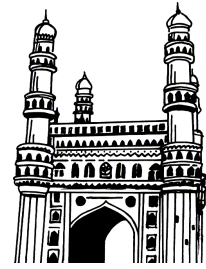


Rahul's ✓
Topper's Voice



M.Com.

I Year I Semester

Latest 2023 Edition

MARKETING MANAGEMENT

- ☞ Study Manual
- ☞ Important Questions
- ☞ Short Question & Answers
- ☞ Choose the correct Answers
- ☞ Fill in the blanks
- ☞ Solved Model Papers

- by -

WELL EXPERIENCED LECTURER



Rahul Publications TM

Hyderabad. Cell : 9391018098, 9505799122

All disputes are subjects to Hyderabad Jurisdiction only

M.Com.

I Year I Semester

MARKETING MANAGEMENT

Inspite of many efforts taken to present this book without errors, some errors might have crept in. Therefore we do not take any legal responsibility for such errors and omissions. However, if they are brought to our notice, they will be corrected in the next edition.

© No part of this publications should be reporduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording and/or otherwise without the prior written permission of the publisher

Price ` 225-00

Sole Distributors :

Cell : 9391018098, 9505799122

VASU BOOK CENTRE

Shop No. 2, Beside Gokul Chat, Koti, Hyderabad.

Maternity Hospital Opp. Lane, Narayan Naik Complex, Koti, Hyderabad.

Near Andhra Bank, Subway, Sultan Bazar, Koti, Hyderabad -195.

MARKETING MANAGEMENT

C O N T E N T S

STUDY MANUAL

Important Questions	V - XII
Unit - I	1 - 36
Unit - II	37 - 72
Unit - III	73 - 120
Unit - IV	121 - 192
Unit - V	193 - 226

SOLVED MODEL PAPERS

MODEL PAPER - I	227 - 228
MODEL PAPER - II	229 - 230
MODEL PAPER - III	231 - 232

SYLLABUS

UNIT - I

BASICS OF MARKETING :

Meaning and Definition of Marketing-Scope of Marketing-Marketing Management Orientations/ Concepts (Product, Production, Selling, Marketing and Holistic Marketing)-Marketing Mix.

(Note: Choose a product and draft its marketing mix).

Market Segmentation: Concept-Bases of segmenting consumer and business markets- Requirements of effective segmentation

(Note: Choose a company and identify the bases of segmenting market for its product).

Target Market-Concept-Market Targeting Strategies (Mass, segmented, niche and micro marketing)-Concept of Positioning-Bases of Positioning-Positioning Maps

(Note: Create positioning maps for 10-15 brands in FMCG sector/automobile sector/IT sector etc).

UNIT - II

MARKEINTG PLANNING & ANALYSIS AND CONSUMER BUYING BEHAVIOUR :

Meaning of Marketing Planning & Analysis- Contents of a Marketing Plan-Marketing Implementation & Control (Organising the marketing department-marketing controls- Annual, Profitability, Efficiency and Strategic controls)

(Note:Take income statements of two competing companies and perform marketing profitability analysis for these companies).

Consumer Markets: Factors influencing consumer behavior- Models of consumer behavior (Marshallian, Maslow, Howard- Sheth model)- Steps in consumer decision process.

(Note: Apply consumer behaviour models for analyzing consumer behavior towards a consumer product)

Business Markets: Nature of buying unit- Participants in business buying- Business buying process.

(Note: Chalk out the buying process of a Paper Manufacturer / Textile Mill/ Computer Assembling Business etc).

UNIT - III

PRODUCT AND PRICE MANAGEMENT:

Meaning of Product- Product Levels- Product Classification- Product Mix Decisions- New Product Development Process- Product Life Cycle Strategies- Branding- Packaging- Labeling

(Note: Identify a new product in the market and examine its development process).

Meaning of Price- Pricing Objectives- Pricing Methods (consumer based, competition based, cost-based) - Pricing Strategies (New product pricing, Product mix pricing, Price Adjustment strategies, Pricing across channels)

(Note: Identify top 100 brands in India and prepare a chart of their brand values over past 5 years

Assume hypothetical figures to conduct break even & marginal analysis and determine price of product, compute mark-up price and cost plus price using hypothetical figures).

UNIT - IV

PROMOTION AND PLACE MANAGEMENT :

Promotion Mix-Elements-Advertising: Objectives-Budget-Media-Effectiveness- Personal Selling: Steps-Sales

Promotion: Objectives, Tools-Public Relations and Publicity: Public Relations Tools-Direct Marketing & its Forms Marketing Channels-Channel levels-Channel Types-Channel Design Decisions-Channel Management Decisions-Channel Conflict-Conflict Resolution-Wholesaling-Types of wholesaler-Retailing: Format of retail stores.

UNIT - V

DEVELOPMENTS IN MARKETING :

Concept of Services Marketing-Services Marketing Mix-Consumerism (Causes and effects)-Sustainable Marketing (Principles and strategies)-Meta Marketing-Strategic Marketing-Cross Cultural Marketing-Entrepreneurial Marketing(Types and strategies)-Affiliate Marketing

(Note: Undertake a google search engine analysis for a product).

Digital Marketing Domains-Social Media Marketing-Content Marketing-Email Marketing-Search Engine Optimisation-Mobile Marketing-Influencer Marketing.

(Note: Analyse sustainable marketing practices of Indian companies)

Marketing Analytics-Components-Marketing Analytics Tools.

(Note: Examine marketing practices of a bank / insurance company/ travel/logistics company etc).

Contents

UNIT - I

Topic	Page No.
1.1 Meaning and Definition of Marketing	1
1.2 Scope of Marketing	3
1.3 Marketing Management Orientations / Concepts	9
1.3.1 Product, Production, Selling, Marketing and Holistic Marketing	9
1.4 Marketing Mix	12
1.5 Market Segmentation	15
1.5.1 Concept	15
1.5.2 Bases of Segmenting Consumer and Business Markets	17
1.5.3 Requirements of effective segmentation	19
1.6 Target Market	20
1.6.1 Concept	20
1.6.2 Market Targeting Strategies	21
1.6.2.1 Mass, Segmented, Niche and Micro Marketing	21
1.7 Concept of Positioning	23
1.7.1 Bases of Positioning	25
1.7.2 Positioning Maps	28
➤ Short Question and Answers	31 - 33
➤ Choose the Correct Answers	34 - 35
➤ Fill in the Blanks	36 - 36

UNIT - II

2.1 Meaning of Marketing Planning and Analysis	37
2.1.1 Contents of a Marketing Plan	38
2.2 Marketing Implementation & Control	40
2.2.1 Organising the marketing department marketing controls -Annual, Profitability, Efficiency and Strategic controls	42
2.3 Consumer Markets	50
2.3.1 Factors Influencing Consumer Behavior	58
2.4 Models of Consumer Behavior	61
2.4.1 Marshallian	61

Topic	Page No.
2.4.2 Maslow	62
2.4.3 Howard - Sheth Model	63
2.5 Steps in Consumer Decision Process	65
2.6 Business Markets	66
2.6.1 Nature of Buying Unit	66
2.6.2 Participants in Business Buying	67
2.6.3 Business Buying Process	67
➤ Short Question and Answers	69 - 70
➤ Choose the Correct Answers	71 - 71
➤ Fill in the Blanks	72 - 72
UNIT - III	
3.1 Meaning of Product	73
3.2 Product Levels	74
3.3 Product Classification	74
3.4 Product Mix	78
3.4.1 Product Mix Decisions	80
3.5 New Product Development	82
3.5.1 Process	83
3.6 Product Life Cycle	85
3.6.1 Product Life Cycle Strategies	89
3.7 Branding	90
3.8 Packaging	95
3.9 Meaning of Price	99
3.9.1 Objectives of Pricing	100
3.9.2 Pricing Methods	101
3.9.2.1 Consumer based, Competition based, Cost-based	101
3.10 Pricing Strategies	106
3.10.1 New Product Pricing	108
3.10.2 Product Mix Pricing	110

Topic	Page No.
3.10.3 Price Adjustment Strategies	111
3.10.4 Pricing Across Channels	112
➤ Short Question and Answers	114 - 117
➤ Choose the Correct Answers	118 - 119
➤ Fill in the Blanks	120 - 120
UNIT - IV	
4.1 Promotion	121
4.2 Promotion Mix	123
4.3 Advertising	125
4.3.1 Objectives of Advertising	127
4.3.2 Budget	132
4.3.3 Media Effectiveness	135
4.4 Personal Selling	136
4.4.1 Steps	140
4.5 Sales Promotion	143
4.5.1 Objectives of Sales Promotion	145
4.5.2 Tools	147
4.6 Public Relations	149
4.6.1 Publicity	152
4.6.2 Public Relations Tools	153
4.7 Direct Marketing	156
4.7.1 Forms of Direct Marketing	158
4.8 Marketing Channels	161
4.8.1 Channel Levels	162
4.8.2 Channel Types	163
4.8.3 Channel Design Decisions	167
4.8.4 Channel Management Decisions	168
4.8.5 Channel Conflict and Resolution	171
4.9 Wholesaling	173
4.9.1 Types of Wholesaler	173
4.10 Retailing	175
4.10.1 Formats of Retail Stores	178

Topic	Page No.
➤ Short Question and Answers	185 - 188
➤ Choose the Correct Answers	189 - 191
➤ Fill in the Blanks	192 - 192
UNIT - V	
5.1 Concept of Services Marketing	193
5.2 Services Marketing Mix	196
5.3 Consumerism	197
5.3.1 Causes and Effects	197
5.4 Sustainable Marketing	200
5.4.1 Principles and Strategies	200
5.5 Meta Marketing	201
5.6 Strategic Marketing	202
5.7 Cross Cultural Marketing	202
5.8 Entrepreneurial Marketing	203
5.9 Affiliate Marketing	204
5.10 Digital Marketing Domains	205
5.10.1 Social-Media Marketing	208
5.10.2 Content Marketing	214
5.10.3 Email Marketing	216
5.10.4 Overview of Search Engine Optimization (SEO)	217
5.10.5 Mobile Marketing	217
5.10.6 Influencer Marketing	218
5.11 Marketing Analytics	219
5.11.1 Components	220
5.11.2 Marketing Analytics Tools	221
➤ Short Question and Answers	222 - 224
➤ Choose the Correct Answers	225 - 225
➤ Fill in the Blanks	226 - 226

Important Questions

UNIT - I

1. Explain briefly about scope of marketing.

Ans :

Refer Unit-I, Q.No. 4

2. Explain the advantages of marketing.

Ans :

Refer Unit-I, Q.No. 7

3. Explain the functions of marketing.

Ans :

Refer Unit-I, Q.No. 8

4. Explain briefly about various marketing concepts.

Ans :

Refer Unit-I, Q.No. 9

5. State the differences between marketing and selling.

Ans :

Refer Unit-I, Q.No. 10

6. Define marketing mix. State the elements of marketing mix.

Ans :

Refer Unit-I, Q.No. 11

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

Ans :

Refer Unit-I, Q.No. 13

8. Define Market Segmentation. Describe the conditions essential for successful Market Segmentation.

Ans :

Refer Unit-I, Q.No. 16

9. Differentiate between Business market and Consumer Market.

Ans :

Refer Unit-I, Q.No. 19

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

Ans :

Refer Unit-I, Q.No. 24

11. What are the criteria for successful positioning ? Discuss with suitable examples.

Ans :

Refer Unit-I, Q.No. 28

UNIT - II

1. What are the Essentialities of an Effective Marketing Plan.

Ans :

Refer Unit-II, Q.No. 3

2. Explain various measures of marketing control.

Ans :

Refer Unit-II, Q.No. 5

3. Explain in detail about annual plan control.

Ans :

Refer Unit-II, Q.No. 6

4. What do you understand by Profitability Control?

Ans :

Refer Unit-II, Q.No. 7

5. Discuss in detail about efficiency control in marketing organization.

Ans :

Refer Unit-II, Q.No. 8

6. Examine the role of Strategic Control in Marketing Planning.

Ans :

Refer Unit-II, Q.No. 9

7. Differentiate between profitability control and strategic control.

Ans :

Refer Unit-II, Q.No. 10

8. Draw the Framework for studying consumer behavior.

Ans :

Refer Unit-II, Q.No. 16

9. Explain the Factors Influencing Consumer Behavior.

Ans :

Refer Unit-II, Q.No. 18

10. Discuss Marshallian models of consumer behavior.

Ans :

Refer Unit-II, Q.No. 19

11. Explain Maslow model of consumer behaviour.

Ans :

Refer Unit-II, Q.No. 20

12. Explain Howard Sheth Model of Consumer Behaviour.

Ans :

Refer Unit-II, Q.No. 21

13. What are the steps involved in consumers decision process.

Ans :

Refer Unit-II, Q.No. 22

UNIT - III

1. Explain various levels of products.

Ans :

Refer Unit-III, Q.No. 2

2. What are the different types of product?

Ans :

Refer Unit-III, Q.No. 3

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

Ans :

Refer Unit-III, Q.No. 4

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

Ans :

Refer Unit-III, Q.No. 11

5. Explain various stages of product life cycle.

Ans :

Refer Unit-III, Q.No. 13

6. Explain the marketing strategies of different stages of PLC.

Ans :

Refer Unit-III, Q.No. 15

7. Explain the advantages and disadvantages of branding.

Ans :

Refer Unit-III, Q.No. 18

8. Define Packaging. State the features of Packaging.

Ans :

Refer Unit-III, Q.No. 22

9. Mention different functions of Packaging.

Ans :

Refer Unit-III, Q.No. 23

10. Define Labelling. State the features and functions of Labelling.

Ans :

Refer Unit-III, Q.No. 25

11. Elucidate the objectives of pricing.

Ans :

Refer Unit-III, Q.No. 29

12. Explain briefly about Cost based pricing.

Ans :

Refer Unit-III, Q.No. 31

13. Explain briefly about Customer Demand based pricing.

Ans :

Refer Unit-III, Q.No. 32

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

Ans :

Refer Unit-III, Q.No. 35

UNIT - IV

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

Ans :

Refer Unit-IV, Q.No. 3

2. What do you mean by Advertising Media? Explain various types of Advertising Media?

Ans :

Refer Unit-IV, Q.No. 14

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

Ans :

Refer Unit-IV, Q.No. 23

4. Explain the Advantages and Disadvantages of sales promotion.

Ans :

Refer Unit-IV, Q.No. 27

5. Define Direct Marketing. Explain the features of Direct Marketing.

Ans :

Refer Unit-IV, Q.No. 34

6. Explain the different types of Channel Levels.

Ans :

Refer Unit-IV, Q.No. 39

7. What are the channels design decisions.

Ans :

Refer Unit-IV, Q.No. 42

8. Write about channel management. Explain the framework of channel management with figure.

Ans :

Refer Unit-IV, Q.No. 43

9. Explain the various resolutions managing the Conflict.

Ans :

Refer Unit-IV, Q.No. 46

10. Define the term Retailing. Explain the evolution of Retailing.

Ans :

Refer Unit-IV, Q.No. 50

11. Explain the significance of retailing.

Ans :

Refer Unit-IV, Q.No. 53

12. Explain the emerging trends of retailing.

Ans :

Refer Unit-IV, Q.No. 54

13. Explain the Formats of Retail Stores.

Ans :

Refer Unit-IV, Q.No. 55

UNIT - V

1. Define services. State the scope and classification of services.

Ans :

Refer Unit-V, Q.No. 1

2. What are the strategies of service markets?

Ans :

Refer Unit-V, Q.No. 3

3. Define the term 'Consumerism'. Explain the need and scope of Consumerism.

Ans :

Refer Unit-V, Q.No. 5

4. What is Sustainable Marketing? Explain its principles.

Ans :

Refer Unit-V, Q.No. 9

5. Define Meta Marketing. What are the advantages of Meta Marketing?

Ans :

Refer Unit-V, Q.No. 11

6. Define Affiliate Marketing. Explain different types of Affiliate Marketing.

Ans :

Refer Unit-V, Q.No. 16

7. Define digital marketing. Explain the objectives of digital marketing.

Ans :

Refer Unit-V, Q.No. 17

8. Explain the various components of digital marketing.

Ans :

Refer Unit-V, Q.No. 18

9. Explain the benefits and Limitations of Digital Marketing.

Ans :

Refer Unit-V, Q.No. 20

10. What is a You tube and Flickr? How they are used in sharing photos and videos?

Ans :

Refer Unit-V, Q.No. 25

11. Define Content Marketing. Explain the importance of Content Marketing.

Ans :

Refer Unit-V, Q.No. 27

12. What is Email Marketing? State its advantages and disadvantages.

Ans :

Refer Unit-V, Q.No. 29

13. Define Search Engine Optimization. What are its types?

Ans :

Refer Unit-V, Q.No. 30

- 14. 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 :

Refer Unit-V, Q.No. 31

- 15. Define Influencer Marketing. Explain different types of Influencer Marketing.**

Ans :

Refer Unit-V, Q.No. 32

- 16. Explain the Components of Marketing Analytics.**

Ans :

Refer Unit-V, Q.No. 34

UNIT I

BASICS OF MARKETING :

Meaning and Definition of Marketing- Scope of Marketing- Marketing Management Orientations/ Concepts (Product, Production, Selling, Marketing and Holistic Marketing) - Marketing Mix.

(Note: Choose a product and draft its marketing mix).

Market Segmentation: Concept- Bases of segmenting consumer and business markets- Requirements of effective segmentation

(Note: Choose a company and identify the bases of segmenting market for its product).

Target Market-Concept-Market Targeting Strategies (Mass, segmented, niche and micro marketing)- Concept of Positioning- Bases of Positioning- Positioning Maps

(Note: Create positioning maps for 10- 15 brands in FMCG sector/automobile sector/ IT sector etc).

1.1 MEANING AND DEFINITION OF MARKETING

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

Ans :

Market

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

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

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

Definitions

- (i) **According to Philip Kotler**, "A market consists of all the potential customers sharing a particular need or wants to might be willing and able to engage in exchange to satisfy that need or want".
- (ii) **According to Clark and Clark** "A market is a center about which or an area in which the forces leading is exchange of title of a particular product operate and towards which the actual goods trend to travel".

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

Types

Generally markets are divided into 4 categories :

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

1. Consumer Market

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

2. Business Market

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

3. Global Markets

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

4. Non Profit and Government Markets

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

Q2. Define Marketing.

(OR)

What do you understand by marketing?*Ans :* (Jan.-18)**Meaning**

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

Definitions

- (i) **According to American Management Association (AMA)**, "The performance of business activities that direct the flow of goods and services through producers of users" Product Orientations".

- (ii) **According to Philip Kotler**, "Marketing is analyzing, organizing, planning and controlling of the firms customer impinging resources, policies, activities with a view to satisfy the needs and wants of chosen customer groups at a profit".

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

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

- (v) **According to American Marketing Association**, "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large".

- (vi) **According to William. J. Stanton**, "Marketing is a total system of interacting business activities designed to plan, price, promote and distribute wants-satisfying products and services to present and potential customers".

Q3. Explain the Nature of Marketing.*Ans :*

- (i) **Specialized Business Function**

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

The management of a firm, therefore, has to develop a particular organization with a view to absorbing new ideas, new approaches and new market demands.

- (ii) **Socially Desirable function**

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

(iii) Integrative Function

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

(iv) Reflects the Business Mission

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

(v) Adoption to Environmental Variables

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

(vi) Universal Function

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

vii) Management Function

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

1.2 SCOPE OF MARKETING**Q4. Explain briefly about scope of marketing.**

Ans. :

(Imp.)

1. Goods

Physical goods constitute the bulk of most countries' production and marketing effort. The United States produces and markets billions of physical goods, from eggs to steel to hair dryers. In developing nations, goods - particularly food, commodities, clothing, and housing are the mainstay of the economy.

2. Services

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

3. Experiences

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

4. Events

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

5. Persons

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

6. Places

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

7. Properties

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

8. Organizations

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

9. Information

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

10. Ideas

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

Q5. What are the differences between market and marketing?

(OR)

Compare and contrast Market and Marketing.

Ans :

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

Q6. What are the objectives of marketing?

Ans :

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

1. Creation of Demand

The marketing management's first objective is to create demand through various means. A conscious attempt is made to find out the preferences and tastes of the consumers by the company. Demand

for the products and services are created by informing the customers their utility. According to the products and services are produced to satisfy the needs of the customers.

2. Customer Satisfaction

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

3. Market Share

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

4. Generation of Profits

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

5. Public Image

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

Q7. Explain the advantages of marketing.

Ans :

(Imp.)

The following are the advantages of marketing

1. Establishes Brand Recognition

The primary and most important benefit of marketing is brand recognition. Marketing strategies help to imprint a brand in the minds of customers. This ensures that customers seek a particular brand of a product, rather than the brand seeking out its customers.

2. Gains and Retains Customers

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

3. Identifies Real Customers

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

4. Provides Information

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

5. Saves Time

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

6. Establishes Trust

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

7. Encourages Referrals

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

8. Addresses Issues

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

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

Q8. Explain the functions of marketing.**(OR)****State the functions of Marketing.***Ans. :***(Imp.)****(a) Merchandising Functions**

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

i) Buying

Buying is the first step in the process of marketing. A manufacturer has to buy raw materials for production, a wholesaler has to buy goods to be sold to the consumer. Buying involves transfer of ownership of goods from seller to the buyer.

ii) Assembling

Assembling means creation and maintenance of the stock of goods, purchased from different sources.

iii) Selling

The purpose of selling is to find buyers to whom goods can be sold at a price satisfactory to the seller. At all stages of marketing, it is necessary for someone to sell.

(b) Physical Distribution Functions

This function relates to the process of transporting the goods from the place of seller to the place of buyer and includes two main functions:

i) Transportation

Marketing system requires an economical and effective transportation system. A good system of 'transportation' increases the value of goods by the creation of place of utility.

ii) Storage and Warehousing

Goods must be stored for different reasons, goods produced seasonally may be used throughout the year, goods meant for use during the short period may be produced over the longer period, manufacturer store raw materials for ready supply are also stored in the hope of getting a higher price in future.

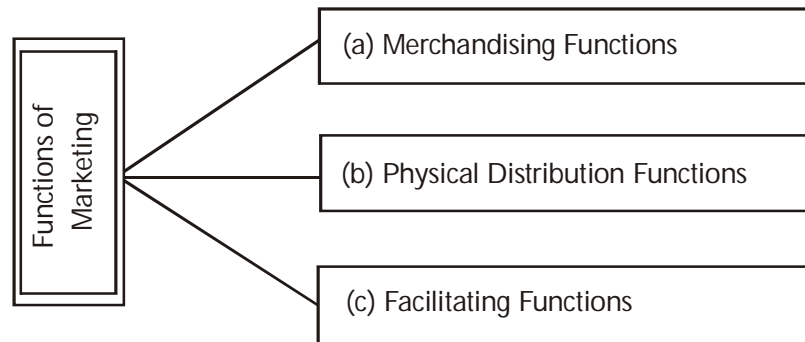


Fig.: Functions of Marketing

(c) Facilitating Functions

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

i) Financing

It is very difficult to carry on marketing activities smoothly without the availability of adequate and cheap finance. Commercial Banks, Co-operative credit Societies and government agencies arrange for short-term finance, medium term, finance and long term finance to facilitate marketing.

ii) Risk-Bearing

Marketing of goods involves innumerable risks due to theft, distortion accidents etc. The most important factor responsible for the risk is fluctuation in prices. The other factor, competition in the market, change in habits of the consumers, natural calamities etc.

iii) Standardization

This has now been accepted as an ethical basis of marketing. A standard is a measure that is generally recognized as model for comparison. Standards are determined on the basis of color, weight, quality and other factors of a product.

iv) Pricing

Pricing is also an important function which is closely relating to selling. Price policy of the concern directly affects the profit element. In determining price policy, several factors are to be borne in mind such as cost of the product competitor's prices, marketing policies, government policy, or convenient pricing.

v) Branding

Branding is the management process by which a product is branded. It is a general term covering various activities such as giving a brand name to a product, designing a brand mark and establishing and popularizing it.

vi) Advertising

Any paid form of non-personal communication of ideas, goods or services by business firms are identified in the advertising message intended to lead to a sale immediately or eventually. The main purpose of every commercial organization is to promote sales because it is the only way to commercialize the product. Any activity towards sales-promotion may be called promotional activities. Such promotional activities are advertising sales promotion and personal selling which generally constitute the promotional mix, within the marketing mix. Advertising and sales promotion are indirect and non personal methods, while personal selling is direct and personal method of sales promotion.

vii) Salesmanship

Salesmanship is neither an art nor is completely based on scientific principles. It is a combination of both. A salesman must possess inborn talents and must have a real interest in the profession. Salesman comes in contact with the number of persons, guides and advises them to purchase goods of the producer to whom he represents, convinces them, describes them the attractive and positive features of the products and pre-sale and after sale services and thus makes a sale.

viii) Sales Promotion

Sales promotion and personal selling are parts of promotional mix. Sale promotion techniques are indirect and non-personal. While personal selling is quite direct and personal. The main purpose of the sale promotion activities is to stimulate consumers and dealers effectively. Sales promotion directed at consumers may be done with a view to increase the products rate of use among existing consumer product.

ix) Packaging

A good package is the representation of the artistic combination of the designer's creative skills and the product and marketing and sales knowledge of the manufacturer's management team. The development of packaging is the sum total of the talents of the designer, the researcher, the technician, the advertising man, the top management. At times, it may include in the team the use of packaging committee and packaging directions, the role of independent decisions and the delegation of market research in the solution of packaging problems. Packaging may be defined as the general group of activities in product planning which involve designing and producing the container or wrapper for a product.

x) Market Information

Marketing requires information such as the number of consumers, their locations, purchasing power, product and brand preferences, tastes, habits and so on.

xi) Marketing Research

Marketing research is a systematic method of problem analysis, model building and fact finding for the purpose of improved decision making and control in the marketing of goods and services.

xii) Marketing Intelligence

Marketing intelligence system "is a set of procedures and sources used by managers to obtain their everyday information about pertinent development in the marketing environment". While the external records system supplies results data, the marketing intelligence system supplies happenings data. Marketing managers carry on marketing intelligence mostly on their own by reading books, newspapers and trade publications, talking to customers,

suppliers, distributors, and other outsiders and talking with other managers and personnel within the company. Yet this system is casual and valuable information could be lost or arrive too large. Well, run Companies take additional steps to improve the quality and quantity of marketing intelligence.

1.3 MARKETING MANAGEMENT ORIENTATIONS / CONCEPTS

1.3.1 Product, Production, Selling, Marketing and Holistic Marketing

Q9. Explain briefly about various marketing concepts.

(OR)

Explain various marketing concepts as per its evolution.

Ans :

(Imp.)

Marketing management is the carrying out the task to achieve desired exchanges with target markets. Marketing activities should be carried out under a well thought out philosophy of efficiency, effectiveness and social responsibility. The philosophies are the guidance for marketing efforts. It emphasizes on the weight that should be given to the interests of the organizations, customers and society. There are some concepts under which organizations conduct their marketing activities. These are:

1. Production Concept
2. Product Concept
3. Selling Concept
4. Marketing Concept
5. Societal Marketing Concept
6. Holistic Concept

1. Production Concept

- It holds that consumers will favor products that are available and highly affordable.
- Therefore, management should focus on improving production and distribution efficiency that means high production efficiency, low costs and mass distribution.
- This concept is still useful in two types of situations, when the demand exceeds the supply and when the product's cost is too high and improved productivity is needed to bring it down. It is used when a company wants to expand the market.
- Managers assume that consumers are primarily interested in product availability and low cost.

2. Product Concept

- It holds the idea that consumers will favor products that offer the most quality, performance, and features and that the organization should therefore devote its energy to making continuous product improvements.
- Focuses on making superior product and Improving them.
- Buyers admire well-made products and can evaluate quality and performance.
- Product concept can lead to marketing myopia (that means lack of foresight or long-term view regarding the product decision).

3. Selling Concept

- It holds the idea that consumers will not buy enough of the organization's products unless the organization undertakes a large-scale selling and promotion effort.
- This concept is typically practiced with unsought goods, those that buyers do not normally think of buying, such as encyclopedias or insurance.
- Most firms practice the selling concept when they have over capacity. This concept takes an inside-out perspective. It starts with the factory, focuses on the company's existing products and calls for heavy selling and promotion to obtain profitable sales.
- Consumer typically show buying inertia/resistance & must be coaxed into buying.
- To sell what they make rather than make what market wants.

4. Marketing Concept

- It holds the idea that achieving organizational goals depend on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do.
- The main task for marketers not to find the right customers for the product, but the right products for the customers.
- Marketer balance creating more value for customers against making more profits.
- Marketing concept rest on four pillars:
 - a) Target market
 - b) Customer needs
 - c) Integrated marketing
 - d) Profitability.

5. Societal Marketing Concept

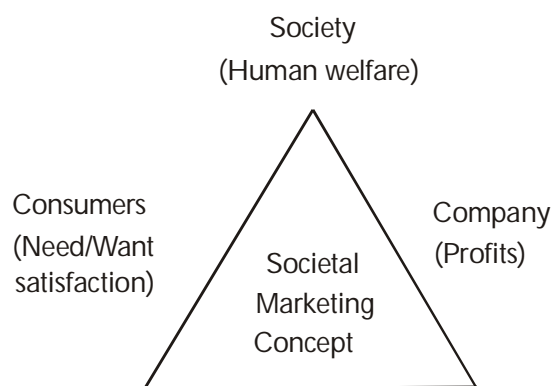


Fig.: Societal Marketing Concepts

It holds the idea that the organization should determine the needs, wants and interests of target markets and deliver the desired satisfactions more effectively and efficiently than do competitors in a way that maintains or improves the consumer's and society's well being. This concept calls on marketers to balance three considerations in setting their marketing policies: company profits, consumer wants and society's interests. It emphasizes on both the short run wants and long run welfare of consumers.

6. Holistic Concept

This is the most recent concept of marketing which is based on the development, design and implementation of marketing programs processes and activities from a broad integrated perspective. It is the integration of internal marketing, integrated marketing, relationship marketing and performance marketing concept.

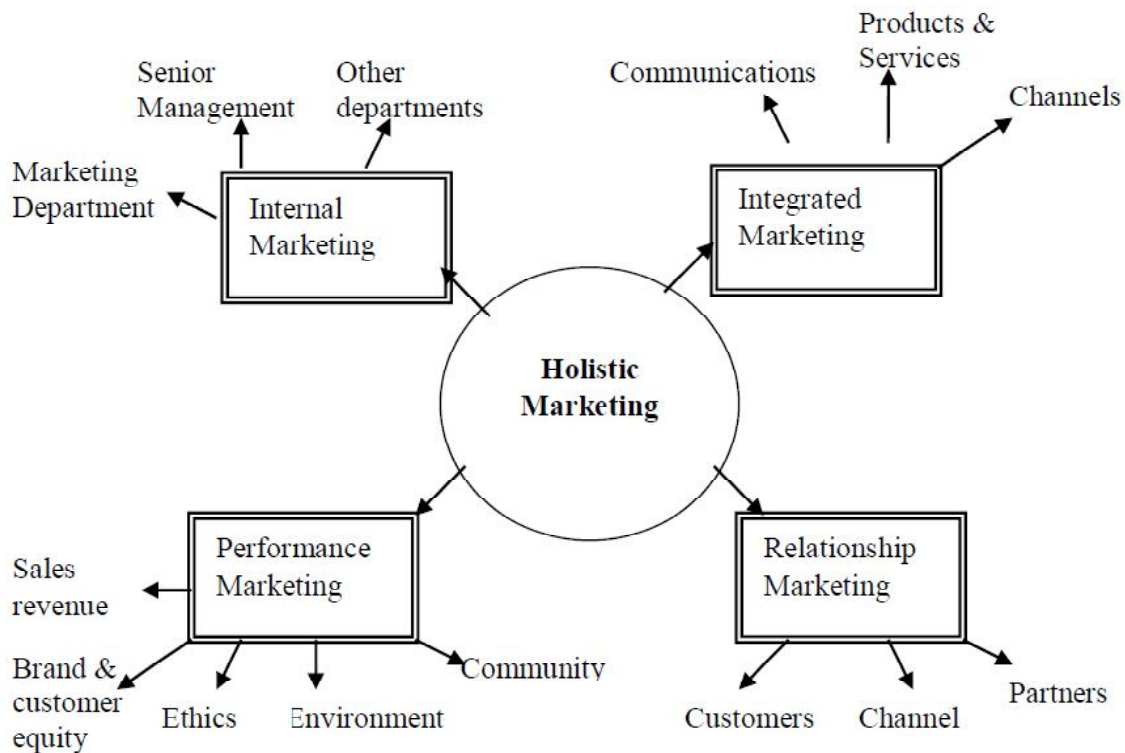


Fig.: Holistic Marketing Dimensions

(a) Internal Marketing Concept

This concept holds the idea to satisfy the internal people or employees within the organization, so that they work for the satisfaction of the customers. The first step to satisfy the customers is to satisfy the internal people first or to motivate them first.

(b) Integrated Marketing Concept

It refers to an approach where all the departments of the organization work in a coordinated manner to support and serve the customers. Any single section cannot serve the customers without the help of other sections. The customer's satisfaction is achieved when all the departments have the common goals and intention to serve the customers.

(c) Relationship Marketing Concept

It refers the long-term relationship with the customers. It emphasizes on creating, maintaining and developing a long term value laden or value based relationship with the target customers benefits and costs.

(d) Performance marketing

Holistic marketing incorporates performance marketing and understanding the returns to the business from marketing activities and programs as well as their legal, ethical, social, and environmental effects. Performance marketing thus includes: Financial accountability and Social responsible marketing.

Q10. State the differences between marketing and selling.

Ans :

S.No.	Marketing	Selling
1.	Marketing includes selling and other activities like various promotional measures marketing research, after sales service, etc.	Selling is confined to persuasion of consumers to buy firm's goods and Services.
2.	It starts with research on consumer needs, wants, preference, likes, dislike etc., and continues even after the sales have taken place.	Selling starts after the production process is over and ends with the handing over the money to the seller by the buyer.
3.	Focus is an earning profit through maximization of customers' satisfaction	Focus is on earning profit through maximization of sales.
4.	Customer's need is the central point around whom all marketing activities revolve.	Fragmented approach to achieve short-term gain.
5.	It is an integrated approach to achieve long term goals like creating, maintaining and retaining the customers.	All activities revolve around the product that has been produced
6.	Stresses on needs of buyer	Stresses on needs of the seller

1.4 MARKETING MIX

Q11. Define marketing mix. State the elements of marketing mix.

Ans :

(Imp.)

Meaning

Marketing Mix means to collect and mix the resources of marketing in the manner that objects of the enterprise may be achieved and maximum satisfaction may be provided to the consumers.

Definitions

- (i) **According to Borden**, "The marketing mix refers to the appointment of efforts, the combination, the designing and the integration of the elements of marketing into a programme or mix which, on the basis of an appraisal of the market forces will best achieve an enterprise at a given time".
- (ii) **According to Stanton**, "Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company's marketing system - the product, the price structure, the promotional activities and the distribution system".

Elements

Marketing mix is the combination of the product, the distribution system, the price structure and the promotional activities. The term marketing mix is used to describe a combination of four elements - the product, price, physical distribution and promotion. These are popularly known as "Four P's".

A brief description of the four elements of marketing mix (Four P's) is:

1. Product

The product itself is the first element. Products must satisfy consumer needs. The management must, first decide the products to be produced, by knowing the needs of the consumers. The product mix combines the physical product, product services, brand and package. The marketing authority has to decide the quality, type of goods or services, which are offered- for sale. A firm may offer a single product (manufacturer) or several products (seller). Not only the production of right goods but also their shape, design, style, brand, package etc. are of importance. The marketing authority has to take a number of decisions as to product additions, product deletions and product modification, on the basis of marketing information.

2. Price

The second element to affect the volume of sales is the price. The marked or announced amount of money asked from a buyer is known as basic price-value placed on a product. Basic price alterations may be made by the manufacturer in order to attract the buyers. This may be in the form of discount, allowances, etc. Apart from this, the term of credit, liberal dealings will also boost sales.

3. Promotion

The product may be made known to the consumers. Firms must undertake promotion work - advertising, publicity, personal selling etc., which are the major activities. And thus, the public may be informed of the products and be persuaded by the customers.

Promotion is the persuasive communication about the products by the manufacturer to the public.

4. Place

Place/Physical distribution is the delivery of products at the right time and at the right place. The distribution mix is the combination of decisions relating to marketing channels, storage facility, inventory control, location, transportation, warehousing, etc.

Q12. What are the factors affecting marketing mix?

Ans :

Factors affecting marketing mix can be divided into the category of controllable and uncontrollable factors:

1. Controllable Factors

There are certain factors, which can be controlled by the marketing management.

Some of them are as follows:

i) Product Planning

The product of the company must have the quality of satisfying the needs of the customers and it should plan and develop its products accordingly. Product planning is the "act of making out and supervising the search, development and commercialization of new products, modification of existing lines and the discontinuance of marginal or unprofitable items" so that the product quality may be improved to suit the customer's needs.

ii) Brand Policy

It includes decisions regarding trademarks and brand name because it influences the sale volume of the product of the company. The marketing manager may go for the alternative policies regarding brands. He may decide one brand name for the different products of the company or different brands may be used for different qualities of the same product. He may also decide that the product should be sold without any brand name.

iii) Packaging Policy

Packaging also has an important effect on sales. The marketing manager is to decide whether product should be sold loose or in-packs. If he decides to sell the product in packs, the size, quality and get up of packing should be considered very carefully because some times customers prefer the product only because of its attractive packing. It also serves three main purposes:

- (a) Protection of merchandise;
- (b) Enhancement of the product value; and
- (c) Advertising of the product. It improves the total profits of the company by increasing total demand due to improved product image.

iv) Personal Selling

Personal selling is good to increase the sale and at the same time to know the consumer's needs and desire.

v) Special Sales Promotion Policy

Apart from personal selling and general advertisement policy, the business should provide for the special sales promotion campaigns as a part of its sales-promotion policy to increase the sales of the company.

vi) Physical Distribution

All the above variables create demand but creation of demand is not sufficient. The marketing manager must plan the supply of the product in accordance with the needs of the public of the different markets. For this purpose, he has to decide policy of physical distribution of goods including transportation, warehousing and finance management so that the product may be made available at proper time and place with minimum cost of distribution to the customers.

vii) Market Research

Market research is a system by which one can analyze the market conditions. It helps a marketer in formulating the policies by which the product reaches in an efficient way in the hands of the consumers.

