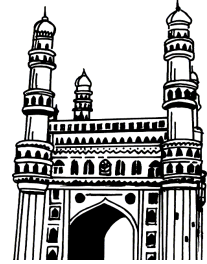


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MARKETING MANAGEMENT

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SYLLABUS

UNIT - I

Introduction to Marketing: Importance and scope of Marketing, Core Marketing Concepts, Market Place, Marketing in practice, Marketing Environment, Marketing Strategies and Plans, The New Marketing Realities.

Market Research - Marketing Research process, Marketing Information systems. Marketing Research and Ethics, International Marketing Research.

UNIT - II

Analyzing Marketing Opportunities, Customer Value and Marketing Mix: Consumer Decision Making, Building Customer Value, Analyzing Consumer Markets – Consumer Behavior – Cultural, Social & Personal Factors, developing products & brands – product levels; classifying products, product range, product line & product mix, Product Life Cycles, new product development., New Service Development, Stages of Product/ Service innovation development, The process of adoption, Branding.

UNIT - III

Designing a Customer Driven Strategy: Market segmentation – Segmentation Targeting Positioning Process - segmentation of consumer market, business market, requirement for effective segmentation, market targeting – evaluating market segmentation, selecting target market segmentation, positioning – Positioning and repositioning positioning maps, product positioning strategies.

UNIT - IV

Distribution Decisions, Promotion & Communication Strategies: Marketing Channels, Channel intermediates and functions, channel structure, channel for consumer products, business and industrial products, alternative channel, channel strategy decisions. The promotional mix, advertising, public relations, sales promotion, personal selling, Direct and online Marketing. Marketing communication - communication process, communication promotion mix, factors affecting the promotion mix.

UNIT - V

Pricing Decisions & Personal Communication: Importance of price, cost determinant of price, markup pricing, profit maximization pricing, break even pricing, pricing strategies, ethics of pricing strategy, product line pricing, Word of Mouth, Rural marketing, Bottom of the Pyramid, relationship Marketing, Retail Marketing, Digital marketing, Social media and mobile marketing, market sustainability and ethics, Global marketing, green marketing.

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Frequently Asked & Important Questions

UNIT - I

- 1. Define marketing and marketing management. Explain the importance of marketing.**

Ans : (Dec.-19, May-19, Sep.-13)

Refer Unit-I, Q.No. 2, 4.

- 2. Define Marketing Strategies. Explain the nature of Marketing Strategies.**

Ans : (May-19, July.-18)

Refer Unit-I, Q.No. 27.

- 3. Outline the process of Marketing Research Process.**

Ans : (Nov.-20, July.-18, Aug.-17, Sep.-15, Sep.-16, Sep.-13)

Refer Unit-I, Q.No. 37.

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

Ans : (Mar.-16, Imp)

Refer Unit-I, Q.No. 24.

- 5. Explain the various core concepts of marketing.**

Ans : (Dec.-19, Sep.-14)

Refer Unit-I, Q.No. 8.

UNIT - II

- 1. Elaborate the various stages of product life cycle.**

Ans : (Aug. - 17, Mar. - 16)

Refer Unit-II, Q.No. 28.

- 2. Define Consumer Decision Making. Explain the process of Consumer Decision Making.**

Ans : (Dec. - 19, July. - 18)

Refer Unit-II, Q.No. 1.

- 3. Present the detailed model of consumer behaviour and explain its components.**

Ans : (Aug, Sept.- 15)

Refer Unit-II, Q.No. 10.

4. Classify the different types of products.

Ans : (Feb. - 17, Sep. - 16)

Refer Unit-II, Q.No. 20.

5. Discuss various pricing strategies in product life cycle stage.

Ans : (Sept.-14, Imp)

Refer Unit-II, Q.No. 30.

UNIT - III

1. Explain briefly about segmentation, targeting and positioning process ?

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

Refer Unit-III, Q.No. 7.

2. What are the five key criteria for effective segmentation ?

Ans : (July-18, Sep-16, Aug.-17, Sep-13)

Refer Unit-III, Q.No. 15.

3. Define target marketing ? Explain the steps and levels of target marketing.

Ans : (July/Aug. - 17)

Refer Unit-III, Q.No. 16.

4. Explain concept of positioning and repositioning with the perceptual map of a FMCG.

Ans : (Feb. - 17)

Refer Unit-III, Q.No. 23.

5. Explain the strategies to be adopted in positioning the product.

Ans : (July - 18, Imp)

Refer Unit-III, Q.No. 27.

UNIT - IV

1. Explain how companies motivate and evaluate channel members.

Ans : (July-18)

Refer Unit-IV, Q.No. 6.

2. Define Promotion Mix ? Explain its objectives.

Ans : (Dec.-19)

Refer Unit-IV, Q.No. 12.

3. Explain the process of personal selling.

Ans : (Feb./March-16, Sept.-13)

Refer Unit-IV, Q.No. 36.

4. Define communication mix. What are the various factors which have be taken into consideration for deciding the promotion mix ?

Ans : (Dec.-19)

Refer Unit-IV, Q.No. 46.

5. Who are intermediaries ? Explain different types of intermediaries.

Ans : (Dec.-19, Imp)

Refer Unit-IV, Q.No. 4.

UNIT - V

1. Define the term price and pricing and what are the objectives of pricing.

Ans : (Dec.-19, July-18, Sep.-16)

Refer Unit-V, Q.No. 1.

2. Define Rural Marketing ? Explain the importance of rural marketing ?

Ans : (July - 18 , Feb. - 12)

Refer Unit-V, Q.No. 18.

3. Discuss the importance of pricing decision to the economy and the individual.

Ans : (Dec.-19, July-18)

Refer Unit-V, Q.No. 2.

4. Explain the various types of Pricing Strategies.

Ans : (Dec. - 19, July - 18)

Refer Unit-V, Q.No. 10.

5. Explain the ethical issues relating to pricing strategy ?

Ans : (March - 16, 15)

Refer Unit-V, Q.No. 12.

UNIT I

Introduction to Marketing: Importance and scope of Marketing, Core Marketing Concepts, Market Place, Marketing in practice, Marketing Environment, Marketing Strategies and Plans, The New Marketing Realities.

Market Research - Marketing Research process, Marketing Information systems. Marketing Research and Ethics, International Marketing Research.

1.1 INTRODUCTION TO MARKETING

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

Ans :

Introduction

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

Market

Introduction

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 of Market

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

Generally markets are divided into 4 categories :

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

1. Consumer Market

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

2. Business Market

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

3. Global Markets

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

4. Non Profit and Government Markets

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

Q2. Define Marketing and Marketing Management.

Ans : (May-19)

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

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

is “process”; marketing involves researching, promoting, selling, and distributing your products or services.

Definitions of Marketing

Numerous definitions were offered for marketing by different authors. Some of the definitions are as follows :

1. **According to William G. Zikmund and Michael d.Amico** Marketing is the process that seeks to influence voluntary exchange transactions between a customer and a marketer.
2. **According to H.L. Hansen.** Marketing is the process of discovering and translating consumer needs and wants into products and services, creating demand for these products and services and then in turn expanding this demand.
3. **According to Edward W. Cundiff** Marketing is the business process by which products are matched with markets and through which transfer of ownership are affected.
4. **According to American Marketing Association** Marketing consists of the performance of business activities that direct the flow of goods and services from producers or suppliers to consumers or end-users.
5. **According to Philip Kotler** Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others.
6. **According to William D. Perreault and E. Jerome McCarthy** Marketing is the performance of activities that seek to accomplish an organization's objectives by anticipating customer or client needs and directing the flow of need satisfying goods and services from producer to customer or client.

If we combine the above two definitions we will get the definition of marketing management.

