not exceeding 4 pages each.

- | | |
|--|----------------------|
| 6. a) Explain product life cycle and marketing strategy. | (Unit-I, Q.No. 15) |
| OR | |
| b) Explain the stages in new product development. | (Unit-I, Q.No. 12) |
| 7. a) What are the factors influencing price determination? | (Unit-II, Q.No. 5) |
| OR | |
| b) What are the pricing strategies for introduction of a new product? | (Unit-II, Q.No. 8) |
| 8. a) How do you evaluate advertising effectiveness? | (Unit-III, Q.No. 12) |
| OR | |
| b) What are the sales promotion tools used by marketer? | (Unit-III, Q.No. 39) |
| 9. a) What are the factors to be considered while selecting advertising media? | (Unit-III, Q.No. 21) |
| OR | |
| b) Define the term channel. Explain the nature of marketing channels. | (Unit-IV, Q.No. 1) |
| 10. a) Explain the marketing research process. | (Unit-V, Q.No. 39) |
| OR | |
| b) Explain the components of marketing information system. | (Unit-V, Q.No. 30) |

FACULTY OF COMMERCE
M.Com. II - Semester Examination
May/June - 2012
MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 80

Note: Answer all the questions from Part - A and Part - B. Each question carries 4 marks in Part - A and 12 marks in Part - B.

SECTION - A (5 × 4 = 20)

ANSWERS

- | | |
|---------------------------------|---------------------|
| 1. Packaging | (Unit-I, SQA - 8) |
| 2. Cost based pricing | (Unit-II, SQA - 7) |
| 3. Promotion mix | (Unit-III, SQA - 2) |
| 4. Channel conflict | (Unit-IV, SQA - 7) |
| 5. Marketing information system | (Unit-V, SQA - 13) |

SECTION - B (5 × 12 = 60)

Note: Answer all the questions by using internal choice in not exceeding 4 pages each.

- | | |
|--|-----------------------------|
| 6. a) Explain the stages in new product development process. | (Unit-I, Q.No. 12) |
| OR | |
| b) What is product life cycle management? | (Unit-I, Q.No. 15) |
| 7. a) Discuss various pricing methods and their applicability. | (Unit-II, Q.No. 11, 12, 13) |
| OR | |
| b) What is role of price in marketing mix? | (Unit-II, Q.No. 4) |
| 8. a) What are the different methods of advertising budget? | (Unit-III, Q.No. 13) |
| OR | |
| b) Define Public Relations. What are the characteristics of Public Relations? | (Unit-III, Q.No. 40) |
| 9. a) Define marketing channels. Explain various types of channels distribution. | (Unit-IV, Q.No. 1, 2) |
| OR | |
| b) Write about channel management. | (Unit-IV, Q.No. 6) |
| 10. a) Explain the process and stages of marketing research. | (Unit-V, Q.No. 39) |
| OR | |
| b) Explain the components of marketing information system. | (Unit-V, Q.No. 30) |

FACULTY OF COMMERCE
M.Com II - Semester (CBCS) Examination
Model Paper - I
MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 80

Note: Answer all the questions from Part - A and Part - B
Each question carries 4 marks in Part - A and 12 marks in Part - B

PART - A (5 × 4 = 20 Marks)
[Short Answer Type]

ANSWERS

- | | |
|--|---------------------|
| 1. Define packaging. | (Unit-I, SQA - 8) |
| 2. Penetration Pricing | (Unit-II, SQA - 6) |
| 3. Define advertising | (Unit-III, SQA - 3) |
| 4. Explain different types of channel levels | (Unit-IV, SQA - 2) |
| 5. Define digital marketing | (Unit-V, SQA - 1) |

PART - B (5 × 12 = 60 Marks)
[Essay Answer Type]

- | | |
|--|----------------------|
| 6. (a) Define Product. Explain the various levels of a product. | (Unit-I, Q.No. 1, 4) |
| (OR) | |
| (b) Give a critical assessment on PLC. Explain the different stages and strategies of PLC. | (Unit-I, Q.No. 15) |
| 7. (a) Explain the different new product pricing strategies with examples. | (Unit-II, Q.No. 16) |
| (OR) | |
| (b) Explain briefly about Customer Demand based pricing. | (Unit-II, Q.No. 12) |
| 8. (a) Define Advertising. Explain the nature of advertising. | (Unit-III, Q.No. 7) |
| (OR) | |
| (b) Explain the various Tools of Sales Promotion. | (Unit-III, Q.No. 39) |
| 9. (a) Define Channel Conflict. Explain different types of Channel Conflicts. | (Unit-IV, Q.No. 12) |
| (OR) | |
| (b) Define Online Marketing. What are the objectives of Online Marketing? | (Unit-IV, Q.No. 15) |
| 10. (a) Distinguish between traditional way of marketing and digital marketing. | (Unit-V, Q.No. 10) |
| (OR) | |
| (b) Explain the components of marketing information system. | (Unit-V, Q.No. 30) |

FACULTY OF COMMERCE
M.Com II - Semester (CBCS) Examination
Model Paper - II
MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 80

Note: Answer all the questions from Part - A and Part - B
Each question carries 4 marks in Part - A and 12 marks in Part - B

PART - A (5 × 4 = 20 Marks)

[Short Answer Type]

ANSWERS

- | | | |
|----|---------------------------|----------------------|
| 1. | Product Mix Decisions | (Unit-I, SQA - 4) |
| 2. | Define Skimming Price | (Unit-II, SQA - 5) |
| 3. | Define Direct Marketing | (Unit-III, SQA - 14) |
| 4. | Define Online Marketing | (Unit-IV, SQA - 9) |
| 5. | Define marketing research | (Unit-V, SQA - 14) |

PART - B (5 × 12 = 60 Marks)

[Essay Answer Type]

- | | | |
|-----|--|-------------------------|
| 6. | (a) Explain various stages in the New Product Development process. | (Unit-I, Q.No. 12) |
| | (OR) | |
| | (b) Define branding. Explain the advantages and disadvantages of branding. | (Unit-I, Q.No. 17, 20) |
| 7. | (a) Define Pricing. Elucidate the objectives of pricing. | (Unit-II, Q.No. 1, 3) |
| | (OR) | |
| | (b) Explain briefly about Cost based pricing. | (Unit-II, Q.No. 11) |
| 8. | (a) Define Direct Marketing. Explain the features of Direct Marketing. | (Unit-III, Q.No. 44) |
| | (OR) | |
| | (b) Explain briefly about Advertising Effectiveness. | (Unit-III, Q.No. 12) |
| 9. | (a) What are the functions performed by channel members (or) intermediaries? | (Unit-IV, Q.No. 9) |
| | (OR) | |
| | (b) Define retailing. Explain the emerging trends of retailing. | (Unit-IV, Q.No. 21, 25) |
| 10. | (a) Define Search Engine Marketing (SEM)? Explain the importance of search engine marketing. | (Unit-V, Q.No. 19) |
| | (OR) | |
| | (b) Outline the process of Marketing Research. | (Unit-V, Q.No. 38) |