2) Uncontrollable Factors

Uncontrollable factors are also known as external factors. These factors can be classified under four heads:

i) Consumer's Buying Behavior

Consumer's buying behavior is affected by buying habits, buying power, motivation in buying, living standard, social environment, technological changes, etc.

ii) Competition

Before deciding upon the marketing mix, the marketing manager should also study the competitive conditions in the market. For this purpose, he should take into account basis of competition, the number of competitors' viewpoint towards the consumers, quality and characteristics of competitors' products and their marketing strategies, before preparing its marketing mix.

iii) Pattern of Distribution System

The marketing manager should consider the various forms of distribution system and the nature and behavior of distributors before deciding upon the marketing mix of his company.

iv) Government Control

The marketing manager should consider the rules and regulations of the Government in respect of products, pricing, competitive practices, advertising, etc. Firms have no control over the laws.

Q13. Write about 7 pc's of marketing mix?

Ans :

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

7 PC's of Marketing Mix

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

1. Product

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

2. Price

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

3. Place

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

4. Promotion

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

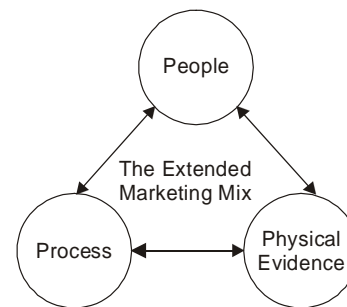


Fig.: Expanded Marketing Mix

5. People

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

6. Process

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

7. Physical Evidence

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

1.5 MARKET SEGMENTATION

1.5.1 Concept

Q14. Define Market Segmentation. Describe the conditions essential for successful Market Segmentation.

Ans :

(Imp.)

Definitions

- (i) **According to Philip Kotler** "Whenever a market for a product or service consists of two or more buyers, the market is capable of being segmented, that is divided into meaningful buyer groups. The purpose of segmentation is to determine differences among buyers which may be consequential in choosing away them or marketing to them".

- (ii) **According to William J. Stanton** "Market segmentation consists of taking the total heterogeneous market for a product and dividing it into several sub-markets or segments, each of which tends to be homogeneous in full significant aspects". Segmentation is the process in which groups of individuals or organizations that play an important role in determining the marketing strategy are identified. Through segmentation, different markets are classified into smaller and similar sub-markets. The main purpose of identifying group of customers with similar requirements is to serve them effectively and attain profitability.

Conditions Essential for Successful Market Segmentation

The various requirements for making effective segmentation are as follows,

1. Measurable

The size, purchasing power and the features of the market segments should be measurable. For example, the size of teenagers who smoke regularly.

2. Substantial

The market segments should be large and profitable for serving the customers. It must be largest homogeneous group which is adaptable with a marketing program.

3. Accessible

The market segments should reach and serve the customers effectively. For example, a perfume manufacturing company analyzes that their perfume is used by teenage boys who are studying graduation. The marketer cannot reach them unless he knows the consumers.

4. Differentiable

The market segment should be identifiable. It should respond differently to the various elements of marketing mix and programs. The response of girls and boys to the sale of leather coat, they are not different segments.

5. Actionable

For attracting and serving the market segments, the markets should develop effective marketing programs. For example, a small manufacturing company identifies five different market segments. But it did not have enough number of employees to work for the different market segments.

6. Size

A market segment needs to be of suitable size so as to justify attention given to it and should generate sales that provides adequate profits.

7. Identity

The segments having unique identity and characteristics help in identifying and measuring the segment's potential. The producers, consumers and market research specialists identifies only those segments that are characterized by unique features. Thus, for making the segments effective, they need to possess noticeable and measurable features.

Q15. What are the Benefits of Market Segmentation?

(OR)

State the Benefits of Market Segmentation.

Ans :

(Imp.)

Market segmentation is a customer oriented philosophy. We first identify the needs of customers within a segment and then satisfy those needs. Benefits offered by segmentation can be summarized as follows :

1. By developing strong position in specialized market segments, medium sized firms can achieve a rapid growth rate.
2. By tailoring the marketing programmes to individual market segments, marketer can do a better marketing job and make more efficient use of marketing resources.
3. People awareness is increasing in relation to their preferences. In these circumstances its is necessary that marketer must segment and then try to fulfill the needs of that segment.

4. It helps in determining the kinds of promotional devices that are effective and also helps to evaluate their results.
5. Appropriate decision making, relating to introduction of new products, promotion, distribution, pricing could be easily taken.

Q16. What are the Limitations of Market Segmentation?

Ans : (Imp.)

While market segmentation can provide lot of benefits, this strategy has some drawbacks with respect to cost and market coverage.

1. Market segmentation can be an expensive proposition in both production and marketing of products.
2. Other expenses like keeping adequate inventories of each style, colour, promotional expenses also go up because different promotional mixes have to be formulated for different segments.
3. Administrative expenses also go up because marketer must plan and implement several different marketing programmes.

1.5.2 Bases of Segmenting Consumer and Business Markets

Q17. What are the bases of Segmenting Consumer Markets?

(OR)

Discuss the basis for segmentation of consumer markets.

Ans : (Imp.)

The variables which are used for segmenting consumer markets are as follows,

1. Geographic Segmentation

The geographic segmentation markets are classified into various geographical units like regions, cities, countries and towns. The geographic segmentation is considered as very important in India because different consumers have different preferences and purchase habits in different regions and states of the country. It is also measurable and easily accessible.

2. Demographic Segmentation

Demographic segmentation is a type of segmentation in which the markets are classified into groups on the basis of variables like age, family size, family life cycle, income, gender, occupation, education, religion, race, nationality and social class. Demographic variables are very popular among the marketers as it helps in differentiating customer groups.

3. Psychographic Segmentation

The science in which psychology and demographics are used for understanding the consumer is called as psychographic segmentation. In this type of segmentation, buyers are classified into various groups based on the psychological or personality traits, lifestyle or values. The values and lifestyles of the customers influences the product and brand selections made by them. Hence, values, lifestyles and personality characteristics of the consumers act as an important bases for segmenting consumer markets.

4. Behavioural Segmentation

Behavioural segmentation is a type of segmentation in which the buyers are classified into groups depending on their knowledge, attitude, use and response towards a product occasions, benefits, status of user, usage rate, loyalty status, buyer readiness stage and attitude.

5. Occasion Segmentation

Occasion segmentation helps the firms to expand the usage of their products. In this segmentation, buyers are differentiated on the basis of the occasions in which the need for buying and using the product rises.

Q18. How do you segment the business market? Explain in detail.

Ans :

In segmenting business/industrial markets, marketers use some of the same variables which are used in segmenting consumer markets like geography, benefits and usage rate. However, business marketers also make use of other variables for segmenting business markets.

The following are the bases for segmenting business/industrial markets,

1. Location of the Customer

Marketers usually segment business markets geographically and concentrate on the geographical location of the industries. For example, organizations which process natural resources are located near the source for reducing the shipping costs.

2. Type of Customer

(i) Industry

The firms which are selling their products to business customers in different industries will segment their markets based on the industry.

(ii) Size

The size of the business customers can be determined with the help of the factors like sales volume, number of employees, production facilities and number of sales offices. Most of the sellers classify their potential market into large and small accounts with the help of separate distribution channels for reaching each segment.

(iii) Organizational Structure

Organizations try to sell their products in number of ways. Some of the organizations depend mainly on their purchasing departments for controlling the inflow of information, decreasing the number of possible alternatives and conducting negotiations. The selling made to these firms need a strong personal selling effort by purchasing executives. It also requires excellent supporting materials when product exceeds the technical expertise of purchasing managers.

(iv) Criteria for Making Purchase

Buyers want quality products at low costs and on-time delivery. This factor plays a very important role for segmenting business market.

3. Transaction Conditions

Some marketers make use of transaction conditions for segmenting their business markets. The sellers have to change their marketing efforts for managing various buying situations, usage rates, order size, purchasing methods or service requirements.

There are three transaction conditions,

(i) Buying Situation

On the basis of the buying situation, the marketers segments their business markets.

(ii) Usage Rate

For some products, marketers divide their markets between heavy users, light users, and non-users.

(iii) Purchase Method

Consumers buy the products in different ways such as by leasing, financing or by purchasing wholly.

Q19. Differentiate between Business market and Consumer Market.*Ans :***(Imp.)**

S.No.	Basis	Business Market	Consumer Market
1.	Meaning	Business market refers to a place where selling and buying of goods occurs between a selling company and buying company for resale.	Consumer market refers to a place where buying and selling of goods takes place between consumers and sellers.
2.	Customer and supplier relationship	A close relationship exists between the supplier and customer in business markets	Close relationships do not exist between the supplier and the customer in consumer markets
3.	Sales calls	It involves multiple sales calls for obtaining more number of business orders.	It does not involve multiple sales calls.
4.	Changing demand	The demand for business goods or services is sensitive and changes rapidly.	The demand for consumer goods or services is stable and does not change rapidly.
5.	Derived demand	The demand for business goods/ services arises from the demand for consumer goods/services.	The demand for consumer goods/ services do not depend on the demand for business goods/services.
6.	Elasticity of demand	The total demand of most of the business goods and services are inelastic i.e., the percentage change in price will not have any effect in price and percentage change in demand.	The demand for consumer goods/ service is elastic i.e., percentage change in price effects change in price effects the percentage change in demand.

1.5.3 Requirements of effective segmentation**Q20. Explain Variables Requirements for Effective Segmentation.***Ans :*

Clearly there are many ways to segment a market. But not all segmentations are effective. The market must be

1. Measurable

The size, purchasing power and profiles of the segment can be measured. Certain segmentation variables are difficult to measure. There is no data on demographics areas.

2. Accessible

The market segments can be effectively reached and served. So at times, they cannot estimate male and female population in the country. That time they cannot select place, certain media if members will be difficult to reach.

3. Substantial

The market segments are large or profitable enough to serve. A segment should be largest possible homogenous group worth pursuing with a tailored marketing program.

4. Differentiable

The segments are conceptually responding differently to different marketing mix elements & program. If married and unmarried women respond similarly to a sale on perfume. They do not constitute separate segment.

5. Actionable

Effective programs can be designed for attracting and serving the segments. Example, although one small airline identified seven market segments, its staff was too small to develop separate marketing programs for each segment.

1.6 TARGET MARKET**1.6.1 Concept**

Q21. Define Target Market. What are the guide lines for selecting a Target Market.

Ans :

Meaning

Target market is defined as, a group of customers who share common tastes, needs and preferences that the company decides to serve.

After segmenting the market, the marketing manager must select the target market which the company desires to serve. On the target market is determined, it helps the organization to decide as to which market segment needs to be selected. Segmentation mainly explains about the different types of markets. Targeting explains who should be targeted and the method of targeting. Thus, target the potential markets.

Guidelines for Selecting a Target Market

A target market can be selected with the help of following four guidelines,

1. A target market must be consistent with the image and objectives of the firm.
2. The market opportunities of the target market should match with the resources of the organization.
3. For surviving in a market, the firm should earn profit. A firm should try to enter the markets which helps in producing sufficient sales volume at a low cost for earning profit.
4. A firm should enter a market in which there are very less competitors or weak competitors. It must not enter a market which is already overloaded with the competitors.

Thus, with the help of these guidelines a target market should be selected.

Q22. What are the Steps in Identifying the Target Market?

Ans :

STEP 1 : Identify the potential buyers

Through proper market research and market segmentation it is the process of pulling apart the entire market as a whole and separating it into manageable disparate units based on various demographic, political, economic and social factors; it can also be customer / product / competition related segmentation. After the process of Segmentation the next step is for the organization to decide how it is going to target these particular groups.

STEP 2 : Select the target audiences

The factors that influence Targeting are the Internal and External Environment. Internal environment includes the mission, vision, values and objectives of the firm; whereas; External factors are the social, cultural, economic, global, demographic, natural, task, technological, political and legal environment.

Through appropriately compiling the customers profile to decide the 4 P's – Product, Price, Place and Promotion and obtain the demographic, psychological, geographic and behavioral information of the buyer.

STEP 3 : Proper positioning of the Product

After developing an appropriate segmentation and target strategy; positioning strategy can be worked out effectively. Positioning enables the firm to create a positive image, gain competitive advantage and place the brand in the customers mind to enhance their goodwill and become the most preferred brand.

1.6.2 Market Targeting Strategies

1.6.2.1 Mass, Segmented, Niche and Micro Marketing

Q23. Explain different types of Market Targeting Strategies.

Ans :

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

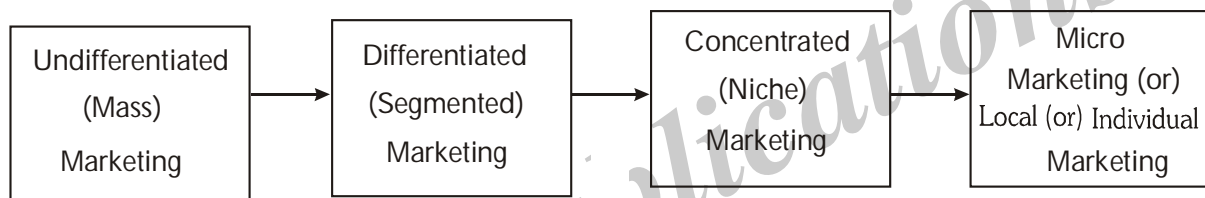


Fig.: Target Marketing Strategies

1. Undifferentiated Marketing (or) Mass Marketing

Using an undifferentiated marketing or mass marketing strategy, the company might decide to ignore market segment differences and target the whole market with one offer. This mass marketing strategy focuses on what is common on the needs of consumers rather than one what is different.

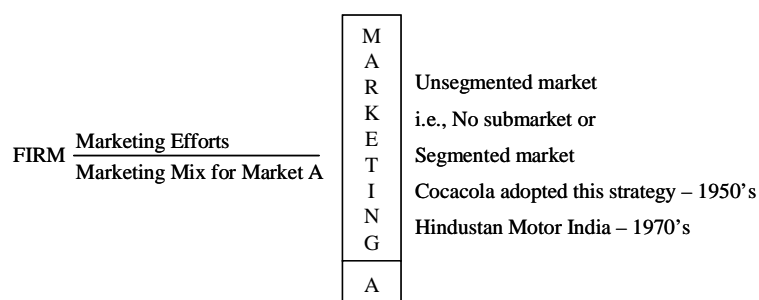


Fig.: Undifferentiated Marketing or Single Market Approach

The company designs a product and marketing program that will appeal to the largest number of buyers. But difficulties arise in developing a product or brand that will satisfy all consumers.

2. Differentiated Marketing: (or) segmented Marketing

Using this strategy, the company decides to target market segments and designs separate offers for each segment.

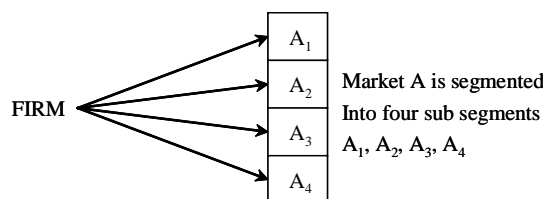


Figure : Multiple Target Market Approach

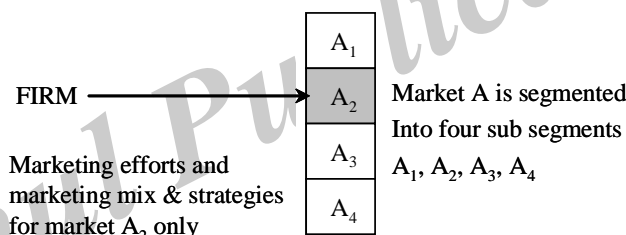
But differentiated marketing also increases the cost of marketing business. A firm usually finds it more expensive to develop and produce.

3. Concentrated Marketing (or) Niche Marketing

The third coverage strategy concentrated or (niche marketing) is especially appealing when company resources are limited. Instead of going after a small share of a large market, the firm goes after a large share of one or a few segments or niches.

Through concentrated marketing, the company achieves a strong marketing position because of its greater knowledge of consumer needs in the niches. It serves and the special reputation it acquires. It can market more effectively by fine tuning its products, prices, and programs to the needs of carefully defined segments.

It can also market efficiently, targeting its products & services, channels and communication programs towards only consumers that it serve best and most profitably.



**Fig.: Concentrated Marketing
(combined target market approach)**

Concentrated marketing can be highly profitable at the same time higher than – normal risks. Large competitors may decide to enter the same segment with greater resources. For these reasons, many companies prefer to diversify in several market segments.

4. Micro Marketing (or) Single (or) Individual Marketing

Differentiated and concentrated marketer's offers & marketing program to meet the needs of various market segments and niches.

Micro marketing is the practice of tailoring products and marketing programs to suit the tastes of specific individual and locations. Micro marketing includes local marketing and individual marketing.

Local marketing involves tailoring brands and promotion to the needs and wants of local customer groups – cities, neighborhoods and even specific stores. Ex : Citi Bank provides different mixes of banking services in each of its branches, depending on the demographics.

Local marketing has some drawbacks. It can drive up manufacturing and marketing costs by reducing economics of scale. It can also create logistics problems to others.

Micro marketing becomes individual marketing tailoring products & marketing programs to the needs and preferences of individual customers. Individual marketing has also been labeled one-to-one marketing, mass customization and markets-of-one marketing.

1.7 CONCEPT OF POSITIONING

Q24. Define Positioning. Explain the process of Product Positioning.

(OR)

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

Ans :

Meaning

Positioning is a marketing strategy that aims to make a brand occupy a distinct position, relative to competing brands, in the mind of the customer. Companies apply this strategy either by emphasizing the distinguishing features of their brand (what it is, what it does and how, etc.) or they may try to create a suitable image (inexpensive or premium, utilitarian or luxurious, entry-level or high-end, etc.) through advertising. Once a brand is positioned, it is very difficult to reposition it without destroying its credibility. It is also called Product Positioning.

Process

1. Identifying the Differences or Positioning Concept:

Marketers have to understand consumer motives behind purchasing a product. This will help in identifying the positioning theme. A marketer can adopt several approaches in positioning his product to develop or enhance its value to the customers. A marketing offer can be differentiated on the basis of product, services, people, channel and image.

So different strategies for product positioning are given below:

i) Product Differentiation

Product can be differentiated on attributes like shape, size, colour, quality, performance etc. For example, Colgate introduced a herbal version using the positioning of the natural feel preferred in rural areas.

ii) Services Differentiation

Services can be differentiated in respect of delivery, installation and maintenance. Long warranty periods, free service coupons, 24 hours services, emergency care etc. are some examples. Reliance, a private LPG company pitted against the three well established public sector undertakings (IOCL, HPCL, BPCL) differentiated its products on the basis of distribution and better refilling facility. It successfully differentiated its products despite the fact that they are priced higher.

iii) People Differentiation

People or personalities (film and sports celebrities) that consumers respect and admire to bring a differentiation to the image of products and services. For example, Aamir Khan endorsing Coca-Cola in a villager's outfit brings a huge differentiation to the product image and help in pushing sales.

iv) Image Differentiation

The image of a brand or a company may win the consumer, despite the product being very similar to a competitive one. Image is built through advertisements, symbols, signs, colours, logos etc. Special care should be taken while doing so in the case of rural consumers.

2. Select the Positioning Concept

As there can be various parameters for positioning the product, the marketer has to select the best and most effective alternatives. A marketers has to select a positioning concept that serves as a bridge between the products and the target market.

Some of the critical factors that should be considered while positioning a brand are:

- a) **Attractive** – Does it provide value to the customer?
- b) **Distinctive** – Is it different from that of its competitors?
- c) **Preemptive** – Is it very difficult for competitors to copy it?
- d) **Affordable** – Can buyers pay for it?
- e) **Communicable** – Can the difference be clearly expressed.

3. Developing the Concept

Once the positioning strategy has been selected, the marketer needs to develop the concept in an effective manner so that it can be properly address to the target market. Then he has to select the appropriate media vehicle to reach the target market effectively. Marketers should strive towards linking the positioning closer to the target customers to ensure that it appeals to them.

4. Communicating the Concept

After developing the concept, high tech position may be communicated by futuristic products, classy ads in elite journals and large show rooms with good atmosphere. An effective communication is one that clarifies the target market, value proposition and the supporting product differentiation.

Q25. Explain the various Positioning Strategies.

(OR)

Explain Positioning Strategies with Suitable Examples.

(OR)

Write a short note about various Positioning Strategies with Suitable Example.

Ans :

(Imp.)

Strategies

Generally, there are six basic strategies for product positioning

1) Using Product Characteristics or Customer Benefits

Probably the most-used positioning strategy is to associate an object with a product characteristic or customer benefit. For example, Honda and Toyota have emphasized economy and reliability and have become the leaders in the number of units sold. Volvo have stressed safety and durability.

Although this may be a successful way to indicate product superiority, consumers are generally more interested in what such features mean to them, that is, how they can benefit by the product.

2) Positioning by Price and Quality

The price quality product characteristic is so useful and pervasive that it is appropriate to consider it separately. In many product categories, there exist brands that deliberately attempt to offer more in terms of service, features or performance. Manufacturers of such brands charge more, partly to cover higher costs, and partly to help communicate the fact that they are of higher quality. Conversely, in the same product class there are usually other brands that appeal on the basis of price, although they might also try to be perceived as having comparable at least adequate quality.

3) Positioning by Use or Application

Another way to communicate an image is to associate the product with a use, or application. Products can of course, have multiple positioning strategies, although increasing the number involves obvious difficulties and risks. Often a positioning-by-use strategy represents a second or third position for the brand, a position that deliberately attempts to expand the brand's market.

For e.g. – Campbell's Soup for many years was positioned for use in lunch time and advertised extensively over noon time radio. It now stresses a variety of uses for soup/ recipes are on labels and a broader time for consumption, with the more general theme "Soup is good food".

4) Positioning by Product User

Another positioning approach is to associate a product with a user or a class of users. Some cosmetics companies seek a successful, highly visible model as their spokesperson as the association for their brand. Michael Jordan, for example was used by products as diverse as Nike, McDonald's etc.

5) Positioning by Product Class

Some products need to make critical positioning decisions that involve product-class associations. For example, Dove positioned itself apart from the soap category, as a cleansing cream product, for women with dry skin.

6) Positioning by Cultural Symbols

Many marketers use deeply entrenched cultural symbols to differentiate their brand from competitors. The essential task is to identify something that is very meaningful to people that other competitors are not using and associate the brand with that symbol. Pillsbury's "doughboy" is an example that illustrates this type of positioning strategy.

7) Positioning by Competitors

In most positioning strategies, an explicit or implicit frame of reference is one or more competitors. In some cases the reference competitors can be the dominant aspect of the positioning strategy. It is useful to consider positioning with respect to a competitor for two reasons.

First, a competitor may have a firm, well crystallized image developed over many years.

Second, sometimes it is not important how good customers think you are; it is just important that they believe you are better than a given competitor.

1.7.1 Bases of Positioning**Q26. What are the bases and approaches to positioning strategy?**

Ans :

There are 7 approaches to positioning strategy:

- i) Product Attributes/benefit
- ii) Price and quality Approach
- iii) Use or application Approach
- iv) Product user Approach
- v) Product class Approach
- vi) Cultural Symbol Approach
- vii) Competitor Approach

i) Using product characteristics (or) customer benefits

In this case, segmentation is done keeping in mind the product characteristics or customer benefits.

Sometimes, a new product is positioned with respect to a product characteristic that competitors have ignored. Bend was positioned as a provider of morphing-enabled mobile pictures, a feature absolutely new in the market. Sometimes a product attempts to position itself along two or more product characteristics simultaneously. For example, Mahindra & Mahindra Scorpio was positioned as both reliable and trendy MUV.

a) Physical characteristics

These are the most objective criteria and can be measured on some physical scale such as temperature, colour intensity, distance, strength of fragrance etc.

b) Pseudo-physical characteristics

These reflect physical properties that are not easily measured. The examples are spiciness, type of fragrance, shininess, creaminess etc.

c) Benefits

These refer to advantages that promote the well being of the consumer. Examples are thirst quenching, hunger satisfying, not harming the skin etc.

ii) The price and quality approach

This approach justifies various price-quality categories of the products. Manufacturers deliberately attempt to offer more in terms of service, features or performance in case of certain products known as Premium products and in return, they charge higher price, partly to cover higher costs and partly to help communicate the fact they are of higher quality. On the other hand, there are some products known as mass products, where the main matter concern is price keeping a minimum quality standard commitment.

For example, if you consider a company like Maruti Suzuki in Indian automobile market, you will see that they have Maruti 800 and Maruti Omni in A segment (2-2.2 lakhs), Maruti Zen and Wagon R in lower A segment (2.2-3.5 lakhs), Maruti Alto Vxi in upper A segment (3.5-5 lakhs), Maruti Suzuki Baleno in N segment (5-7 lakhs), Maruti Grand Vitara XL-7 in high-end SUV segment and Maruti Baleno Altura in Estate segment.

iii) The use or applications approach

Another way to position is to consider the use or application. One good example is Itch Guard skin ointment (cream base) from Paras Pharmaceuticals, which has been positioned as an Over the Counter (OTC) medicine (i.e. the medicine that does not require prescription) to "relieve sweat itch due to INTERTRIGO".

iv) The product-user approach

This deals with positioning a product keeping in mind a specific user or a class of users. Cosmetics brands like Revlon, Lakme position themselves targeting fashion-conscious women.

v) The product-class approach

Some products need to make critical positioning decisions that involve product-class associations. For example, Nescafe Bru positioned itself as instant coffee.

vi) The cultural symbol approach

Many companies use deeply entrenched cultural symbols to differentiate their brands from their competitors. The use of a character named Gattu by Asian Paints helps them to position itself as a brand that is always ready to help, quick in decision-making and very much young and contemporary.

vii) The competitor approach

The positioning can be made with an explicit or implicit frame of reference of one or more competitors. There are 2 reasons behind this:

- a) The competitor may have a firm, well-defined image developed over many years and this image can be used as a bridge to help to communicate another image referenced to it. It is like when you give your address, you mention some well known landmarks like bank, office, school etc.
- b) Sometimes it is not only important how good the consumers think about you, but also it is important that they believe you are better than a competitor.

The very good example can be found in newspapers' and magazines' market, where the newspaper like Dainik Jagran or magazine like Business World compare themselves with competitors like Punjab Kesari or Business Today respectively in terms of circulation and readership.

Q27. Describe the significance of Product Positioning.

Ans :

1. To Make Entire Organization Market-Oriented

Product positioning is a part of the broader marketing philosophy. It concerns with identifying superior aspects of product and matching them with consumers more effectively than competitions. This philosophy makes the entire organization market oriented.

2. To Cope with Market Changes

Once the product is positioned successfully doesn't mean the task of manager is over. He has to constantly watch the market. As per new developments in the marketplace, new competitive advantages should be identified, discovered or developed to suit the changing expectations of the market. It makes the manager active, alert, and dynamic.

3. To Meet Expectation of Buyers

Generally, the advantages to be communicated are decided on the basis of expectations of the target buyers. So, product positioning can help realize consumers' expectations.

4. To Promote Consumer Goodwill and Loyalty

Systematic product positioning reinforces the company's name, its product and brand. It popularizes the brand. The company can create goodwill and can win customer loyalty.

5. To Design Promotional Strategy

More meaningful promotional programme can be designed. Based on what advantages are to be communicated, appropriate means are selected to promote the product.

6. To Win Attention and Interest of Consumers

Product positioning signifies those advantages that are significant to consumers. When such benefits are promoted through suitable means of advertising, it definitely catches the interest and attention of consumers.

7. To Attract Different Types of Consumers

Consumers differ in terms of their expectations from the product. Some want durability; some want unique features; some want novelty; some want safety; some want low price; and so on. A company, by promoting different types of competitive advantages, can attract different types of buyers.

8. To Face Competition

This is the fundamental use of product positioning. Company can respond strongly to the competitors. It can improve its competitive strength.

9. To Introduce New Product Successfully

Product positioning can assist a company in introducing a new product in the market. It can position new and superior advantages of the product and can penetrate the market easily.

10. To Communicate New and Varied Feature Added subsequently

When a company changes qualities and/or features of the existing products, such improvements can be positioned against products offered by the competitors. Product positioning improves competitive strength of a company. Normally, consumers consider product advantages before they buy it. So, product positioning proves superiority of company's offers over competitors. It may also help consumers in choosing the right product.

Q28. What are the criteria for successful positioning?

(OR)

What are the criteria for successful positioning ? Discuss with suitable examples.

Ans :

Following points are the criteria which is to be fulfilled for a successful positioning.

1. Creating Unique Product Proposition

Product proposition refers to the utility offered by different features of a product. The proposition expected by a consumer should match with the proposition which a firm is willing to offer. Effective product proposition

enhances customer satisfaction and increases the sales. Maximum profitability can be achieved through product proposition by presenting the unique features and utility of the product effectively. Moreover, it provides the firm with competitive advantage over its competitors.

2. Availability of Competition

Efficiency of positioning strategy depends upon the availability of competition. This is because, position strategy is a plan which is designed to deal with any challenging situations created by opponents or competitors. Generally, positioning or repositioning of products is done whenever the competitors of the firm position or reposition their products. A positioning strategy is said to be successful, if it is capable to beat the competitors strategy in the market.

3. Suitable Market Segment

Market segment should be wide and extensive, so that a well-positioned product can survive in the market. It encourages the manufacturer to produce products and continue their business in the market. The market segment should have people with suitable knowledge and expertise which is required for making the market profitable. It also helps in understanding customer's needs, tastes and identification of such customers. It enables the marketer to reach those customers and implement the positioning strategy.

4. Sensitive Market Segment

A sensitive market segment is a market segment which readily responds to any query or message communicated by the manufacturer. It should take necessary steps to fulfil the requirement of the manufacturer. The marketing segment should receive the message or information and provide a sufficient response. Each message or piece

of information is specifically designed for a particular market segment. It should be understood and communicated to the consumers and potential consumers effectively. When there is effective flow of information from the manufacturer to end user, then positioning strategy can be implemented effectively.

5. Information on Consumer Behaviour

Product positioning is considered as an alternative for linking the company's product image with self-image of consumer. It involves collecting consumer behaviour information, understanding and interpreting it. The information should be sufficient, detailed and latest. Such consumer behaviour information is essential for proper positioning of the product. It helps in understanding various aspects of a buyer's decision such as consumer's needs, cause of the need, type of consumer, mode of purchase, time, source of purchase, quantity of goods purchased etc. All this information can be used to formulate a product positioning strategy which satisfies the consumer needs and company's objective.

1.7.2 Positioning Maps

Q29. What are Positioning Maps? Explain different types of Positioning Maps.

Ans : (Imp.)

Meaning

Positioning map is a useful technique which facilitates managers to position products through graphical representation of perceptions of consumers relating to competitor's products within an industry. Marketers use positioning map in order to focus on unique benefits of product and to differentiate it from options offered by competitors. By using information gathered from consumers or knowledge about a market, managers can make a competitive positioning map.

A positioning map represent two different features like price and quality and also indicate the perceptions of consumer relating to product and its competitors depending on the features. In the example of positioning map, selected cosmetics brands are shown based on perceptions about price and quality of their offerings.

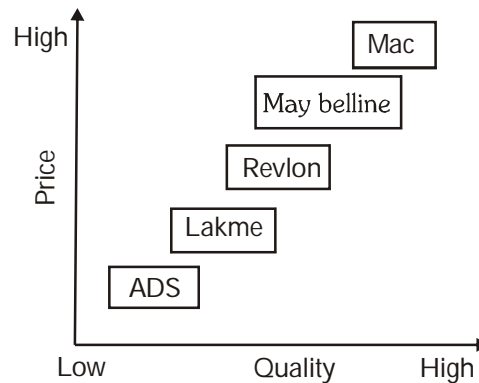


Fig.: Positioning Map

Types

The three generic forms of positioning maps are as follows,

1. Perceptual maps
2. Preference maps
3. Semantic maps.

1. Perceptual Maps

Perceptual maps are prepared by marketing managers by considering the perception of customer i.e., how a customer views similarities and differences among the competing products. In order to measure the similarities and differences, the features that are common to all products are given rating or the complete product is compared with the other product as a whole. As a result of this comparison, a positioning map is formed. The axes of this map will show the product characteristics which the people perceive as different from other competing products. Perceptual maps show the 'perceptual space' of all customers or a single customer in a sample.

2. Preference Maps

Perceptual maps show the product features that are considered most important by the customers while choosing among competing products. Based on the preference or viewpoint of consumers, two or three most relevant features are represented on the axes. Preference maps portray the "preference space" of consumers. It is important to note that preference space and perceptual space are not same. The marketing manager must carefully select the map which is more appropriate for his own specific needs of planning.

3. Semantic Maps

Semantic maps are prepared using a technique called factor analysis, which groups together the features of products that are rated similar by respondents in describing a set of competing products. For example, few customers were asked to rate five orange juice type drinks on 12 product features.

Based on the ratings given by customers, factor analysis grouped together similar features i.e., heaviness, pulp, body and thickness. This indicates that all these terms mean about the same thing to people. However, it doesn't show how these features or attributes are of importance in choosing among competing products.

Q30. Explain the concept of positioning of FMCG product.

Ans :

Positioning of a product means how a product of a company is viewed by the existing and potential customers in comparison to competitors in the same market. In other words, it can be understood as how the particular product is placed in the minds of the customers according to their perception of the offer. Every company must decide the criteria on which it will base its positioning strategy.

In recent years, the mobile phone industry has been developing rapidly in India because of the changing dynamics of the market in India. This increase in the growth of the cell phone industry is due to the liberal policies followed by the telecom sector and also due to the price reduction strategy which is chosen by the cellular phone service providers.

A firm producing single brand can maximize its benefits by connecting it with a key segment in a market. Apart from this, it can also attract the customers from other segments as a fringe benefit. These firms should take into consideration the undifferentiated market and deal with a single brand.

Example

Coca Cola company used a single brand strategy which advertised that Coke satisfies the thirst or desires of the total market. But, this policy was effective only in the short run. For entering into the market and the competitors segment, the single brand should be positioned in small and feasible niches. The Coca Cola company now provides service to various segments under Classic Coke, Diet Coke, Sprite, Fanta, Fresco and Orange juice.

Short Question and Answers

1. Markets.

Ans :

Market

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

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

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

Definitions

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

2. Marketing.

Ans :

Meaning

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

3. Scope of marketing.

Ans :

(i) Goods

Physical goods constitute the bulk of most countries' production and marketing effort. The United States produces and markets billions of physical goods, from eggs to steel to hair dryers. In developing nations, goods - particularly food, commodities, clothing, and housing are the mainstay of the economy.

(ii) Services

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

(iii) Experiences

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

4. Objectives of Marketing.

Ans :

(i) Creation of Demand

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

(ii) Customer Satisfaction

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

(iii) Market Share

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

(iv) Generation of Profits

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

5. Production Concept.*Ans :*

- It holds that consumers will favor products that are available and highly affordable.
- Therefore, management should focus on improving production and distribution efficiency that means high production efficiency, low costs and mass distribution.
- This concept is still useful in two types of situations, when the demand exceeds the supply and when the product's cost is too high and improved productivity is needed to bring it down. It is used when a company wants to expand the market.
- Managers assume that consumers are primarily interested in product availability and low cost.

6. Product Concept.*Ans :*

- It holds the idea that consumers will favor products that offer the most quality, performance, and features and that the organization should therefore devote its energy to making continuous product improvements.
- Focuses on making superior product and Improving them.
- Buyers admire well-made products and can evaluate quality and performance.
- Product concept can lead to marketing myopia (that means lack of foresight or long-term view regarding the product decision).

7. Selling Concept.*Ans :*

- It holds the idea that consumers will not buy enough of the organization's products unless the organization undertakes a large-scale selling and promotion effort.
- This concept is typically practiced with unsought goods, those that buyers do not normally think of buying, such as encyclopedias or insurance.
- Most firms practice the selling concept when they have over capacity. This concept takes an inside-out perspective. It starts with the factory, focuses on the company's existing products and calls for heavy selling and promotion to obtain profitable sales.
- Consumer typically show buying inertia/resistance & must be coaxed into buying.
- To sell what they make rather than make what market wants.

8. Define marketing mix.*Ans :***Meaning**

Marketing Mix means to collect and mix the resources of marketing in the manner that objects of the enterprise may be achieved and maximum satisfaction may be provided to the consumers.

Definitions

- (i) **According to Borden**, "The marketing mix refers to the appointment of efforts, the combination, the designing and the integration of the elements of marketing into a programme or mix which, on the basis of an appraisal of the market forces will best achieve an enterprise at a given time".
- (ii) **According to Stanton**, "Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company's marketing system - the product, the price structure, the promotional activities and the distribution system".

9. Define Market Segmentation.*Ans :***Definitions**

- (i) **According to Philip Kotler** "Whenever a market for a product or service consists of two or more buyers, the market is capable of being segmented, that is divided into meaningful buyer groups. The purpose of segmentation is to determine differences among buyers which may be consequential in choosing away them or marketing to them".
- (ii) **According to William J. Stanton** "Market segmentation consists of taking the total heterogeneous market for a product and dividing it into several sub-markets or segments, each of which tends to be homogeneous in full significant aspects". Segmentation is the process in which groups of individuals or organizations that play an important role in determining the marketing strategy are identified. Through segmentation, different markets are classified into smaller and similar sub-markets. The main purpose of identifying group of

customers with similar requirements is to serve them effectively and attain profitability.

10 Define Target Market.*Ans :***Meaning**

Target market is defined as, a group of customers who share common tastes, needs and preferences that the company decides to serve.

After segmenting the market, the marketing manager must select the target market which the company desires to serve. On the target market is determined, it helps the organization to decide as to which market segment needs to be selected. Segmentation mainly explains about the different types of markets. Targeting explains who should be targeted and the method of targeting. Thus, target the potential markets.

11. Positioning Maps.*Ans :***Meaning**

Positioning map is a useful technique which facilitates managers to position products through graphical representation of perceptions of consumers relating to competitor's products within an industry. Marketers use positioning map in order to focus on unique benefits of product and to differentiate it from options offered by competitors. By using information gathered from consumers or knowledge about a market, managers can make a competitive positioning map.