Definition of marketing management

- i) **In the words of 'William J. Stanton'**-
"Marketing management is the marketing concept in action".

Marketing management is the process of performing business activities through management. Profit maximization and customer satisfaction are the two main objectives of 'marketing management'.

Q3. Explain the Nature of Marketing.

Ans :

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

vii) Management Function

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

1.1.1 Importance of Marketing**Q4. Explain the importance of marketing.**

Ans : (Dec.-19, Sep.-13)

(A) To the Society

1. It is instrumental in improving the living standards. Marketing continuously identifies the needs and wants satisfying products or services which can propel the people to do an extra to earn money which can be exchanged for the desired products or services. The people are likely to spend the additional income over and above the disposable income on the products or services which helps in minimizing the physical efforts. Thus marketing by indirectly increasing the earning ability will help in improving the standard of living of the customers.
2. Marketing generates gainful employment opportunities both directly and indirectly. Directly, marketing provides employment to the people in various areas like in advertising agency, in the company sales force, in the distributors sales force, in public relation firms etc. Indirectly, marketing is responsible for selling the offerings of the organization. If the organizations products or services are able to satisfy the customers, then customers will demand organizations products or services

again and again, thereby sustaining the production activities. Thus marketing indirectly provides employment in other functional areas like finance, production, research and development, human resource management etc.

3. Marketing helps in stabilizing economic condition in the sense that marketing helps in selling the products or services, which keeps the various organizations functioning and gainful employment is available to the people. With the earnings from the employment, the people will purchase the products and/or services, thus sustaining the demand. This will happen in all the industries, then gainful employment will be available throughout the time period and economy will remain stable, healthy and vibrant.

(B) To the firms/companies

1. Marketing sustains the company by bringing in profits. Marketing is the only activity that brings revenue to the firm, whereas other activities incur expenditure. If the company's products or services satisfy the customers requirements, then the satisfied customers will keep the company in business by repeat orders and recommending other profitable customers. Thus marketing is the driving force behind a successful company.
2. Marketing is the source of new ideas. New product or service ideas usually comes from the research laboratories, employees or from marketplace. It's the marketing people who are in continuous touch with the consumers and marketing intermediaries. Interaction with them helps in identifying strong and weak points of company's product or services as well as competitors products or services. This interaction can also help in identifying unmet needs or wants of the consumers and the features, consumers are looking into the products or services which can satisfy those unmet needs or wants. Thus marketing can help immensely in identifying new product or service ideas which can help in sustaining the firms operations. Successful companies

are those which identifies customers requirements early and provides the solution earlier than the competitors.

3. Marketing provides direction for the future course. The marketing oriented company continuously brings out new product and service ideas which provide the direction for corporate strategic planning for longer time horizon.

(C) To the Consumers

1. Meeting the unmet needs or wants. Marketing identifies those needs or wants which were not satisfied and helps in developing the product or service which can satisfy those unmet needs or wants of the people.

For example a number of drugs were invented to treat various physical problems of the people. Again the low cost formulations were developed to treat the people who are unable to afford the expensive drugs.

2. Reducing the price of products or services. Marketing helps in popularizing the product or service which attracts the customers as well as competitors towards that product or service categories. Due to increase in demand, the manufacturing capacity increase which brings down per unit fixed costs of the product or service. Further more increase in competition led to decrease in the prices charged by the firm. Thus the growing demand and increasing competition both help in bringing down the price of the product or service.

For example price of both mobile phone handset and mobile phone service are showing a continuous downward trend thereby making the mobile phone service affordable to more and more people.

Q5. Marketing Concept is still in its infant state in India comment

Ans : **(Mar.-15)**

Marketing Concept is Still in its Infant State in India

It is Evident that 70 % of the Indian population resides in rural villages. Only 30 % of the population

resides in urban and semi-urban areas. The usage of FMGC products and other general products is more in urban India.

Example 1

We can say that Agricultural sector is still in infant state due to the inadequate marketing infrastructure, long intermediation and lack of accurate and timely information etc. The other reasons could be,

- (a) Limited Access of Agricultural produce markets
- (b) Licencing problems
- (c) Less farmer's price realization
- (d) High marketing costs etc.

Example 2: Baby Care Market

Presently Baby care market is restricted only to urban areas with tremendous growth potential. This sector is still in infant stage in rural India due to (a) competition from cheaper substitutes (b) Cultural and Social aspects prevailing in the various states in India (c) Regulation on infant food promotion.

Example 3: Real Estate Market

Today, the real estate investment market is still in the infant stage. The Reasons are,

- (a) Liquidity Risk
- (b) Regulatory Risk
- (c) Property Market Risk
- (d) Ownership and Title issues and
- (e) Government Regulatory Policies etc.

Example 4: Telematics

Telematics is one of the fastest emerging sector in our country. Today, as the number of vehicles are increasing there is a greater possibility of meeting with accidents, vehicle thefts and demand for navigation services. Eventhough Indian telematic Market is in the infant stage but it has a greater importance in the Indian Automobile Industry.

1.1.2 Scope of Marketing

Q6. Describe briefly about Scope of Marketing.

Ans : (Dec.-19)

Scope of Marketing

Marketing is typically seen as the task of creating, promoting and delivering goods and services to consumers and businesses. In fact, marketing people are involved in marketing 10 types of entities : goods, services, experiences, events, persons, places, properties, organizations, information and ideas. Marketing concepts can be used effectively to market these entities.

1. Goods

Good is defined as something tangible that can be offered to market to satisfy a need or want. Physical goods constitute the bulk of most countries production and marketing effort. In a developing country like India fast moving consumer goods (shampoo, bread, ketchup, cigarettes, newspapers etc.) and consumer durables (television, gas appliances, fans etc.) are produced and consumed in large quantities every year.

2. Services

As economies advance, the share of service in gross domestic product increases. For example, in USA, service jobs account for 79% of all jobs and 74% of GDP. A service can be defined as any performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. Services include the work of hotels, airlines, banks, insurance companies, transportation corporations etc. as well as professionals like lawyers, doctors, teachers etc. Many market offerings consists of a variable mix of goods and services. At the pure service end would be psychiatrist listening to a patient or watching movie in a cinema hall; at another level would be the landline or mobile phone call that is supported by a huge investment in plant and equipment; and at a more tangible level would be a fast food

establishment where the consumer consume both a good and a service.

3. Experiences

By mixing several services and goods, one can create, stage and market experiences. For example water parks, zoos, museums etc. provide the experiences which are not the part of routine life. There is a market for different experiences such as climbing Mount Everest or Kanchanjunga, travelling in Palace on Wheels, river rafting, a trip to Moon, travelling in Trans Siberian Railways across five time zones etc.

4. Events

Marketers promote time, based, theme-based or special events such as Olympics, company anniversaries, sports events (Samsung Cup, India Pakistan Cricket Series), artistic performances (Lata Mangeshkar live concert, Jagjit Singh live concert), trade shows (International Book Fair at Pragati Maidan, Automobile fair), award ceremonies (Filmfare awards, Screen awards), beauty contests (Miss World, Miss Universe, Miss India, Miss Chandigarh), model hunts (Gladrags Mega Model). There is a whole profession of event planners who work out the details of an event and stage it. In India event management companies are growing and in case of organizing Miss World at Bangalore and World Cricket Cup (Hero Cup) they won the acclaim from all over the world. Our Election Commission Organizes biggest event in the world. Elections for upper house in the largest democracy in the world. Other notable example is organizing of Ardh Kumbh and Maha Kumbh at Hardwar, Ujjain, Nasik etc. during different years.