A positioning map represent two different features like price and quality and also indicate the perceptions of consumer relating to product and its competitors depending on the features. In the example of positioning map, selected cosmetics brands are shown based on perceptions about price and quality of their offerings.

Choose the Correct Answers

1. Which of these is true about marketing? [c]
 - (a) Marketing is used to promote the product and services
 - (b) Marketing is concerned about the sales only
 - (c) Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.
 - (d) Marketing considers only the needs of the organization and not the society
2. Which one is not a part of the 4 Ps? [b]
 - (a) Product
 - (b) People
 - (c) Price
 - (d) Place
3. Who is the Father of Modern Marketing? [a]
 - (a) Philip Kotler
 - (b) Peter F Drucker
 - (c) Abraham Maslow
 - (d) Raymond Kroc
4. _____ defined marketing as the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit? [b]
 - (a) Steve Jobs
 - (b) Philip Kotler
 - (c) Peter Drucker
 - (d) Abraham Maslow
5. The term "Marketing" refers to? [d]
 - (a) Promotion of the product
 - (b) Focusing on sales and profit
 - (c) Strategizing and implementing the organization process
 - (d) Set of activities to deliver customer value and satisfaction
6. _____ is the key term in AMA's definition of marketing? [c]
 - (a) Sales
 - (b) Promotion
 - (c) Value
 - (d) Profit
7. Why must the marketers monitor the competitor's activities? [c]
 - (a) The competitor may destroy the organization
 - (b) The competitor may threaten the monopoly position of the company
 - (c) New offerings of a competitor may need alterations in one or more components of the company's marketing mix
 - (d) The competitor may be violating the law to gain an advantage

8. Different price points for a different level of quality for a company's related products is a part of which pricing strategy? [a]
- (a) Product line pricing (b) Incremental pricing
(c) Optional product pricing (d) By-product pricing
9. In today's time marketing must be understood and developed as? [b]
- (a) Getting the first mover's advantage (b) Creating value for the customers
(c) Pushing for higher sales and profits (d) Creating innovative products
10. Which one of these is an appropriate definition of "want"? [d]
- (a) The desires of consumers (b) Needs related to society
(c) Basic human needs (d) Needs directed to the product

Rahul Publications

Fill in the blanks

1. _____ includes both place and region in which buyer and seller are in free competition with one another.
2. _____ is the first step in the process of marketing.
3. Marketing system requires an economical and effective transportation system. A good system of _____ increases the value of goods by the creation of place of utility.
4. _____ management is the carrying out the task to achieve desired exchanges with target markets.
5. _____ most satisfy consumer needs.
6. _____ market is defined as, a group of customers who share common tastes, needs and preferences that the company decides to serve.
7. _____ is a marketing strategy that aims to make a brand occupy a distinct position, relative to competing brands, in the mind of the customer.
8. Sales promotion and _____ are parts of promotional mix.
9. A good _____ is the representation of the artistic combination of the designer's creative skills and the product and marketing and sales knowledge of the manufacturer's management team.
10. _____ means creation and maintenance of the stock of goods, purchased from different sources.

ANSWERS

1. Market
2. Buying
3. Transportation
4. Marketing
5. Products
6. Target
7. Positioning
8. Personal Selling
9. Package
10. Assembling

UNIT II

MARKETING PLANNING & ANALYSIS AND CONSUMER BUYING BEHAVIOUR :

Meaning of Marketing Planning & Analysis- Contents of a Marketing Plan- Marketing Implementation & Control (Organising the marketing department- marketing controls- Annual, Profitability, Efficiency and Strategic controls)

(**Note:** Take income statements of two competing companies and perform marketing profitability analysis for these companies).

Consumer Markets: Factors influencing consumer behavior- Models of consumer behavior (Marshallian, Maslow, Howard- Sheth model)- Steps in consumer decision process.

(**Note:** Apply consumer behaviour models for analyzing consumer behavior towards a consumer product)

Business Markets: Nature of buying unit- Participants in business buying- Business buying process.

(**Note:** Chalk out the buying process of a Paper Manufacturer / Textile Mill/ Computer Assembling Business etc).

2.1 MEANING OF MARKETING PLANNING AND ANALYSIS

Q1. Define Marketing Planning. Explain different types of marketing planning.

Ans :

Definition

According to the American Marketing Association has defined the marketing planning as - "Marketing planning is the work of setting up objectives for marketing activity and of determining and scheduling the steps necessary to achieve such objectives". Thus, under marketing planning first of all marketing objectives are set-up and then marketing activities like purchase-sale, product planning and development, advertisement, sales-promotion and scheduled policies and programme to carry out these activities are prepared.

Types

(i) Long-Term Marketing Planning

It refers to that marketing planning which is done for more than one year. It involves development of basic objectives and strategy to guide future company efforts. These long-run plans provide the framework within which other short-term plans are prepared and implemented. These plans are generally done by the top management.

It involves the selecting of marketing research programme, selection of channel of distribution, selection of price policy, selection of media advertising and sales promotion etc.

(ii) Short-Term Marketing Planning

Planning made for less than one year for marketing activities refers to short-term marketing planning. Generally, these are annual or bi-annual plans of the company. In fact, these short-run plans are not possible in absence of the long run plan. These plans are made to solve problems of recurring nature. Short-term marketing planning is the responsibility of medium level of management.

Q2. Explain the importance of marketing planning.

Ans :

1. To Offset Future Uncertainties

Future is always uncertain. It may impose Marketing Planning challenges for the organization. An organization can face these challenges effectively and uncertainties efficiently by use of marketing planning. A careful analysis of present situation and trend helps the organization to set future objectives and goal more correctly. Thus, by means of Helpful in preparing strategies and programme for future, marketing planning helps in offering future control uncertainties.

2. Economy in Operation

Marketing planning also helps in achieving maximum results with minimum efforts and with maximum utilization of human and physical utilization of organization resources. Thus, it brings economy in various functional areas of organization like production, sales, purchase, financing etc.

3. Helps in Co-Ordination

Marketing planning helps in coordinating different activities of different departments. Planning co-ordinates activities of different departments in such a way that overall objectives and goal of the organization are achieved.

4. Helps in Control

Planning and controlling are two sides of a coin. They cannot be used separately. The standards are set and then actual performance is measured to find out whether the standards are achieved or not. Any unfavourable variation is removed in next plan.

5. Consumer's Satisfaction

Every organization wants to achieve its objective by satisfying its customers. Under marketing planning, actual needs and wants of customer are studied properly and then after the products are developed. Thus, it helps in satisfaction of consumers by channelizing marketing activities in proper way.

6. Helps in Achieving Organizational Objectives

Marketing planning by means of setting standards and evaluating performance increases organizational efficiency, which in turn helps an organization to achieve its objectives.

2.1.1 Contents of a Marketing Plan**Q3. Explain the Component of a Marketing Plan.**

(OR)

What are the Essentialities of an Effective Marketing Plan

Ans :

A marketing plan is a written document that summarizes what the marketer has learned about the marketplace and indicates how the firms plan to reach its marketing objectives. It contains tactical guidelines for the marketing programs and financial allocations over the planning period. It is one of the most important outputs of the marketing process.

Marketing plans are becoming more customer- and competitor-oriented and better reasoned and more realistic than in the past. The plans draw more inputs from all the functions and are team-developed. Marketing executives increasingly see themselves as professional managers first, and specialists second. Planning is becoming a continuous process to respond to rapidly changing market conditions.

At the same time, marketing planning procedures and content vary considerably among companies. The plan is variously called a business plan marketing plan and sometimes a battle plan. Most marketing plans cover one year. The plans vary in length from under 5 to over 50 pages. Some companies take their plans very seriously, whereas others see them only a rough guide to action. Eisenhower once observed: In preparing for the battle I have always found that plans are useless but planning is indispensable. The most frequently cited shortcomings of current marketing plans, according to marketing executives, are lack of realism, insufficient competitive analysis, and a short-run focus.

S.No.	Plan Element	Description
1.	Executive Summary	Summary of key points from the marketing plan and what it will accomplish. It's an at-a-glance overview for a manager who may not have time to look over the whole thing. N/A
2.	Company Profile	Basic information about the organization, its offerings, and competitive set.
3.	Market Segmentation and Targeting	Description of the market for the product or service in question, segments in this market, and targeting strategy the marketing plan will address. Segmentation and Targeting
4.	Situation and Company Analysis	SWOT analysis of the external marketing environment and the internal company environment, and marketing goals aligned with the company mission and objectives. Marketing Strategy
5.	Ethics and Social Responsibility	Recommendations for how to address any issues around ethics, social responsibility, and sustainability. Ethics and Social Responsibility
6.	Marketing Information and Research	Discussion of key questions that need to be answered, the information needed, and recommendations for how marketing research can provide answers. Marketing Information and Research
7.	Customer Decision-Making Profile	Profile of the primary buyer(s) targeted in the marketing plan and factors that impact their choices. Consumer Behavior
8.	Positioning and Differentiation	List of competitive advantages, positioning recommendations, and how to convince the market you are different and better. Positioning
9.	Branding	Brand platform describing the brand: promise, voice, personality, positioning, and strategic recommendations for building the brand. Branding
10.	Marketing Mix (Four Ps) <ul style="list-style-type: none"> • Product Strategy • Pricing Strategy • Place: Distribution Strategy • Promotion 	<p>This question is addressed by the strategic recommendations around each of the four Ps below. Marketing Function</p> <p>Description of the product or service being marketed and recommended improvements to fit the needs of target segments. Product Marketing</p> <p>Recommendations on pricing strategy and why this approach makes sense. Pricing Strategies</p> <p>Recommendations on distribution strategy and channel partners to improve the availability of your offering, and explanations of why this approach makes sense. Place: Distribution Channels</p> <p>Overview of marketing strategy, objectives, messaging, and tactical approach for marketing campaign(s) to reach your target audiences. Promotion: IMC Strategy</p>
11.	Measurement and KPIs	Identification of key performance indicators (KPIs) and other metrics to monitor effectiveness of marketing campaign activities and provide clues about when to adjust course. Promotion: IMC Strategy

12.	Budget	List of resources required to execute the marketing plan, how much they will cost, and how to stay within the allocated budget. Promotion: IMC Strategy
13.	Action Plan	A detailed, step-by-step plan about what needs to happen, when, and who's responsible for each step to execute the marketing Promotion: IMC Strategy campaign.
14.	Risk Factors	Discussion of any significant risks or threats associated with this plan and contingency plans for addressing them. Promotion: IMC Strategy

2.2 MARKETING IMPLEMENTATION & CONTROL

Q4. What is Marketing Control ? Explain its Process.

Ans :

Meaning

Marketing control refers to the measurement of the company's marketing performance in terms of the sales revenue generated, market share captured, and profit earned. Here, the actual result is compared with the standard set, to find out the deviation and make rectifications accordingly. Marketing is one of the crucial functions of any organization. Therefore, the management must exercise proper control over the marketing operations to ensure error-free results, optimum utilization of the resources and achievement of the planned objectives.

Process

Marketing control is a systematic and integrated process. A marketer follows the following steps while exercising control over the marketing operation in an organization:

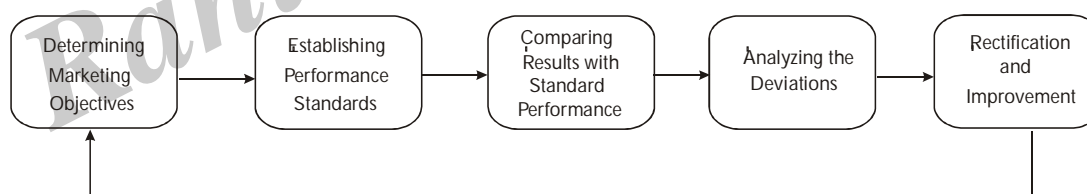


Fig.: Process of Marketing Control

1. Determining Marketing Objectives

The initial step in marketing control is the setting up of the marketing goals, which are in alignment with the organizational objectives.

2. Establishing Performance Standards

To streamline the marketing process, benchmarking is essential. Therefore, performance standards are set for carrying out marketing operations.

3. Comparing Results with Standard Performance

The actual marketing performance is compared and matched with the set standards and variation is measured.

4. Analyzing the Deviations

This difference is then examined to find out the areas which require correction, and if the deviation exceeds the decided range, it should be informed to the top management.

5. Rectification and Improvement

After studying the problem area responsible for low performance, necessary steps should be taken to fill in the gap between the actual and expected returns.

Q5. Explain various measures of marketing control.

Ans. : (Imp.)

The following are the various measures of marketing control.

I) Traditional Methods

Various traditional methods of international marketing control are discussed as under,

1. Strategic Control

The main purpose of control method is to evaluate the organization. It checks whether the organization has accomplished its objectives in term of qualitative and quantitative aspects. Using marketing audit the control gets activated.

2. Financial Control

Financial control is considered as one of the important type of controls. It comes in different forms such as return on sales, earning per share, return on investment, profitability and cash flow etc.

3. Annual Plan Control

Annual plan control is implemented to check if the specified annual operating plans are achieved or not. Marketing managers or functional managers stand responsible to carry out this process.

4. Brand Equity Metrics

The objective of brand equity metrics is to assess if the equity is increasing or decreasing. It also ascertains the 'equity' that is represented in the brand. The equity can also be assessed through many other techniques including consumer value, end user, trade/retail matrices and innovation.

5. Efficiency Control

Efficiency control is useful in ascertaining market efficiency, it assesses whether the marketing can be carried out more efficiently. The primary responsibility lies with the line and staff management.

6. Profit Control

The profit control can be assessed by making a comparison of budget with that of the performance. Also, it is useful to desegregate data down to the channel, product and area. Pereto analysis (80/20) rule is a technique that assesses customer, individual market and area performance. Marketing manager holds responsibility to perform this process.

II) Modern/Non-Traditional Methods

The non-traditional methods of international marketing control are discussed as follows,

1. Stakeholder Value

It is very important to maximize the stakeholder value in the marketing profession. Stakeholders and management can increase the stakeholder value by concentrating more on services and products that would produce potential profitability. It is good to apply this idea than trying to satisfy all customers.

To achieve this, Initially the organization's mission, values and vision must be quantified. Furtherly, appropriate strategies can be implemented to achieve the quantified targets.

2. Self-assessment

Self-assessment is almost similar to benchmarking. The industries can set up their standards as similar to the retailers who may tick off their performance on a scale.

3. Double-Loop Learning

This control checks if the feedback from performance is observed and applied at the same time.

4. Benchmarking and Best Practice

These techniques are basically applied to check/measure the organization on the basis of likeliness/ simlames of a business. Using the industry 'average' the organizations may assess their level i.e., below or above the norm.

2.2.1 Organising the marketing department marketing controls - Annual, Profitability, Efficiency and Strategic controls

Q6. Explain in detail about annual plan control.

Ans : (Imp.)

Meaning

Annual plan control is the responsibility of top and middle level management. It aims at comparing the actual performance against the preplanned/budgeted/targeted performance to find out the variance. It is a popular control mechanism among the firms.

The various tools used in Annual Plan control are,

- (i) Sales analysis
- (ii) Financial analysis
- (iii) Market share analysis
- (iv) Customer attitude tracking
- (v) Sale-to-expense ratio.

(i) Sales Analysis

Sales analysis is the process of measuring actual sales against the budgeted sales. Variance may be found, when actual sales are compared against the budgeted sales. For instance, a company aims at selling 2,00,000 units in the year 2009. This is nothing but the budgeted sales. But the actual number of units sold in the year 2009 are 1,50,000 units. The difference between the budgeted sales and actual sales (*i.e.*, 2,00,000 - 1,50,000) is 50,000 units. The variance is equal to 50,000 units. After the above analysis, company focuses on finding out the reasons behind such variance, and to find out the reasons, detailed analysis is done on consumer buying patterns, competition in the market, performance levels of each individual sales person etc., even the forecasting techniques followed by the company are also analyzed properly.

Identifying the sales variance is very essential as this variance assists the company in taking up corrective measures to overcome such variance in the future intervals.

(ii) Financial Analysis

Financial analysis is the analysis of various factors influencing the company's return on assets, financial leverage and rate of return. Marketer should focus on the methods which can be adopting for enhancing the company's financial leverage in the market place. An effective financial analysis can stop the criticisms from entering the company.

(iii) Market Share Analysis

The marketing performance of the company in relation with its competitors can be judged better through market share analysis than sales analysis. Because company's sales are also influenced by the external factors, which are not under the control of the company like shutdown of competitor firms, improvement in economic situations etc.

Market share analysis is the analysis of company's relative market share. Enhanced market share indicates the company's competitive position in the market place.

One problem pertaining to this analysis is the unavailability of market share data with small sized firms. The market share analysis must be done region- wise, product wise and segment wise.

(iv) Customer Attitude Tracking

Sales analysis, market share analysis, expense to sales analysis and financial analysis measures only quantitative data while, qualitative information is completely ignored in this analysis. Customer satisfaction is a qualitative information and measuring customer satisfaction is very essential in today's competitive world.

(v) Sales to Expense Ratio

Today, most of the companies have a fear of excess-investment in marketing activities. A company can overcome this fear by the analysis of sales to expenses ratio. Some more ratios which can be computed are,

- (a) Sales force cost to sales ratio
- (b) Advertising to sales ratio
- (c) Distribution expenses to sales ratio

- (d) Sales promotion to sales ratio
- (e) Sales administration to sales ratio
- (f) Marketing research to sales ratio etc.

Q7. What do you understand by Profitability Control?

(OR)

Examine the role of Profitability Control in Marketing Planning.

Ans :

(Imp.)

Meaning

In this method, the base of exercising control over marketing activities is the profitability. Certain profitability (and expenses) related standards are set and compared with actual profitability results to find out how far company is achieving profits. Profitability control calls for measuring profitability of various products, channels, territories, customer groups, order size, etc. It provides necessary information to management to determine whether products, channels, or territories should be expanded, reduced, or eliminated.

Process

Systematic and logical process is used for analysis of profitability.

1. Identifying Functional Expenses

It consists of determining expenses to be incurred for the marketing activities like salaries, rents, advertising, selling and distribution, packing and delivery, billing and collection, etc.

2. Assigning Function Expenses to Marketing Entities

Simply, expenses of particular head (for example, salary or advertising) are associated with different entities like products, channels, territories or customers groups.

3. Preparing Profits and Loss statement

A profit and loss statement is prepared for each type of products, channels, territories, etc., to evaluate their relative performance. Based on relative performance in form of profitability, management can decide on products, channels or territories to be expanded, reduced or eliminated.

For example, a firm has five products, like A, B, C, D, and E. If profit and loss statement shows that:

- (1) Product C is more profitable, and therefore, it must be expanded;
- (2) Product B is poor, and, therefore, it must be reduced;
- (3) Product D is making loss, and therefore, it must be eliminated, and
- (4) Product A and product E are satisfactory, and therefore they must be maintained. In the same way, it can be applied to different territories and segments.

4. Taking Action

On the basis of the profit and loss statement, necessary actions can be directed.

Actions include one or more of followings:

- i) Expanding product(s)
- ii) Reducing product(s)

- iii) Eliminating product(s)
- iv) Reducing any of the expenses
- v) Increasing sales, etc.

Table 1 shows how to prepare profit and loss statement for different products.

Particulars	Products					
	Total	A	B	C	D	E
Sales	—	—	—	—	—	—
Cost of good sold	—	—	—	—	—	—
Gross Profit	—	—	—	—	—	—
Expenses:						
Selling	—	—	—	—	—	—
Distribution	—	—	—	—	—	—
Advertising	—	—	—	—	—	—
Packing and delivery	—	—	—	—	—	—
Billing and collection	—	—	—	—	—	—
Total costs:	—	—	—	—	—	—
Net profit margin (%)	—	—	—	—	—	—

Table 1: Profit and Loss statement for products (in ₹ 00,000)

Q8. Discuss in detail about efficiency control in marketing organization.

Ans :

(Imp.)

Meaning

Efficiency control is the prime responsibility of line and staff management and marketing controller. The objective of efficiency control is to assess and improve the spending efficiency of advertising, sales promotion, sales force and distribution activities. Marketing controller is appointed to improve the marketing efficiency levels. It focuses on finding out the better and more efficient ways of doing a work. It is a system or mechanism which is used to assess the efficiencies of advertising, sales force, sales promotion and distribution.

1. Assessment of Advertising Efficiency

Eventhough assessing the value obtained from the advertising expenditure is not possible, an advertising manager should monitor the following aspects to assess the advertising efficiency.

- (i) Advertising expenditure for thousand customers for each separate advertising medium used.
- (ii) Number of target customers got attracted to the advertisement or saw the advertisement on television or read the advertisement on printed media.
- (iii) Views of target market customers on advertisements.
- (iv) Evaluate customer behaviour towards the product both before and after the advertisement campaign.
- (v) Record the number of enquires generated by the advertisement.
- (vi) Cost incurred on each enquiry.

Managers can improve advertising efficiency by product positioning, objective setting, examining the advertising messages first before communicating, selecting the media through computer technology etc.

2. Assessment of Sales Force Efficiency

Sales managers should keep track of the following as they indicate the efficiency of sales force.

- (i) The number of sales calls made by one single sales person in a day.
- (ii) The time spent on each sales call.
- (iii) The cost incurred on each sales call.
- (iv) The income generated from each sales call.
- (v) Cost of entertainment of each sales call.
- (vi) Number of orders received from 100 sales calls.
- (vii) Number of new customers attracted in an year.
- (viii) Number of customers showed dissatisfaction and left the company in an year.
- (ix) Cost of sales force as a percentage to overall sales revenue.

Evaluation of salesforce efficiency leads to identification of areas where improvement is needed.

3. Assessment of Sales Promotion Efficiency

Sales promotion comprises of various tools which can be used by the company to attract and induce the customers to try the product once. In order to improve the efficiency of sales promotion, the management must make a note of promotion cost and its impact an sales. Management should keep track of the following,

- (i) Number of sales made on deal
- (ii) Cost of display per sales rupee.
- (iii) Number of coupons exchanges.
- (iv) Number of enquiries received in response to demonstrations.

A sales promotion manager can assess the performance of various promotional tools and this information helps the product manager in selecting the most economical promotion tool to be used in the company.

4. Assessment of Distribution Efficiency

It is very essential for management to ensure economics of distribution in inventory control, sites for warehouses and types of transport used. The management should monitor the following,

- (i) Cost of logistics as a percentage to sales.
- (ii) Number of orders filled accurately.
- (iii) Number of orders delivered at right time.
- (iv) Number of mistakes occurred in billing.

Q9. Explain briefly about Strategic Control. (OR)

Examine the role of Strategic Control in Marketing Planning.

Ans :

(Imp.)

Meaning

Strategic control implies a critical review of overall marketing effectiveness in relation to broad and long-term objectives and firm's response to marketing environment. It deals with assessing firm's ability to define and achieve marketing goals, and

response pattern to environment. Normally, strategic control verifies company's long-term performance with reference to the close competitors.

Methods

As shown in Figure four tools are used for strategic control – the marketing effectiveness review, the marketing audit, the marketing excellence review, and the ethical and social responsibility review. Let's discuss each of them.



Fig. : Tools of strategic control

1. The Marketing Effectiveness Review

It involves a review of overall marketing performance. It helps finding effectiveness of several business plans in term of sales growth, market share, and profitability. Attempts are made to detect causes for good-performing marketing department and poor-performing department.

Common criteria:

Some criteria are used to review marketing effectiveness.

They include:

i. Company's Customer Philosophy

It shows company's approach toward customers.

ii. Integrated Marketing Efforts

It shows the way company integrates efforts of all divisions and departments for achieving marketing goals.

iii. Marketing Information

It studies company's policies and practices to collect, use, and disseminate critical information on a regular basis.

iv. Company's Strategic Orientation

It shows company's broad and long-term plans for survival and growth. It also indicates firm's long-term plans for profits, sales, and expansion.

v. Operational Efficiency

It shows how efficiently a company managing its current operations.

vi. Public Relations Practices

It shows company's policies and practices to establish, maintain, and improve relations with various publics, which have direct interest in the company's operations, and whose cooperation seems critical in achieving marketing goals.

2. The Marketing Audit

Another alternative tool for critical review of overall marketing performance is the marketing audit. Audit means to examine systematically. It is systematic examination/investigation of all critical aspects of marketing department.

Definition

Philip Kotler defines: "A marketing audit is a comprehensive, systematic, independent, and periodical examination of a company's marketing environment, objectives, strategies, and activities with a view to determine problem areas and opportunities, and recommending a plan of action to improve the company's marketing performance."

Key characteristics of marketing audit have been discussed below:

i. Comprehensive

The marketing audit covers all the major marketing activities of a business unit.

ii. Systematic

It is a systematic examination of all marketing operations. It is a well-planned and orderly task. All aspects are audited minutely. It indicates corrective actions to improve firm's marketing performance.

iii. Independent

Marketing audit is conducted objectively (bias-free) or neutrally. It includes self-audit, internal, or external audit. However, the external audit is considered as the best one.

iv. Periodical

The marketing audit should be conducted regularly to detect problems and avoid crisis.

v. Purposive

Its purpose is to find out marketing problem areas and opportunities. It recommends actions to improve company's marketing performance.

Key Issues (or) Decisions of Marketing Audit:

A detailed plan is prepared to conduct marketing audit.

The main decisions/issues of marketing audit include:

- i. Deciding on marketing audit objectives (why).
- ii. Deciding on marketing audit responsibility (who).
- iii. Deciding on data to be collected (what).
- iv. Deciding on respondents (whom).
- v. Deciding on time (when and how long).
- vi. Deciding on areas of marketing audit (Where).

- vii. Deciding on intensity of examination (How much).
- viii. Deciding on methods and tools (how)
- ix. Deciding on audit report format
- x. Deciding on actions to be taken on the basis of report.

Components of Marketing Audit

The marketing audit examines six major components of company's marketing operations, such as:

a. Marketing Environment Audit

It examines impacts of micro and macro factors of marketing environment. Macro marketing environment consists of demographic, economic, environmental (ecological), technological, political and cultural factors. Micro marketing environment includes market segments, customers, competitors, dealers, suppliers, facilitators, and general public's.

b. Marketing Strategy Audit

It examines company's business mission, marketing goals and objectives, resources capacity, and marketing strategies.

c. Marketing Organization Audit

It examines suitability of marketing organization (structures) to implement marketing operations effectively. It includes level, relations, authority-responsibility, communication, facilities, organization manual, etc.

d. Marketing System Audit

It examines major systems like marketing information and research system, marketing planning system, marketing control system, new product development system, etc.

e. Marketing Productivity Audit

It examines company's profitability for different products, territories, and channels. It also examines cost-effectiveness for various operations.

f. Marketing Function Audit

It examines marketing mix elements such as product, price, promotion (advertising, sales promotion, personal selling-sales force, publicity, and public relations), and distribution. For each of the components, appropriate auditing questions are designed to examine how effectively the company is performing. All relevant respondents like customers, suppliers, managers, dealers, etc., are interviewed using these questions.

Finally, the auditor prepares marketing audit report. The audit report contains individual and joint evaluation of main audit components (marketing areas). It detects strengths and weakness, and recommends actions for improving marketing performance.

3. The Marketing Excellence Review

This is more or less similar to market effectiveness review. But, here, some excellently performing business units are taken as the base for evaluating firm's performance. Here, performance is reviewed relatively.

The marketing excellence review is used to judge how excellently the company is performing with reference to high performing business units. A special instrument with adequate number of criteria and appropriate scaling can be developed to judge poor, good or excellent performance.

Criteria used for the purpose include

- a. Market/customer orientation
- b. Market segmentation
- c. Product quality
- d. Quality of services
- e. Approach toward competition
- f. Integration and alliance
- g. Approach toward dealers
- h. Dealing with other stakeholders
- i. Social responsibility and national services, etc.

Depending on result of the marketing excellent review, necessary actions are taken. Company's actions mainly include undertaking all possible steps to reach the level of excellently performing business units.

4. The Ethical and Social Responsibility Review

This review/verification decides whether firm's marketing policies and practices are ethically and socially true. Ethics are moral principles, norms, or standards of right or wrong. Every business unit has social responsibilities toward a number of stakeholders.

In same way, marketing practices should be ethical with reference to moral norms, standards, and values. Company's products, policies, and practices should not have adverse impact on customers, other stakeholders, and larger interest of society. Thus, here company tries to assess its ethical and social responsibility. As per need, necessary actions are taken.

Criteria used to review social and ethical responsibility include:

- a) Clear definitions of illegal, immoral, and antisocial activities.
- b) Company's active efforts to practice, promote, and disseminate moral principles and to hold its employees fully responsible to observe them in practice.
- c. Company's direct contribution for social welfare of people.
- d. Fulfillment of social responsibility toward various parties.
- e. The adherence to all laws and regulations in force.
- f. Use of business ethics in areas of product, price, promotion and distribution.

On the basis of ethical and social review, company can evaluate its performance in this regard and, if necessary, appropriate actions are taken.

Q10. Differentiate between profitability control and strategic control.

Ans :

(Imp.)

S.No.	Basis	Profitability Control	Strategic Control
1.	Meaning	Profit control can be assessed by making a comparison of budget with that of the performance.	It checks whether the organization has accomplished its objectives in term of qualitative and quantitative aspects.
2.	Usage	Profitability control is used by the firms which follow profit making strategies for finding the profits obtained from products, territories, customer segment, trade channel and order.	Strategic control is used by the firms for determining whether the fit between firms marketing and external environment is perfect or not
3.	Conducted	The profitability control is conducted by identifying functional expenses, assigning the functional expenses to marketing entities and by preparing a profit and loss statement for each marketing entity.	The strategic control is conducted with the help of customer relationship barometer and marketing audit.

4.	Determination	The areas or regions incurring losses, the product due to which losses are incurred and the non-marketing expenses on profit contributions are easily determined through profitability control.	Any pit falls in strategies structures, policies, programmes and systems can be easily and quickly identified through strategic control. It also helps in providing the remedies for overcoming them.
5.	Types	Contribution margin direct profit, controllable profit, income before income taxes and net incomes are the various types of profitability measures.	Premise control, implementation control, strategic surveillance and special alert control are the various types of strategic controls.

2.3 CONSUMER MARKETS

Q11. Define the following terms

- (i) Consumer behaviour
- (ii) Customer
- (iii) Consumer

(OR)

What do you mean by consumer behaviour ?

Ans :

(i) Consumer behavior

Meaning

Consumer behavior may be defined as, "the decision process and physical activity individuals engage in when evaluating, acquiring, using, or disposing of goods and services.

Definitions

- (a) **According to Belch and Belch**, "Consumer behavior is the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires".
- (b) **According to Engel, Blackwell and Miniard**, "Consumer behavior includes those activities directly involved in obtaining, consuming and disposing of products and services including the decision processes that precede and follow these actions."
- (c) **According to Solomon**, "Consumer behavior is the process involved when individuals or groups select, purchase, use, or dispose of products, services, ideas or experiences to satisfy needs and wants."
- (d) **Consumer behavior may also be defined as**, "The study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society".

Several aspects of this statement need emphasis and elaboration so that their meanings can be more fully appreciated.

ii) Customers

The term "customer" is typically used to refer to someone who regularly purchases from a particular store or company.

iii) Consumers

The term "Consumer" more generally refers to anyone engaging in any of the activities used in our definition of consumer behavior.

Therefore, a customer is defined in terms of a specific firm while a consumer is not.

1. The Ultimate Consumer

Those individuals who purchase for the purpose of individual or household consumption are the ultimate consumers. Some have argued that studying ultimate consumers also reveals much about industrial and intermediate buyers and other involved in purchasing for business firms and institutions. While not denying this, we must recognize that much industrial purchasing behavior is unique because it often involves different buying motives and the influence of a large variety of people.

2. Individual Buyer

The most commonly thought of consumer situation is that of an individual making a purchase with little or no influence from other. However, in some case a number of people can be jointly involved in a purchase decision. For example, planning a vacation or deciding on a new car can involve an entire family.

3. The Decision Process

The way in which our definition characterizes "behavior": also deserves special attention. That is, consumer behavior is seen to involve a mental decision process as well as physical activity. The actual act of purchase is just one stage in a series of mental and physical activities that occur during a period of time. Some of these activities precede the actual buying, while others follow it. However, since all are capable of influencing the adoption of products or services, they will be considered as part of the behavior in which they are interested. :

4. A Subset of Human Behavior

Viewing consumer behavior in such a broad context suggests it is actually a subset of human behavior. That is, factors affecting individuals in their daily lives also influence their purchase activities. Internal influences,

such as learning and motives, as well as external factors, such as in our other capacities. In fact, it is often difficult to draw a distinct line between consumer-related and other aspects of human behavior.

Q12. Explain the nature of consumer behaviour.

Ans :

Nature**1. Systematic process**

Consumer behavior is a systematic process relating to buying decisions of the customers. The buying process consists of the following steps :

- Need identification to buy the product
- Information search relating to the product
- Listening and evaluating the alternative
- Purchase decision
- Post purchase evaluation by the marketer.

2. Influenced by various factors

Consumer behavior is influenced by a number of factors the factors that influence consumers include marketing, personal, psychological, situational, social and cultural etc.

3. Different for different customers

All consumers do not behave in the same manner. Different consumers behave differently. The difference in consumer behavior is due to individual factors such as nature of the consumer's life-style, culture etc.

4. Different for different products

Consumer behavior is different for different products there are some consumers who may buy more quantity of certain items and very low quantity of some other items.

5. Vary across regions

The consumer behavior varies across States, regions and countries. For instance, the behaviour of urban consumers is different from that of rural consumers. Normally rural consumers are conservative (traditional) in their buying behavior.

6. Vital for marketers

Marketers need to have a good knowledge of consumer behavior they need to study the various factors that influence consumer behavior of the target customers. The knowledge of consumer behaviour enables marketers to take appropriate marketing decisions.

7. Reflect status

Consumer buying behavior is not only influenced by status of a consumer come but it also reflect it. Those consumers who owned luxury cars, watches and other items are considered by others as persons of higher status.

8. Result in spread effect

Consumer behavior as a spread effect. The buying behavior of one person may influence the buying behavior of another person. For instance, a customer may always prefer to buy premium brands of clothing, watches and other items etc. This may influence some of his friends, neighbors and colleagues. This is one of the reasons why marketers use celebrities like Shahrukh Khan, Sachin to endorse their brands.

9. Undergoes a change

The consumer behavior undergoes a change over a period of time depending upon changes in age, education and income level etc, for example, kids may prefer colorful dresses but as they grow up as teenagers and young adults, they may prefer trendy clothes.

10. Information search

Search for information is a common consumer behavior. Consumers cannot purchase goods and services if they are unaware that a good or service exists. When a consumer decides to buy a certain item, his decision must be based on the information he has gathered about what products or services are available to fulfill his needs. There might be a product available that would be better suited to the consumers needs, but if he is not aware of product, he will not buy it.

11. Brand loyalty

Brand loyalty is another characteristic of consumer behaviour. Brand loyalty is the tendency of a consumer to buy product products or services from a certain company that one likes or equates with having high quality goods and services. For example, if Naina's first car was a Honda as a teenager and the car lasted 2,00,000 miles, she might have a tendency to buy Hondas again in the future due to her previous positive experience. This brand loyalty may be so strong that she forgoes the information search all together when considering for next vehicle.

Q13. Explain the scope of Consumer Behaviour.

Ans :

Scope**1. Consumer behaviour and marketing management**

Effective business managers realize the importance of marketing to the success of their firm. A sound understanding of consumer behavior is essential to the long run success of any marketing program. In fact, it is seen as a corner stone of the Marketing concept, an important orientation of philosophy of many marketing managers. The essence of the Marketing concept is captured in three interrelated orientations consumers needs and wants, company integrated strategy.

2. Consumer behaviour and non profit and social marketing

In today's world even the non-profit organizations like government agencies, religious sects, universities and charitable institutions have to market their services for ideas to the "target group of consumers or institution." At other times these groups are required to appeal to the general public for support of certain causes or ideas. Also they make their contribution towards eradication of the problems of the society. Thus a clear understanding of the consumer behavior and decision making process will assist these efforts.

3. Consumer behaviour and government decision making

In Recent years the relevance of consumer behavior principles to government decision making. Two major areas of activities have been affected:

i) Government services

It is increasingly and that government provision of public services can benefit significantly from an understanding of the consumers, or users, of these services.

ii) consumer protection

Many Agencies at all levels of government are involved with regulating business practices for the purpose of protecting consumers welfare.

4. Consumer behavior and de marketing

It has become increasingly clear that consumers are entering an era of scarcity in terms of some natural gas and water. These scarcities have led to promotions stressing conservation rather than consumption. In other circumstances, consumers have been encouraged to decrease or stop their use of particular goods believed to have harmful effects. Programs designed to reduce drug abuse, gambling, and similar types of conception examples. These actions have been undertaken by government agencies non profit organizations, and other private groups. The term "demarketing" refers to all such efforts to encourage consumers to reduce their consumption of a particular product or services.

5. Consumer behaviour and consumer education

Consumer also stands to benefit directly from orderly investigations of their own behaviour. This can occur on an individual basis or as part of more formal educational programs. For example, when consumers learn that a large proportion of the billions spend annually on grocery products is used for impulse purchases and not spend according to pre

planned shopping list, consumers may be more willing to plan effort to save money. In general, as marketers that can influence consumers' purchases, consumers have the opportunity to understand better how they affect their own behaviour.

Q14. Explain the importance of consumer behaviour.

Ans :

The field of consumer behavior holds great interest for us as consumers, as marketers, and as students of human behavior.

1. Importance for Consumers

As consumers, we benefit from insights into our own consumption-related decisions: what we buy, why we buy, how we buy, and the promotional influences that persuade us to buy.

2. Importance for Marketers

As future marketers, it is important for us to recognize why and how individuals make their consumption decisions, so that we can make better strategic marketing decisions. If marketers understand consumer behavior, they are able to predict how consumers are likely to react to various informational and environmental cues, and are able to shape their marketing strategies accordingly. Without doubt, marketers who understand consumer behavior have great competitive advantage in the marketplace.

3. Importance for Students of Human Behavior

As students of human behavior, we are concerned with understanding consumer behavior, with gaining insights into why individuals act in certain consumption-related ways and with learning what internal and external influences impel them to act as they do. Indeed, the desire for understanding consumption-related human behavior has led to a diversity of theoretical approaches to its study.

4. Application to Decision Making

Consumers are often studied because certain decisions are significantly affected by their behavior. For this reason, consumer behavior is said to be an applied discipline. Such applications can exist at two different levels of analysis. The micro perspective seeks applications of this knowledge to problems faced by the individual firm or organization. The societal perspective applies knowledge of consumers to aggregate-level problems faced by large groups or by society as a whole.

Q15. What are the Major Activities of Consumer Behavior?

Ans. :

1. Several major activities can be undertaken by an organization that is marketing-oriented. These include market-opportunity analysis, target-market selection, and marketing-mix determination, which include decisions on the proper combination of marketing variables to offer consumers.

i) **Market Opportunity Analysis** : This activity involves examining trends and conditions in the marketplace to identify consumers' needs and wants that are not being fully satisfied. The analysis begins with a study of general market trends, such as consumers' life-styles and income levels, which are unsatisfied wants and needs.

ii) **Target-Market Selection** : The process of reviewing market opportunities often results in identifying distinct groupings of consumers who have unique wants and needs. This can result in a decision to approach each market segment with a unique marketing offering.

Consider the soft-drink market. Here, major segments of ultimate consumers are distinguished by the type of purchase situation: (1) the food-store segment, (2) the "cold bottle" or

vending-machine segment, and (3) the fountain market, which includes fast-food outlets.

iii) **Marketing-Mix Determination** : This stage involves developing and implementing a strategy for delivering an effective combination of want satisfying features to consumers within target markets. A series of decisions are made on four major ingredients frequently referred to as the marketing-mix variables: product, price, place and promotion.

2. Consumer Behavior and Nonprofit and Social Marketing

A number of writers have suggested that various social and nonprofit organizations can be viewed as having services or ideas that they are attempting to market to target group of "consumers" or constituents. Such organizations include governmental agencies, religious orders, universities and charitable institutions. Often these groups must also appeal to the public for support in addition to attempting to satisfy some want or need in society. Clearly, a sound understanding of consumer decision processes can assist their efforts.

3. Consumer Behavior and Governmental Decision-Making

In recent years the relevance of consumer-behavior principles to governmental decision-making has become quite evident. Two major areas of activity have been affected: (i) government policies that provide services to the public or result in decisions that influence consumer behavior and (ii) the design of legislation to protect consumers or to assist them in evaluating products and services.

i) **Government Services** : It is increasingly evident that government provision of public services can benefit significantly from an understanding of the consumers, or users, of these services. Numerous analysts have noted that our

frequently failing mass-transportation systems will not be viable alternatives to private automobile travel until government planners fully understand how to appeal to the wants and needs of the public.

- ii) **Consumer Protection :** Many agencies at all levels of government are involved with regulating business practices for the purposes of protecting consumers' welfare. Some government programs are also designed to influence certain consumer action directly and discourage others.

4. Consumer Behavior and demarketing

It has become increasingly clear that we are entering an era of scarcity in terms of some natural gas, and even water. These scarcities have led to promotions stressing conservation rather than consumption. The effort of electric power companies to encourage reduction of electrical use serves as one illustration. In other circumstances, consumers have been encouraged to decrease or stop their use of particular goods believe to have harmful effects.

5. Consumer Behavior and Consumer Education

Consumer also stands to benefit directly from orderly investigations of other own behavior. This can occur on an individual basis or as part of more formal educational programs. As we study what has been discovered about the behavior of others, we can gain insight into our own interactions with the marketplace.

Q16. Draw the Framework for studying consumer behavior.

Ans : (Imp.)

The framework for studying consumer behavior are:

1. External environmental variables influencing behavior,
2. Individual determinants of behavior, and
3. The consumer's decision process.

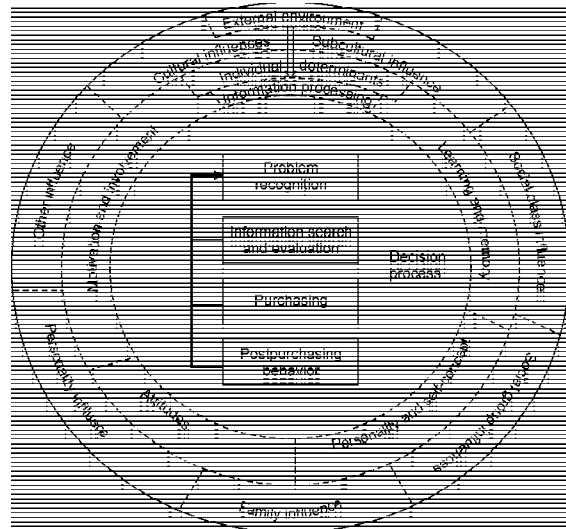


Fig.: A Simplified Decision Process Framework for Studying Consumer Behavior

1. External Environmental Variables

The external environment depicted in the outer circle is made up of six specific influences and one catch-all grouping for all other factors. The six specific influences are culture, subculture, social class, social group, family, and personal influences. The open partitions (dotted lines) denote the influence of these variables on individual determinants of each other.

- i) **Cultural Influence :** The concept of culture has been characterized as "that complex whole that includes knowledge, belief, morals, law, custom, and any other capabilities and habits acquired by man as a member of society." As such, it provides a basis for many of our values, beliefs, and actions as consumers.

- ii) **Subcultures Influence :** The emphasis is on segments of a given culture that have values, customs, traditions, and other ways of behaving that are unique and that distinguish them from others sharing the same cultural heritage. These aspects of uniqueness can have significant implications for the understanding of consumers and the development of successful marketing strategies. Subcultures distinguished on the basis of age and ethnic dimensions receive particular attention.

- iii) **Social Class Influences** : The term "social stratification" refers to the process by which people in a society rank one another into different social position. The result is a hierarchy often referred to as a set of social classes. People within a given social class tend to share beliefs, values, and methods of behaving. They also tend to associate more closely with one another than with people from different social classes. The values, wants, and interactions that develop in these distinct groupings tend to have significant influences on consumers.
- iv) **Social Group Influences** : A social group be viewed as a collection of people who have a sense of relatedness resulting from some form of interaction with one another. These groups can have many functions. One that is particularly important from a consumer behavior perspective is the influence that group members can have on the individual. That is, the group can serve to persuade and guide the individual's values and behavior.
- v) **Family Influences** : The family is a special form of social groups. That is distinguished, at least in part, by numerous and strong face-to-face interactions among its members. The influence of different family members on purchase decisions in one area of interest in the field of consumer behavior. In some cases, decisions are made by one individual with little influence from family members.
- vi) **The Process of Personal Influences** : The process of personal influence, which can be described as the effects on an individual resulting from communications with others, of interest to marketers. Interest in the subject is strong because personal influence has an important effect on the amount and type of information that consumers obtain about products. It is also considered to be a significant force acting

on a consumer's values, attitudes, brand evaluations, and interest in a product. In fact, personal influences is an important function of opinion leaders. Personal influence also strongly affects the process of diffusion by which new products and service innovations spread in the marketplace.

2. Individual Determinants of behaviour

Major individual determinants of consumer behavior are portrayed in the inner ring of. These variables influence how the consumer proceeds through a decision process regarding products and services.

There are five major groups of individuals determinants.

i) **Personality and Self-concept** : Personality and self-concept provide the consumer with a central theme. That is, they provide a structure for the individual so that a consistent pattern of behavior can be developed.

ii) **Motivation** : Moves are internal factors that energize behavior and provide guidance to direct the activated behavior. Involvement describes the personal relevant or importance that the consumer perceives in a given purchase situation. High involvement will lead to a motivated state.

iii) **The term "Information Processing"** : The term "information processing" refers to the activities that consumers engage in when acquiring, integrating, and evaluating information. These activities involve actively seeking information or passively receiving it, attending to only certain parts of the information, integrating that which has been attended to with information from other sources, and evaluating the information for the purpose of making decisions. Such alternatives are varied and occur, at all stages of the decision process. They also strongly involve some individual factors, including motivation, learning, and attitudes.

iv) **Learning** : What consumers learn, how they learn, and what factors govern the retention of learned material in memory are all issues of considerable importance for understanding consumers. Not only do consumers acquire and remember product names and characteristics, but they also learn standards for judging products, places to shop, problem-solving abilities, behavior patterns, and tastes. Such learned material stored in memory significantly influences how consumers react to each situation that they control.

v) **Attitude** : Attitudes guide our basic orientation toward objects, people, events, and our activities. As such, attitudes strongly influence how consumers will act and react to products and services, and how they will respond to communications that marketers develop to convince them to purchase their products.

3. The Consumers Decision Process

The inner portion of details the consumer decision process regarding products and services. The major steps in this process are shown as problem recognition, information search and evaluation, purchasing, and post purchase behavior.

i) **Problem Recognition** : Problem recognition occurs when the consumer is activated by awareness of a sufficient difference between the actual state of affairs and the concept of the ideal situation. This can occur through internal activation of a motive such as hunger, by confronting some external stimulus such as an advertisement, or by being affected by additional variables such as social or situational influences. In either case, however, action occurs only when the consumer perceives a sufficiently large discrepancy between the actual and ideal states.

ii) **Information Search and Evaluation** : This usually starts with internal search – a quick and largely unconscious review of memory for stored information and experiences regarding the problem. This information is in the form of beliefs and attitudes that have influenced the consumer's preferences toward brands. Often such a review results in recognizing a strong brand preference, and a routine purchase occurs.

However, if an internal search does not provide sufficient information about products, or how to evaluate them, the consumer continues with a more involved external search for information. This results in exposure to numerous informational inputs, called stimuli which can arise from a variety of sources, including advertisements, printed product reviews, and comments from friends.

iii) **Purchasing Process** : A purchasing process usually follows strong purchase intentions. This process, involves a series of selections, including the type of retail outlet as well as the specific brand or service to use.

iv) **Post Purchase Behavior** : The consumer's purchase then leads to various outcomes. One such outcome is satisfaction as a result of direct experience in using the brand. Satisfaction will affect the consumer's beliefs about the brand. Other outcomes are dissatisfaction and post sale doubt. These can generate a heightened desire for additional information and influence subsequent problem recognition. In both cases, post purchase experiences result in feedback to the protection-recognition stage.

Q17. What are the tools to Study Buyer Behavior?*Ans :*

It is important for the marketer to regularly study buyer behavior. Different tools available to him or her are :

1. Survey

This is the most common technique used in studying buyer behavior. It involves the use of questionnaires. Different scaling techniques like Likert and Thurstone are used to measure consumer attitudes. The problem with survey methodology is that it gives to the marketer only conscious responses of the customer. Often these responses are guarded and may even be prejudiced.

2. Projective Technique

To throw the customer off his or her conscious level and to get to know subconscious level responses, projective techniques like word association, picture association and thematic appreciation tests (TAT) have been used. Increasingly the marketer turning to these qualitative techniques as they provide valuable information on his or her product or brand, as perceived by the target customer group, and also about the customer's life style and self-concept.

3. Focus Group Discussions

This is another qualitative technique used to assess how customers perceive the product as per the use situations. It also provides the marketer with valuable information on the target market.

2.3.1 Factors Influencing Consumer Behavior**Q18. Explain the Factors Influencing Consumer Behavior.****(OR)**

Write about the factors influencing consumer behaviour.

(OR)

Discuss about the Economic, Cultural and psychological factors influencing consumers behavior.

*Ans :***(Imp.)****1. Cultural Factors**

Cultural factors exert the broadest and deepest influence on consumer behavior. It is the role played by the buyer's culture, sub-culture and social class.

(a) Culture : People living in this society learn on basic set of values, perceptions, preferences and behaviors through a process of socialization involving the family and other key institutions. The behavior of the individuals is influenced by the culture they acquired from their environment.

(b) Sub-culture : Each culture contains smaller groups of sub-cultures. They are (i) National groups (ii) Religious groups (iii) Racial groups (iv) Geographical areas.

(c) Social-class : Social class shows distinct product and brand preferences in such areas as clothing, home furnishing, leisure activities and automobiles.

2. Social Factors

A consumer's behavior is also influenced by social factors, such as the consumer's reference groups, family and social roles and statuses.

(a) Reference Groups : A person's reference groups are those who have a direct (face-to face) or indirect influence on the person's attitudes or behavior. The reference groups are (i) Membership groups (ii) Primary groups (iii) Secondary groups (iv) Aspiration groups. Marketers try to identify the reference groups of their target customers.

Reference groups have a strong influence in brand choice. Group influence will be stronger for products that will be visible to others whom the buyer respects.

- (b) **Family** : The family orientation consists of one's parents. A more direct influence on every day buying behavior is one's family of procreation, namely, one's spouse and children. The wife has traditionally been the main purchasing agent for the family, especially in the areas of food, sundries and staple clothing items.
- (c) **Roles and Statuses** : A person participates in many groups through out life family, clubs, and organization. The person's position in each group can be defined in terms of role and status. The role of Supreme Court justice carries more status than the role of brand-manager, and the role of brand manager carries more status than the role of office clerk.

Cultural	Social	Personal	Psychological	Economic factors	
<ul style="list-style-type: none"> • Cultural • Sub-Culture • Social class 	<ul style="list-style-type: none"> • Reference Groups • Family • Roles and statuses 	<ul style="list-style-type: none"> • Age and life Cycle stage • Occupation • Economic circumstances • Life Style 	<ul style="list-style-type: none"> • Motivation • Perception • Learning • Beliefs and attitudes 	<ul style="list-style-type: none"> • Personal Income • Family Income • Consumer Credit • Liquid assets • Savings 	Buyer

Fig.: Factors Influencing Consumer Behaviour

3. Personal Factors

A buyer's decisions are also influenced by his or her personal characteristics, notably the buyer's age and life cycle stage, occupation, economic circumstances, life style, personality and self-concept.

- (a) **Age and life-cycle stage** : People change the goods and services they buy over their life time. The eat baby food in the early years, most of the foods in the growing and mature years, and special diets in the later years. People's taste in cloths, furniture and recreations is also age related.
- (b) **Occupation** : Marketers try to identify the occupational groups that have an above average interest in their products and services.
- (c) **Economic Circumstances** : A person's economic circumstances will greatly affect product choice.
- (d) **Life Style** : A person's life style then is the person's pattern of living in the world as expressed in the person's activities, interests and opinions.

4. Psychological Factors

A person's buying choices are also influenced by four major psychological factors – motivation, perception, learning and beliefs and attitudes.

- (a) **Motivation** : A person has many needs at any given time. Some needs are biogenic and others are psychogenic. Psychologists have developed theories of human motivation. The most popular of these are the theories of Segment Freud, Abraham Maslow, and Fredrick Herzberg.
- (b) **Perception** : Perception is the process by which an individual selects, organizes, and interprets information inputs to create meaningful picture of the world. How the motivated person acts is influenced by his or her perception of the situation. People can emerge with different perceptions of the same stimulus object because of three perceptual processes. They are (i) Selective exposure (ii) Selective – distortion, and (iii) Selective retention.

(c) **Learning** : When people act, they learn. Learning describes changes in an individual's behavior arising from the experience. Most human behavior is learned. Learning theorists say that a person's learning is produced through the interplay of drives, stimuli, cues, responses, and reinforcement.

(d) **Beliefs and attitudes**

Through acting and learning, people acquire their beliefs and attitudes. These in turn influence their buying behavior. A belief is a descriptive thought that a person holds about something manufactures, of course, are interested in the beliefs that people carry in their heads about their products and services.

An attitude describes a person's enduring favorable or unfavorable cognitive evaluations, emotional feelings, and action tendencies towards some object or ideas. People have attitudes towards everything: religion, politics, clothes, music, food and so on.

5. **Economic Factors**

The consumer buying habits and decisions greatly depend on the economic situation of a country or a market. When a nation is prosperous, the economy is strong, which leads to the greater money supply in the market and higher purchasing power for consumers. When consumers experience a positive economic environment, they are more confident to spend on buying products.

Whereas, a weak economy reflects a struggling market that is impacted by unemployment and lower purchasing power. Economic factors bear a significant influence on the buying decision of a consumer. Some of the important economic factors are:

(i) **Personal Income** : When a person has a higher disposable income, the purchasing power increases simultaneously. Disposable income refers to the money that is left after spending towards the basic needs of a person.

When there is an increase in disposable income, it leads to higher expenditure on various items. But when the disposable income reduces, parallelly the spending on multiple items also reduced.

(ii) **Family Income** : Family income is the total income from all the members of a family. When more people are earning in the family, there is more income available for shopping basic needs and luxuries. Higher family income influences the people in the family to buy more. When there is a surplus income available for the family, the tendency is to buy more luxury items which otherwise a person might not have been able to buy.

(iii) **Consumer Credit** : When a consumer is offered easy credit to purchase goods, it promotes higher spending. Sellers are making it easy for the consumers to avail credit in the form of credit cards, easy installments, bank loans, hire purchase, and many such other credit options. When there is higher credit available to consumers, the purchase of comfort and luxury items increases.

(iv) **Liquid Assets** : Consumers who have liquid assets tend to spend more on comfort and luxuries. Liquid assets are those assets, which can be converted into cash very easily. Cash in hand, bank savings and securities are some examples of liquid assets. When a consumer has higher liquid assets, it gives him more confidence to buy luxury goods.

(v) **Savings** : A consumer is highly influenced by the amount of savings he/she wishes to set aside from his income.

If a consumer decided to save more, then his expenditure on buying reduces. Whereas if a consumer is interested in saving more, then most of his income will go towards buying products.

2.4 MODELS OF CONSUMER BEHAVIOR

2.4.1 Marshallian

Q19. Discuss Marshallian models of consumer behavior.

Ans : (Imp.)

This theory was first advanced by the economists. They gave formal explanation of buyer behaviour. According to this theory the consumers are assumed to be rational and conscious about economic calculations. They follow the law of marginal utility. An individual buyer seeks to spend his money on such goods which give maximum satisfaction (utility) according to his interests and alternative cost. The buying behaviour is determined by the income – its distribution and level - affects the purchasing power.

The economic factors which affect the buyers behaviour are:

I) Disposable Income

The economists attempted to establish relationship between income and spending. Disposable personal income represents potential purchasing power that a buyer has. The change in income has direct relation on buying habits. Personal consumption spending tends both to rise and fall at a slower rate than what disposable personal income does

1. Size of family income

Size of family and of family income affect the spending and saving patterns. Usually large families spend more and small families spend less in comparison.

2. Income Expectation

The income expected to get in future has direct relation with the buying behaviour.

The expectation of higher or lower income has a direct effect on spending plans.

3. Tendency to Spend and to Save

This goes to the habit of spending or saving with the disposable income of buyers. If the buyers give importance to the present needs, they dispose of their income. And buyers spend less if they give importance to future needs.

4. Liquidity of Funds

The present buying plans are greatly influenced by liquidity of assets readily convertible into cash. For example, readily marketable shares and bonds, bank balances come into this category. However, this converts able assets influence and offer freedom to buyer, who actually buys with current income.

5. Consumer Credit

Facility of consumer credit system - hire purchase, installment purchase etc., play an important role in purchase decision. A buyer can command more purchasing power. 'Buy now and pay later' plays its role effectively in the rapid growth of market for car, scooter, washing machine, furniture, television and soon. The economic model of consumer behaviour is unidimensional. It is based on certain predictions of buying behavior. They are:

- Lower the price of the product, higher the sales
- Lower the size of substitute product; lower the sale of this product
- Higher the real income, higher the sales of this product
- Higher the promotional expenses, higher are the sales,

However 'lower the price of a product, higher the sales' may not hold well, as buyer may feel that the product is sub-standard one. The behavioral researchers believe that this model ignores all the other aspects such as

perception, motivation, learning, attitude and personality, and socio-cultural factors. Further, it is also observed that consumer also gets influenced by other marketing variables such as products, effective distribution network and marketing communication. Hence, it is felt that the economic model is inadequate. It assumes that market is homogeneous where markets are assumed to be heterogeneous.

2.4.2 Maslow

Q20. Explain Maslow model of consumer behaviour.

Ans :

(Imp.)

In theories of motivation, we will be discussing the two theories 1) Maslow's Theory of Need Hierarchy and 2) the Trio of Needs.

I) Maslow's Theory of Need Hierarchy

Abraham H. Maslow, a psychologist, presented his theory of human needs in 1943. It is called as 'Maslow's Need-hierarchy theory'. Maslow has studied anthropology and closely followed the Gestalt approach on cognitive theories of human behaviour. Gestalt study states that people understand stimuli or process data by viewing it along with the environment or background in which it is presented (as a whole) rather than distinguishing it from the environment.

Gestalt study of human personality helps us understand how people interpret the things around them and how this influences their behaviour. Maslow felt that apart from the obvious influences of behaviour and learning there was something more important and fundamental that motivated people or influenced their actions.

He listed some common human needs, and further classified them into a hierarchy of five levels. Maslow stated that people in general would try to satisfy their needs in an ascending manner, starting from the lowest level of needs. Let us examine each of these levels.



Fig.: Maslow's Hierarchy of Needs

- (i) **Physiological Needs** : These needs are at the first level. They refer to the primary or physiological needs of a person, such as need for air, water, shelter, and clothing.
- (ii) **Safety Needs** : Once the above needs are satisfied, a person wishes to satisfy his safety needs all elements that contribute to a stable, safe and protected life. An individual not only needs physical security and steadiness that people desire in life such as regular income, a permanent shelter, etc.
- (iii) **Social Needs** : These relate to the need for affiliation of a person. When the social needs are satisfied, the person craves to meet his/her social needs. The need for love, affection, acceptance by the group and need to maintain good social relationships are some of the social needs of people, in general. Thus, many of us feel the need to be accepted by society, and to spend time with other people (either at the work place or at home.)
- (iv) **Egoistic Needs or Self Esteem Needs** : After satisfying the social needs a person desires to satisfy his egoistic or self esteem needs. Maintenance of status, self respect, acquiring wealth and fame in the society and other such needs come under this category.

Maslow termed the physical needs, safety needs, social needs and self

esteem needs as deficiency needs as these needs stop motivating the person once they are fulfilled. They motivate people to take action only when they are not fully met.

- (v) **Self Actualization Needs** : These refer to the need for self fulfillment or development of one's potential. For example person who wishes to be a singer, would try to put in his or her best effort to master the art. The same person might want to learn different types of music such as classical, folk and even western music, and the person might also aspire to sing in several languages. In short, he or she aspires to be a proficient and versatile singer; Maslow refers to these needs as growth needs. People are thus, motivated by the desire to perform to the best of their ability and strive to enrich themselves at the same time. Maslow called such people who pursued these needs as 'self actualizers'.

Maslow's need hierarchy theory is universally applicable. He states that all people have a common set of goals, and then they prioritize and go about satisfying the most vital or basic needs first and then move up to the next level of needs.

II) Trio of Needs

Maslow's Theory of Need Hierarchy gives an explanation of how a person perceives needs differently according to their intensity and tries to satisfy them, one after another. However, it is argued that people will not always follow an order in satisfying their needs or go by levels in satisfying their needs, for instance a painter may try to realize his artistic potential by painting his best portrait which is a self-actualization need, while at the same time he may still be trying to satisfy his basic physiological needs of food, clothing and shelter.

Some psychologists have tried to explain three sets of needs called the "Trio of needs", which can be correlated to Maslow's classification

of needs. They explained that human behaviour was influenced by the need for power, need for affiliation and need for achievement.

- (i) **Need for Power** : The need for a person to control his environment can be attributed to the need for power. This need belongs to the individual's desire to control the people and other objects in his or her environment. The need for power could be considered as similar to the esteem need in Maslow's hierarchy of needs, since here the individual is driven by the desire to control his environment. This need is also considered as somewhat related to the safety need in Maslow's hierarchy because the need for power could be people's desire to feel protected and safe in their environment.

- (ii) **Need for Affiliation** : These are similar to the social needs described by Maslow. People generally have the need to be accepted as a part of society. The need to spend time with friends, relatives and to mingle with like minded people and to feel a sense of belonging within a social environment - all such desires relate to the affiliation need a person.

- (iii) **Need for Achievement** : When a person is completely consumed with the need to accomplish his or her personal, professional goals and combination, such a person is said to be driven by need for achievement. Hence all the efforts that such people make are directed towards achievement of their goals. These needs are similar to egoistic and self actualization needs.

2.4.3 Howard - Sheth Model

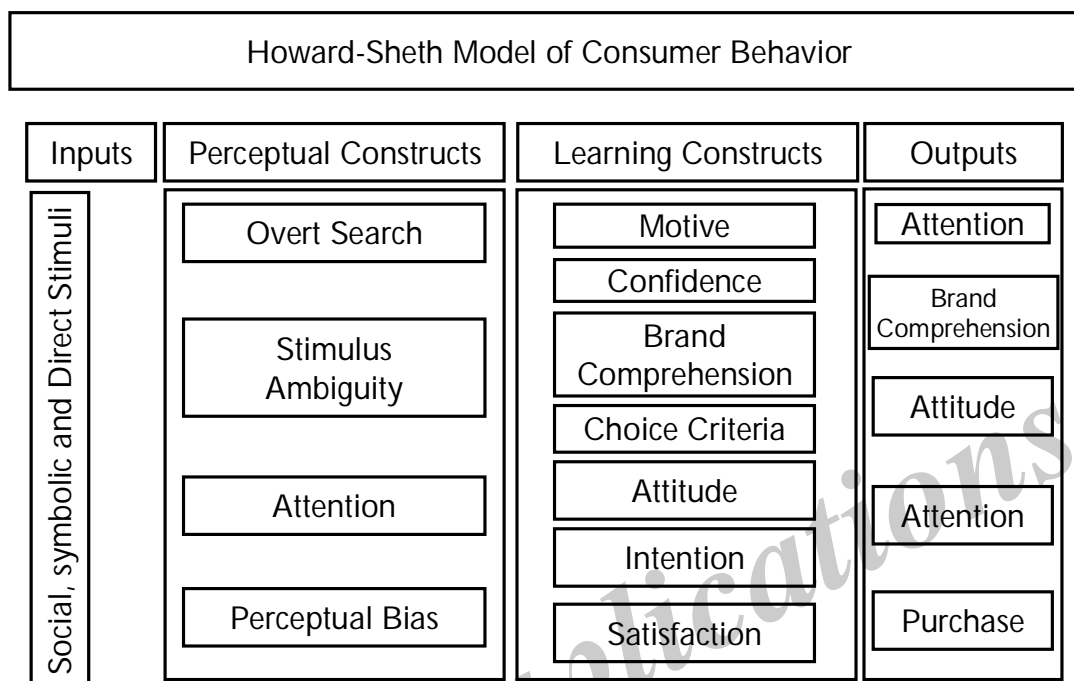
Q21. Explain Howard Sheth Model of Consumer Behaviour.

Ans :

(Imp.)

It attempts to throw light on the rational brand behavior shown by the buyers. The rational brand behavior arises when the buyer has incomplete information and limited abilities. The model refers to three levels of decision making:

- a) Extensive problem solving
- b) Limited problem solving
- c) Routinized response behavior



The model has borrowed the learning theory concept to explain brand choice behavior when learning takes place as the buyer moves from extensive to routinized problem solving behavior. The model makes significant contribution to understand consumer behavior by identifying the variables which influence consumer. There are four components involved in the model:

1. Input variables
2. Output variables
3. Hypothetic constructs
4. Exogenous variables

1. Input variables

These variables act as stimuli in the environment. Stimuli can be of Significate, Symbolic and Social. Significate stimuli, are those actual elements of brands which the buyer confronts, whereas Symbolic stimuli are those which are used by the marketers to represent their products in a symbolic form. Social stimuli are generated by the social environment like family, friends, groups etc.

2. Output variables:

These are which buyer's observable responses to stimulus inputs. They appear in the sequence

- **Attention:** It is based on the importance of the buyer's information intake.
- **Comprehension:** It is the store of information that the buyer has about the brand.
- **Attitude:** It is the buyer's evaluation of the particular brand's potential to satisfy their motives.
- **Intention:** It is the brand which the buyer intends to buy.

- **Purchase behavior:** It is the act of purchasing which reflects the buyer's predisposition to buy as modified by any of the inhibitors.

The consumer first is attentive towards the various stimuli which help him in comprehensive about various brands. He is then develop attitude for the product due to which he has same intention regarding the purchase decision.

3. **Hypothetical Constructs:** The model has many intervening variables which have been categorized into two groups- Perceptual and Learning constructs.

- **Perceptual Constructs:** It includes Sensitivity to information, means the degree to which the buyer regulates the stimulus information flow. Perceptual bias, refers to distorting or altering information. Search for information, means actively seeking information on the brands or their characteristics.
- **Learning Construct:** It involves the formation of concepts regarding various brands. This consist of various factors like motive, brand potential of evoke set, decision mediators, pre-dispositions, inhibitors satisfaction.

4. **Exogenous variables:** These are the external factors which influence the decision making process. This could include the importance of purchase, personality, social class, culture, organization, financial status.

Therefore, this model gives an overall view regarding consumer purchases keeping in view all factors influencing the organization as well as end consumer.

2.5 STEPS IN CONSUMER DECISION PROCESS

Q22. Explain the steps involved in Consumer Decision Process?

(OR)

What are the steps involved in consumers decision process.

Ans :

(Imp.)

According to the famous model developed by John Howard and Jagdish Sheth, two famous Professors of marketing, in their "Theory of Buyer Behaviour", the decision- making process of consumers are divided into three stages:

1. **Extensive problem solving (EPS) :** It is when the consumer discovers a new product category or wants to buy a product he does not well or is particularly expensive or which present a significant risk regarding his economical or psychological point of view. His lack of "experience" in the matter leads to his lack of decision criteria to make his choice. He has no preference for a brand or a specific product. The level of consumer involvement is high. He will invest a lot of time looking for information and benchmarks to make his choice. The level of uncertainty and confusion about the choice of product can be high. The purchase process is usually quite long. This is the case for example for buying a car or a new computer.
2. **Limited problem solving (LPS) :** The consumer has a clear vision of its expectations and decision criteria. He already had an experience with the product and knows it. However, he is still undecided about the brand or a particular model to choose and which one will best meet his needs. The level of consumer involvement is moderate and information seeking is more limited. He will compare available products and especially want to determine which brand is best for him. The purchasing process will be shorter. This is the kind of behavior found for occasional purchases such as clothing, video, games and cosmetics.

3. Routinized response behavior (RRB):

This is about the everyday purchases with a low level of involvement from the consumer. These are common products, typically Fast-Moving Consumer Goods (FMCG) or Consumer Packaged Goods (CPG) that the consumer well knows. He knows very well about the brand and which product suits him. He does not need any specific information to make his choice. The purchase decision is simple and is quickly taken. Usually, the more a product has become a "routine buying behavior" for a consumer, the less he will be responsive to stimuli or initiatives like advertising, discounts etc. from the other brands.

2.6 BUSINESS MARKETS

2.6.1 Nature of Buying Unit

Q23. Define Business Markets. Explain different types of Business Markets.

Ans :

Meaning

A business market is a method a company uses to sell products or services to a specific group of consumers. Typically, business markets facilitate sales from one business to another in cases where one business plans to reuse or resell another company's products or services.

A company that purchases goods and services in a business market might also use the items they purchase as materials to produce new products of their own. There are business markets designed around making sales directly to consumers as well, and they focus on reaching a large audience rather than marketing to other businesses.

Types

Five types of business markets

Here are five different types of business markets:

1. Business-to-consumer market

A business-to-consumer market involves businesses advertising products directly to customers for purchase. The business-to-consumer market is

usually identified as the biggest type of business market, as it caters to the largest group of potential consumers. This is because companies that use a business-to-consumer market design their efforts considering the general public or specific demographics that exist within the population, such as different age groups, genders or groups with special interests.

2. Business-to-business market

Companies that use business-to-business markets advertise and sell their goods or services to other businesses instead of marketing directly to consumers. Products and services sold in a business-to-business market are often reused or resold by the company that purchases them and sometimes function as materials for manufacturing new products. Some companies that operate in a business-to-business market might also sell to consumers, but most focus on selling their products or services to other companies and businesses.

3. Industrial market

If a business sells products or services used in industrial or production projects, it likely operates in an industrial market. Most companies that use an industrial market advertise and sell their goods and services to other companies rather than immediately to consumers.

This is because industrial products and services are typically most useful to companies that can reuse them to complete other projects and are not usually ideal for personal use by individuals. Industrial markets are often considered one of the smallest business markets, as their products and services serve smaller groups of consumers instead of large consumer demographics.

4. Services market

A services market refers to when a business advertises and sells services instead of products. Businesses that operate in a services market can also function in a business-to-business market if they sell their services primarily to businesses or a business-to-consumer market if they more frequently sell directly to customers. This can depend on the type of service a business offers, such as whether it's a service that benefits individual consumers or entire businesses.

5. Professional services market

A professional services market facilitates the advertising and sale of services from specialized professions. As companies that operate in professional services markets offer specialized work, their businesses and employees typically have some sort of licensing or certification that permits them to work in their field. Because some companies in a professional services market might provide services that can benefit entire businesses as well as individual consumers, they can sometimes function in both a business-to-business and a business-to-consumer market.

Q24. Discuss the various characteristics of Business Markets.

Ans :

Here are a few common characteristics of business markets:

- Business markets often serve a smaller consumer market that contains large buyers.
 - Business markets can facilitate business between companies that are far away from each other in terms of location.
 - Demand in business markets remains consistent and unaffected by changes in prices.
 - Business markets grow and shrink depending on how many customers are purchasing a final version of a product.
 - Purchases made in a business market might involve several buyers.
 - Selling and advertising in a business market requires a high degree of professionalism.
 - Business markets can present more complex purchasing decisions than consumer markets.
-

2.6.2 Participants in Business Buying

Q25. State the Participants in Business Buying.

Ans :

There are five participant in the business buying process.

1. **Users:** Member of the buying organization who will actually use the purchased product or service
 2. **Influences:** People in an organization's buying center who affect the buying decision
 3. **Buyers:** People in an organization's buying center who make an actual purchase
 4. **Deciders:** People in an organization's buying center who have formal or informal power to select or approve the final suppliers.
 5. **Gatekeepers:** People in an organization's buying center who control the flow of information to others.
-

2.6.3 Business Buying Process

Q26. Explain the process of Business Buying.

Ans :

1. **Problem recognition:** The buying starts when a person recognizes a problem or need. He wants a product that can meet this need. This is called problem reorganization. This can result from internal or external factors. Internally, a company decides to launch a new product. To do this, a company needs new raw materials, equipment, extra labor and capital, new suppliers, and selects a person as a manager who will look after the whole production.

But externally, buyers may have some new experiences after watching TV ads or sales calls, product reviews, or offering a lower price. In showing advertising, marketers want to alert customers about the problem and after then they also show how their products solve the problem.

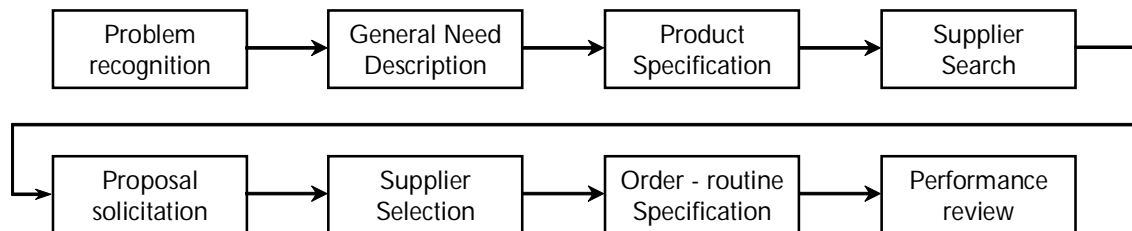


Fig.: Stages of the business buying process

2. **General needs description:** After recognizing a need, general needs description is the next step. It describes the characteristics and quality of the items. The expert team tries to improve durability, price, reliability, core value, and other attributes.
3. **Product specification:** Next the organization develops product specifications with the help of an engineering team. Cost reduction is an important issue in this product specification. That's why the team carefully redesigned, standardized or adopts less costly methods and decides the best characteristics of the product.
4. **Supplier search:** In this stage, a buyer wants the best supplier. Buyers can make a short list of qualified suppliers, search on Google, and watch a review on YouTube, by contracting them. Today, Internet technology brings a revolutionary change in finding information. Small suppliers also get facilities having internet.
5. **Proposal solicitation:** In this stage, the buyer invites qualified suppliers to submit their proposals. Some suppliers offer their sample of the product to the buyer; refer to their websites or promotional materials. If the product is expensive then the suppliers show a presentation of their product.
6. **Supplier selection:** Here, the buyer reviews the supplier's proposals and selects the best one among them. In this selection, the members make a list of desired supplier attributes and their importance. These attributes are product quality, images, reputation, delivery systems, ethical corporate behavior, honesty, and competitive prices. Then the buyer rates all suppliers and chooses the best one.
7. **Order-routine specification:** In this business buying process, the buyer prepares a formal written order for the chosen suppliers. It is known as an order-routine specification. This routine order contains technical specifications, quantity, quality, delivery time, return policies, warranties, maintenance, repair, operation, etc.
8. **Performance review:** Here, the buyer reviews the supplier's whole performance. The buyer asks their users about the products and services and requests them to rate their satisfaction. The performance review helps the buyer to take any decision to continue the business or modify or drop. The seller ensures the buyer about the expected satisfaction.

Short Question and Answers

1. Define Marketing Planning.

Ans :

According to the American Marketing Association has defined the marketing planning as - "Marketing planning is the work of setting up objectives for marketing activity and of determining and scheduling the steps necessary to achieve such objectives". Thus, under marketing planning first of all marketing objectives are set-up and then marketing activities like purchase-sale, product planning and development, advertisement, sales-promotion and scheduled policies and programme to carry out these activities are prepared.

2. Marketing Control.

Ans :

Marketing control refers to the measurement of the company's marketing performance in terms of the sales revenue generated, market share captured, and profit earned. Here, the actual result is compared with the standard set, to find out the deviation and make rectifications accordingly. Marketing is one of the crucial functions of any organization. Therefore, the management must exercise proper control over the marketing operations to ensure error-free results, optimum utilization of the resources and achievement of the planned objectives.

3. Profitability Control.

Ans :

In this method, the base of exercising control over marketing activities is the profitability. Certain profitability (and expenses) related standards are set and compared with actual profitability results to find out how far company is achieving profits. Profitability control calls for measuring profitability of various products, channels, territories, customer groups, order size, etc. It provides necessary information to management to determine whether products, channels, or territories should be expanded, reduced, or eliminated.