5. Persons

Celebrity marketing has become a major business. Years ago, someone seeking fame would hire a press agent to plant stories in newspapers and magazines. Today most of cricket players like Sachin Tendulkar, Saurav Ganguly, Rahul Dravid etc. are drawing help from celebrity marketers to get the maximum benefit. Even Star Plus TV channel focussed

more on Amitabh Bachhan to promote their programme Kaun Banega Crorepati and this programme turned around fortunes of both Star Plus and Amitabh Bachhan. Even in the 14th Lok Sabha election BJP's election strategy revolves around Mr. Atal Bihari Vajpayee, that's power of personality. Mr Shiv Khera is busy in building his business empire and is busy telling others how to achieve this or that through books and lectures.

6. Places

Places, cities, states, regions and whole nations compete actively to attract tourists, factories, company headquarters and new residents. India and China are competing actively to attract foreign companies to make their production hub. Cities like Bangalore, Hyderabad and Gurgaon are promoted as centre for development of software. Bangalore is regarded as software capital of India and Hyderabad is emerging as the hub of biotechnology industry. Gurgaon and Noida are competing for call centres to open their offices. Kerala, Himachal Pradesh, Uttranchal Pradesh and Rajasthan and aggressively promoting themselves to attract local as well as foreign tourists. Due to its cost effectiveness and competitive ability of Indian doctors coupled with ancient therapies, India is fast emerging as country that can provide excellent medical treatment at minimum costs. If developed properly, Bihar has strong potential to emerge as ultimate destination for Buddhists.

7. Properties

Properties are intangible rights of ownership of either real property (real estate) or financial property (share and debt, instruments). Properties are bought and sold, and this requires marketing effort. Property dealers in India work for property owners or seekers to sell (or) buy plots, residential (or) commercial real estate. In India some builders like Ansal, Sahara Group, both build and market their residential and commercial real estates. Brokers and sub-brokers buy and sell securities on behalf of individual and institutional buyers.

8. Organizations

Organizations actively work to build a strong, favourable image in the mind of their publics. We see ads of Reliance Infocomm which is trying to provide communication at lower rates, Dhirubhai Ambani Entrepreneur programme to promote entrepreneurship among the Indians. Companies can gain immensely by associating themselves with the social causes. Universities and colleges are trying to boost their image to compete successfully for attracting the students by mentioning their NAAC grades in the advertisements and information brochures.

9. Information

Information can be produced and marketed as a product. This is essentially what schools, colleges and universities produce and distribute at a price to parents, students and communities. Encyclopaedias and most non-fiction books market information. Magazines such as Fitness and Muscle provide information about staying healthy, Business India, Business Today and Business World provide information about business activities that are taking place in various organizations. Outlook Traveller provides information about various national and international tourist destination. There are number of magazines which are focussed on automobiles, architecture and interior designing, computers, audio system, television programmes etc. which cater to the information needs of the customers. We buy CDs and visit internet sites to obtain information. In fact, production, packaging and distribution of information is one of the society's major industry. More and more companies are using professional research agencies to obtain information they need.

10. Ideas

Film makers, marketing executives and advertising continuously look for a creative spark or an idea that can immortalise them and their work. Idea here means the social cause or an issue that can change the life of many. Narmada Bachao Andolan was triggered to bring the plight of displaced people and to get them justice. Endorsement by Amitabh Bachhan to Pulse Polio Immunization drive and pledge by Aishwarya Rai to donate her eyes after her death gave immense boost to these. Various government and non-government organizations are trying to promote a cause or issue which can directly and indirectly alter the life of many.

For example

Traffic police urges to not to mix drinks and drive, central and state government urging not to use polyethelene as carrying bag for groceries.

Q7. What are the differences between market and marketing.

Ans :

S.No.	Basis for	Market	Marketing
i)	Comparison 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.
ii)	What is it?	A set up i.e. a place.	A set of processes, i.e. a means of creating utility.
iii)	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.

iv)	Concept	Market is a narrow concept.	Marketing is a wide concept that includes diverse activities.
v)	Consistency	Market varies by products, place, factors and so on.	Marketing philosophy remains same, no matter where it is applied.
vi)	Facilitates	Trade between parties.	Link between customer and company.

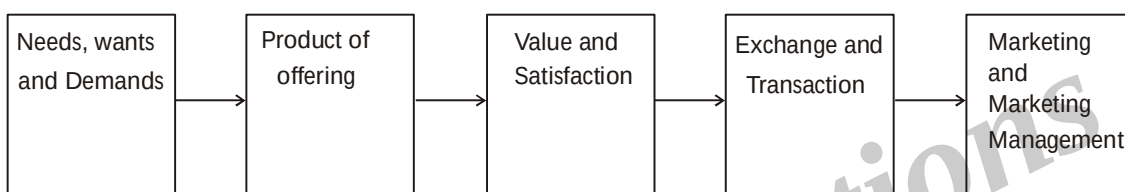
1.1.3 Core Marketing Concepts

Q8. Explain the various core concepts of marketing.

Ans :

(Dec.-19, Sep.-14)

Marketing can be further understood by defining several of its core concepts.



1. Needs, Wants and Demands

The marketer must try to understand the target markets needs, wants, and demands. Needs describe basic human requirements. People need food, air, water, clothing and shelter to survive. People also have strong needs for recreation, education, and entertainment. These needs become wants when they are directed to specific object that might satisfy the need. An Indian needs food but wants a rice, chapati vegetable and dal. A person in Mauritius needs food but wants a mango, rice, lentils and beans. Wants are shaped by one's society.

Demands are wants for specific products backed by an ability to pay. Many people want a big & beautiful house; only a few are able and willing to buy one. Companies must measure not only how many people want their product but also how many would actually be willing and able to buy it.

These distinctions shed light on the frequent criticism that marketers create needs or marketers get people to buy things they don't want. Marketers do not create needs : Needs preexist marketers. Marketers, along with other societal influences, influence wants. Marketers might promote the idea that a Mercedes would satisfy a person's need for social status. They do not, however, create the need for social status.

2. Product of Offering

People satisfy their needs and wants with products. A product is any offering that can satisfy a need or want. We mentioned earlier the major types of basic offerings : goods, services, experiences, events, persons, places, properties, organizations, information, and ideas.

A brand is an offering from a known source. A brand name such as McDonald's carries many associations in the minds of people: hamburgers, fun, children, fast food, Golden Arches. These associations make up the brand image. All companies strive to build brand strength, that is, a strong, favourable brand image.

3. Value and Satisfaction

The product (or) offering will be successful if it delivers value and satisfaction to the target buyer. The buyer chooses between different offerings on the basis of which is perceived to deliver the most value. We define value as a ratio between what the customer gets and what he gives. The customer gets benefits and assumes costs.

The benefits include functional benefits and emotional benefits. The costs include monetary costs, time costs, energy costs, and psychic costs. Thus value is given by :

$$\text{Value} = \frac{\text{Benefits}}{\text{Costs}}$$

4. Exchange and Transactions

Exchange, which is the core concept of marketing, involves obtaining a desired product from someone by offering something in return. For exchange potential to exist, five conditions must be satisfied :

1. There are at least two parties.
2. Each party has something that might be of value to the other party.
3. Each party is capable of communication and delivery.
4. Each party is free to accept or reject the exchange offer.
5. Each party believes it is appropriate or desirable to deal with the other party.

Whether exchange actually takes place depends upon whether the two parties can agree on terms that will leave them both better off (or at least not worse off) than before. Exchange is a value-creating process because it normally leaves both parties better off.

5. Marketing And Marketing Management

Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others.

For a managerial definition, marketing has often been described as “the art of selling products.” But people are surprised when they hear that the most important part of marketing is not selling! Selling is only the tip of the marketing iceberg. Peter Drucker, a leading management theorist, puts it this way:

There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available.