4. Consumer Behaviour.

Ans :

Meaning

Consumer behavior may be defined as, "the decision process and physical activity individuals engage in when evaluating, acquiring, using, or disposing of goods and services.

Definitions

- (a) **According to Belch and Belch**, "Consumer behavior is the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires".
- (b) **According to Engel, Blackwell and Miniard**, "Consumer behavior includes those activities directly involved in obtaining, consuming and disposing of products and services including the decision processes that precede and follow these actions."
- (c) **According to Solomon**, "Consumer behavior is the process involved when individuals or groups select, purchase, use, or dispose of products, services, ideas or experiences to satisfy needs and wants."
- (d) **Consumer behavior may also be defined as**, "The study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society".

5. Economic Factors.

Ans :

The consumer buying habits and decisions greatly depend on the economic situation of a country or a market. When a nation is prosperous, the economy is strong, which leads to the greater money supply in the market and higher purchasing power for consumers. When consumers experience a positive economic environment, they are more confident to spend on buying products.

Whereas, a weak economy reflects a struggling market that is impacted by unemployment and lower purchasing power. Economic factors bear a significant influence on the buying decision of a consumer.

6. Marshallian models of consumer behavior.

Ans :

This theory was first advanced by the economists. They gave formal explanation of buyer behaviour. According to this theory the consumers are assumed to be rational and conscious about economic calculations. They follow the law of marginal utility. An individual buyer seeks to spend his money on such goods which give maximum satisfaction (utility) according to his interests and alternative cost. The buying behaviour is determined by the income – its distribution and level - affects the purchasing power.

7. Define Business Markets.

Ans :

A business market is a method a company uses to sell products or services to a specific group of consumers. Typically, business markets facilitate sales from one business to another in cases where one business plans to reuse or resell another company's products or services.

A company that purchases goods and services in a business market might also use the items they purchase as materials to produce new products of their own. There are business markets designed around making sales directly to consumers as well, and they focus on reaching a large audience rather than marketing to other businesses.

8. Characteristics of Business Markets.

Ans :

- Business markets often serve a smaller consumer market that contains large buyers.
- Business markets can facilitate business between companies that are far away from each other in terms of location.
- Demand in business markets remains consistent and unaffected by changes in prices.

- Business markets grow and shrink depending on how many customers are purchasing a final version of a product.
- Purchases made in a business market might involve several buyers.
- Selling and advertising in a business market requires a high degree of professionalism.
- Business markets can present more complex purchasing decisions than consumer markets.

9. Efficiency control in marketing organization.

Ans :

Efficiency control is the prime responsibility of line and staff management and marketing controller. The objective of efficiency control is to assess and improve the spending efficiency of advertising, sales promotion, sales force and distribution activities. Marketing controller is appointed to improve the marketing efficiency levels. It focuses on finding out the better and more efficient ways of doing a work. It is a system or mechanism which is used to assess the efficiencies of advertising, sales force, sales promotion and distribution.

10. Strategic Control.

Ans :

Strategic control implies a critical review of overall marketing effectiveness in relation to broad and long-term objectives and firm's response to marketing environment. It deals with assessing firm's ability to define and achieve marketing goals, and response pattern to environment.

Choose the Correct Answer

1. Any individual who purchases goods and services from the market for his/her end-use is called a _____. [a]
(a) Customer (b) Purchaser
(c) Consumer (d) All these
2. _____ is nothing but willingness of consumers to purchase products and services as per their taste, need and of course pocket. [b]
(a) Consumer behavior (b) Consumer interest
(c) Consumer attitude (d) Consumer perception
3. _____ is a branch which deals with the various stages a consumer goes through before purchasing products or services for his end use. [a]
(a) Consumer behavior (b) Consumer interest
(c) Consumer attitude (d) Consumer perception
4. _____ refers to how an individual perceives a particular message [d]
(a) Consumer behavior (b) Consumer interest
(c) Consumer attitude (d) Consumer interpretation.
5. _____ is the action and decisions process of people who purchase goods and services for personal consumption. [a]
(a) Consumer behavior (b) Consumer interest
(c) Consumer attitude (d) Consumer interpretation.
6. _____ emphasize(s) that profitable marketing begins with the discovery and understanding of consumer needs and then develops a marketing mix to satisfy these needs. [a]
(a) The marketing concept (b) The strategic plan
(c) The product influences (d) The price influences.
7. _____ is one of the most basic influences on an individual's needs, wants, and behaviour. [b]
(a) Brand (b) Culture
(c) Product (d) Price
8. In terms of consumer behaviour; culture, social class, and reference group influences have been related to purchase and _____. [c]
(a) Economic situations (b) Situational influences
(c) Consumption decisions (d) Physiological influences
9. Many sub-cultural barriers are decreasing because of mass communication, mass transit, and a _____. [a]
(a) Decline in the influence of religious values
(b) Decline in communal influences
(c) Strong awareness of brands in the market
(d) Strong awareness of pricing policies in the market.
10. _____ develop on the basis of wealth, skills and power. [d]
(a) Economical classes (b) Purchasing communities
(c) Competitors (d) Social classes

Fill in the blanks

1. _____ refers to the measurement of the company's marketing performance in terms of the sales revenue generated, market share captured, and profit earned.
2. _____ control is the responsibility of top and middle level management.
3. _____ is the prime responsibility of line and staff management and marketing controller.
4. The term _____ is typically used to refer to someone who regularly purchases from a particular store or company.
5. The term _____ more generally refers to anyone engaging in any of the activities used in our definition of consumer behavior.
6. _____ class show distinct product and brand preferences in such areas as clothing, home furnishing, leisure activities and automobiles.
7. _____ factors exert the broadest and deepest influence on consumer behavior.
8. EPS Stands for _____.
9. LPS stands for _____.
10. A _____ market is a method a company uses to sell products or services to a specific group of consumers.

ANSWERS

1. Marketing control
2. Annual plan
3. Efficiency control
4. Customer
5. Consumer
6. Social
7. Cultural
8. Extensive problem solving
9. Limited problem solving
10. Business

UNIT III

PRODUCT AND PRICE MANAGEMENT:

Meaning of Product- Product Levels- Product Classification- Product Mix Decisions- New Product Development Process- Product Life Cycle Strategies- Branding- Packaging- Labeling

(Note: Identify a new product in the market and examine its development process).

Meaning of Price- Pricing Objectives- Pricing Methods (consumer based, competition based, cost-based) - Pricing Strategies (New product pricing, Product mix pricing, Price Adjustment strategies, Pricing across channels)

(Note: Identify top 100 brands in India and prepare a chart of their brand values over past 5 years)

Assume hypothetical figures to conduct break even & marginal analysis and determine price of product, compute mark-up price and cost plus price using hypothetical figures).

3.1 MEANING OF PRODUCT

Q1. Define Product. Explain its characteristics.

Ans :

Meaning

Product is one of the important elements of marketing mix. A marketer can satisfy consumer needs and wants through product. A product consists of both good and service. Decisions on all other elements of marketing mix depend on product. For example, price is set for the product; promotional efforts are directed to sell the product; and distribution network is prepared for the product. Product is in the center of marketing programme. Therefore, product has a major role in determining overall success of marketing efforts.

A marketer tries to produce and sell such products that satisfy needs and wants of the target market. Other words used for product are good, commodity, service, article, or object. In marketing literature, product has comprehensive meaning.

Definitions

- (i) **According to Philip Kotler** "Product is anything that can be offered to someone to satisfy a need or a want."
- (ii) **According to William Stanton** "Product is complex of tangible and intangible attributes, including packaging, colour, price, prestige, and services, that satisfy needs and wants of people."

- (iii) **According to W. Alderson** "Product is a bundle of utilities, consisting of various product features and accompanying services."

Characteristics

1. Product is one of the elements of marketing mix or programme.
2. Different people perceive it differently. Management, society, and consumers have different expectations.
3. Product includes both good and service.
4. Marketer can actualize its goals by producing, selling, improving, and modifying the product.
5. Product is a base for entire marketing programme.
6. In marketing terminology, product means a complete product that can be sold to consumers. That means branding, labeling, colour, services, etc., constitute the product.
7. Product includes total offers, including main qualities, features, and services.
8. It includes tangible and non-tangible features or benefits.
9. It is a vehicle or medium to offer benefits and satisfaction to consumers.
10. Important lies in services rendered by the product, and not ownership of product. People buy services, and not the physical object.

3.2 PRODUCT LEVELS

Q2. Explain various levels of products.

Ans :

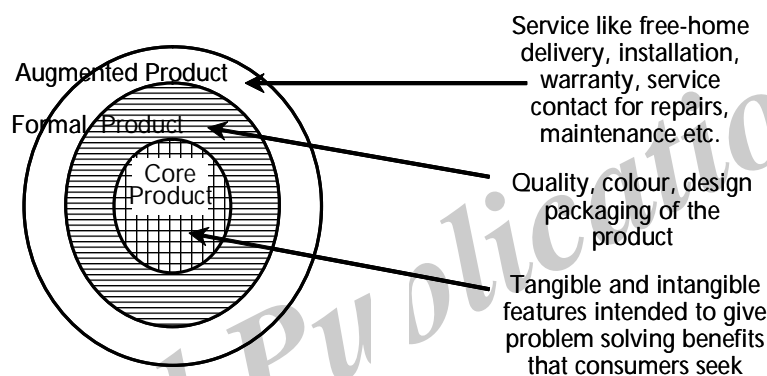
(Imp.)

(i) Core Product

It is a bundle of tangible and intangible features of the product; which impart it a problem solving capacity to fulfill that need of consumer, for which he/she buys the product. Core product includes basic contents, benefits, qualities, or utilities.

(ii) Formal Product

It means the formal form, in which the product is presented in the market and by which consumer recognizes it. It includes things, like colour, design, style, quality, brand name and packaging of the product; which give it a formal shape for recognition and buying.



(iii) Augmented Product:

This dimension of the product is very important in today's highly competitive market. It includes services provided/ promised by the dealer along with the product e.g. free-home delivery, instructions for use of the product, installation facility, warranty/guarantee, service contact for repairs, maintenance, after-sales service etc. As per the definition, anything which can satisfy need and want of consumers is a product. Thus, product may be in form of physical object, person, idea, activity, or organization that can provide any kind of services that satisfy some customer needs or wants.

3.3 PRODUCT CLASSIFICATION

Q3. Explain the Classification of Product.

(OR)

What are the different types of product ?

Ans :

(Imp.)

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.

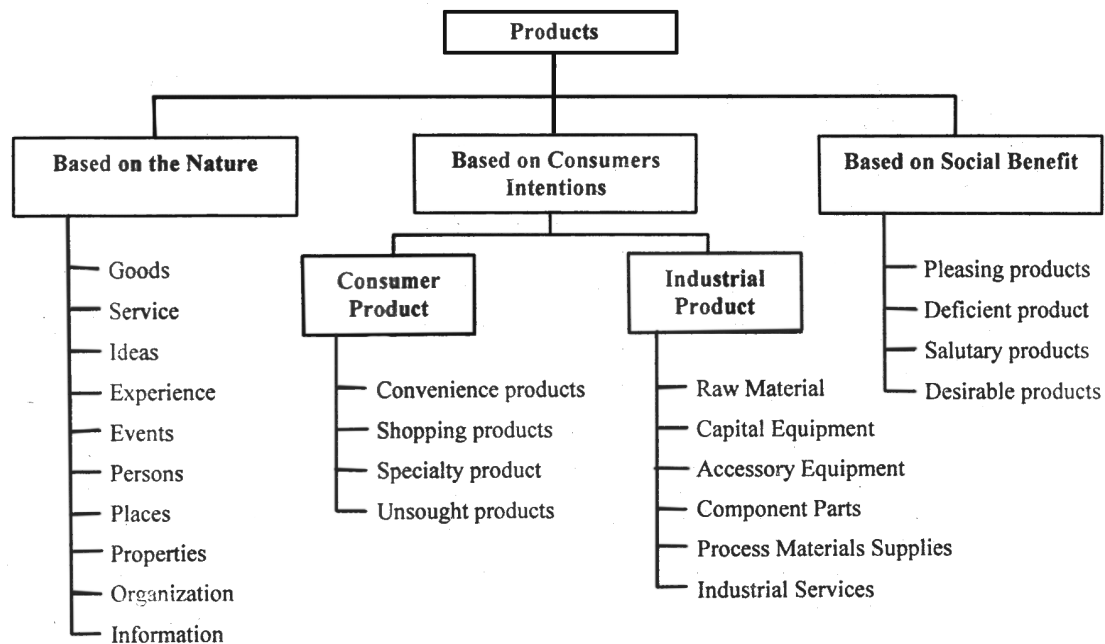


Fig. : Classification of Product

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 business person 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.

3.4 PRODUCT MIX

Q4. Define the term product mix. Explain the factors influencing in product mix.

Ans :

(Imp.)

Meaning

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

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

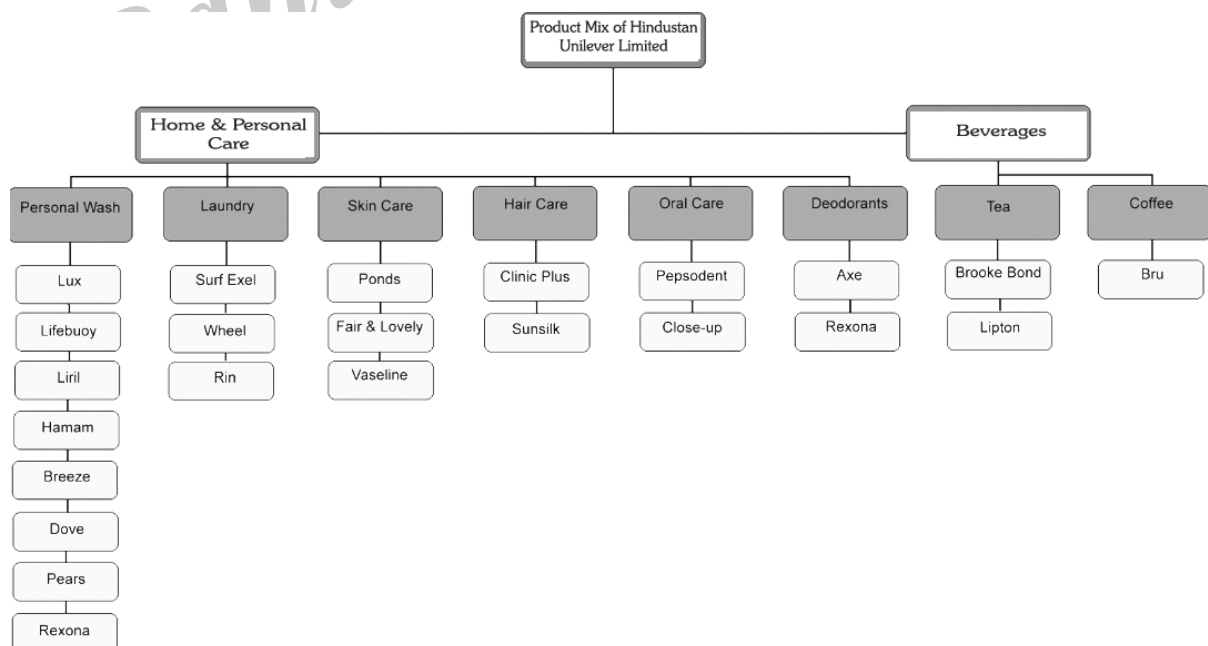
Finance is the life blood of a firm. Availability of finance may necessitate some changes in the product of the company. If the company is short of finances or if the product is continuously going into loss the company may decide to crop the production of such product. Similarly, if company has sufficient funds, it may improve its products.

Q5. 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.

Q6. Explain in detail the product mix of procter and Gamble Company.

Ans :

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.

3.4.1 Product Mix Decisions**Q7. 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.

Q8. 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.

3.5 NEW PRODUCT DEVELOPMENT

Q9. 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 organization or new to the world.

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.

Q10. 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.

3.5.1 Process

Q11. Explain various stages in the New Product Development process.

Ans : (Imp.)

New product development is a task taken by the company to introduce newer products in the market. Regularly there will arise a need in the business for new product development. Your existing products may be technologically outdated, you have different segments to target or you want to cannibalize an existing product. In such cases, New product development is the answer for the company.

There are 7 stages of new product development and they are as follows.

1. Idea generation

A company has to generate many ideas in order to find one that is worth pursuing. The Major sources of new product ideas include internal sources, customers, competitors, distributors and suppliers. Almost 55% of all new product ideas come from internal sources according to one study. Companies like 3M and Toyota have put in special incentive programs or their employees to come up with workable ideas.

Almost 28% of new product ideas come from watching and listening to customers. Customers: even create new products on their own, and companies can benefit by finding these products and putting them on the market like Pillsbury gets promising new products from its annual Bake-off. One of Pillsbury's four cake mix lines and several variations of another came directly from Bake-Off winners' recipes.

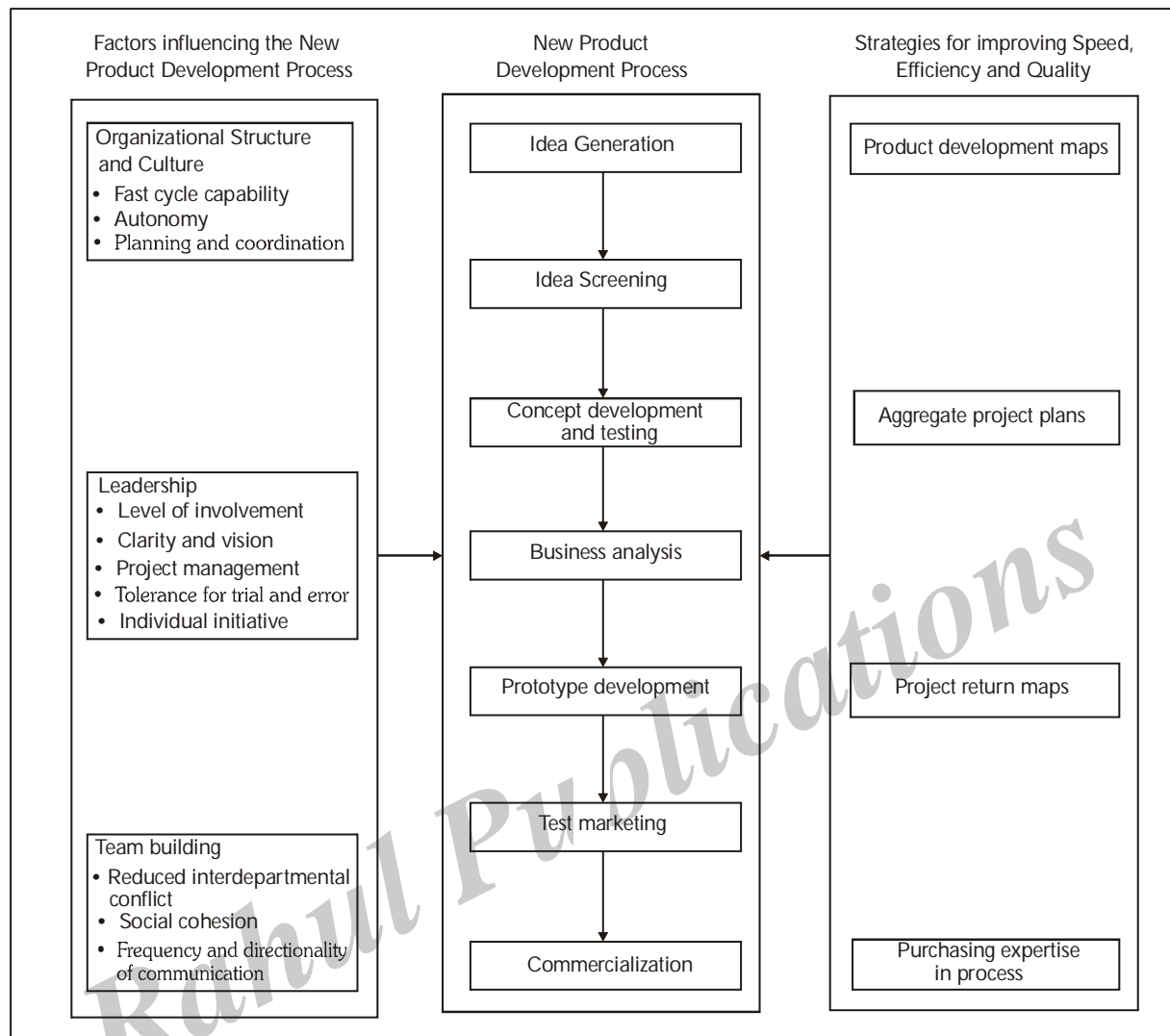


Fig.: New Product Development Process, Factors and Strategies

2. Idea Screening

The second step in New product development is Idea screening. The purpose of idea generation is to create a large pool of ideas. The purpose of this stage is to pare these down to those that are genuinely worth pursuing. Companies have different methods for doing this from product review committees to formal market research. It is helpful at this stage to have a checklist that can be used to rate each idea based on the factors required for successfully launching the product in the marketplace and their relative importance. Against these, management can assess how well the idea fits with the company's marketing skills and experience and other capabilities. Finally, the management can obtain an overall rating of the company's ability to launch the product successfully.

3. Concept Development and Testing

The third step in New product development is Concept Development and Testing. An attractive idea has to be developed into a Product concept. As opposed to a product idea that is an idea for a product that the company can see itself marketing to customers, a product concept is a detailed version of the idea stated in meaningful consumer terms. This is different again from a product

image, which is the consumers' perception of an actual or potential product. Once the concepts are developed, these need to be tested with consumers either symbolically or physically. 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 the strongest appeal. The company can then project these findings to the full market to estimate sales volume.

4. Marketing Strategy Development

This is the next step in new product development. The strategy statement consists of three parts: the first part describes the target market, the planned product positioning and the sales, market share and profit goals for the first few years. The second part outlines the product's planned price, distribution, and marketing budget for the first year. The third part of the marketing strategy statement describes the planned long-run sales, profit goals, sales, costs and profits to find out whether they satisfy a company's objectives. If they do, the product can move to the product development stage.

5. Product Development

Here, R&D or engineering develops the product concept into a physical product. This step calls for a large investment. It will show whether the product idea can be developed into a full-fledged workable product. First, R&D will develop prototypes that will satisfy and excite customers and that can be produced quickly and at budgeted costs. When the prototypes are ready, they must be tested. Functional tests are then conducted under laboratory and field conditions to ascertain whether the product performs safely and effectively.

6. Test Marketing

If the product passes the functional tests, the next step is test marketing: the stage at which

the product and the marketing program are introduced to a more realistic market settings. Test marketing gives the marketer an opportunity to tweak the marketing mix before the going into the expense of a product launch. The amount of test marketing varies with the type of product. Costs 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. Hence, at times, management may decide to do away with this stage and proceed straight to the next one:

7. Commercialization

The final step in new product development is Commercialization. Introducing the product to the market-it will face high costs for manufacturing and advertising and promotion. The company will have to decide on the timing of the launch (seasonality) and the location (whether regional, national or international). This depends a lot on the ability of the company to bear risk and the reach of its distribution network.

Today, in order to increase speed to market, many companies are dropping this sequential approach to development and are adopting the faster, more flexible, simultaneous development approach. Under this approach, many company departments work closely together, overlapping the steps in the product development process to save time and increase effectiveness.

3.6 PRODUCT LIFE CYCLE

Q12. Define Product Life Cycle. Explain the assumptions of Product Life Cycle.

Ans :

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

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.

Q13. Explain various stages of product life cycle.

Ans :

(Imp.)

Product Life Cycle and Marketing Mix

Product life cycle comprises four stages:

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

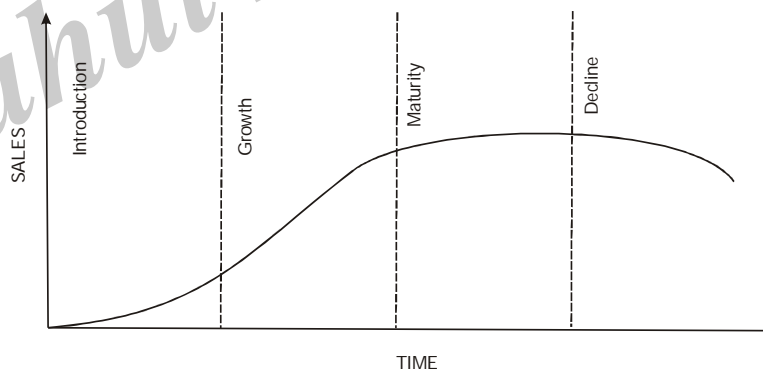


Fig. : Product Life Cycle (PLC)

1. Introduction Stage

At this stage the product is new to the market and few potential customers are aware with the existence of product. The price is generally high. The sales of the product is low or may be restricted to early adopters. Profits are often low or losses are being made, this is because of the high advertising cost and repayment of developmental cost. At the introductory stage :-

- The product is unknown,
- The price is generally high,

- The placement is selective, and
- The promotion is informative and personalised.

At introduction stage, the company core focus is on establishing a market and arising demand for the product. So, the impact on marketing mix is as follows:

- **Product:** Branding, Quality level and intellectual property and protections are obtained to stimulate consumers for the entire product category. Product is under more consideration, as first impression is the last impression.
- **Price:** High(skim) pricing is used for making high profits with intention to cover initial cost in a short period and low pricing is used to penetrate and gain the market share. company choice of pricing strategy depends on their goals.
- **Place:** Distribution at this stage is usually selective and scattered.
- **Promotion:** At introductory stage, promotion is done with intention to build brand awareness. Samples/trials are provided that is fruitful in attracting early adopters and potential customers. Promotional programs are more essential in this phase. It is as much important as to produce the product because it positions the product.

2. Growth Stage

At this stage the product is becoming more widely known and acceptable in the market. Marketing is done to strengthen brand and develop an image for the product.

Prices may start to fall as competitors enters the market. With the increase in sales, profit may start to be earned, but advertising cost remains high. At the growth stage :-

- The product is more widely known and consumed,
- The sales volume increases,
- The price begin to decline with the entry of new players,

- The placement becomes more widely spread, and
- The promotion is focused on brand development and product image formation.

During this stage, firms focus on brand preference and gaining market share. It is market acceptance stage. But due to competition, company invest more in advertisement to convince customers so profits may decline near the end of growth stage. Affect on 4 P's of marketing is as under:

- **Product:** Along with maintaining the existing quality, new features and improvements in product quality may be done. All this is done to compete and maintain the market share.
- **Price:** Price is maintained or may increase as company gets high demand at low competition or it may be reduced to grasp more customers.
- **Distribution:** Distribution becomes more significant with the increase demand and acceptability of product. More channels are added for intensive distribution in order to meet increasing demand. On the other hand resellers start getting interested in the product, so trade discounts are also minimal.
- **Promotion:** At growth stage, promotion is increased. When acceptability of product increases, more efforts are made for brand preference and loyalty.

3. Maturity Stage

At this stage the product is competing with alternatives. Sales and profits are at their peak. Product range may be extended, by adding both withe and depth. With the increases in competition the price reaches to its lowest point. Advertising is done to reinforce the product image in the consumer's minds to increase repeat purchases. At maturity stage :-

- The product is competing with alternatives,
- The sales are at their peak,
- The prices reaches to its lowest point,

- The placement is intense, and
- The promotion is focused on repeat purchasing.

At this stage, there are more competitors with the same products. So, companies defend the market share and extending product life cycle, rather than making the profits. By offering sales promotions to encourage retailer to give more shelf space to the product than that of competitors. At this stage usually loyal customers make purchases. Marketing mix decisions include:

- **Product:** At maturity stage, companies add features and modify the product in order to compete in market and differentiate the product from competition. At this stage, it is best way to get dominance over competitors and increase market share.
- **Price:** Because of intense competition, at maturity stage, price is reduced in order to compete. It attracts the price conscious segment and retain the customers.
- **Distribution:** New channels are added to face intense competition and incentives are offered to retailers to get shelf preference over competitors.
- **Promotion:** Promotion is done in order to create product differentiation and loyalty. Incentives are also offered to attract more customers.

4. Decline Stage

At this stage sales start to fall fast as a result product range is reduced. The product faces reduced competition as many players have left the market and it is expected that no new competitor will enter the market. Advertising cost is also reduced.

Concentration is on remaining market niches as some price stability is expected there. Each product sold could be profitable as developmental costs have been paid at earlier stage. With the reduction in sales volume overall profit will also reduce. At decline stage :-

- The product faces reduced competition,
- The sales volume reduces,
- The price is likely to fall,
- The placement is selective, and
- The promotion is focused on reminding.

At this stage market becomes saturated so sales declines. It may also be due technical obsolescence or customer taste has been changed.

At decline stage company has three options:

1. Maintain the product, Reduce cost and finding new uses of product.
2. Harvest the product by reducing marketing cost and continue offering the product to loyal niche until zero profit.
3. Discontinue the product when there's no profit or a successor is available. Selling out to competitors who want to keep the product.

At declining stage, marketing mix decisions depends on company's strategy. For example, if company want to harvest, the product will remain same and price will be reduced. In case of liquidation, supply will be reduced dramatically.

Q14. Describe the problems of product life cycle.

Ans :

While the product life cycle theory is widely accepted, it does have critics who say that the theory has so many exceptions and so few rules that it is meaningless. Among the holes in the theory that these critics highlight:

- There is no set amount of time that a product must stay in any stage; each product is different and moves through the stages at different times. Also, the four stages are not the same time period in length, which is often overlooked.
- There is no real proof that all products must die. Some products have been seen to go from maturity back to a period of rapid growth thanks to some improvement or redesign. Some argue that by saying in advance that a product must reach the end of life stage, it

becomes a self-fulfilling prophecy that companies subscribe to. Critics say that some businesses interpret the first downturn in sales to mean that a product has reached decline and should be killed, thus terminating some still-viable products prematurely.

- The theory can lead to an over-emphasis on new product releases at the expense of mature products, when in fact the greater profits could possibly be derived from the mature product if a little work was done on revamping the product.
- The theory emphasizes individual products instead of taking larger brands into account.
- The theory does not adequately account for product redesign and/or reinvention.

3.6.1 Product Life Cycle Strategies

Q15. Explain the marketing strategies of different stages of PLC.

Ans :

(Imp.)

Marketing strategy is very important and crucial for all marketing plans or programs. It is a strategy that enables a company to showcase itself as totally different from others and its products or services as special. Thus, it plays important role in PLC. The marketing strategies at different stages of PLC are as follows,

(i) Marketing Strategies at Introduction Stage

In this stage, the company must choose a launch strategy with its intended product positioning. Following are some of the marketing strategies,

1. Create product awareness and its availability.
2. Attract distributors and encourage them to sell new products.
3. Distributors and end users.
4. Focus on selling to those buyers who are most ready to buy.

(ii) Marketing Strategies at Growth Stage

Following are the some of the marketing strategies at this stage,

1. Companies should continue to educate potential consumers and distributors.
2. They should improve product quality by adding new features and models, entering new market segments and distribution channels.
3. They should build product awareness.
4. They should reduce prices at the right time to attract new buyers.

(iii) Marketing Strategies at Maturity Stage

At this stage, following marketing strategies can be followed,

1. Companies should continue to invest in maturing products and try to modify the market, the product and the marketing mix.
2. They should attempt to change product's characteristics, such as quality, features or styles.
3. The efforts of company should be made to attract new users.
4. They should enhance productivity in order to lower down unit cost.

(iv) Marketing Strategies at Decline Stage

At this stage, following marketing strategies can be followed,

1. The management must decide whether to maintain the brand without change or not.
2. They should minimize sales and promotional expenses.
3. They should reduce costs and try to maintain sales.
4. If the company is not able to sustain the competition, then it can drop the product, selling it another firm or liquidating it at salvage value.

Pricing Strategies in Different Levels of Product Life Cycle (PLC)

The pricing strategies in different levels of product life cycle are,

1. Introduction Stage: Markup Pricing

Markup pricing strategy is used in the introduction stage of Product Life Cycle (PLC). This is also known as Cost Based Pricing Strategy. In the introduction stage, the product experiences low sales and the cost is high per customer, thus this strategy is the most appropriate one in this level.

In this strategy, the markup price is added to the total cost of the product. Marketers use this strategy because there is no demand for any product at this level and they also know the expected levels of sales at this stage. The additional markup price which is added to the total cost of the product would meet the complete expenditure.

2. Growth Stage: Market-penetration Pricing

In the growth stage of product life cycle majority of the firms prefer penetration pricing as the product's sales increases and the cost per product is average. They have low price so that the product penetrates into market and attracts large number of buyers.

At this stage, the competitors grow, as the firms try to withstand competition and they try to use penetration pricing rather than high price or skimming off pricing. This strategy is used, to maximize the market share of the firm.

3. Maturity Stage: Competition Based Pricing

This strategy is appropriate when the firm faces competitor from various competitors. Growth stage has many competitor. During the growth stage in the market, the sales rate is high. Therefore in order to remain the market leader, the firm uses this strategy.

In this strategy, the firm has three options - firstly it can fix a price of its product higher than its competitors, i.e., premium price. Secondly, it can fix lesser price than the competitor, i.e., discounted price and thirdly it can fix equal price of its competitor's price, which is known as Parity Pricing.

4. Decline Stage: Price-cut Pricing

In the Decline Stage, there are decreased profits, because of decreasing sales volumes. In order to increase the sales, the firm cuts and reduces the price of the product and drops the idea of following leader in pricing situations. This strategy is known as price-cut pricing.

The price-cut pricing, reduces the expenditure of the product at this stage and cuts its price so that the excess capacity may be used. Thus the firm increases sales.

3.7 BRANDING**Q16. Define Brand and Branding.**

Ans :

(i) Brand Definition

According to Philip Kotler, A brand is defined as "a name term, sign, symbol or combination of these that identifies the maker or seller of the product".

(ii) Branding Definitions

(i) According to Lisa Buyer, "Branding is more than a name and symbol. A brand is created and influenced by people, visuals, culture, style, perception, words, messages, PR (Public Relations), opinions, news media and especially social media".

(ii) According to Dave Kerpen, "Branding is the representation of your organization as a personality. Branding is who you are that differentiates you".

(iii) According to Kotler and Keller "Branding is endowing products and services with the power of a brand"

Q17. 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.

Q18. 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

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 billion 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**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.

Q19. 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.

Q20. 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's 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.

Q21. 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 analyzing 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.

3.8 PACKAGING

Q22. Define Packaging. State the features of Packaging.

Ans : (Imp.)

Definitions

- (i) **According to Philip Kotler**, "Packaging includes the activities of designing and producing the container or wrapper for a product". He also previously defines "Packaging as an activity which is concerned with protection, economy, convenience and promotional consideration".
- (ii) **According to William J. Stanton**, "Packaging is a general group of activities, which concentrate in formulating the design of a package, and producing an appropriate and attractive container or wrapper for the product".
- (iii) In simple words, packaging can be defined as a process of designing and covering a product in a wrapper or in a container. The wrapper or container is called as package and process of packing a product in such wrapper to container is called as packaging.

Features

The essentials or features of good packaging are as follows,

1. Durability

Packaging should be durable depending upon the type and nature of product. It must protect the product from breakage or spoilage for longer period.

2. Suitability

Packaging should be suitable to the product as per its nature. For example, liquid products

should be packed in Jars, bottles, or any other containers. They should not be packed in an cotton or jute bag.

3. Economical

Packaging should be economical i.e. less costly or expensive. It should not increase the price of the product.

4. Lighter

Packaging should be as lighter as possible i.e., after packaging the product, the overall weight should be lighter because light weight product can be handled easily. However, quality and strength of packing should not get effected while trying pack a product in light weight.

5. Suitable to Customer

Packing should be done as the customer needs and requirements. The packaging should be different for liquid products and sold products. As such, customer can easily carry through means of transport.

Q23. Mention different functions of Packaging.

Ans : (Imp.)

1. Protection

The primary function of packaging from times immemorial has been the protection of products from the environment and physical hazards. These include,

- Breakage/damage due to rough handling
- Protection from extreme climate
- Absorption of moisture Contamination
- Loss of liquid/vapour
- Pilferage during transit/storage.

2. Differentiation/Positioning

In recent times when more and more products belong to the 'me-too' categories, it is packaging which lends a different positioning to the product. It offers consumers newer benefits enabling differentiation of the product. Hence, differentiation is one of the major function of packaging.

3. Promotion

Packaging function is a promotional tool for an organizations. Several schemes like offering of discount on purchase of certain number of packages, offering accessories for the product along with the package are introduced by the marketer to make the product more appealing.

For example, Children's products such as chocolate offer some gifts like games, toys etc, on collection of a certain number of wrappers (Example : boomer). Small samples of new products are often offered along with the existing products of the company Example : Kissan Anapuma atta gave Surf Excel sachets free with every 1kg. At times the package is make attractive by making it reusable example; Tea jars, Boost jars etc.

4. Pricing

Packaging act as an important technique for fixing or displaying price of a product. When a company plans to launch a product in the market, then it can do so by giving it in a good package and with best price.

The package enhances the value of the product, which if placed in an ordinary package would not be as appealing to the target customers. Addition to this a package smaller than the regular size and shaped oddly may be priced differently and achieve the desired effect. For example, Maggi Ketchup, Milo etc.

5. Convenience

The package is designed keeping in mind the distribution channel that it has to pass through. It should be convenient to the producer, wholesaler, retailer as well as the final customer with respect to stocking, displaying, shelf space occupancy, reusability and disposal. Thus, packaging functions as a convenient strategy for promoting and selling product.

6. Performance

Packaging must be able to perform the task for which it is designed. This aspect becomes crucial in certain types of packaging. For example, an aerosol spray is not only a package but also an engineering device. If the package does not function, the product itself becomes totally useless.

3.8.1 Labeling

Q24. Define Lable. Explain different types of lables.

Ans :

Definitions

- (i) **According to Mason and Rath**, "the label is an informative tag, wrapper or seal attached to a product or products's package"
- (ii) **According to Darling and Lipson**, "the information that is put on physical product or its package and which tells about the characteristics of the product is called a label".
- (iii) **According to William J.Stanton**, "the label is the part of a product which carries verbal information about the product or the sellers (manufacturers or middlemen). A label may be a part of a package or it may be a tag attached directly to the product".