The American Marketing Association offers the following definition :

Marketing (management) is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services to create exchanges that satisfy individual and organizational goals.

Q9. Explain briefly about various marketing concepts.

Ans : (May-19, July-18)

1. Production Concept

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

The production concept is almost extinct now with companies paying more and more attention to the customer as the basic ideology here is customers will choose products and services that are widely available and are of economical. So business is mainly concerned with making as many units as possible. By concentrating on producing maximum volumes, such a business aims to maximize profitability by exploiting economies of scale.

This seems a viable strategy in developing markets i.e. India, Brazil, Russia, China, and South Africa. The Mantra for this concept is “Low cost and mass production” as rightly proven by Lenovo computers of China.

2. Product Concept

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

3. Selling Concept

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

service. Businesses had to concentrate on ways of selling their products.

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

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

4. Marketing Concept

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

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

Q10. Define societal marketing concept.

Ans :

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

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

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

Q11. Difference between selling and marketing.

Ans :

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

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

Q12. What are the objectives of marketing ?

Ans :

A company must be clear with its marketing objectives and 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

Q13. Explain the advantages of marketing.

Ans :

1. Establishes Brand Recognition

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

2. Gains and Retains Customers

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

3. Identifies Real Customers

Marketing strategies allow 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.

Q14. What is 'holistic marketing orientation' of an organization?

Ans :

(Aug.-/Sept.-16)

Holistic marketing incorporates the activities of value inspection, value creation and value delivery with a motive of constructing long-running and mutually satisfying relationships between the different stakeholders. It also helps to apprehend the customer value and relation. The success of holistic marketers depends upon maintaining higher-level of value chain that results in higher quality of product, service and speed. Along with it, they attain profitable growth, by expanding and building customer loyalty, shares and Customer Life time Value (CLV).

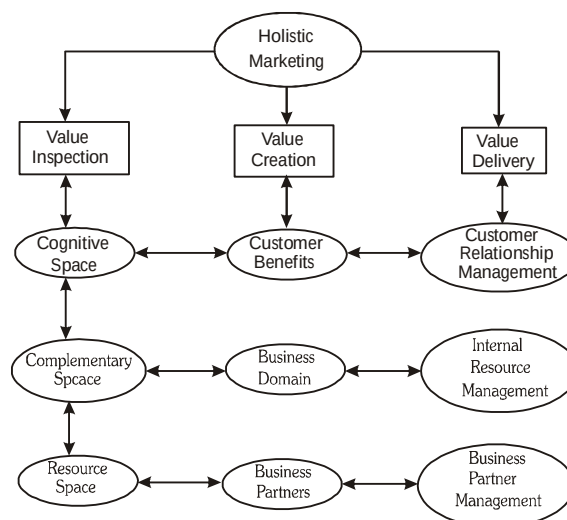


Fig. Holistic Marketing Orientation

1. Value Inspection

The holistic marketing of a company identifies new value opportunities among three spaces namely, cognitive space, complementary space and resource space. It reflects the existing need for participation, dimensions of stability, freedom and change.

2. Value Creation

It identifies the customer's benefits and understands what customer thinks about, wants, do's and don'ts from customers point of view.

3. Value Delivery

It provides customer relations, internal resource and business partner management for identifying its customer behaviour, needs or wants.

Q15. Differentiate between a firm's marketing measures and internal measures of performance.

Ans : (Feb.-17)

Two main differences between firms marketing measures of performance and firms internal measures of performance are as follows,

1. Marketing measures of performance are external measures where as, internal measures of performance are internal measures.
2. Some of the examples of marketing performance measures are - brand choice, sales, inter-purchase times. One example for internal measures of performance in a manufacturing unit is defects per million.

Q16. What are the responsibilities of Marketing Manager?

Ans : (March.-15)

Some of the responsibilities/functions of marketing manager are,

1. Planning of Marketing Activities

Planning is an integral part of marketing management. This function is based on the marketing opportunity which is key to the successful marketing management and performance. Planning of marketing activities is done to develop and define objectives and then derive strategies and design programmes that enable the firm to achieve its preset aims/goals.

2. Organizing Marketing Activities

Organizing is a function of classifying similar activities into same group. Different marketing activities could be purchase, sale, storage, packing, pricing, advertising and explaining the rights and duties of the managers (Ex: sales manager) and subordinates working under him.

3. Staffing for Marketing Activities

Staffing function deals with the appointment of different personnel for marketing department. Now-a-days, a separate personnel department is formed in organizations for selecting and placing qualified personnel.

4. Directing Marketing Staff

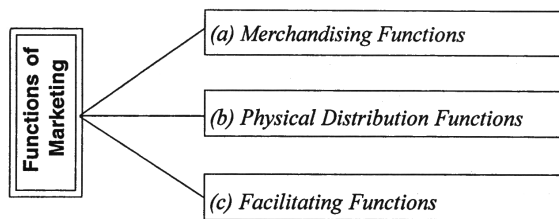
Marketing manager is not only responsible for planning and organizing the activities but also for guiding and supervising his/her subordinates.

5. Controlling Marketing Activities

Controlling is an important function of marketing management. The extent of its effectiveness determines the success of any programme or any policy of a business unit.

Q17. Explain the functions of marketing.

Ans :



(a) Merchandising Functions

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

i) Buying

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

ii) Assembling

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

iii) Selling

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

(b) Physical Distribution Functions

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

i) Transportation

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

ii) Storage and Warehousing

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

(c) Facilitating Functions

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

i) Financing

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

ii) Risk-Bearing

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

iii) Standardization

This has now been accepted as an ethical basis of marketing. A standard is a measure that is generally recognized as model for comparison. Standards are

determined on the basis of color, weight, quality and other factors of a product.

iv) Pricing

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

v) Branding

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

vi) Advertising

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

vii) Salesmanship

Salesmanship is neither an art nor is completely based on scientific principles. It is a combination of both. A salesman must possess inborn talents and must have a real interest in the profession. Salesman comes in contact with the

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

viii) Sales Promotion

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

ix) Packaging

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

x) Market Information

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

xi) Marketing Research

Marketing 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.

1.1.4 Market Place

Q18. What do you understand by Market place.

Ans :

The marketplace is physical, such as a store you shop in; marketspace is digital, as when you shop on the Internet.

The concept of a metamarket to describe a cluster of complementary products and services that are closely related in the minds of consumers, but spread across a diverse set of industries. The automobile meta-market consists of automobile manufacturers, new car and used car dealers, financing companies, insurance companies, mechanics, spare parts dealers, service shops, auto magazines, classified auto ads in newspapers, and auto sites on the Internet.

In purchasing a car, a buyer will get involved in many parts of this metamarket, and this creates an opportunity for metamediaries to assist buyers

in moving seamlessly through these groups, although they are disconnected in physical space. For example, Maruti Suzuki India, through their Web site marutitruevalue.com, helps buyers and sellers of second-hand cars to sell, buy, or exchange Maruti-certified used vehicles. This Web site provides useful information that facilitates informed transactions for both buyers and sellers. Metamediaries also serve other markets, such as buying, selling, and renting real-estate properties (e.g., [Magic Bricks.com](http://MagicBricks.com)) and travel and tourism.

1.1.5 Marketing in Practice

Q19. Elucidate briefly about Marketing in Practice.

Ans :

Marketing needs to affect every aspect of the customer experience, meaning that marketers must properly manage all possible touch points store layouts, package designs, product functions, employee training, and shipping and logistics methods.