Types

There are different types of labels which a fre usually attached with the product. They are as follow,

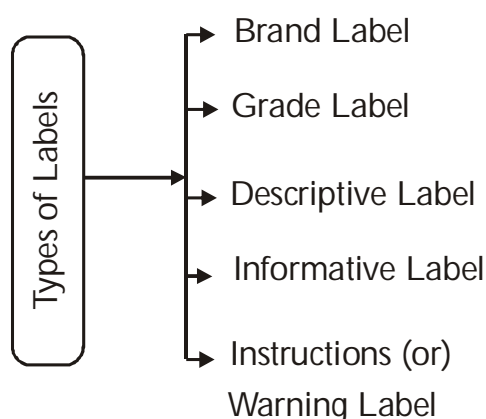


Fig.: Types of Labels

1. Brand Label

The label on product which shows only brand name, logo, symbol or any other information related to brand is called as brand label.

2. Grade Label

The label on product which shows grade, class, group or status of product is called as grade label.

3. Descriptive Label

The label on product which describes the product briefly is called as descriptive label.

4. Informative Label

The label on product which gives detail information about the product usage, construction, ingredient, constraints etc is called as informative label.

5. Instructions (or) Warning Label

The label on product which provide instructions to use the product and warnings to take precautions while using the product is called as instruction or warning label.

Q25. Define Labelling. State the features and functions of Labelling.

Ans : (Imp.)

The process of identifying a product by adding a label to it or its container is called as labelling. In simple words, the process of adding a label to the product in order to identify the product is called as labelling. A label can be added to the product in different forms like sticker, tag, QR code etc. which would provide information about quantity, price, manufacturer or expiry data etc. Labelling plays very important role for distributing marketing or selling a product. It provide distinct identity to the product through which a product can stand in the market. Labelling is a part or component of packaging process. It is done during the packaging of a product. After a product is packaged, different labels are attached to a product like, brand label, grade label, instruction label and warning label.

Features

The features of label or labelling process are similar. They are as follows,

1. Clarity

Labelling gives the information about the main aspects of product clearly. For example, brand label indicates brand name, logo, symbol etc, similarly, informative labels indicates information about the product ingredients, constraints, usage procedure etc.

2. Attractiveness

Labelling attract the customers by highlighting the offers or promotional schemes like, scratching the cover, dialing the code on backside of package buy one get two products etc.

3. Information about usage

Labelling gives instructions and information to the user as how to use the product. For example, Knor soup provide clear instruction of cooking it.

4. Font Styles

Labelling uses attractive font styles to highlight the information about the special information about the product or brand. The fonts are used in such a way that it can be read by customer from far distance.

5. Contract Information

Labelling also provides contact information on products. Customer can contact for enquiries or can give feedback of the product or brand by using such information. Information may includes, contact numbers, Email, Address, Website etc.

6. Product Design

Labelling highlights the design of a product. It prominently feature the product or brand. This helps the customers to easily identify their favorite brands.

7. Size and Shape

Labelling depends upon the size of shape of the package or container. Most brands use labels on front side of package, if there is not enough space on front side they use back side for pasting labels.

Functions

1. Content Highlighting Function

Content highlighting function of labelling highlights the content, constraints, ingredients and other information involved in producing a product. This information helps the customers to decide whether to buy this product or not. For example, on skincare products there would be a label highlighting that this product is paraben-free or free from harmful chemicals.

2. Product Grading Function

Product grading function of labelling highlights the grading or rating of a product through a small label. This label shows the grading or rating in the form of A,B,C or D, 1,2,3, or 4 or 1 star, 2 star, 3 star, etc. For example, complan is rated as 'A' grade because it helps to increase the height of children.

3. Legal Function

Legal function of labelling is very important to sell the products based on the rules and regulation of business laws. This function helps the producer to provide legally mandated information on the product cover through a label. Such information includes, Batch number, manufacturing date, expiry date, weight, MRP Warnings etc. For example, on cigarettes packets "Smoking is injurious to health" would be mentioned because it is a legally mandated information about product.

4. Product Promotion Function

Product promotion function of labelling helps to promote the product by adding offers discounts or colourful and interesting labels which attract the customers. For example on shampoo products 20% extra would be mentioned and on kids products popular cartoon images would be pasted.

Q26. Distinguish between Packaging and Labelling.

Ans :

S.No.	Nature	Packaging	Labelling
1.	Meaning	The process of designing a package, wrapper or container or product is known as packaging.	The process of designing a label of product is known as labelling.
2.	Storage	It helps to store a product.	It does not help to store a product.
3.	Component	It is a component of product personality.	It is a component of packaging
4.	Advantage	It helps to protect the product.	It helps to educate the customer about product.
5.	Transportation	It tries to make transportation of products an easy task.	It does not have much effect on transportation of products.
6.	Brand	It creates brand identity	It enables to identify the brand.
7.	Presentation	It is innovative and attractive	It is simple and formal.

3.9 MEANING OF PRICE

Q27. 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.

Q28. Explain the importance of pricing.

(or)

State the importance of pricing.

Ans : (Imp.)

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.

3.9.1 Objectives of Pricing

Q29. Elucidate the objectives of pricing.

Ans : (Imp.)

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 it's 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 use to increase sale volume to level up the ups and downs that come to the organization.

3.9.2 Pricing Methods

3.9.2.1 Consumer based, Competition based, Cost-based

Q30. What are the various methods of pricing ?

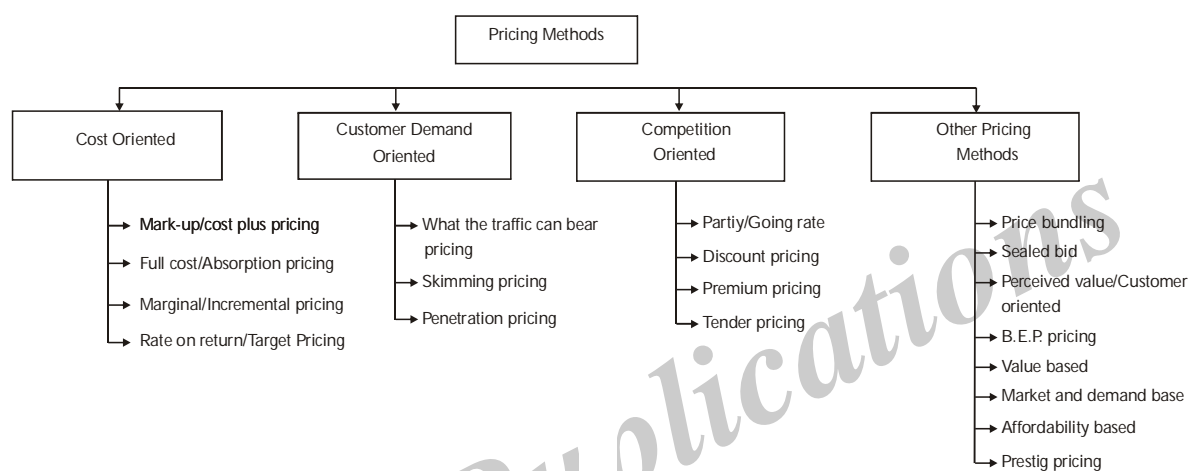
(OR)

Discuss in brief the various pricing methods.

*Ans :***(Imp.)****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:

1. Cost-oriented pricing policy,
2. Customer Demand-oriented pricing policy,
3. Competition-oriented pricing policy, and
4. Other Pricing Policies.

**Fig. : Pricing Methods****Q31. Explain briefly about Cost based pricing.***Ans :***(Imp.)**

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.

Q32. Explain briefly about Customer Demand based pricing.

Ans :

(Imp.)

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:

- a) When the target market associates quality of the product with its price, and high price is perceived to mean high quality of the product.
- b) When the customer is aware and is willing to buy the product at a higher price just to be an opinion leader.
- c) When the product is perceived as enhancing the customer's status in society.

- d) When competition is non-existent or the threat from potential competition exists in the industry because of low entry and exist barriers.
- e) 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:

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

Q33. Explain briefly about Competition based pricing.

Ans :

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 reputé only because they have created the image of quality producer in the minds of the public They became the market leader.

Q34. 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 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:

(a) 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.

(b) Price > value > costs

The 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.

(c) Price > costs > value

The value that he passes on to the customer is still lesser and it is doubtful 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.

(d) Price = value > costs

The 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.

3.10 PRICING STRATEGIES

Q35. State the various Pricing Strategies.

(OR)

Explain the different new product pricing strategies with examples.

Ans :

(Imp.)

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**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**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, Pepsi Co 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.

3.10.1 New Product Pricing

Q36. Explain under what conditions it is desirable to go for penetration and skimming price polices.

Ans : (Imp.)

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

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

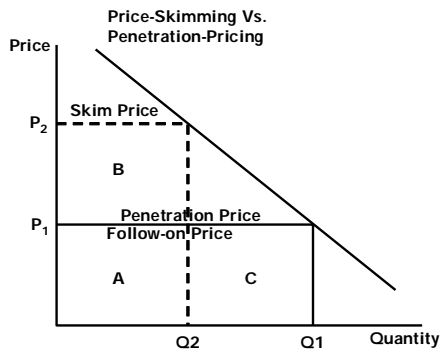
Price skimming occurs in mostly technological markets as firms set a high price during the first stage of the product life cycle. The top segment of the market which are willing to pay the highest price are skimmed off first. When the product enters maturity the price is then gradually lowered.

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.

3.10.2 Product Mix Pricing

Q37. Explain briefly about Product Mix Pricing.

Ans :

(Imp.)

Pricing is an important part of a company's marketing mix strategies. Pricing strategy helps to increase a company's product or service sales in selected market. It also have direct impact on growing company's market share. So we can say that pricing is one of the most important factors of a company's marketing mix strategy. Before proceeding towards the main topic "product mix pricing strategies in marketing" first you should be aware of this common marketing terms "product mix or product portfolio". Here I am mentioning three most common definitions of product mix.

- The product mix is the collection of all those products and services that a particular company offers in the market.
- The set of all product line or item which a particular seller offers to sale.
- The number of all product of similar nature or kind offered by a particular seller for sale.

Types

When the product is a part of product mix or portfolio, companies adopt five kinds of pricing strategies in marketing which are as under

1. Product Line Pricing

This strategy is used for setting the price for entire product line. Many companies now a day develop product line instead of a single product. So product line pricing is setting the price on the base of cost difference between different products in a product line. Marketer also keeps in mind the customer evolution of different features and also competitive prices.

2. Optional Product Pricing

This strategy is used to set the price of optional products or accessories along with a main product. For example refrigerator comes with optional ice maker or CD players and sound systems are optional product with a car. Organizations separate these products from main product because organizations want that customer should not perceive products are costly. Once the potential customer comes to the show room, organization employees explain the benefits of buying these optional or accessory products.

3. Captive Product Pricing

This is strategy used for setting a price for a product that must be used along with a main product, for examples blades with razor and films with a camera. Gillette sells low priced razors but company make money on the replacement of cartridges.

4. By-Product Pricing

By-product pricing is determining of the price for by-products in order to make the main product's price more attractive and competitive. For example processing of rice results in two by-products i.e. rice husk and rice brain oil, and sugar cane with husk. Now if company sells husk and brain oil to other consumers, they will generate extra revenue by adopting this by-product pricing.

5. Product Bundle Pricing

This is a common price and selling strategy adopted by many companies. Many companies offer several products together this is called a bundle. Companies offer the bundles at the reduced price. This strategy helps many companies to increase sales, and to get rid of the unused products. This bundle pricing strategy also attracts the price conscious consumer. Best example is anchor toothpaste with brush at offered lower prices.

3.10.3 Price Adjustment Strategies**Q38. Discuss about Price Adjustment Strategies.***Ans :***(Imp.)**

Price is a strong element of marketing strategy of any company. Price has direct impact on the customer, business and on the overall economy. To customers the price is a major indicator of good quality product and also important factor in making decision about its purchase. Price strategy is therefore, most vital and critical area of marketing strategy. In deciding the price the business management and marketer must consider, the kind of competition in the market, elasticity of demand of that particular product and the cost of production.

Many Companies usually adjust their basic prices keeping in view various customer differences and market changing situations. If a company adopt effective pricing strategies, company become able to secure better market shares.

Types

There are six price adjustment strategies in marketing.

1. Discount and Allowance Pricing

Most companies adjust their basic price for rewarding their customers due to customer quick responses. Such as early payment of bills by customers, bulk purchases, and off-season buying etc, so in these cases companies offer certain amount of discount or allowance to their customers. Such price adjustments called discounts and allowances pricing strategies. Discount is a straight reduction in price by company on purchase while allowance is promotional money paid by company to retailer in respect of an agreement to feature the company's product in some way.

2. Segmented Pricing

In segmented pricing strategy, the company sells a product or service at two or more prices, and difference in prices not based on cost. There are several forms of segmented pricing like under customer-segment pricing, under product-form pricing and more. Museums

are sample example of this as they charge a lower admission from students and senior citizens. Variation of theater or cinema seat prices is also an example of segmented pricing. Companies also charge different prices in different region for same products.

3. Psychological Pricing

Psychological pricing strategy approach considers the psychology of different customers in respect of their products. Price actually says something about the product features and characteristics. For example, many customers use price to judge the quality of the product and services. For example a person wants to purchase perfume, he asks the price from shopkeeper and he told different prices of two bottles as 1000 for one and 400 for other. Now customer will be willing to pay 1000 because this higher price indicates something special.

4. Promotional pricing

Promotional pricing strategy promote or introduce a particular product or service. This is the temporary price companies charged for their products or services and this price may be below then list price and sometimes even below then incurred cost. Some supermarkets and departmental stores offers lower prices to attract customers. Promotional pricing may also have adverse effects for example constantly reduced prices can deliver a message to customer about lower brand's quality in the mind of customers.

5. Geographical Pricing

Geographical Pricing is adopted by many companies now a day. In this pricing strategy companies decide to price its products or service for different customers on the base of geographical location in different parts of the country or world. This is actually relates to buying power of customers. Companies charge high prices in elite class areas and low prices in backward areas.

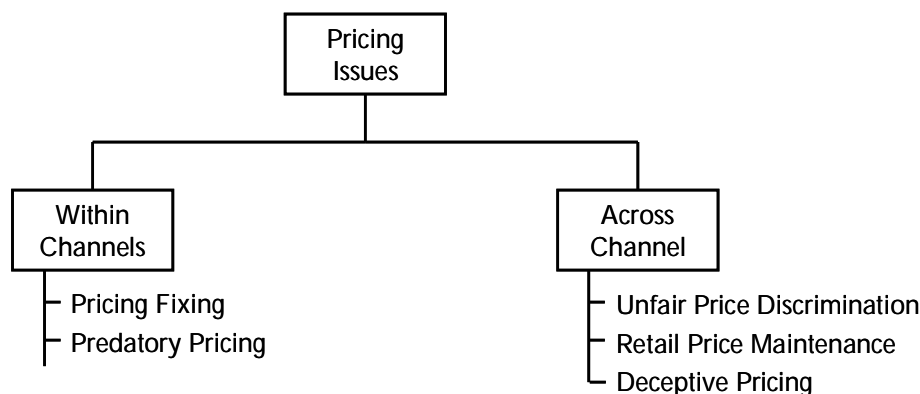
6. International Pricing

Many companies now a day's launch their products internationally. Such companies need to decide what prices to they will charge in the different countries in which they operate. Some companies may also set a uniform worldwide price. International pricing strategy depends on many factors of a specific country like economic conditions, laws and regulations of that country, competitive situations in that country, and development of the wholesaling and retailing system in a particular country.

3.10.4 Pricing Across Channels

Q39. Discuss about Pricing Across Channels.

Ans :



1. Price Fixing

An agreement between business competitors to sell the same product or service at the same price.

- In oligopolistic industries, price competition among firms tends to drive prices down and to reduce profits.
- One alternative is to collude and set prices at or near monopoly level -- thus increase total profits to be shared.

2. Predatory Pricing

This is to sell below cost with the intention of punishing a competitor or gaining higher long-run profits by putting competitors out of business.

The biggest problem is determining just what constitutes predatory pricing behaviour. Selling below cost to sell off excess inventory is not considered predatory; selling below cost to drive out competitors is. Thus the intent can be very difficult to determine or prove.

1. Unfair Price Discrimination

In this, sellers offer different price terms to customers from a given manufacturer.

2. Retail Price Maintenance

In this, a manufacturer requires dealers to charge a specified retail price for its product. Although the seller can propose a manufacturer's suggested retail price to dealers, it cannot refuse to sell to a dealer who takes independent pricing action.

3. Deceptive Pricing

This occurs when a seller states prices or price savings that mislead consumers or are not actually available to consumers.

Short Question and Answers

1. Define Product. Explain its characteristics.

Ans :

Meaning

Product is one of the important elements of marketing mix. A marketer can satisfy consumer needs and wants through product. A product consists of both good and service. Decisions on all other elements of marketing mix depend on product. For example, price is set for the product; promotional efforts are directed to sell the product; and distribution network is prepared for the product. Product is in the center of marketing programme. Therefore, product has a major role in determining overall success of marketing efforts.

A marketer tries to produce and sell such products that satisfy needs and wants of the target market. Other words used for product are good, commodity, service, article, or object. In marketing literature, product has comprehensive meaning.

Definitions

- (i) **According to Philip Kotler** "Product is anything that can be offered to someone to satisfy a need or a want."
- (ii) **According to William Stanton** "Product is complex of tangible and intangible attributes, including packaging, colour, price, prestige, and services, that satisfy needs and wants of people."
- (iii) **According to W. Alderson** "Product is a bundle of utilities, consisting of various product features and accompanying services."

2. Define the term product mix.

Ans :

Meaning

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'.

3. Define the term new product.

Ans :

- (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.

4. Define Product Life Cycle.

Ans :

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".

5. Explain the characteristics of a good brand.

Ans :

(i) 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.

(ii) 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.

(iii) 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.

6. Objectives of Branding.

Ans :

The main objectives of branding product are as follows:

(i) 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.

(ii) 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.

(iii) To increase prestige and status

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

7. Define Packaging

Ans :

Definitions

- (i) According to Philip Kotler,** "Packaging includes the activities of designing and producing the container or wrapper for a product". He also previously defines "Packaging as an activity which is concerned with protection, economy, convenience and promotional consideration".
- (ii) According to William J. Stanton,** "Packaging is a general group of activities, which concentrate in formulating the design of a package, and producing an appropriate and attractive container or wrapper for the product".
- (iii)** In simple words, packaging can be defined as a process of designing and covering a product in a wrapper or in a container. The wrapper or container is called as package and process of packing a product in such wrapper to container is called as packaging.

8. Define Lable

Ans :

Definitions

- (i) According to Mason and Rath,** "the label is an informative tag, wrapper or seal attached to a product or products's package"
- (ii) According to Darling and Lipson,** "the information that is put on physical product or its package and which tells about the characteristics of the product is called a label".

- (iii) **According to William J. Stanton**, "the label is the part of a product which carries verbal information about the product or the sellers (manufacturers or middlemen). A label may be a part of a package or it may be a tag attached directly to the product".

9. Define Labelling. State the features and functions of Labelling.

Ans :

The process of identifying a product by adding a label to it or its container is called as labelling. In simple words, the process of adding a label to the product in order to identify the product is called as labelling. A label can be added to the product in different forms like sticker, tag, QR code etc. which would provide information about quantity, price, manufacturer or expiry data etc. Labelling plays very important role for distributing marketing or selling a product. It provide distinct identity to the product through which a product can stand in the market. Labelling is a part or component of packaging process. It is done during the packaging of a product. After a product is packaged, different labels are attached to a product like, brand label, grade label, instruction label and warning label.

10. 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".

Choose the Correct Answers

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) Odpotion 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

Rahul Publications

Fill in the blanks

1. _____ is one of the important elements of marketing mix.
2. _____ is a group of related products manufactured or marketed by a single company.
3. The second step in New product development is _____.
4. The final step in new product development is _____.
5. "The _____ is an attempt to recognize distinct stage in the sales history of the product".
6. A _____ is defined as "a name term, sign, symbol or combination of these that identifies the maker or seller of the product".
7. _____ function is a promotional tool for an organizations.
8. _____ is the marketing-mix element that produces revenue the others produce costs.
9. _____ point is the volume of sales at which the total sales revenue of the product is equal to its total cost.
10. The first new product pricing strategies is called _____.

ANSWERS

1. Product
2. Product line
3. Idea screening
4. Commercialization.
5. Product life-cycle
6. Brand
7. Packaging
8. Price
9. Break even
10. Price-skimming.

UNIT IV

PROMOTION AND PLACE MANAGEMENT :

Promotion Mix -Elements – Advertising: Objectives- Budget – Media- Effectiveness- Personal Selling: Steps - Sales

Promotion: Objectives, Tools - Public Relations and Publicity: Public Relations Tools- Direct Marketing & its Forms

Marketing Channels- Channel levels- Channel Types- Channel Design Decisions- Channel Management Decisions-

Channel Conflict- Conflict Resolution-Wholesaling- Types of wholesaler- Retailing: Format of retail stores.

4.1 PROMOTION

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

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 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

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

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.'

Q2. Explain the Significance of Promotion.

Ans :

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.

4.2 PROMOTION MIX**Q3. Define Promotion Mix. What are the objectives of promotion mix ?**

Ans :

Meaning

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

The promotion objectives centers around the following six stages to attract the target audience. They are,

- i) Awareness
- ii) Knowledge
- iii) Liking
- iv) Preference
- v) Conviction, and
- vi) Purchase.

The six stages together constitute "hierarchy of effects" as the buyers go through each of these stages before purchasing and it also facilitates effect of promotion.

i) Awareness

The seller's task is to create awareness in the minds of the buyers towards the brand or products.

Example : Dental check up for avoiding tooth related problems, Indian Medical Dental Association is establishing camps where free dental check up is carried out for all the patients.

ii) Knowledge

Knowledge is more than awareness where a buyer gathers and learns about the usage of products and its associated features. With the help of knowledge, customers get an idea about the product and its usefulness.

Example: Fem Bleach cream contains a leaflet in its pack which gives information to the customers about its application, use and affects.

iii) Liking

Liking refers to the market's perception towards the product. Various techniques are used to differentiate one brand from another. The common technique for the brand is to associate with attractive logo, symbol or person.

iv) Preference

Preference refers to giving more preference (priority) to the products of a particular brand over the products of other brands. Customers give preference to the brand if they are satisfied with that brand or that brand has special effects in the minds of customers irrespective of other brands offering the same benefits.

v) Conviction

Conviction factor helps the customers to take final decision of purchasing the product, which fulfill the buyers' needs.

Example : Cameras with Bluetooth, image clarity, dual sim card facility etc., satisfies the customers needs which enables them to purchase the product.

vi) Purchase

A customer may delay the purchase of a product even though he wants to buy 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. 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.

Q5. 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.

4.3 ADVERTISING

Q6. Define Advertising. Explain the nature of advertising.

Ans :

Meaning

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.

Q7. 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.

4.3.1 Objectives of Advertising**Q8. What are the 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.

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.

Q9. State the advantages and disadvantages of Advertising.

Ans :

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 opens 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 affects 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.

Q10. Explain different types of advertising.

Ans :

Different Types of Advertising:

Financial Advertising

Financial advertising is generally targeted towards the fund attraction channels so that the company is able to fill up its coffers with the investments made from outside by external investors, potential shareholders and amazing advisers. And that's when the financial or business sections in the newspapers come in handy for the company.

The company puts up its advertisements about the latest of its achievements, opportunities and any other thing that can assist the business in growing itself up. This keeps the interest of the audience that wants to hear about the company bound to it. So, just feel the first thought that comes to the mind of your audience when it sees your advertisement in any of the types of advertising medium like television, newspaper or even radio and makes use of that feeling in creating that supreme advertising tactic that is able to take your brand beyond success.

Product Advertising

Some marketers think of advertising as a huge drainage to the brand's treasury, but still product advertising is one of the main objectives that any brand would want to pursue. Also this forced the marketers rethink the definition and benefits of types of advertising. Since, it lets a company educate its customer base about a new product that it has recently added to its products line or any new feature update that the brand would like the customers to

know, therefore, it is one of the main marketing tools that any business can have in its tool belt. If we take it to a further refined level, then product advertising comes into play when a brand has already decided to unveil its new product or even a whole new product range in front of its customer base.

3. Corporate Advertising

Can you tell me what can be counted as a greater success for a company that belongs to the field of supplying products to other companies? Well! Definitely, a great, huge contract! And that's what the corporate advertising is supposed to do for a business since it targets the companies who are involved in brand to brand businesses.

Corporate advertising acts as a powerful tool for giving the confidence of prospects and clients, a safe boost so that they are able to get the true picture of your brand's capabilities and the product's features. Moreover, it belongs to the types of advertising which provide a mean of communicating the brand's position in the market along with its financial stability, thus letting the atmosphere of trust and confidence to grow up.

Direct Response Advertising

These types of advertising techniques involve the encouragement that makes a prospect put in its general detail like its name and email in most of the cases. But in some cases, it can go down to include a phone number or even their address and all this for getting a free gift in return. Well! Not just a gift, but it can include anything in which a customer shows its interest like a special discount that's meant to be used just by that prospect. For the purpose, the advertising gateway is provided with a response mechanism like telephone number, website address, email address or even a reply coupon.

4.3.2 Budget

Q11. Explain briefly about Advertising Budget.

Ans :

Meaning

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 de-cided 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.

Q12. Explain the various methods of advertising budget.

Ans :

Methods**(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.

Q13. "Expenditure on advertising is not waste". Do you agree or not?

Ans :

Yes, I agree with the statement "Expenditure on Advertising is not waste". Advertising is a powerful and effective marketing tool. It is very helpful in creating awareness of a product to promote a product or service, yet it is subjected to so much criticism by the critics. Some of the reasons which criticize advertising are as follows,

1. Increased Prices of Products

Critics of advertisement state that, the money spent on advertisement is charged from the consumer in the form of higher product price. Advertised products have increased prices which are paid by consumers. The manufacturer doesn't bear the cost of advertisement.

However, advertisement leads to large scale production of the product services as a result of increased demand for the product. This results in reduced costs and decreased prices. Hence, advertisement doesn't lead to burdening the customers with higher price as believed by some critics.

2. Multiplied Needs

Some critics state that advertising has encouraged the people to consume unhealthy products and has also multiplied their needs. It has also influenced people to buy unnecessary products, which results in wastage of society's resources.

However the fact is that, advertising multiplies the needs of the people. It also encourages them to work more and earn more money and satisfy their multiplied needs. However, new and innovative products make work easier for people.

3. Sale of Low Quality and Suspicious Products

Some critics argue that, advertising encourages people to buy low quality and hazardous products such as Alcohol, Cigarettes etc. Innocent customers are deceived into buying those harmful products.

Advertising is misused by manufacturers to trick people to buy their duplicate and harmful products. However, this cannot be considered as the fault of advertising. The government and public

can keep a check on advertisers who make false claims. Also, the quality of the product depends on the social status and choice of people. Not everyone can afford to purchase good quality and luxury products. People also prefer to buy cheap products due to lower price.

4. Weak Social and Ethical Values

Ethical and social values are degraded due to use of offensive language and vulgar photos in advertisements. Life styles which are not approved by society are praised and promoted by some advertisements. For example, people who drink liquor and smoke cigarettes are considered as brave in the advertisements. Few advertisements are inappropriate.

It is a matter of personal opinion whether advertising weakens social and ethical values. Changes in the society are natural and necessary. The government authorities and industry associations can keep an eye on this type of antisocial advertisement and take necessary action against them.

It is a matter of personal view if an advertisement is seen in decent taste or not. But even standards of taste are not constant and would change with the passage of time.

5. Creates Confusion in the Consumers

Critics argue that several advertisements are displayed on television and other media throughout the day. There are various brands offering same type of products. While each brand claims that their products are better than others, this creates a confusion in the consumers. They find it difficult to make a choice while purchasing a product.

4.3.3 Media Effectiveness

Q14. What do you mean by Advertising Media? Explain various types of Advertising Media?

Ans :

(Imp.)

Meaning

An advertising medium is a communication channel like magazines, newspapers, television and radio. The word media is plural for medium. A medium is a vehicle that carries the advertiser's

message to the people and facilitates in closing the gap between the producer and the consumer at extreme ends.

Types of Advertising Media

The various types of media used in advertising products are as follows,

1. Television Commercials

Television commercials are considered the medium that has the leading media position as it reaches a very wide audience. Other benefits of television advertising are,

- (i) It is an audio-visual presentation that is made in colour. It is very simple to communicate with the product attributes, features and values with this consumers are really benefited.
- (ii) The usage of products in real-life situations can be easily represented. When customers see the usage, the products credibility increases.

2. Print Media

The print media permits the presentation of much detail which interested consumers can read and understand. The features, attributes and usage of the products can be simply communicated.

Some studies on print ads have revealed that images, caption and body copy are the three most important elements and in that same sequence. The image is the attention getter with the caption strengthening the image and taking the reader to the body copy. The placement of these elements are critical. The brand name and logotype or emblem should be appropriately positioned.

3. Radio

The radio has the highest penetration and reach among all advertising media. Though it cannot portray visuals, the medium is well exploited by the use of sound, music and many other methods.

Production of radio spots and jingles are inexpensive and so is radio time. Another advantage is that one can target family small segments by using local stations or target the country as a whole. In India, this gains significance for two important reasons i.e., the high illiteracy rate and the different languages spoken.

4. Other Media

- (i) **Outdoor:** Hoardings, posters, transit (trains, buses, autos) bus stops railway stations, CCTU (railway stations, airports), neon signs, glow signs, kiosks, amusement parks, exhibitions, balloons and sky writing. Point-of-sale, in-store dangles, streamers and promotional offers.
- (ii) **Direct Mail:** Printed material is posted directly to targeted consumers. Now-a-days, email is also being extensively used as a direct mail medium. Names and addresses or email ids are purchased from direct mail specialist agencies who supply refine lists that meet the marketers requirements. Refinements are done across various categories like age, sex, income group, profession, residential area and even pin code.

4.4 PERSONAL SELLING

Q15. 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.

Q16. Explain the importance of personal selling.

Ans :

1. Personal selling is an important element in the promotion mix. It has become a dynamic element in the marketing mix. It has been observed that 20 percent of the total sales are effected through personal selling.
2. The salesman pinpoints the prospective buyers when other sales promotional activities cannot reach them. Here thee is a minimum waste of effort and time.
3. Personal selling is to maintain attention and interest in the public. This is useful to motivate of the buyers.
4. Through personal selling, the salesman understanding the reactions and objections of the prospects.
5. In sales presentation, the salesman can adjust the reaction of the potential buyers. It is two way communication, so the salesman can findout the weakness of the buyers.
6. Feedback is possible in personal selling.
7. Salesman can other services to customers and retailers.
8. Personal selling is useful to prepare market lands and management controlling, planning and execution.
9. Salesman can easily find the target customers. They can formulate suitable strategies and effective policies for increasing the sales.

Q17. Explain the advantages and disadvantages of personal selling.

Ans :

The nature of personal selling positions this promotional tool uniquely among those available to marketers.

Advantages**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 organizations 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**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 communication 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.

Q18. 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.

Q19. What are the various approaches of personal selling ?

Ans :

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.¹

4.4.1 Steps

Q20. Describe the various stages in personal selling.

Ans : (Imp.)

Process

Step 1: Prospecting

It is quite a common observation in our daily life that you can't benefit a person from a product if he doesn't need it. And that's what, this first step towards a winning personal selling deal is based on. In this step, the companies employ different methods to formulate a list with "can-be-a-prospect" basis. This process of looking for potential leads is also known as prospecting. This list is generated by various means like examining data sources e.g. newspapers, or by gathering information from organizations, the internet or even the existing customers.

Prospecting is a way of searching for potential customers whether they are individuals or companies. It is extremely necessary for a brand to stay in the market that it replaces the old customers that do not return to it since the studies show that a typical customer base loses 20% of itself time to time. And there can be any reason behind it e.g. it is very likely that the customer is dead or has transferred somewhere else. Or it might be because he thought your competitor's products to be better than yours. This all explains why a firm should always be trying to grow up its client's list.

Step 2: Qualifying a Prospect

Getting the name just mean that, they can be your customers, but not necessarily. That's why it is important to determine that whether that leads needs your product or not. This can be done by several methods like in some cases, keen observation

is all that it takes towards confirming a lead to be your client; while on the other hand, it might also need a lot of hard work in qualifying him as a prospect.

Step 3: Pre-approach

Once a lead qualifies as a prospect, then it's time for you to start looking for important information and gathering necessary details. These details can be smaller with quite a weak effect on the deal or bigger which can ruin the whole deal off if proper care is not taken. For example, if you qualify a company as a prospect, then it's important to know that what kind of product that company is looking for, who the main buyer is acting behind the curtains, etc.

After that, call objectives should be set before you approach the company and start persuading with all what you have got. This step of personal selling process manages the timing and strategy of approach. Moreover, it is also better to decide the best way to approach that prospect like why to bother going there, where a letter or a call can do, since it will save a lot of hard work while still sparing you plenty of time for focusing on other prospects.

Step 4: Approach

In this step of personal selling process, the sales person finally gets to move off his table to the prospect's office. Since he is going to be the representative of your brand to that prospect, that's why it is extremely important for him to be aware of proper etiquettes of a gentle talk. He should also know how and when to greet the buyer and how to hold off against unexpected behavior from his side. For the purpose, he should use a positive opening line and that too in a professional way. And more importantly, how can he give the feel of professionalism, if he's dressed badly or is opposite to the buyer's temperament.

During your approach, make sure to focus the customer's advantage all the time instead of your profits. Well! I'm not saying that you should leave it all. But believe me, once he surrenders himself to become a user of your product, it will surely pay off.

Step 5: Sales Presentation and Demonstration

Once the atmosphere relaxes, then it is the best time to deliver your sales presentation in front

of the buyer. A success sales presentation requires a well-coordinated visual and audible explanation along with a powerful body language. Even though it is not that easy but whatever you do, just make sure that it goes as the "AIDA formula" which is the short form of several consecutive steps involving gaining attention, holding interest, arousing desire and finally, obtaining the action of the buyer. It works just like as you heat the iron and then hammer it while it is hot to obtain what you want thus leading your personal selling process to victory.

Q21. 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 regarding competitive programs, customer reactions, market trends, and other factors that may be important 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.

Q22. Compare and contrast advertising and personal selling.*Ans :*

S. No.	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.

4.5 SALES PROMOTION

Q23. Define sales promotion? Explain the need of sales promotion.

Ans :

(Imp.)

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).

Meaning

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

- 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

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.

Q24. 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.

Q25. Explain the Distinct Characteristics of sales promotion.

Ans :

The primary purpose of sales promotion is to induce customers for immediate buying or dealer effectiveness or both.

- i. Excessive use of sale promotion may affect sales and reputation of a company adversely.
- ii. It is taken as supplementary to advertising and personal selling efforts.
- iii. It involves all the promotional efforts other than advertising, personal selling, and publicity.
- iv. It consists of short-term incentives, schemes, or plans offered to buyers, salesmen, and/ or dealers.
- v. It involves non-routine selling efforts.

4.5.1 Objectives of Sales Promotion

Q26. Explain the various objectives of sales promotion ?

Ans :

Sales promotion works as link between advertisement and personal selling. There may be difference in the objectives of the method of sales promotion.

However, the common objectives of sales promotion are as follows:

1. To introduce new products

Through sales promotion, new products are presented to prospective customers to persuade them to buy the products. Mostly free samples are distributed. Likewise premium, consumer competition, reduction in price etc. tools can be used. Besides the consumers, middlemen also can be motivated to keep stock of the products.

2. To identify and attract new consumers

The objective of sale promotion is also to identify new customers and attract them towards the firm's products. Different techniques of sales promotion are used at different times to stimulate customers to buy the products. If the business firm feel that the volume of current sales to the present customers is unsatisfactory, the firm tries to identify and develop new customers to sell the products.

3. To encourage more purchase among current customers

The main objective of sales promotion is to increase sales volume. The producers encourage current customers to purchase more through different promotional methods like premium, reduction in price, competition etc.

4. To combat or offset competitors' marketing efforts

A business firm always adopts sales promotion policy so that its products are not sold less than competitors' product in the markets. So, it becomes necessary for the firm to adopt proper sales promotion policy to offset the effect of competitors' policy in the market, if they try any. Hence the objective of sales promotion is to counter competitors' marketing policy and efforts.

5. To stabilize the fluctuating sales pattern

Fluctuation in demand, especially due to seasonal effect, brings instability in sales volume. In such situation, the producer or business firm can bring stability in sales pattern through sales promotion programs.

6. To increase brand awareness

The other important objective of sales promotion is to increase the total number of customers by increasing brand awareness.

7. Other objectives

The other objectives of sales promotion are as follows:

- i) Increasing consumption
- ii) Broadening distribution channel
- iii) Educating consumers regarding product improvement.

Q27. Explain the Advantages and Disadvantages of sales promotion.*Ans :* (Imp.)**Advantages****1. 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.

2. 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.

3. 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.

4. 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.

4.5.2 Tools

Q28. Explain various tools of sales promotions.

Ans :

The various sales promotion devices can be classified in three ways as shown in figure below:

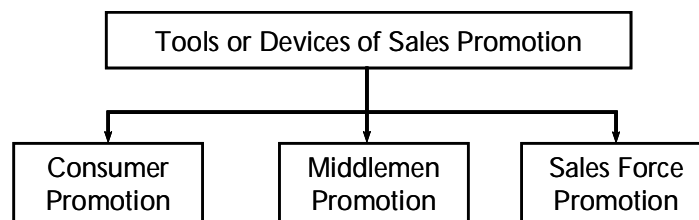


Figure: Tools of Sales and

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.

4.6 PUBLIC RELATIONS

Q29. 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).

Meaning

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, counselization leaders and implementing planned programmed 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.

Q30. 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 relationship 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.

4.6.1 Publicity

Q31. What is Publicity? Discuss the advantages of Publicity and Limitations.

Ans :

Definition

According to Fitzgerald M. and D. Arnott, "publicity is the communication of a product or business by placing information about it in the media without paying for time or place directly."

Publicity is defined as a communication which describes about the features of organization, its products or policies by a channel called media, for which an organization need not pay. Publicity can

be either good publicity or bad publicity. Good publicity can be positive story appearing in the media, endorsement provided by an individual, speech or interview etc. Bad publicity involves the spreading of negative words and dislikes about the organization, its products and policies appearing in the media. This is a result of dissatisfied or inappropriate services provided to the customers.

Good publicity can be achieved through three ways. They are,

- (i) Prepare and distribute a story to the media
- (ii) Personal communication with a group
- (iii) One-on-one personal communication/lobbying.

Advantages

The advantages of publicity includes the following,

1. Lower Cost

Publicity does not involve media for conveying message and sales people to support. Hence, its cost is lower than the cost of advertising or personal selling.

2. Increased Attention

Publicity is an effective means of gaining increased attention as it is presented as editorial material or news.

3. More Information

Publicity provides more information to the customers as it is presented as an editorial narration.

Limitations

The limitations of publicity are as follows,

1. Loss of Control over the Message

An organization is not sure about the fact that whether the news released by it will appear in the media or not. Furthermore, it does not have any control over the message that has to be displayed by the media.

2. Limited Exposure

As the news releases are used only once by the media, sometimes target audience may miss the message from them.

3. Publicity is a Costlier Affair

Eventhough there exists no media space and time of publicity, organizations have to incur expenses on its preparation and dissemination.

4.6.2 Public Relations Tools

Q32. 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.

Q33. 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.

4.7 DIRECT MARKETING

Q34. Define Direct Marketing. Explain the features of Direct Marketing.

Ans :

(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

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:

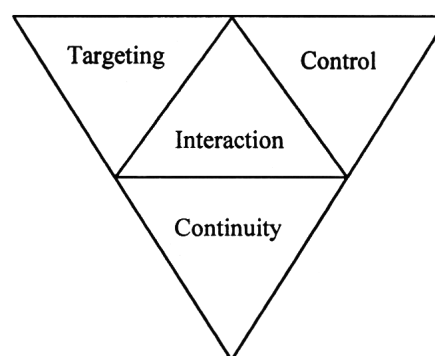


Fig. : TICC Features of Direct Marketing

- 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.

Q35. State the Advantages and Disadvantages of Direct Marketing.

Ans :

Advantages

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**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.

4.7.1 Forms of Direct Marketing

Q36. Discuss the various Forms of Direct Marketing.

Ans :

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.

Q37. Compare and Contrast Direct Marketing and advertising.

Ans :

Sl. No.	Direct Marketing	Sl.No.	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.

4.8 MARKETING CHANNELS

Q38. Define the term channel. Explain the nature of channels.

Ans :

Introduction

Manufacturers normally use intermediaries for taking their products to the users. The inter-mediarities 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.

4.8.1 Channel Levels

Q39. Explain the different types of Channel Levels.

Ans :

(Imp.)

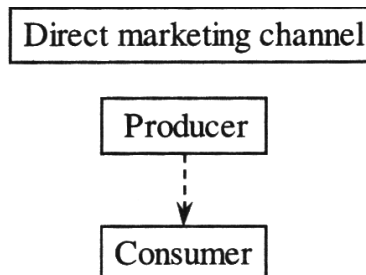
1. Direct Marketing Channel

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

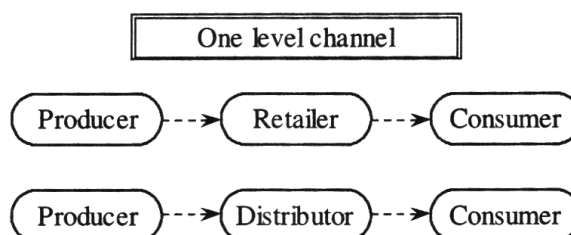
Direct marketing firm, Eureka Forbes which produces vacuum cleaners.

**2. Indirect Marketing Channel**

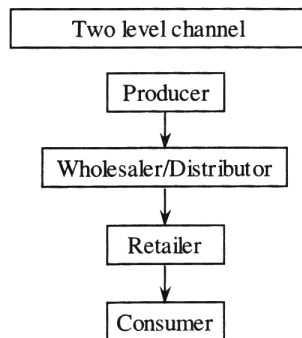
There are 'n' number of intermediaries present at every level of an indirect marketing channel. In the indirect marketing channel, a third party is used for distributing the goods and services of the company. Based on the intensity of distribution, indirect marketing channel is categorized into the following types,

(i) One Level Channel

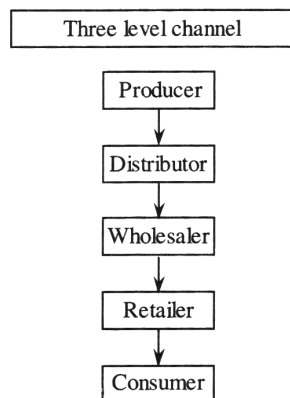
In one level channel, only one intermediary exists (i.e., either a retailer or a distributor) between the producer and the consumer. If the distributor is an intermediary, then this channel is used for specialty commodities such as, washing machines, refrigerators or industrial products.

**(ii) Two Level Channel**

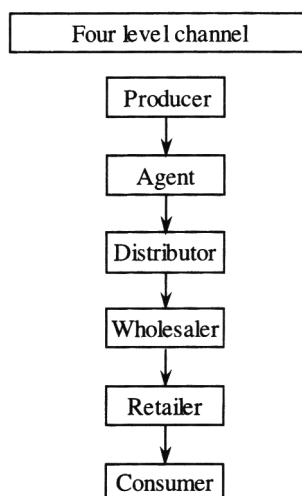
In the two level channel, two intermediaries exist (i.e., either wholesaler/distributor and retailer) between the producer and the consumer.

**(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.



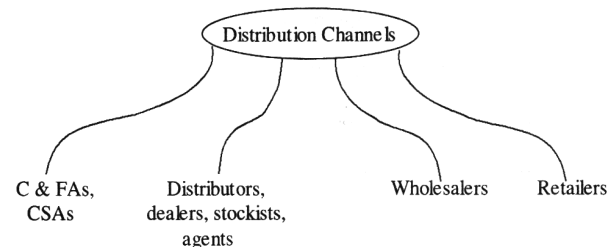
Apart from the above channels many different combinations of channels exist. Based on the kind of product, different channels are selected. Short channel is selected for non-durable and perishable goods, whereas longer channel is selected for consumer durable products. Hence, different types of channels are selected for different products.

4.8.2 Channel Types

Q40. Explain the different types of distributions 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.

4.8.3 Channel Design Decisions**Q41. 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.

Q42. What are the channels design decisions.

Ans :

(Imp.)

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 breath 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.

4.8.4 Channel Management Decisions

Q43. Write about channel management. Explain the framework of channel management with figure.

Ans :

(Imp.)

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.

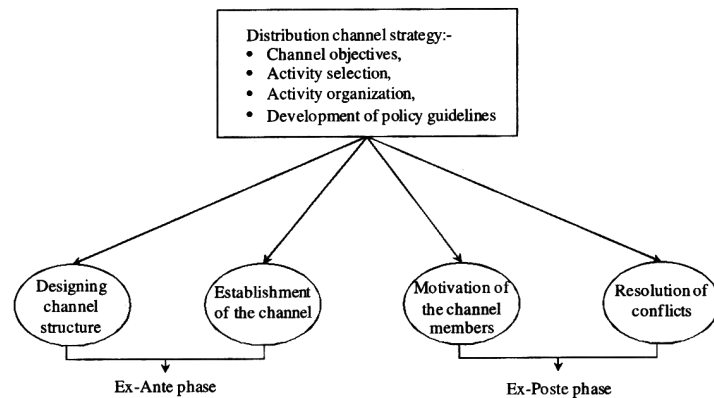


Fig. : Framework of Channel Management

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 take 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,

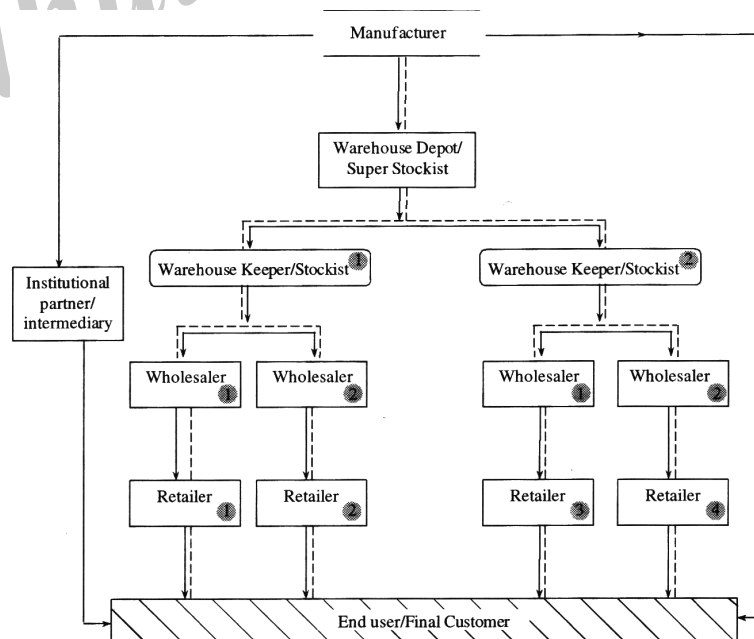


Fig.: Direct Distribution Channel, — Indirect Distribution Channel

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 sells 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 supplies 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 works on a margin of 8% on the 'Maximum Retail Price' (MRP) of the price-controlled drugs and on decontrolled products, the margin will be upto 16%.

Every stockists manages the business of nearly 6 to 8 organizations, but some stockists deals with more than 50 firms. These stockists were basically non-competitive and every stockists 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 the biggest retail drag stores. It had planed for a establishing nearly 100 outlets in India.

➤ **Distribution Margins in India**

There are fixed distribution margins in India. This margins has been fixed as per the provisions of Drag Price Control Order (DPCO). The stockists margin in case of controlled drags has been fixed at 16% and

for decontrolled formulations, it has been fixed at 20%. The stockists usually receives 5-10% cash discounts from the producers through the issue of free packs. While the retailers gets 2% cash discounts from the stockists'

4.8.5 Channel Conflict and Resolution

Q44. Define Channel Conflict. Explain different types of Channel Conflicts.

Ans :

(Imp.)

Meaning

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

- the type
- the nature or cause
- 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

- Vertical level conflict
- Horizontal level conflict
- Multichannel level conflict.

(i) 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.

Q45. What are the Causes channel 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.

Q46. Explain the various resolutions managing the Conflict.

Ans :

(Imp.)

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.

4.9 WHOLESALING**4.9.1 Types of Wholesaler**

Q47. Define Wholesalers. Explain the characteristics Wholesalers.

Ans :

Wholesalers are one of the important middlemen in the channel of distribution who deals with the goods in bulk quantity. They buy goods in bulk from the producers and sell them in relatively smaller quantities to the retailers. In some cases they also sell goods directly to the consumers if the quantity to be purchased is more. They usually deal with a limited variety of items and also in a specific line of product, like iron and steel, textiles, paper, electrical appliances, etc.

Characteristics of Wholesalers

The followings are the characteristics of wholesaler:

- (i) Wholesalers buy goods directly from producers or manufacturers.
- (ii) Wholesalers buy goods in large quantities and sells in relatively smaller quantities.
- (iii) They sell different varieties of a particular line of product. For example, a wholesaler who deals with paper is expected to keep all varieties of paper, cardboard, card, etc.
- (iv) They may employ a number of agents or workers for distribution of products.
- (v) Wholesalers need large amount of capital to be invested in his business.
- (vi) They generally provides credit facility to retailers.
- (vii) He also provides financial assistance to the producers or manufacturers. Channels of Distribution 73
- (viii) In a city or town they are normally seen to be located in one particular area of the market.

Q48. Explain the functions of Wholesalers.

Ans :

A wholesaler performs the following functions:

- (i) **Assembling:** A wholesaler buys goods from producers who are scattered far and wide and assembles them in his warehouse for the purpose of the retailers.
- (ii) **Storage:** After arranging and assembling the products from producers, wholesaler stores them in his warehouse and releases them in proper and required quantities as and when they are required by retailers. Since there is always a time-lag between production and consumption, therefore, the manufactured goods are to be stored carefully till they are

demanding by retailers. Thus, a wholesaler performs the storage function in order to save the goods from deterioration and also to make these goods available when they are demanded.

- (iii) **Transportation:** Wholesalers buy goods in bulk from the producers and transport them to their own godowns. Also, they provide transportation facility to retailers' by transporting the goods from their warehouses to the retailers' shops. Some wholesalers purchase in bulk, therefore, they can avail the economies of freight on bulk purchases.
- (iv) **Financing:** A wholesaler provides credit facility to retailers who are in need of financial assistance.
- (v) **Risk-bearing:** A wholesaler bears all the trade risks arising out of the sudden fall in prices of goods or by way of damage/spoilage or destruction of goods in his warehouse. The risk of bad debt as a result of non - payment by retailers who have purchased on credit, also falls on the wholesalers. Thus a wholesaler bears all the trade and financial risks of the business.
- (vi) **Grading and Packing:** A wholesaler sorts out the goods according to their quality and then packs them in appropriate containers. Thus, he performs the marketing function of grading and packing also.
- (vii) **Providing Marketing Information:** Wholesalers provide valuable market information to retailers and manufacturers. The retailers are informed about the quality and type of goods available in the market for sale, whereas the manufacturers are informed about the changes in tastes and fashions of consumers so that they may produce the goods of the desired level of taste and fashion.
- (viii) **Facilitating Disbursement and Sale:** Wholesalers sell their goods to retailers who are scattered far and wide. Retailers approach them when their stocks are exhausted from further replenishment. Thus, wholesalers help in the dispersion process of marketing.

Q49. Explain different types of Wholesaler.

Ans :

Following are the different types of Wholesalers are as follows :

1. **Merchant Wholesalers :** These wholesale suppliers own and produce a product or service and resell their products to resellers, retailers, distributors and other wholesalers. If you can buy the products you require direct from the supplier you will usually be able to obtain the best prices and profit margins.
2. **General Wholesalers :** Wholesalers that fall into this category will usually buy large quantities of products from one or more suppliers and will be intending to add value to them by reselling in smaller quantities to distributors, retailers and resellers. This type of wholesale supplier will often have multiple suppliers adding diversity to their product range and choice for their customers. This type of wholesaler may resell products from a number of different industries and in several different categories.
3. **Speciality Wholesalers:** This type of wholesaler will resell products in a specific industry or product category, but may have products from multiple suppliers. Because specialty wholesalers specialize in a specific industry or product type they tend to have good product knowledge and good pricing.
4. **Specific Product Wholesalers:** These are wholesalers who only supply 1 type of product for example footwear or computers. They may supply several brands but only within one product category. Manufacturers often use this type of wholesaler to distribute one or more of their products.
5. **Discount Wholesalers:** This type of wholesaler will supply significantly discounted stock. Generally the stock is discounted because the products are discontinued lines, returned goods or refurbished goods.
6. **Drop Ship Wholesalers:** This type of wholesaler will complete the sale of a product but will have it dispatched from their supplier directly to their customer without actually handling the goods.

7. **On-line Wholesaler:** Wholesalers who sell their products on-line offer discounted prices as they can reduce their overheads such as rent and rates of physical premises. This type of wholesaler is therefore able to add a lower percentage to their purchase price and still make margin.

4.10 RETAILING

Q50. Define the term Retailing. Explain the evolution of Retailing.

Ans :

(Imp.)

Meaning

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.

Q51. 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.

Q52. What are the Functions of Retailers?

Ans :

(Imp.)

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. **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.
3. **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).
4. **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.

Q53. Explain the significance of retailing.

Ans :

(Imp)

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.

Q54. Explain the emerging trends of retailing.*Ans :* (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.

4.10.1 Formats of Retail Stores**Q55. Explain the Formats of Retail Stores.***Ans :* (Imp.)**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 specialty 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 specialty 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.

Sl. No.	Mail-order Marketing	Sl. No.	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.

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 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

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.

2. Define Promotion Mix.

Ans :

Meaning

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.

3. Define Advertising.

Ans :

Meaning

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 Media.

Ans :

An advertising medium is a communication channel like magazines, newspapers, television and radio. The word media is plural for medium. A medium is a vehicle that carries the advertiser's message to the people and facilitates in closing the gap between the producer and the consumer at extreme ends.

6. Personal selling.

Ans :

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".

7. Define sales promotion.*Ans :*

- 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".

8. Define Public Relations.*Ans :*

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, counselization 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 tot he benefit of both".

9. Define Direct Marketing.*Ans :*

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.

10. Channel.

Ans :

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.

Rahul Publications

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. _____ is an essential element in modern marketing.
2. The term 'advertising' is derived from the original Latin word 'advertere' which means _____.
3. _____ is a deliberate and continuous effort to establish and maintain understanding between an organization and its public.
4. _____ is defined as a communication which describes about the features of organization
5. _____ is the process by which a firm approaches its customers on one-to-one basis and markets its products directly to them.
6. Direct marketing channel is also known as _____ channel.
7. _____ conflict occurs when the channel member at one level, is in conflict with another member at the next higher or lower level.
8. Retail, also known as _____.
9. The seller's task is to create _____ in the minds of the buyers towards the brand or products.
10. _____ is any paid form of non-personal presentation of ideas, goods or services by an identified sponsor.

ANSWERS

1. Promotion
2. 'To turn' the attention
3. Public relation
4. Publicity
5. Direct marketing (DM)
6. Zero level
7. Vertical level
8. Retailing
9. Awareness
10. Advertising

UNIT V

DEVELOPMENTS IN MARKETING :

Concept of Services Marketing – Services Marketing Mix – Consumerism (Causes and effects) - Sustainable Marketing (Principles and strategies) – Meta Marketing- - Strategic Marketing- Cross Cultural Marketing- Entrepreneurial Marketing(Types and strategies)- Affiliate Marketing

(Note: Undertake a google search engine analysis for a product).

Digital Marketing Domains- Social Media Marketing- Content Marketing- Email Marketing- Search Engine Optimisation- Mobile Marketing- Influencer Marketing.

(Note: Analyse sustainable marketing practices of Indian companies)

Marketing Analytics-Components- Marketing Analytics Tools.

(Note: Examine marketing practices of a bank / insurance company/ travel/logistics company etc).

5.1 CONCEPT OF SERVICES MARKETING

Q1. Define services. State the scope and classification of services.

Ans :

(Imp.)

Definitions

Services can be defined in the following ways,

1. "Service is an identifiable, intangible activity that is the main object of a transaction designed to provide satisfaction to the customers".
2. The American marketing association defines services as "services are the activities, benefits or satisfaction which are offered for sale and provided in connection with the sale of goods".
3. Services are "Economic activities that produce time, place, form or psychological utilities".

Scope

- (i) There is an immense scope of services, most of the organisations, specifically who market industrial goods group services with goods at the time of reporting total income.
- (ii) The erection and commissioning of equipments, training of human resource maintenance (annual maintenance contracts) and so on are the hidden services that are grouped with goods.

- (iii) This portion of services is not considered separately in our Indian economy

Classification

The organisations which market services can be broadly categorized into two,

1. Profit seeking organisations
2. Non-profit organisations.

1. Profit Seeking Organisations

The services offered by profit seeking organisations can be categorised based on industry as follows,

- (a) **Industry Providing House-hold Operations** : House-hold operations include repair and maintenance services (such as house repairs) and utility services (such as, appliances repairs, electric repairs, lawncare, domestic help, landscaping).
- (b) **Medical and Health Care Industry:** Some of the examples of medical and health care services are hospitalisation, dental, nursing, diagnostic services etc.
- (c) **Personal Care** : Some of the examples of personal care services are beauty care, hair dressing and image services.
- (d) **Housing** : Some of the examples of housing services are rentals of houses, farmhouses, apartments, estate-management, hotel rooms.

- (e) **Recreation and Entertainment** : Theme parks, amusement parks, rental of entertainment equipment, DJ services, discos etc., come under recreation and entertainment services.
- (f) **Business and Professional Services** : Some of the examples of business are professional services are, private detective services, accounting, legal services and management consultancy services.
- (g) **Transportation** : Some of the examples of transportation services are state transports, parcel delivery services and private transportation.
- (h) **Banking, Insurance and Other Financial Services** : Personal and business insurance, stock brokers and investment advisory services are some of the examples of banking, insurance and other financial services.
- (i) **Private Education** : Colleges, schools, vocational studies, continuing education are the examples of private education.
- (j) **Communication** : Some of the examples of communication services are, fax, telex, internet, e-mail, websites and telephone.

The above mentioned services are bought not only by individual consumers but also by organisational consumers.

2. Non-Profit Organisations

The classification of the services of the non-profit organisations by the service sector is as follows,

- (a) **Cultural** : Some of the examples of cultural services are, theatres, cultural events, museums, zoos.
- (b) **Social Cause** : Some of the examples of social cause services are, cancer eradication, family planning and environmental concerns.
- (c) **Social** : Social services include clubs.
- (d) **Political** : Some of the examples of

political services are, political parties, individual politicians etc.

- (e) **Religious** : Some of the examples of religious services are, mosques, churches, gurudwaras and temples.
- (f) **Healthcare** : Hospitals, health research organisations are examples of health care services.
- (g) **Education** : Some of the examples of educational services include, schools, universities etc.
- (h) **Charitable** : Welfare groups (like Red Cross) and research foundations come under charity services.

There are few items (like school, hospital) which are common in profit and non-profit organisations. A school or a hospital might be established with profit motive but if an NGO is establishing a school or a hospital that won't be with profit motive.

Q2. Define service market. Explain its characteristics.

Ans :

Meaning

A market in which services are performed for the customers is known as service markets. The service industry has witnessed rapid growth in recent times and they are continuing to grow faster. Services are intangible in nature and does not involves any ownership transfer but maintain close contact with the consumer.

Characteristics

The various characteristics of service market are as follows,

1. Intangibility

Services are intangible in nature and this intangibility complicates the task of decision maker, creating several problems, as service cannot be displayed, the buyers cannot see it, cannot test and make a trial before making buying decision, the customer can neither touch it nor smell it, rather in true sense; services are not a physical object.

It has a mental connotation. It then becomes difficult to emphasize on it. Thus while selling it we need to concentrate on benefits and satisfaction derived from it post purchase. For example, an airline sells the seat from one person to another.

Here customer will perceive and expect certain mental connotation from traveling like safety, speed, decent services etc., but cannot smell or taste the service. Thus service by nature is an abstract phenomenon which make it's marketing complicated.

2. Perishability

Services cannot be stored or preserved. Un-utilised or under-utilized services are found to be waste. If a bedroom in a hotel remain vacant, a seat in aeroplane remain unsold etc. are all economic waste. Service for them is lost for now and future. The reason for this waste is perishability of economic waste.

3. Inseparability

Services are created and supplied at the same time. Like the dancers, musician, dentists etc. create and offer services at the same time. In contrast goods are produced, sold and then consumed.

This inseparability makes the task of marketing services difficult. Goods are produced at one point and distributed to other points and later on consumed, whereas in services, the selling process makes way for the generation of services thus services are sold. Produced and then used E.g. eating at a restaurant. Professional while marketing services should try to minimize the gap between services promised and services offered.

4. Heterogeneity

The quality of services cannot be standardized. Not two services offered are precisely or exactly alike. This inconsistency make it difficult to establish standards. Consumer rate the same services consumed at different places or different instances in a different manner.

For example, the level of satisfaction offered for having biryani at a restaurant on difficult occasion cannot be made to remain same. Setting or fixing one particular standard of service is difficult.

5. Ownership

Services are activities which cannot result into change of ownership. A consumer may use a hotel room, swimming pool, still the ownership remain with the provider of the service. The consumers have just gained access to the service. This creates difficulties in marketing services which otherwise is not the case with respect to marketing goods.

6. Un-channelised Distribution

Services cannot be delivered to customer i.e., services don't move through the channel of distribution. To avail services the customers are brought to the providers. Services have limited geographical area.

Q3. What are the strategies of service markets?

Ans :

(Imp.)

The following are the different approaches/strategies which are being used by the service marketers or providers,

1. Undifferentiated Marketing
2. Differentiated Marketing
3. Concentrated Marketing

1. Undifferentiated Marketing Strategy

Is also called as mass marketing, herein the company's attempt with respect to the appeal request made to the complete market with a single basic marketing strategy basically aims to make a mass appeal to the complete market.

Advantages

Some of the advantages of undifferentiated service marketing strategy are as follows,

- (i) Undifferentiated marketing strategy is highly economical and there is a scope of potential savings on marketing or production cost.
- (ii) The cost of market research and product development are found to be very less.

Disadvantages

Some of the disadvantages of undifferentiated service marketing strategy are as follows,

- (i) Offers unexpected products.
- (ii) In the present competitive scenario, there is a high possibility of failure of this strategy.
- (iii) Involves severe competition.

2. Differentiated Marketing Strategy

It is also referred to as multiple segmentation, wherein the company attempts to appeal to two or more particular well defined market segments with a separate marketing strategy for each segment.

Advantages

Some of the advantages of differentiated service marketing strategy are as follows,

- (i) Differentiated marketing strategy is highly successful in financial terms when compared to undifferentiated marketing strategy.
- (ii) Economies in marketing or productions.

Disadvantages

Some of the disadvantages of differentiated service marketing strategy are as follows,

- (i) In differentiated marketing, the costs of marketing forecasting, sales analysis, marketing research promotion planning and advertising are very high.
- (ii) This strategy leads to cannibalization.

3. Concentrated Marketing Strategy

In the concentrated marketing the companies attempts to appeal to only one particular market segment with one particular marketing strategy.

Advantages

Some of the advantages of concentrated service marketing strategy are as follows,

- (i) Concentrated marketing strategy can satisfy the requirement of niche market segment in a more efficient manner.
- (ii) Helps the smaller firms in competing against bigger firms.
- (iii) This strategy allows effective positioning of products or services.

Disadvantages

Some of the disadvantages of concentrated service marketing strategy are as follows,

- (i) In concentrated marketing, the target market chosen is very small or changing.
- (ii) Big competitors can market their products to the niche market in a more efficient manner.

5.2 SERVICES MARKETING MIX

Q4. What is service marketing mix? Explain the traditional and expanded marketing mix for services.

Ans :

The concept of marketing mix was first introduced and used by Professor of Harward Business School. Neicl H. Border. The main aim of marketing mix is to analyse the demands of the customers and to deliver standard goods or services to the consumers.

The marketing mix makes use of marketing elements to fulfill both individuals and organisational objectives. To optimise demand and to satisfy the target market.

Traditional Marketing Mix

The 4p's of traditional marketing mix are, product, price, promotion and place.

Expanded Marketing Mix for Services

Due to special features of services, traditional marketing mix is modified/extended to 7P's. The extended 3P's are people, physical evidence and process.

1. Product

It is the seller's perspective about the marketing tools with which buyers can be influenced. The various aspects of the product which are used for influencing the buyers are as follows,

- (a) Features
- (b) Product lines
- (c) Branding
- (d) Packaging

- (e) Warranty
- (f) Quality level.

2. Place

Place is a important tool used by the firm to fulfill its objectives and to provide the product in a convenient form. The various aspects of the place which needs to be managed are as follows,

- (a) Channel type
- (b) Intermediaries
- (c) Outlet location
- (d) Transportation
- (e) Storage
- (f) Managing channels.

3. Promotion

Promotion helps the firm to communicate about the product to the buyers by using the following methods,

- (a) Personal selling
- (b) Advertisement
- (c) Sales promotion
- (d) Publicity
- (e) Direct marketing.

4. Price

Price gives profit to the company so it acts as an important device. The various aspects of price which needs to be managed are as follows,

- (a) Flexibility
- (b) Price level
- (c) Terms
- (d) Differentiation
- (e) Discounts
- (f) Allowances.

5. People (Employees)

The people (or) employees play a vital role in the company. They represent the company in front of the customer and acts as an actual

marketers. They play two roles i.e., the role of employees and customers.

The various aspects of employees which needs to be managed are,

- (a) Recruiting
- (b) Training
- (c) Motivation
- (d) Rewards
- (e) Teamwork.

6. Physical Evidence

Physical evidence needs mapping. The various aspects of physical evidence which need to be managed are as follows,

- (a) Facility design
- (b) Equipment
- (c) Employee uniform/dresscode
- (d) Other tangibles
- (e) Reports
- (f) Guarantees
- (g) Business cards.

7. Process

It deals with managing the flow of activity.

The various aspects of the process needs to be managed are as follows,

- (a) Standardized
- (b) Customized.

It is simple as well as complicated.

5.3 CONSUMERISM

5.3.1 Causes and Effects

Q5. Define the term 'Consumerism'. Explain the need and scope of Consumerism.

Ans :

(Imp.)

Definition

Philip Kotler had defined Consumerism as, "An organized movement of citizen and government to impose right and power of buyers in relation to sellers".

Cravens and Hills had defined consumerism as, "a social force within the environment designed to aid and protect the consumer by exerting legal, moral and economic pressure on business".

Need

The following points highlight the need and reasons of consumerism,

1. The most important reason for the growth of Consumerism is the protection of the interest of the consumers against fake, duplicate, and hazardous goods and services.
2. Many global business houses had resorted to forceful selling of goods and services at very high prices. The consumer is forced to purchase these products as he does not have any choice. Thus this grievance of the unsatisfied consumer led to the rise of Consumerism globally.
3. It added like a social movement to force the government and the business community to address the grievances of the consumers.

Scope

The scope of consumerism includes the protection of the general consumer against. It is a wide concept and covers the following areas,

1. It covers the area of Inferior Quality goods.
2. It covers the area of Dangerous and Hazardous goods.
3. It covers the area of Monopolistic and restrictive trade practices.
4. It covers the area of Unfair trade practices.
5. It covers the area of False and misleading advertisements.

Q6. Write about the benefits of consumerism.

Ans :

The following are the benefits/advantages of consumerism,

1. Safe Goods for Customers

The most important advantage of Consumerism is that it ensures that safe, good quality, original goods are supplied to the Consumers. Through Consumerism the customers are made aware about their rights

and responsibilities. They can seek protection against fraudulent or fake goods.

2. Encourages Economic Growth

Consumerism encourages economic growth in the country. When the consumerism are supplied with good quality and safe goods it will lead to increased consumption and demand. This intum would led to more production of goods, more jobs, more employment. All this would result lead to overall economic growth.

3. Healthy Competition

Consumerism would encourage healthy competition in the market place. The weak and fraudulent producers would be eliminated. Good producers would stay in the market place and prosper.

4. Encourages Entrepreneurship

A major advantage of consumerism is that it encourages self employment and entrepreneurship. Entrepreneurs would develop new business models to attract the customers by providing high quality goods and services.

5. More Choice to Consumers

Consumerism encourages the producers to become innovative and come up with a variety of safe high quality products to attract the customers. This intum would lead to a wide choice of goods and services for the customers to choose from.

For example, the soft drink market in India is highly competitive. Customers can choose from among many soft drinks such as Coca-cola, Pepsi, 7up, Sprite, Fanta, Mirinda, Thums up etc.

6. Boosts Innovation

Consumerism helps to boost creativity and innovation in the market place. Consumerism would make the consumers informed and aware about the products. This would make them demand goods which are cheap and also with new features. Such customer demand would lead to creativity and innovation among the producers. They would invest in research and development to come up with new product.

Q7. Discuss the reasons behind the rise of Consumerism.**Ans :** (Imp.)

The following are the key reasons for the rise of consumerism,

1. A major reason for the rise of consumerism is the supply of sub standard and low quality goods by some traders to the consumers.
2. Many traders indulge in adulteration of the products by mixing cheap and low quality raw material in the product, to increase their profit margin. For example mixing of stones in grains, mixing of cheap quality fat in the manufacturing of ghee, mixing of coconut oil in refined palm oil etc.
3. Such mixing of harmful and substandard material would make the final product unsafe for consumption. To protect the general consumer against such adulteration, the Consumerism movement had come into being.
4. Duplication of products is another major reason which gave rise to Consumerism. Many dishonest traders produce goods locally and stamp them with "Made in USA", "Made in Japan" tags. Such duplicate products are sold in the market to unsuspecting consumers at a high price.
5. Misleading advertisement by the traders is a major cause for the rise of Consumerism. Some dishonest traders misrepresent the usefulness about the product to increase the sales. The consumer should be made aware about such misleading advertisements.

Q8. Explain about origin of consumer movement in India.**(OR)**

Discuss about the consumer protection laws that existed in ancient India.

Ans :

Research studies have found that there existed many consumer protection laws in ancient India. The following points highlight the consumer protection rules and consumer movement that existed in ancient India,

1. The ancient Indian society is very duty conscious. There were clear rules related to contracts along with punishments for non fulfilment of the duty by the trader.
 2. In the 18th title of Manu Smrithi it was found that consumer protection was provided utmost importance. The consumer was provided the right to replacement of defective good or full refund.
 3. Under ancient 'Law of Crimes' rules were framed to ensure correct weights and measures, prevention of adulteration of food, strict quality control etc.
 4. The teachings of the VEDAS such as "Tell the truth", "Never Tell the Untruth", "Never hurt anyone" were followed in the marketplace.
 5. The imperial Code of Law of the Mauryan Kings (300 B.C) contains various consumer protection rules, regulations, commands, injunctions which regulated the trade activity of that period.
 6. In the ancient book Arthashastra (by Kautilya) stated about weights and measures which need to be made of iron and stamped by a government official.
 7. During ancient India, adulteration of food and medicinal goods was punishable through fines.
 8. Rules and regulations were framed and followed for the transactions of sale and purchase. For example, If the seller sells the goods to a customer and then resells the same goods to any other customer, in such case, the seller is liable to pay double the value of goods sold to the first customer.
 9. The concept of fixation of prices and determination of profits was also smoothly regulated, to protect the interest of the consumers.
 10. There were clearly stated fines and punishments for traders who indulged in activities of cultivating inferior quality goods, hoarding of goods, effect of fraud and cheating on contracts etc.
- Thus it can be understood that the ancient Indian rules ensured good protection of the interest of the consumers.

5.4 SUSTAINABLE MARKETING

5.4.1 Principles and Strategies

Q9. What is Sustainable Marketing? Explain its principles.

Ans :

(Imp.)

Meaning

Sustainable marketing is the practice of thinking about the environmental and social implications of your business, in addition to financial aspects. It was born out of a realization that many companies were not considering the long-term effects they had on everything from their employees and customers to environmental resources like water, fuel, and even food ingredients. This insight led some companies to consider the eco-friendliness of their product and service choices. It also led them to implement sustainable practices in their business, such as recycling and energy-efficiency programs.

Principles

1. Consumer-oriented marketing

This principle is based on the idea that an organization should learn everything it can about consumers and do everything in its power to provide what they want and need. In other words, means that the company should view and organize its marketing activities from the consumer's point of view. The firm doesn't just market its products, but also find out how and why people use them. For example: Nike, focus on consumer end-user experience. The company spends considerable money and effort to provide support for people who run or play sports. For example, Nike has free training programs online where you can submit instructional questions and get helpful tips in return.

2. Customer value marketing

Customer value marketing principle is based on the idea that a company should understand and improve the quality of its products and services over time, so that they can provide customers with greater satisfaction rather than investing most of the marketing budget on advertising and selling.

Enlightened marketing calls for building long-run consumer engagement, loyalty, and relationships by continually improving the value consumers receive from the firm's market offering. By creating value for consumers, the company can capture value from consumers in return.

3. Innovative marketing

Innovative marketing calls for a firm to constantly innovate its products and services. The company should adapt by means including new product development, market segmentation, positioning strategies, product standards and specifications, customer satisfaction, customer value packaging and delivery of goods and services. Enlightened marketers believe that the best way to achieve growth is to offer consumers something they want. In addition, a company must have the ability to market new products successfully in order to achieve sustainable marketing success over time.

4. Sense-of-mission marketing

Sense-of-mission marketing defines that a company should set out a mission in broad social terms to follow during its years of operation. Enlightened marketers rely on this principle to guide their decisions about the company's marketing content, brand image, business model, relationships with stakeholders and strategies for innovation. The sense of mission represents a company's culture or its social responsibility. Every firm has a social responsibility in one way or another whether they are aware of it or not, and this principle helps to ensure that the social responsibilities are positive ones.

5. Societal marketing

Societal marketing is built on the idea that a company should make decisions under the consideration on consumers' wants, the company's requirements, consumers' long-run interests, and society's long-run interests. Companies should be aware that neglecting consumer and societal long-run interests is a disservice to consumers and society. Enlightened marketers believe that a firm

should be engaged with all stakeholders and consider their rights and interests. They also believe that the company has an obligation to society at large.

Q10. Explain the strategies of Sustainable Marketing.

Ans :

1. **Sustainable Marketing helps to increase brand awareness :** Usually, when choosing a product, customers will first associate the brands they like. If a brand is associated with a sustainable marketing strategy, that brand will easily be noticed and accepted by the community. Since then, customers also have sympathy for the brand and associate with the brand more. Besides, the frequency of customers mentioning the brand is also more and positive comments can help the brand be known and loved by many people.
2. **Sustainable Marketing contributes to a more positive community change :** In fact, Sustainable Marketing requires businesses to be responsible as citizens. Marketing activities must not only promote the image and communicate the brand, but also have a humane meaning, spread positive messages, protect the environment in the long term and minimize harm to the environment. For that reason, Sustainable Marketing helps each customer understand more about social responsibility and contribute to environmental protection.
3. **Sustainable Marketing helps businesses reach new markets :** Sustainable marketing helps businesses reach new markets - where there are customers who love environmentally friendly products. Thus, thanks to the increased number of customers and inherent loyal customers, the enterprise has an additional competitive advantage over its competitors.

Sustainable marketing can increase revenue and market share. Many businesses have found that people want to buy from companies who invest in things like recycling and green products, so they adopt sustainable practices as a form of marketing themselves.

5.5 META MARKETING

Q11. Define Meta Marketing. What are the advantages of Meta Marketing?

Ans :

(Imp.)

Meaning

Meta Market is a customer-centric virtual market that offers closely related products or services belonging to the same industry or diverse set of industries. It strives to cater for the similar needs of diversified customers under one roof.

Moreover, we can understand it as a platform that develops and maintains exchange relationships. These relationships exist between all the buyers and sellers of the complementary products.