- Marketing must also be heavily involved in key general management activities, such as product innovation and new-business development.
- To create a strong marketing organization, marketers must think like executives in other departments, and executives in other departments must think more like marketers.
- Companies generally establish a marketing department to be responsible for creating and delivering customer value, but as the late David Packard of Hewlett-Packard observed, Marketing is far too important to leave to the marketing department.”
- Companies now know that every employee has an impact on the customer and must see the customer as the source of the company's prosperity.
- So they're beginning to emphasize interdepartmental teamwork to manage key processes.
- They're also placing more emphasis on the smooth management of core business processes, such as new-product realization,

customer acquisition and retention, and order fulfillment.

- In practice, marketing follows a logical process. The marketing *planning* process consists of analyzing marketing opportunities, selecting target markets, designing marketing strategies, developing marketing programs, and managing the marketing effort.
- In highly competitive marketplaces, however, marketing planning is more fluid and is continually refreshed.
- Companies must always be moving forward with marketing programs, innovating products and services, staying in touch with customer needs, and seeking new advantages rather than relying on past strengths.
- The changing new marketing environment is putting considerable demands on marketing executives.
- Marketers must have diverse quantitative and qualitative skills, an entrepreneurial attitude, and a keen understanding of how marketing can create value within their organization. They must work in harmony with the sales function.

There are five key functions for a CMO in leading marketing within the organization:

1. Strengthening the brands
2. Measuring marketing effectiveness
3. Driving new product development based on customer needs
4. Gathering meaningful customer insights
5. Utilizing new marketing technology

1.2 MARKETING ENVIRONMENT

Q20. What is marketing environment? Explain the importance of marketing environment.

Ans :

Marketing Environment is ever changing; modern marketers realize that environmental scanning would provide them with continuous

interaction between the customers and the business they are in, based on integration, the marketing managers can evolve marketing strategies to ensure effective and efficient goal achievement. The environment of a business enterprise may be static or dynamic. When the environment forces do not show a significant change, they are termed as stable or static environment. But the environment of modern organizations is dynamic because of frequent changes.

Meaning of Marketing Environment

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

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

Definition of Marketing Environment

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

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

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

i) Micro Environment

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

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

ii) Macro Environment

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

Importance of Marketing Environment

The marketing manager needs to be dynamic to effectively deal with the challenges of environment. The environment of business is not static. It is changing with fast speed. The following importance of environment scanning has been suggested by various authorities:

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

Q21. Explain the nature of marketing environment.

Ans :

The nature of marketing environment is discussed below :

1. Marketing Environment is Complex

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

2. Marketing Environment is Dynamic

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

3. Marketing Environment is Multi-Faceted

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

4. Marketing Environment has a Far-Reaching Impact

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

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

Q22. Explain the Need for analyzing marketing environment.

Ans :

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

1. Marketing environment is analyzed to estimate the future marketing environment.
2. Marketing environment is analyzed to keep track on the environment changes and the outcomes of such changes.
3. To identify the opportunities and threats posed by the marketing environment, marketing environment is analyzed.
4. The marketing strategies, plans and programs of the company have to be designed by taking into consideration the opportunities and trends in the marketing environment. And for this clear analysis of marketing environment is very essential.
5. Marketing environment is analyzed to determine the scope of each opportunity posed by the marketing environment and to select those opportunities which can positively influence company's marketing operations.

Q23. Outline the process of marketing environment analysis.

Ans :

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

Step 1: Monitoring the Nature of the Environment

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

Step 2: Audit Environmental Influences

The aim is to identify which of the many different environmental influences have affected the

organization's development or performance in the past. It may also be helpful to construct pictures - or scenario - of possible futures to consider the extent to which strategies might need to change.

Step 3: Identify Key Competitive Forces through Structural Analysis

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

Step 4: Identify Strategic Position

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

- i) Competitor analysis,
- ii) Strategic group analysis, in terms of similarities and dissimilarities of the strategies they follow,
- iii) The analysis of market segments and market power,
- iv) Building on growth/share analysis,
- v) Attractiveness analysis.

Step 5: Identify Key Opportunities and Threats

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

1.2.1 Micro Environment**Q24. Micro environmental factors are very crucial for a business to operate smoothly comment on the statement.**

Ans : (Mar.-16)

Micro environment indicates the factors and forces in the immediate area of operation of the firm which affect the marketing manager's ability to serve the customers. It includes both internal as well as external forces. Internal forces include the company's top management and its various

departments like purchasing department, research and development department, production department, finance department and personnel department.

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

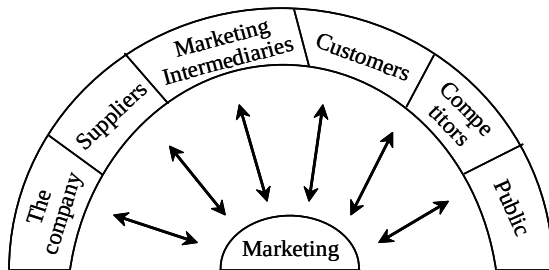


Figure: Micro Environment Factors

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

1. Suppliers

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

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

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

For instance, shortage of raw material or sudden increase in raw material prices forces suppliers to raise the prices, or an industrial

dispute may affect delivery of materials to the buying company. Any unexpected development in the supplier environment can have an immediate and potentially serious effect on the firm's commercial operations and production.

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

2. Marketing Intermediaries

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

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

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

3. Customers

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

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

i) Consumer market

Individuals and households buying the product for consumption.

ii) Industrial market

Organizations buying for producing other goods and services for the purpose of either earning profits or fulfilling other objectives or both.

iii) Reseller market

Organizations buying goods and services with a view to sell them to others for a profit. These may be selling intermediaries and retailers.

iv) Government and other non-profit market

The institutions buying goods and services in order to produce public services. They transfer these goods and services to those who need them for consumption in most of the cases.

v) International market

Individuals and organizations of other countries buying for their consumption or industrial use (or) both. They may be foreign consumers, producers, resellers and governments.

4. Competitors

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

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

There are three types of competition:

a) Competition from similar products

The most direct form of competition occurs amongst marketers of similar products.

For example, competitors in electronic home appliances are LG, Samsung or Philips etc.

b) Competition from substitute products

The second type of competition involves products that can be substituted for one-another.

For example, in air transport industry, Indigo competes with Jet airlines. The increase in fares of one airline increases demand for other airline services.

c) Competition amongst all firms

The final type of competition occurs among all organizations that compete for the consumer's purchases. In other words, modern marketers accept the argument that all firms compete for a limited amount of market share.

5. General Publics

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

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

i) Financial publics

They groups influence the company's ability to obtain funds. The examples of major financial publics are banks, investment houses and shareholders.

ii) Media publics

They consist of those mechanisms or devices that carry news, features and editorial opinion. They include newspapers, magazines, radio and television stations.

iii) Government publics

Management must take government developments into account. Marketers must often consult the company's lawyers on issues of product safety, truth-in-advertising and other matters.

iv) Citizen-action publics

A company's marketing decisions may be questioned by consumer organizations, environmental groups, minority groups and others. Its public relations department can help it stay in touch with consumer and citizen groups.

v) Local publics

Every company has local publics, such as neighbourhood residents and community organizations.

vi) General publics

A company needs to be concerned about the general public's attitude towards its products and activities. The public's image of the company affects its buying.

vii) Internal publics

A company's internal publics include its workers, managers, and board of directors. Large companies use newsletters and other means to inform and motivate their internal publics. When employees feel good about their company, this positive attitude spills over to external publics.

6. Company

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

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

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

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

1.2.2 Macro Environment

Q25. Explain briefly various macro environmental factors to a business?

Ans : (Mar.-16)

These factors are divided in different as follows:

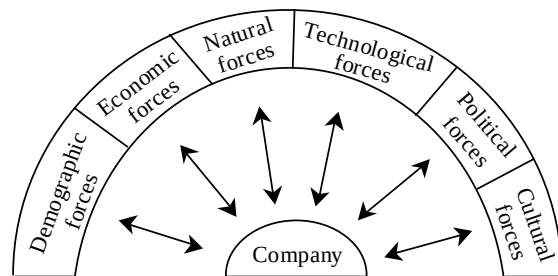


Fig.: Major forces in the companies macro environment

A) Demographic Environment Factors

The demographic environment includes the study of human populations in terms of age structure, size, education, location, sex, race, occupation, and other statistical information. Every country produces some basic demographic statistics, which are readily available to the marketing analyst. But this environment totally differs from one country

to other and from one place to another within the same country.

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

1. Population Size

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

2. Age

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

- Infants market/newly born market (0-1 year)
- Child market (1 -12 year)
- Teenagers market (13-19 years)
- Adolescent market (16-19 years)

- College going youngsters market (20-26 years)
- Youth market (27-35 years)
- Middle-aged market (36-50 years)
- Old-aged mature market (51-60 years)
- Elders or senior market (above 60 years)

3. Education

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

4. Gender

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

The marketers should continuously strive for competitiveness and take benefits from the ever changing environment which can be facilitated by the realization of the concept of gender marketing. Since ages men have assumed the dominance in all societies, cultures and countries because he is always been the bread earner for the family. But with increasing change in demographics,

economics and social changes, women are assuming an important role in a society as she also starts earning now. Both genders are very important for the marketers because of their varying needs, behavior and psychology.

B) Economic Environment Factors

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

Following factors contributes to the economic environment :

1. Economic Conditions

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

2. Consumers Purchasing Power

This is the capability of a person to purchase something, which largely depends upon the financial resources

available with consumers. Two factors are mainly responsible for affecting the consumers' purchasing power: Income and Inflation.

a) Income

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

b) Inflation

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

3. Interest Rates

Interest rates in an economy also affects the marketing activities as prices of products/services and buying power of consumers gets affected. If interest rate is high in the economy, companies will borrow capital at higher rates and then to meet up this cost, they will lift up the prices of their products. And then if for the longer time, interest rates stay high, inflation period enters in the economy. Due to which consumers' purchasing power will again decline and secondly, consumers will be in the favour of more savings to avail the benefits of more earnings due to higher interest rates.

C) Natural Environment Factors

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

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

Ecological factors in the near past had assumed great significance. Changes in temperature have impact on many industries including farming, tourism and insurance. The depletion of natural resources like water, soil etc., environmental pollution and global warming; these all disturb the ecological balance and awake the governments and businesses for preservation of environmental purity. With major climate changes occurring due to global warming and with greater environmental awareness this external factor is becoming a significant issue for firms to consider.

D) Technological Factors

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

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

1. Accelerating Pace of Change

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

2. Unlimited Opportunities for Innovation

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

3. Varying R&D Budgets

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

products and making minor feature and style improvements. Even basic research companies such as Dow Chemical, Bell Laboratories, and Pfizer are proceeding cautiously, and more consortiums than single companies are directing research efforts toward major breakthroughs. In India too, historically, most of the

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

4. Increased Regulation Of Technological Change

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

E) Political / legal Factors

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

1. Increase in Business Legislation

Business legislation is intended to protect companies from unfair competition, protect consumers from unfair business practices, protect society from unbridled

business behavior, and charge businesses with the social costs of their products or production processes. Each new law may also have the unintended effect of sapping initiative and slowing growth.

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

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

2. Growth of Special-interest Groups

Political action committees (PACs) and NGOs government officials and pressure business executives to respect the rights of consumers, women, senior citizens, minorities, and gays. Insurance companies directly or indirectly affect the design of smoke detectors; scientific

groups affect the design of spray products. Many companies have established public affairs departments to deal with these groups and issues. The consumerist movement organized citizens and government to strengthen the rights and powers of buyers in relationship to sellers. Consumerists have won the right to know the real cost of a loan, the true cost per standard unit of competing brands (unit pricing), the basic ingredients and true benefits of a product, and the nutritional quality and freshness of food.

F) Socio Cultural Factors

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

1. Views of ourselves

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

2. Views of others

Concerns for the poor and the underprivileged, women, and children-particularly their nutrition status and education - and inclusive and equitable growth dominates the discussions among the better - off in the Indian society. The rapid decline in the joint family has also moved people toward seeking stronger bonds outside the family, among friends, neighbors, and professional associations. The poor no longer view the wealthy as adversaries, or wealth creation as illegitimate.

However, with growing urbanization and dual earning families, social contacts are losing their personal touch and becoming more "gadget dependant" and less frequent.

3. Views of organizations

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

4. Views of society

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

5. Views of Nature

Asians have been closer to nature for generations. Environment protection, nature worship, and living in harmony

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

6. Views of the universe

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

Other cultural characteristics of interest to marketers are the high persistence of core cultural values and the existence of subcultures. Let's look at both.

Q26. Distinguish between Micro Environment and Macro Environment factors.

Ans :

BASIS FOR COMPARISON	MICRO (INTERNAL) ENVIRONMENT	MACRO (EXTERNAL) ENVIRONMENT
Meaning	Micro environment is defined as the nearby environment, under which the firm operates.	Macro environment refers to the general environment, that can affect the working of all business enterprises.
Alternatively known as	Internal Environment	External Environment
Elements	COSMIC, i.e. Competitors, Organization itself, Suppliers, Market, Intermediaries and Customers.	PESTLE, i.e. Population & Demographic, Economic, Socio-Cultural, Technological, Legal & Political and Environmental.
Nature of elements	Specific	General
Are these factors controllable?	Yes	No
Influence	Directly and Regularly	Indirectly and Distantly

1.3 MARKETING STRATEGIES

Q27. Define Marketing Strategies. Explain the nature of Marketing Strategies.

Ans : (May-19, July.-18)

Meaning and Definition of Marketing Strategies

Marketing strategy of a firm is the complete and unbeatable plan or instrument designed specifically for attaining the marketing objectives of the firm. The marketing objectives will tell where the firm wants to go; the marketing strategy will provide the design for getting there.

- i) **According to Cundiff, Still and Govoni,** "Basically, a company's overall marketing strategy is its competitive posture in the market place. Formulating an overall marketing strategy requires integration of all dimensions of the marketing effort".
- ii) **According to Michael E. Porter,** "Marketing strategy has mainly one aim to cope with competition. There are five major and vital forces that decide the nature and intensity of competition the threat of new entrants, bargaining power of customers, bargaining power of suppliers, threat of substitute products and the jockeying among the existing contestants. The collective strength of these forces determines the ultimate profit potential of an industry. And the strategist's goal is to find a position in the industry where his company can best defend itself against these forces or can influence them in his company's favor. Strategy can be viewed as building defenses against the competitive forces".
- iii) **According to Prof. Philip Kotler,** "Marketing strategy is the basic approach that the business unit will use to attain its goals and which comprises of elaborate decisions (strategies) on largest markets, market positioning and mix and marketing expenditure allocation. Moreover, the marketer should take care of the other two strategic aspects, viz., expected environment and competitive conditions while determining the marketing strategy".

Nature of Marketing Strategies

1) Dynamic

The concept of marketing strategy is relative as it is designed to meet the changing demands of a situation. Each situation and event needs a different strategy that is why strategies are revised and recast very frequently to cope-up with the changes in a given situation or event.

2) Futuristic

A marketing strategy is forward looking. It orients towards future. A marketing strategy is designed to bring-out the organization from a ditch of digression to the path of progress for better change in the coming times.