Advantages

1. To firms

- **Horizontal and Vertical Segments:** The development of this system can be either horizontal (across industries) or vertical (within the industry).
- **Centralized Platform:** It is an intermediary that helps widen the market reach and facilitates automation.
- **Supply Chain Efficiency:** It provides a base for creating and improving the industry's new and existing supply chains.
- **Strong Network:** Firms create a strong network within/across industries and customers through meta markets.

2. To customers

- **Accessibility:** Customers have access to all the potential alternatives of the demanded products.
- **Easy Switching:** They can visit various meta-markets and select the best alternative available.
- **Procurement and Delivery:** Making a purchase from a meta market eases the complete procedure of procuring the goods. As the products are delivered to the doorsteps.

5.6 STRATEGIC MARKETING

Q12. Define Strategic Marketing. State its benefits.

Ans :

Meaning

Strategic Marketing is the way a firm effectively differentiates itself from its competitors by capitalizing on its strengths (both current and potential) to provide consistently better value to customers than its competitors. In principle it's that simple, but it means a lot more than getting creative with the marketing mix.

Benefits

Here are some of the benefits of strategic marketing :

1. Provides a competitive advantage

Strategic marketing is important since it allows a company to gain an edge over its competition and establish its brand presence in the market against the existing players and new entrants. It demonstrates how the brand is unique. In addition, the features and benefits of the products and services that it offers in an innovative, strategic and planned manner shows the differences from competing brands.

2. Increase in efficiency

Strategic marketing management can improve a company's overall efficiency. Good strategies provide them with the clarity to make good business decisions. In good strategic marketing, brands can identify their budget, target audience, messaging and track performance. All these things contribute to efficiency and reduce wastage of precious resources, allowing them to make better business decisions.

3. Supports marketing communication

The marketing communications strategy is fundamental as a means to reach out to consumers and get their attention. Successful marketing communications are critical to generating consistent sales. This strategy starts by identifying the right consumers and how the company can satisfy their needs.

4. Establish marketing budgets

Every year, management allocates budgets to departments such as marketing, sales and human resources. The goal of budgets is to promote business success. Strategic marketing allows companies to spend their marketing budgets on marketing activities with a high return on investment (ROI). Using marketing budgets most effectively can achieve not only marketing goals but business goals too.

5. Improves brand awareness

Brand awareness is the ability for consumers to recognize and remember a company. The more familiar audiences are with a brand's logo, messaging and products, the greater their brand awareness would be. The process of spreading a message, growing an audience and establishing high brand recognition increases within a given target market. Improve the social media presence by posting more content and ensure the content is high quality and resonates with the customers.

6. Maximize the return on investment

Strategic marketing planning is a process that integrates production processes and consumer behavior. In addition to maximizing the marketing return on investment, a strategic marketing plan is vital for minimizing the sales cycle of a company. The implementation of specific action steps and the measurement of results allows them to more precisely target customers for returns with selective intent. Corporate entities can grow their market share as well with a sound strategic marketing plan resulting in more revenue and profits.

5.7 CROSS CULTURAL MARKETING

Q13. What is Cross Cultural Marketing? Discuss its strategies.

Ans :

Meaning

Cross cultural marketing is a marketing done with two or more different cultures i.e. it is done internationally on a personal level, which means when planning marketing campaigns and media

cultural differences are taken into consideration, understanding the need for maintaining the balance between Globalization and Localization and last but not the least Implementation of the strategies that are required to respect the differences while unifying of brand messages are taken into consideration. Cross Cultural Marketing is a research that takes place across the cultural groups or nations. Due to Globalization and International marketing, Cross Cultural Marketing has become very important. The nature of the Research is also becoming highly diverse. According to International view, to determine the degrees of adaption, competitive advantage and attractiveness of the markets the information of marked is used.

Strategies

Cross-cultural marketing has a number of unique features that set it apart from other types of marketing. One of its most central unique features is a focus on cultural diversity. Within the context of cross-cultural marketing, the term diversity is typically defined as the incorporation of people with a variety of races, ethnicities, cultures, genders, sexual orientations, religions, and national origins.

Diversity is often seen as a source of strength and creativity for many organizations while being lauded for its ability to promote innovation and understanding. This is especially true in the case of marketing, where the inclusion of many different perspectives can lead to more effective and efficient marketing strategies.

1. Global scope

Cross-cultural marketing is not limited to a single country or region. Instead, it often involves targeting consumers from various regions across the world. Thus, businesses need to be aware of the cultural differences that exist between consumers from different geographical regions.

2. Use of cultural elements

Cross-cultural marketing campaigns often seek to use unique cultural aspects that are

specific to a certain culture or region in order to appeal to consumers from that area. For example, a company may use traditional music, dance, or dress from a particular culture in its marketing campaigns.

3. Recognition of cultural differences

Cross-cultural marketing recognizes and takes into account the fact that consumers from different cultures have different needs, wants, and values. It is crucial for businesses to understand these differences in order to be able to successfully market their products or services to consumers from different cultures.

5.8 ENTREPRENEURIAL MARKETING

Q14. Explain the concept of Entrepreneurial Marketing.

Ans :

The American Marketing Association (AMA) defines marketing as "the process of planning and executing the conception pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individuals. These marketing activities require scanning the environment, analyzing market opportunities, and designing marketing strategies, and implementing and controlling marketing programs

Creating, delivering, and communicating value to customers is at the core of the marketing function. Additionally, it is also used to manage relationships with customers to achieve profitability and create value for the organization and its stakeholders. Conventional marketing is a thoughtful and systematically arranged process. As a concept it operates as if identifying customer needs, requires formal research to meet these needs. The firms plan to create and organize a structure for new products and service development. Yet, entrepreneurial behavior is informal, unplanned, and based on individual instruction and understanding of events in the marketplace.

Q15. Compare and contrast Traditional Marketing and Entrepreneurial Marketing.*Ans :*

S.No.	Nature	Traditional Marketing	Entrepreneurial Marketing.
1.	Concept	Customer-oriented, Market-driven, product development follows	Innovation oriented, idea-powered, intuitive estimation of market needs
2.	Strategy	Top-down segmentation, targeting, and positioning.	Bottom-up aimed at customers and other important groups.
3.	Methods	The marketing mix and four Ps.	Collaborative marketing methods, using word of mouth marketing methods
4.	Market Intelligence	Formalized research and intelligence systems	Informal networking and information collection.

5.9 AFFILIATE MARKETING**Q16. Define Affiliate Marketing. Explain different types of Affiliate Marketing.***Ans :***(Imp.)****Meaning**

Affiliate marketing is an advertising model in which a company compensates third-party publishers to generate traffic or leads to the company's products and services. The third-party publishers are affiliates, and the commission fee incentivizes them to find ways to promote the company.

Examples :

Amazon's affiliate marketing program, Amazon Associates, is one of the world's largest affiliate marketing programs. Creators, publishers, and bloggers sign up to have Amazon products and services shared on their websites or apps, and in return, receive compensation for the sales their sites generate.

Amazon sets strict criteria for the types of sites and apps that host its ads. For example, sites must not contain replicated content from another site or creator and be available to the public. Websites must be active with fresh content and suitable according to Amazon's standards. For example, they must not contain obscene or offensive content, promote violence or illegal acts, or contain any content deemed harmful to others.

Approval is contingent on a thorough review by Amazon staff and meeting a qualified sales quota (three within 180 days of the application). If an application is rejected, it will not be eligible for reconsideration. Once approved, commissions are earned as site visitors purchase products or services from Amazon.

Amazon Associates can earn up to 20% in commissions for qualified sales. Rates are fixed and based on product and program categories. As a bonus, Amazon offers special commissions on certain events.

Types

- 1. Unattached Affiliate Marketing:** This is an advertising model in which the affiliate has no connection to the product or service they are promoting. They have no known related skills or expertise and do not serve as an authority on or make claims about its use. This is the most uninvolved form of affiliate marketing. The lack of attachment to the potential customer and product absolves the affiliate from the duty to recommend or advise.
- 2. Related Affiliate Marketing:** As the name suggests, related affiliate marketing involves the promotion of products or services by an affiliate with some type of relationship to the offering. Generally, the connection is between the affiliate's niche and the product or service. The affiliate has enough influence and expertise to generate traffic, and their level of authority makes them a

trusted source. The affiliate, however, makes no claims about the use of the product or service.

3. **Involved Affiliate Marketing:** This type of marketing establishes a deeper connection between the affiliate and the product or service they're promoting. They have used or currently use the product and are confident that their positive experiences can be shared by others. Their experiences are the advertisements, and they serve as trusted sources of information. On the other hand, because they're providing recommendations, their reputation may be compromised by any problems arising from the offering.

5.10 DIGITAL MARKETING DOMAINS

Q17. Define digital marketing. Explain the objectives of digital marketing.

Ans :

(Imp.)

Meaning

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

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.

Q18. Explain the various components of digital marketing.*Ans. :***(Imp.)****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 the 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 the examples of web advertisement. The major advantage of this kind of advertising is information is not restricted to any particular 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-mouth. 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).

Q19. 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

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

- 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.

Q20. Explain the benefits and Limitations of Digital Marketing.*Ans :* (Imp.)**Benefits**

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

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.

5.10.1 Social-Media Marketing**Q21. 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 broadcast 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.

Q22. 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.

Q23. 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.

Q24. 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 microbiology 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 statues 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.

Q25. What is a You tube and Flicker? How they are used in sharing photos and videos?

Ans : (Imp.)

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.

Q26. What are the differences between Social Media Marketing and Digital Marketing?*Ans :*

S.No.	Nature	Social Media Marketing	Digital Marketing
1.	Meaning	Social Media Marketing is a form of marketing that uses social mediasites, forums and blogs to promoteproduct or brand and createawareness about them.	Digital Marketing implies promotingand attracting customers, through alldigital platforms including internetbased and non-internet baseddc hannels.
2.	Reach	Limited	Wide
3.	Based on	Content	Banners
4.	Concerned with	Engaging with the social media user, in the best manner.	Reaching the target audiencethrough different digital marketingplatforms.

5.10.2 Content Marketing**Q27. Define Content Marketing. Explain the importance of Content Marketing.***Ans :***(Imp.)****Meaning**

Content Marketing is a strategic approach to marketing a business or brand by creating and publishing and communicating valuable and relevant content to attract and retain a defined target segment. Content marketing is an ongoing process integrated into the long term marketing strategy which includes educational articles, e-books, videos, newsletters, entertainment, webinars, podcasts etc. The content is not about the products o the services the company sells but the high quality and relevant information and experience the customers get.

Example:

Buffer and its blogs - Buffer is a software application which helps to manage social media accounts and tracks users' growth via social media. It has 4 blogs where they share business ups and downs along with educational contents for customers where they educate how they do things and how their customers could do the same.

Importance

Content marketing has become a necessity to stay relevant in the market. As such, it has a lot of importance to the business.

1. **Lead generation-** Lead generation is a principal way for businesses to improve sales through website traffic. Content marketing leads people to discover the website through content and convert them to potential customers. About 3 times more leads are generated through content marketing in e-marketing than traditional marketing techniques.

2. Appeals customers at different stages of buying- While traditional marketing approaches are intended for later stages of buying a funnel, content marketing & advertising influences customer at all the buying stages starting from awareness to consideration and then conversion. This technique can satisfy the user needs and help them convert those to want and then desire to buy the products along with eliminating different information barriers which could prevent buying of the products.
3. Target niche segments of buyers- Content marketing usually focuses on a specific market segment & target audience to satisfy the particular set of needs they have. This technique helps business to know about the buyer segments who might be actually interested to buy the products and develop better buyer personas.

By becoming a source of information that is relevant to the customers, the business gets the attraction of the customers and earn their trust and loyalty and customer relationship becomes stronger in the long run. While purchasing a product, they will prefer this brand over others. Content marketing these days is an integral part of integrated marketing communications (IMC).

Q28. State the advantages and disadvantages of Content Marketing.

Ans :

Advantages

Some benefits of content marketing are as follows:

1. **Builds brand awareness and loyalty :** Traditional methods of marketing and advertising are not as much effective as content marketing to build brand awareness and trust. Content Marketing is much efficient and cost-effective. Relevant and consistent content makes the business trustworthy.
2. **Increase website traffic :** Relevant and valuable content attracts more customers to the website which can be persuaded to purchase the goods and services.

3. **Increased sales:** By providing the information, the marketers give an insight into their offerings and the business' expertise helps build the readers' trust who can be later converted to buyers.
4. **Improved Brand Image:** With great content, businesses are in control of their brand image & reputation can earn the respect and trust of customers.
5. **Enhanced Brand Visibility:** Millions of businesses are on the internet. A way to stand out in the crowd is through interacting and communicating with customers in an innovative way. Content marketing serves this purpose in brand management.
6. **Increased Audience Engagement:** Customers should be treated as active stakeholders and market campaigns can be hugely successful by engaging with the customers. consistent content marketing is an ideal way of engagement with customers.

Disadvantages

Some drawbacks of using content marketing are:

1. **Time taking :** Content marketing can be a long process. Multiple trial and error processes lead to the perfect content which again needs support activities like promotional activities, relationship building etc. Also, it takes a lot of time to build a reputation and following for the content.
2. **Hidden costs :** This type of marketing requires heavy investment. Employing freelancers or agencies to work along with online marketers, social media/ community managers and copywriting, placement and monitoring need extra investment.
3. **Increased effort :** Implementing the content strategy is more difficult and complex than traditional marketing techniques. Formulating promotion concept, creating content, monitoring performance along with the long time taken to implement the strategy and the extra investment requires more effort and might feel cumbersome.

4. **Difficulty in evaluation :** Though it's easy to measure the effect of content marketing on web traffic and through use of metrics like a number of likes or reports, citations, comments etc., but it is not easy to evaluate its effect on sales, awareness, loyalty and brand reputation.
5. **Rapid change:** New trends and technologies are constantly evolving and to stay competitive in this field, the business should stay updated on new trends and ready to redesign itself at any moment.

5.10.3 Email Marketing

Q29. What is Email Marketing? State its advantages and disadvantages.

Ans :

(Imp.)

Meaning

Email marketing is a form of direct marketing that uses email as its medium of communication to reach out to its customers. Email marketing can be used for multiple reasons such as sales promotion, brand awareness, advertisement, newsletters, maintaining or building relationships with customers and much more as per the need of the promoter.

Email marketing has an advantage over broadcast messages to everyone. It is a method of direct marketing in which the promoter can target its customers or potential customers and can customize the email content which would suit the recipient better. Email marketing can contain simple texts, multimedia images, animations and all sorts of creative tools to focus the attention of the recipient towards the message.

Advantages

The aim here is direct and simple i.e. to attract the attention of the consumer and convey your message. Email marketing has many advantages such as

1. Email marketing uses email as its medium which has a very large user base and as a result the emails can reach to a greater number of customers. Anyone using any multimedia device has an email account so it becomes quite efficient that the emails get addressed to once in a while

2. Highly cost effective. Given the ratio of customizability in addition to reach over the costs involved, email marketing is highly cost effective than traditional marketing techniques
3. It has a high chance of getting attention since emails persist in the accounts of the recipients unless they remove it by their own. This increases the probability of at least opening the email once and reading the content as compared to the low probability of content being delivered through common media broadcasts
4. Email can be content rich. Since emails can store large amount of data as content, much of the important message can be conveyed through it which gets lost through common media broadcasts. Email marketing can stretch from giving out specific sales information to a new product description or starter kits.
5. Every email can be customized. There would be some minimal costs involved but each and every email can be customized as per the need of the promoter and the target audience. This creates high chances of converting possible leads into active customers

Disadvantages

However this highly efficient method of marketing comes with some shortfalls.

1. The primary disadvantage of email marketing is being treated as a spam. Often the marketing emails that are received end up in the spam section of the mail because of the wrong approach used by the promoter or some algorithm of the mail service provider which automatically assumes some emails to contain unnecessary information.
2. The second drawback of email marketing would be the target customers. Sometimes in order to save costs of acquiring email ids of the target customers, promoters choose the option of buying the email ids from a third vendor.

3. Bulk email ids contain certain addresses which are redundant for the company and their use but they still receive the emails because of common broadcasts. This creates the problem of losing your message in the crowd and finally this broadcast gets picked up by the mail providers and deemed as spam.

5.10.4 Overview of Search Engine Optimization (SEO)

Q30. Define Search Engine Optimization. What are its types?

Ans : (Imp.)

Meaning

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.

5.10.5 Mobile Marketing

Q31. 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.)

Meaning

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

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 then PC's.

- (iv) Smart phones and I Phone mobiles have provided a big boost to mobile marketing.

Disadvantages

- (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.

5.10.6 Influencer Marketing

Q32. Define Influencer Marketing. Explain different tyeps of Influencer Marketing.

Ans :

(Imp.)

Meaning

Influencer marketing (also known as influence marketing) is a form of social media marketing involving endorsements and product placement from influences, people and organizations who have a purported expert level of knowledge or social influence in their field. Influencers are someone (or something) with the power to affect the buying habits or quantifiable actions of others by uploading some form of original often sponsored content to social media platforms like Instagram, YouTube, Snapchat

or other online channels. Influencer marketing is when a brand enrolls influencers who have an established credibility and audience on social media platforms to discuss or mention the brand in a social media post. Influencer content may be framed as testimonial advertising.

1. Fake influencers

Fake influencers have been around for as long as their genuine counterparts, and all criteria used to determine the veracity of an influencer account can be fabricated. Third-party sites and apps sell services to individual accounts which include falsely increasing followers, likes, and comments. Instagram has failed to shut down all such websites. One marketing agency tested whether fake accounts could be profitable. The company created two fictitious accounts, built their online presence through paid followers and engagement (likes and comments), and applied for work in marketing campaigns on popular influencer-marketing platforms. They published their results, an explanation of how the false accounts were created, and which brands had sponsored them.

2. Virtual influencers

Virtual influencers are also sometimes considered fake. However, virtual-influencer profiles do not correspond to real individuals and are not automated bots which generate fake likes, comments, or followers. They are virtual characters, intentionally designed by 3D artists to look like real people in real situations. Although most of the characters can be easily identified as computer graphics, some are very realistic and can fool users. The characters are usually identified as models, singers, or other celebrities. Their creators write their biographies, conduct interviews on their behalf, and act like the characters themselves. Lil Miquela was a realistic virtual influencer which prompted curiosity and speculation until it was learned that she was created by advertisers.

5.11 MARKETING ANALYTICS

Q33. Define Marketing Analytics. State its benefits and challenges.

Ans :

(Imp.)

Meaning

Marketing analytics is the practice of using data to evaluate the effectiveness and success of marketing activities. Marketing analytics allows you to gather deeper consumer insights, optimize your marketing objectives, and get a better return on investment.

Marketing analytics benefits both marketers and consumers. This analysis allows marketers to achieve higher ROI on marketing investments by understanding what is successful in driving either conversions, brand awareness, or both. Analytics also ensures that consumers see a greater number of targeted, personalized ads that speak to their specific needs and interests, rather than mass communications that tend to annoy.

Marketing data can be analyzed using a variety of methods and models depending on the KPIs being measured. For example, analysis of brand awareness relies upon different data and models than analysis of conversions

Benefits

- Marketing analytics helps stakeholders achieve a comprehensive view across all marketing channels, such as pay-per-click (PPC) advertising, email marketing, and social media. Analytics can clarify the big picture, as well as dig down into more granular marketing trends.
- Marketing analytics tools improve lead generation by providing the insights needed to optimize advertising efforts and target the most profitable consumers. Better leads generate more sales and improved ROI.
- Marketing analytics provides insights into customer behavior and preferences. Businesses can then tailor their marketing initiatives to meet the needs of individual consumers.

- Marketing analytics enables real-time decision support as well as proactive management. Modern analytics tools make it easy for stakeholders to analyze data as it comes in, so marketing can be adjusted as required by changing trends, and they also allow businesses to use predictive analytics to anticipate those trends rather than react to them.

Challenges

- Many organizations and their marketing teams still struggle to integrate data, which can keep analysts and engineers from being able to access the information they need. Enterprises need to break down data silos that isolate information, as marketing analytics initiatives may flounder if analysts lack access to data from all marketing channels. Organizations should centralize their information in a data warehouse so analysts can work with integrated and accessible data.
- Enterprises need to ensure that they have management buy-in and personnel with analytics expertise. Many marketers lack analytics experience, and some executives and marketing decision-makers remain reluctant to make the up-front investments required in employees or infrastructure. Take the time up front to evaluate existing obstacles to using analytics and make the hires or pitches necessary to overcome them.
- Businesses need to select the right KPIs. Marketers can easily focus on metrics that are either too granular or too unfocused. To avoid this, enterprises should link performance measurements to concrete business requirements and objectives. For example, a retailer could choose a specific goal, like increasing profits by 10%, and then select a limited number of KPIs related to that goal that are appropriate for its industry, like sales per employee or average transaction value.

5.11.1 Components

Q34. Explain the Components of Marketing Analytics.

Ans :

The following are the Components of Marketing Analytics :

1. Customer description

Customer description depicts the people in the company's market, known as the demographic or target market. Demographics could be categorized any number of ways including income, buying habits, geographic location or age. Knowing the size of the market is important because that figure is the basis for projected income and overall business goals. Market researchers may also analyze factors such as the values that drive individuals in the demographic, how they make their decisions and their purchase power market trends

Market trends bring contextual relevance to the business and the market by describing current tendencies and optional progression of those tendencies. Researchers can perform something called a PEST (Political, Economic, Social and Technological) analysis to fulfill this component of a market analysis. This helps researchers describe the current environment that business functions in while bringing awareness to the cultural trends that effect the demographic.

2. Market projections

Market projections combine the information from the customer description, perception and market trends and forecasts the future of the target market, as well as the business' place in the future of the market. This analysis helps businesses strategize by identifying critical areas needing focus. Market projections help researchers and analysts make important recommendations to help the business succeed in the future.

3. Competition

Most market analyses also include a portion that describes the business' competition with the same examination that was applied to the researching company. For example, a competitor analysis might include research into how the target demographic perceives the competitor's brand, how the current trends effect competitors or how the competition could effect the business in the future.

5.11.2 Marketing Analytics Tools**Q35. Discuss about various Marketing Analytics Tools.**

Ans : (Imp.)

1. DOMO

Domo is an analytics platform that specializes in business intelligence and data visualization. The Domo platform is best for C-level executives working at enterprise companies who are looking for a non-marketing specific BI tool to be used company-wide, one that can create executive level dashboards. Domo is not focused specifically on data from marketing efforts. It is used for more general business data. This means that when it comes to company-wide business intelligence and executive dashboards, the software's capacity is fairly vast, however, it probably isn't the best choice for the aggregation and visualization for marketing data.

2. Datorama

Datorama is a platform specializing in business intelligence and analytics with a aim to help marketers unify all of their data across multiple platforms into a single destination, offering a look at the complete picture.

3. Datorama Pricing

Pricing for Datorama is based upon lines of data. If users are running numerous campaigns, this can get fairly expensive.

4. Supermetrics

Supermetrics is a platform to help marketers with simple data extraction. The tool pulls PPC, SEO, analytics, and social data into a single destination for reporting and analysis.

The Supermetrics tool basically just pulls your data from a rather limited platform list into Google Data Studio or Google Sheets. The platform is good for scrappy startups who mostly use Google Analytics, Adwords, and Facebook, and simply need help with getting their data into Google Sheets. If you need visualization or more complex dashboards, or need to use any other channels, Supermetrics may not be the most helpful tool.

5. Fivetran

Fivetran is a data collection and marketing analytics tool. The platform lets you connect your applications, databases, and more to a centralized hub where you can view and analyze the data. Here you can find an up-to-date research on Fivetran alternatives and competitors

6. Tapclicks

Tapclicks is a marketing analytics tool that offers marketers and agencies an all-in-one, cloud-based platform for management, reporting, and analytics.

Short Question and Answers

1. Define services.

Ans :

Services can be defined in the following ways,

1. "Service is an identifiable, intangible activity that is the main object of a transaction designed to provide satisfaction to the customers".
2. The American marketing association defines services as "services are the activities, benefits or satisfaction which are offered for sale and provided in connection with the sale of goods".
3. Services are "Economic activities that produce time, place, form or psychological utilities".

2. Define service market.

Ans :

Meaning

A market in which services are performed for the customers is known as service markets. The service industry has witnessed rapid growth in recent times and they are continuing to grow faster. Services are intangible in nature and does not involves any ownership transfer but maintain close contact with the consumer.

3. What is service marketing mix?

Ans :

The concept of marketing mix was first introduced and used by Professor of Harward Business School. Neicl H. Border. The main aim of marketing mix is to analyse the demands of the customers and to deliver standard goods or services to the consumers.

The marketing mix makes use of marketing elements to fulfill both individuals and organisational objectives. To optimise demand and to satisfy the target market.

4. Consumerism.

Ans :

Philip Kotler had defined Consumerism as, "An organized movement of citizen and government to impose right and power of buyers in relation to sellers".

Cravers and Hills had defined consumerism as, "a social force within the environment designed to aid and protect the consumer by exerting legal, moral and economic pressure on business".

5. Benefits of Consumerism.

Ans :

The following are the benefits/advantages of consumerism,

(i) Safe Goods for Customers

The most important advantage of Consumerism is that it ensures that safe, good quality, original goods are supplied to the Consumers. Through Consumerism the customers are made aware about their rights and responsibilities. They can seek protection against fraudulent or fake goods.

(ii) Encourages Economic Growth

Consumerism encourages economic growth in the country. When the consumerism are supplied with good quality and safe goods it will lead to increased consumption and demand. This intum would led to more production of goods, more jobs, more employment. All this would result lead to overall economic growth.

(iii) Healthy Competition

Consumerism would encourage healthy competition in the market place. The weak and fraudulent producers would be eliminated. Good producers would stay in the market place and prosper.

(iv) Encourages Entrepreneurship

A major advantage of consumerism is that it encourages self employment and entrepreneurship. Entrepreneurs would develop new business models to attract the customers by providing high quality goods and services.

(v) More Choice to Consumers

Consumerism encourages the producers to become innovative and come up with a variety of safe high quality products to attract the customers. This in turn would lead to a wide choice of goods and services for the customers to choose from.

6. Sustainable Marketing.

Ans :

Sustainable marketing is the practice of thinking about the environmental and social implications of your business, in addition to financial aspects. It was born out of a realization that many companies were not considering the long-term effects they had on everything from their employees and customers to environmental resources like water, fuel, and even food ingredients. This insight led some companies to consider the eco-friendliness of their product and service choices. It also led them to implement sustainable practices in their business, such as recycling and energy-efficiency programs.

7. Meta Marketing.

Ans :

Meta Market is a customer-centric virtual market that offers closely related products or services belonging to the same industry or diverse set of industries. It strives to cater for the similar needs of diversified customers under one roof.

Moreover, we can understand it as a platform that develops and maintains exchange relationships. These relationships exist between all the buyers and sellers of the complementary products.

8. Strategic Marketing.

Ans :

Strategic Marketing is the way a firm effectively differentiates itself from its competitors by capitalizing on its strengths (both current and potential) to provide consistently better value to customers than its competitors. In principle it's that simple, but it means a lot more than getting creative with the marketing mix.

9. Cross Cultural Marketing.

Ans :

Cross cultural marketing is a marketing done with two or more different cultures i.e. it is done internationally on a personal level, which means when planning marketing campaigns and media cultural differences are taken into consideration, understanding the need for maintaining the balance between Globalization and Localization and last but not the least Implementation of the strategies that are required to respect the differences while unifying of brand messages are taken into consideration. Cross Cultural Marketing is a research that takes place across the cultural groups or nations. Due to Globalization and International marketing, Cross Cultural Marketing has become very important. The nature of the Research is also becoming highly diverse. According to International view, to determine the degrees of adaption, competitive advantage and attractiveness of the markets the information of market is used.

10. 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.

Rahul Publications

Choose the Correct Answer

1. Which of the following is the correct depiction of Digital Marketing? [d]
(a) E-mail Marketing (b) Social Media Marketing
(c) Web Marketing (d) All of the above
2. _____ doesn't fall under the category of digital marketing. [d]
(a) TV (b) Billboard
(c) Radio (d) All of the above
3. Which of the following is incorrect about digital marketing? [b]
(a) Digital marketing can only be done offline
(b) Digital marketing cannot be done offline.
(c) Digital marketing requires electronic devices for promoting goods and services.
(d) In general, digital marketing can be understood as online marketing, web marketing, and e-mail marketing.
4. How many types of pillars do we have in digital marketing? [b]
(a) 1 (b) 2
(c) 3 (d) 4
5. Which of the following is involved in the digital marketing process? [d]
(a) RSA (b) Voice Broadcasting
(c) Podcasting (d) All of the above
6. What is considered while creating a front page of the website or homepage? [d]
(a) References of other websites
(b) A brief elaboration about the company
(c) Logos portraying the number of awards won by the web designer
(d) None of the above
7. What is the name of the process in which marketing is achieved by incorporating tools, techniques, electronic devices, technologies, or systems? [c]
(a) Internet Marketing (b) Direct Marketing
(c) Electronic Marketing (d) Interactive Marketing
8. Which of the following is not specifically required by the search engines? [d]
(a) Poor user experience (b) Keyword stuffing
(c) Buying links (d) All of the above
9. A producer announced that on purchase of a particular product another product will be provided at less rate is [c]
(a) Discount (b) Quantity gift
(c) Cheap bargain (d) Promotion mix
10. _____ is irregular in nature. [b]
(a) Promotion mix (b) Sales promotion
(c) Trade promotion (d) Discount coupon

Fill in the blanks

1. _____ are "Economic activities that produce time, place, form or psychological utilities".
2. Undifferentiated marketing is also called _____.
3. The concept of marketing mix was first introduced and used by _____.
4. _____ marketing defines that a company should set out a mission in broad social terms to follow during its years of operation.
5. _____ marketing comprises various activities and these activities undergo frequent changes as per the development innovations in the digital resources.
6. SERP's stands for _____.
7. SEM stands for _____.
8. _____ In is a employment and business oriented social media sites which is mainly used for professional networking.
9. _____ refers to an online informational website or journal which displays the information in reverse chronological order.
10. Email marketing is a form of direct marketing that uses email as its medium of communication to reach out to its customers.

ANSWERS

1. Services
2. Marketing
3. Professor of Harvard Business School
4. Sense-of-mission
5. Digital
6. Search Engine Results Pages
7. Search Engine optimization
8. Linked
9. Blog
10. Email

FACULTY OF COMMERCE
M.Com. I - Semester (CBCS) Examination
Model Paper - I
MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 70

PART - A (5 × 4 = 20 Marks)

Note: Answer all the questions.

	<u>ANSWER</u>
1. Markets.	(Unit-I, SQA.1)
2. Consumer Behaviour.	(Unit-II, SQA.4)
3. Define Lable	(Unit-III, SQA.8)
4. Define promotion.	(Unit-IV, SQA.1)
5. Define service market.	(Unit-V, SQA.2)

PART - B (5 × 10 = 50 Marks)

Note: Answer all the questions.

6.	(a) (i) Write about 7 pc's of marketing mix?	(Unit-I, Q.No.13)
	(ii) State the differences between marketing and selling.	(Unit-I, Q.No.10)
	OR	
	(b) (i) What are Positioning Maps? Explain different types of Positioning Maps.	(Unit-I, Q.No.29)
	(ii) Explain various marketing concepts as per its evolution.	(Unit-I, Prob.9)
7.	(a) (i) What are the Essentialities of an Effective Marketing Plan?	(Unit-II, Q.No.3)
	(ii) Explain Howard Sheth Model of Consumer Behaviour.	(Unit-II, Q.No.21)
	OR	
	(b) (i) Explain in detail about annual plan control.	(Unit-II, Q.No.6)
	(ii) Explain the process of Business Buying.	(Unit-II, Q.No.26)
8.	(a) (i) What are the different types of product.	(Unit-III, Q.No.3)
	(ii) Define Product. Explain its characteristics.	(Unit-III, Q.No.1)
	OR	
	(b) (i) Explain various stages of product life cycle.	(Unit-III, Q.No.13)
	(ii) Elucidate the objectives of pricing.	(Unit-III, Q.No.29)

9. (a) (i) Explain the Formats of Retail Stores. **(Unit-IV, Q.No.55)**
- (i) Define sales promotion? Explain the need of sales promotion. **(Unit-IV, Q.No.23)**
- OR
- (b) (i) What do you mean by Advertising Media? Explain various types of Adver-tising Media? **(Unit-IV, Q.No.14)**
- (i) Explain the major tools of public relation. **(Unit-IV, Q.No.32)**
10. (a) (i) Define services. State the scope and classification of services. **(Unit-V, Q.No.1)**
- (ii) Define Meta Marketing. What are the advantages of Meta Marketing? **(Unit-V, Q.No.11)**
- OR
- (b) (i) Define Strategic Marketing. State its benefits. **(Unit-V, Q.No.12)**
- (ii) What is blogging? How it is used as a social medium? **(Unit-V, Q.No.23)**

FACULTY OF COMMERCE
M.Com. I - Semester (CBCS) Examination
Model Paper - II
MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 70

PART - A (5 × 4 = 20 Marks)

Note: Answer all the questions.

ANSWER

- | | |
|-----------------------------------|-------------------|
| 1. Define Market Segmentation. | (Unit-I, SQA.9) |
| 2. Strategic Control. | (Unit-II, SQA.10) |
| 3. Objectives of Branding. | (Unit-III, SQA.6) |
| 4. Personal selling. | (Unit-IV, SQA.6) |
| 5. What is service marketing mix? | (Unit-V, SQA.3) |

PART - B (5 × 10 = 50 Marks)

Note: Answer all the questions.

- | | |
|--|---------------------|
| 6. (a) (i) Explain the functions of marketing. | (Unit-I, Q.No.8) |
| (ii) Explain briefly about scope of marketing. | (Unit-I, Q.No.4) |
| OR | |
| (b) (i) Explain Variables Requirements for Effective Segmentation. | (Unit-I, Q.No.20) |
| (ii) How do you segment the business market? Explain in detail. | (Unit-I, Q.No.18) |
| 7. (a) (i) What do you understand by Profitability Control? | (Unit-II, Q.No.7) |
| (ii) Discuss the various characteristics of Business Markets. | (Unit-II, Q.No.24) |
| OR | |
| (b) (i) Discuss Marshallian models of consumer behavior. | (Unit-II, Q.No.19) |
| (ii) Define Business Markets. Explain different types of Business Markets. | (Unit-II, Q.No.23) |
| 8. (a) (i) Explain various stages in the New Product Development process. | (Unit-III, Q.No.11) |
| (ii) Explain the characteristics of a good brand. | (Unit-III, Q.No.17) |
| OR | |
| (b) (i) What are the objectives of Branding ? | (Unit-III, Q.No.20) |
| (ii) Define Packaging. State the features of Packaging. | (Unit-III, Q.No.22) |

9. (a) (i) Explain the significance of retailing. **(Unit-IV, Q.No.53)**
(ii) Discuss the various Forms of Direct Marketing. **(Unit-IV, Q.No.36)**

OR

- (b) (i) What are the channels design decisions. **(Unit-IV, Q.No.42)**
(ii) Explain the various objectives of sales promotion ? **(Unit-IV, Q.No.26)**
10. (a) (i) Define Influencer Marketing. Explain different types of Influencer Marketing. **(Unit-V, Q.No.32)**
(ii) Define Affiliate Marketing. Explain different types of Affiliate Marketing. **(Unit-V, Q.No.16)**

OR

- (b) (i) What do you understand by social media? Explain. **(Unit-V, Q.No.21)**
(ii) Define Content Marketing. Explain the importance of Content Marketing. **(Unit-V, Q.No.27)**

FACULTY OF COMMERCE
M.Com. I - Semester (CBCS) Examination
Model Paper - III
MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 70

PART - A (5 × 4 = 20 Marks)

Note: Answer all the questions.

ANSWER

- | | | |
|----|------------------------------|-------------------|
| 1. | Define Target Market. | (Unit-I, SQA.10) |
| 2. | Define Marketing Planning. | (Unit-II, SQA.1) |
| 3. | Define the term product mix. | (Unit-III, SQA.2) |
| 4. | Define Public Relations. | (Unit-IV, SQA.8) |
| 5. | Meta Marketing. | (Unit-V, SQA.7) |

PART - B (5 × 10 = 50 Marks)

Note: Answer all the questions.

- | | | |
|----|---|---------------------|
| 6. | (a) (i) Define Market Segmentation. Describe the conditions essential for successful Market Segmentation. | (Unit-I, Q.No.14) |
| | (ii) Explain the advantages of marketing. | (Unit-I, Q.No.7) |
| | OR | |
| | (b) (i) What are the criteria for successful positioning ? Discuss with suitable examples. | (Unit-I, Q.No.28) |
| | (ii) Define marketing mix. State the elements of marketing mix. | (Unit-I, Q.No.11) |
| 7. | (a) (i) Examine the role of Strategic Control in Marketing Planning. | (Unit-II, Q.No.9) |
| | (ii) What is Marketing Control ? Explain its Process. | (Unit-II, Q.No.4) |
| | OR | |
| | (b) (i) Explain the Factors Influencing Consumer Behavior. | (Unit-II, Q.No.18) |
| | (ii) Explain the scope of Consumer Behaviour. | (Unit-II, Q.No.13) |
| 8. | (a) (i) Explain the marketing strategies of different stages of PLC. | (Unit-III, Q.No.15) |
| | (ii) Define Lable. Explain different types of lables. | (Unit-III, Q.No.24) |
| | OR | |
| | (b) (i) Distinguish between Packaging and Labelling. | (Unit-III, Q.No.26) |
| | (ii) Explain the different new product pricing strategies with examples. | (Unit-III, Q.No.35) |

9. (a) (i) Explain the emerging trends of retailing. (Unit-IV, Q.No.54)
(ii) Explain the different types of distributions channels. (Unit-IV, Q.No.40)
- OR
- (b) (i) Describe the various stages in personal selling. (Unit-IV, Q.No.20)
(i) Explain briefly about Advertising Budget. (Unit-IV, Q.No.11)
10. (a) (i) What do you mean by mobile marke-ting? What are its advantages and disadvantages? Write briefly about the various sources or activities used in mobile marketing. (Unit-V, Q.No.31)
(ii) Explain the various components of digital marketing. (Unit-V, Q.No.18)
- OR
- (b) (i) What is Cross Cultural Marketing? Discuss its strategies. (Unit-V, Q.No.13)
(ii) Discuss about various Marketing Analytics Tools. (Unit-V, Q.No.35)