3) Complex

A marketing strategy is a very complex plan impounding in its compound other plans or firms of plans which area must to achieve the organizational goals. It is a complex of plans within plan to outbeat the strength and vitality of others in the line.

4) Direction

Marketing strategies provide a set direction in which human and physical resources will be allocated and deployed for achieving organizational goals in the face of change environmental pressure, stress and strains and constraints and restraints.

5) They are all Covering

Marketing strategies involve the right combination of factors governing the best results. In fact, strategic planning warrants not only the isolation of various elements of a given situation but a judicious and critical evaluation of their relative importance.

6) Link between the Unit and Environment

The strategic decisions that are basically related with likely trends in the changing marketing changes in government policies, technological developments, ecological change overs, social and cultural - overtones. Then, the ever-changing environment which is external to the organization has impact on it because unit

is the sub-systems of supra-system namely environment.

7) Interpretative

Marketing strategies are the interpretative plans formulated to interpret and give meaning to other plans in the spotlight of a specific situation or situations. They demand an adjustment of plans in anticipation of the reactions of those who will be influenced. Strategic decisions are the result of a complex and intricate process of decision-making.

8) Top Management Blueprint

Marketing strategies and their formulation is the basic responsibility of top management. It is because, it is top management that spells-out the missions, objectives and goals and the policies and strategies are the ways to reach them. Thus, top management is not only to say to where to go but how best to go to the terminal point.

Q28. What are the Essentials of Marketing Strategies ?

Ans :

Any marketing strategy to be worth calling as successful (or) effective, must enjoy certain extras which can be called as essentials or requisites of it. The basic guidelines, used to call a strategy a successful one used by experts are:

1) Consistent

A marketing strategy to be effective is to be consistent with the overall and specific objectives and policies and with other strategies and tactics of the marketing organization. Interval consistency is an essential ingredient of a good strategy as it identifies the areas where the strategic decisions are to be made imminently or in the long-run.

2) Workable

Any strategy however laudable and theoretically sound, is meaningless unless it is able to meet the ever-changing needs of a situation. In this business world, contingency is quite common and the strategy that strikes at the head to contribute to the progresses and prosperity of marketing organization.

3) Suitable

A strategy is emergent of situations or environment. It is but natural that any strategy not suiting to the environment can impound the marketing organization in the compounds of danger, digress and frustration.

4) Non Risky

Any strategy involves risks as uncertainty is certain; what is important is that the extent of the risk involved or associated with strategy is reasonably low as compared to its pay-off or returns.

5) Resource Based

A sound strategy is one which is designed in the background of the available resources at its command. A strategy involves certain amount of risk which can hardly be segregated. A strategic decision warrants commitment of right amount of resources to the opportunity and reservation of sufficient resources for an anticipated or "pass through" errors in such demands of resources.

Q29. A Modern library run by private organization has some summer and winter vacation knowledge workshops for school children such as creative writing, story telling, etc. The demand escalates to unmanageable situation at times. Suggest specific strategies to increase the business of the library and stabilize the revenue throughout the year.

Ans :

(Feb.-17)

For this library which is run by private organizations, to stabilize the demand, till through the year, it is necessary that they manage the demand properly.

Strategies for Managing Demand

The library may employ the following strategies for straightening the flow of members throughout the year,

1. Communicating Busy Hours

The first strategy would be for the library to communicate its very busy hours to the

customers and suggest them to enjoy the services of the library at non-peak hours. It would help them to reduce pressure during peak hours and also provide better services.

2. **Provide Incentives, During Off**

A second advisable strategy would be for the library to provide monetary discounts towards membership fee for members who would off to utilize the library services at non-peak hours. This would facilitate easing of pressure during peak hours and also help utilize the organizational capacities fully.

3. **Serving the Regular Customers**

The library can maintain a record of the regular loyal members and provide them services on a priority basis. It would boost customer loyalty and also ensure that a specific set of customers would be utilizing the services at a specific time thus, accordingly seating area, reading area etc, can be kept ready.

4. **Agressive Promotion**

Another simple strategy to boost library demand during the non-peak hours is to initiate an aggressive promotional compaign during the off season.

5. **Targeting New Segments**

During the school exams and regular classes, it is natural for a dip in school children to the library. During these off periods, the library may target new segments of customers such as retirees, home makers, office goers etc.

6. **Offer Price Incentive**

Another simple yet effective strategy to streamline the demand throughout the year is to increase the library membership fee during the peak hours and simultaneously offer membership discounts during non-peak hours.

7. **Change in Library Timings**

The library may come up with creative changes in its daily working hours, to attract different segments of customers.

8. **Integration of Information Technology**

Employing the internet and other IT services for renewal of borrowed books, or placing of new orders would help reduce the number of members who would be physically come during the peak rush hours.

Q30. **Explain the categories of marketing strategy.**

Ans :

In the present age of competition, every business needs to stay ahead and marketing strategies form an important tool for the same. The marketing strategies comprising of market targeting, positioning and marketing mix can be categorized under two broad heads:

1) **Price Oriented Strategies**

This is a type of marketing strategy where the firms consider the price as the main strength. The price becomes the main weapon. For making the price as the main instrument on which all the strategies will be based one has to have the cost advantages in operations in comparison to the competitors. A firm will have to try and achieve the cost leadership in the market. Without cost advantage the firm cannot continue to offer products or services at lower cost. Also this strategy should be adopted at an early stage. There is no benefit in getting stuck in tough competition and then lowering the price. During the evolutionary stage working towards cost leadership brings in success.

2) **Differentiation Strategy**

An organization calls for this strategy when it offers products or services, which are distinct from the competitors. The main weapon in the hands of the marketer is the distinctiveness. These firms price the product on the perceived value of the attributes that it offers. This differentiation can be made by distinct product features as well as doing something different in service also. The differentiation strategy is stronger than price strategy. It helps the firms to compete with their unique features and services and not only with the price. So it gives the firm much flexibility when competing against others.

Though the above two strategies are two different ways to gain competitive advantages in the market, they are not mutually exclusive. In a highly complex and competitive market, firms might need to follow a strategy, which is a combination of the two.

Whatever may be the marketing strategies the firms should have the competitive advantages so that the strategies can work.

Q31. (a) How does the mix of customers who are satisfied, neutral and dissatisfied affect net profit of a business ?

(b) How could a business have a high customer retention rate but a low customer loyalty score ?

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

- (a) There exists a direct relationship between customer satisfaction and the profitability of a business. It is necessary for the firm to work towards customer satisfaction. In simple terms, when a customer buys a product or service, he would have some expectations out of the product. Any informed customer would compare the features, prices and benefits off competitive products before make the purchase.

After the purchase, if the customer feels that the product has provide the utilities it has promised, the customer would be satisfied. If there is a huge gap between the promise made by the product and the actual delivery, the customer would be dissatisfied and would never buy the product again.

Impact of Satisfied Customers on Profitability

A customer who is satisfied after using the product would boost the overall profitability of the firm in two ways.

- (i) He would purchase the product on a regular basis thus, he would facility the sales.
- (ii) He would also recommend his relatives and friends to purchase the product as he is satisfied with its performance. Thus a satisfied customer would be doing word of mouth marketing.

Impact of Dissatisfied Customers on Profits

A dissatisfied customer would have a negative impact upon the profit of the firm, in the following ways,

1. He would stop repurchasing the product for self consumption, thus decreasing the sales on a micro level.
2. He would caution his friends and relatives against consumption of the product. Thus, he is eliminating potential customers the organization.
3. Not just profits, but also the brand image of the firm is at stake because "Bad news travels fast". Research studies had found that a satisfied customers would share his experience with a few people whereas an unsatisfied customer would do negative publicity of the product of many potential customers.

Impact of Neutral Customers on Profits

In the case of a neutral customer the impact would be minimal except that he would continue using the product regularly, thus contributing to the overall profitability of the organization.

- (b) There exists a direct relationship between customer loyalty and customer retention. Customer loyalty reflects the emotional attachment that a consumer has, towards to the organization and the product or service. In simple terms, it refers to the faithfulness and preference a consumer gives to the organization and its product.

According to a Harvard research scholar, "It is not enough for the firm to have (customer satisfaction). You need the hearts and minds of the customers to close the loyalty gap".

On the other hand, customer retention refers to the process through which an organization retains its customers. Customer satisfaction, customer interaction and customer loyalty are the key pillars of customer retention.

Any organization can only retain its loyal customers. Thus marketing firms try to answer questions such as,

- (i) Do we know the desires and wants of our customers?
- (ii) Do we know the life time value of our customers?
- (iii) What measures are we taking to bring back our previous customers?

Generally, the greater the loyalty of customer, the greater is the customer retention scale. However, under the following situations a business may have a high customer retention rate but a low customer loyalty score,

1. When the organization is a monopolist, irrespective of dissatisfaction, the customer is retained by the organization (Example: Railways).
2. When the cost of switching over to any other competitor organization is very high.
3. When the organization products or services are patented. (Example: Microsoft I.T. software programs).
4. When the firm is the dominant firm in the industry.

1.4 MARKETING PLAN

Q32. Define Marketing Plan. Explain the contents of Marketing Plan.

Ans : (Aug.-11)

Meaning

Marketing plans are becoming more customer and competitor-oriented, better reasoned and more realistic than in the past. They draw more inputs from all the functions and are team developed. Planning is becoming a continuous process to respond to rapidly changing market conditions.

A Marketing Plan is a written document outlining the marketer's experience about the market. It also denotes the ways in which an organization plays to attain its marketing objectives. It is one of the most vital output of the marketing process as it contains strategic guidelines for marketing programs and financial allocations over the planning period. A marketing plan represents a detailed scheme of guidelines for the firm's marketing activities in a written form.

Contents of Marketing Plan

1) Executive Summary and Table of Contents

The marketing plan should open with a brief summary for senior management of the main goals and recommendations. A table of contents outlines the rest of the plan and all the supporting rationale and operational detail.

2) Situation Analysis

It presents relevant background data on sales, costs, the market, competitors, and the various forces in the macro-environment. How do marketer defines the market, how big is it, and how fast is it growing? What are the relevant trends? What is the product offering and what critical issues do marketers face? Firms will use all this information to carry-out a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis.

3) Marketing Strategy

The product manager defines the mission, marketing and financial objectives, and groups and needs that the market offerings are intended to satisfy. The manager then establishes the product line's competitive positioning, which will inform the "game plan" to accomplish the plan's objectives. All this requires inputs from other areas, such as purchasing, manufacturing, sales, finance, and human resources.

4) Financial Projections

Financial projections include a sales forecast, an expense forecast, and a break-even analysis. On the revenue side, the projections show the forecasted sales volume by month and product category. On the expense side, they show the expected costs of marketing, broken-down into finer categories. The break-even analysis shows how many units the firm must sell monthly to offset its monthly fixed costs and average per-unit variable costs.

5) Implementation Controls

The last section of the marketing plan outlines the controls for monitoring and adjusting

implementation of the plan. Typically, it spells out the goals and budget for each month or quarter, so management can review each period's results, and take corrective action as needed. Firms must also take a number of different internal and external measures to assess progress and suggest possible modifications. Some organizations include contingency plans outlining the steps the management would take in response to specific environmental developments, such as price wars or strikes.

1.5 THE NEW MARKETING REALITIES

Q33. Describe the concept of the New Marketing Realities.

Ans :

1. Major Societal Forces

Today the marketplace is radically different as a result of major, and sometimes inter linking, societal forces that have created new behaviors, new opportunities, and new challenges:

➤ Network information technology.

The digital revolution has created an Information Age. The Industrial Age was characterized by mass production and mass consumption, stores stuffed with inventory, ads everywhere, and rampant discounting. The Information Age promises to lead to more accurate levels of production, more targeted communications, and more relevant pricing.

➤ Globalization.

Technological advances in transportation, shipping, and communication have made it easier for companies to market in other countries, and easier for consumers to buy products and services from marketers in other countries.

➤ Deregulation.

Many countries have deregulated industries to create greater competition

and growth opportunities. In India, the domestic airline industry has been growing very rapidly after deregulation. Airline companies are competing with each other by offering different and better services to the customers. Much of the growth in the various sectors of the Indian economy is due to the government policy of deregulation and liberalization.

➤ Privatization.

Many countries have converted public companies to private ownership and management to increase their efficiency, such as British Airways and British Telecom in the United Kingdom.

➤ Heightened competition.

Brand manufacturers are facing intense competition from domestic and foreign brands, resulting in rising promotion costs and shrinking profit margins. They are being further buffeted by powerful retailers that command limited shelf space and are putting out their own store brands in competition with national brands. Many strong brands are extending into related product categories, creating megabrands with much presence and reputation.

➤ Industry convergence.

Industry boundaries are blurring at an incredible rate as companies are recognizing that new opportunities lie at the intersection of two or more industries.

The computing and consumer electronics industries are converging as the giants of the computer world such as Dell, Gateway, and Hewlett-Packard release a stream of entertainment devices from MP3 players to plasma TVs and camcorders. The shift to digital technology is fueling this massive convergence.

➤ **Retail transformation.**

Small retailers are succumbing to the growing power of giant retailers and “category killers.” Store-based retailers face competition from catalog houses; direct-mail firms; newspaper, magazine, and TV direct-to-customer ads; home shopping TV; and e-commerce on the Internet. In response, entrepreneurial retailers are building enter-tainment into their stores with coffee bars, lectures, demonstrations, and performances, marketing an “experience” rather than a product assortment.

2. New Consumer Capabilities

Customers today perceive fewer real product differences and show less brand loyalty, and they are becoming more price and quality sensitive in their search for value. Consider what consumers have today that they didn't have yesterday:

➤ **A substantial increase in buying power**

Buyers are only a click away from comparing competitor prices and product attributes on the Internet. They can even name their price for a hotel room, airline ticket, or mortgage. Business buyers can run a reverse auction in which sellers compete to capture their business. They can readily join with others to aggregate their purchases and achieve deeper volume discounts.

➤ **A greater variety of available goods and services.**

Amazon is quickly became the world's largest bookstore but has since branched into retail sales of music and movies, cloth-ing and accessories, consumer electronics, health and beauty aids, and home and garden products. Buyers can order goods online from anywhere in the world, bypassing limited local offerings and realizing great savings by ordering in countries with lower prices.

➤ **A great amount of information about practically anything.**

People can read almost any newspaper in any language from anywhere in the world. They can access online encyclopedias, dictionaries, medical information, movie ratings, consumer reports, and countless other information sources.

➤ **Greater ease in interacting and placing and receiving orders.**

Today's buyers can place orders from home, office, or mobile phone 24 hours a day, 7 days a week, and quickly receive goods at their home or office.

➤ **An ability to compare notes on products and services.**

Social networking sites bring together buyers with a common interest. Compareindia.com provides comparative information, mostly based on consumer reviews, prices, features, and users' experiences pertaining to a variety of products. These include electrical and electronic gadgets and equipment, kitchen accessories, and office equipment. Another Web site that provides comparative information and reviews of gizmos and gadgets is Techtree.com. Similarly, Mouth Shut. com provides consumer feedback and users' experience of products classified into different categories. Many people, particularly the younger generation, who are more comfortable with the Internet, visit some of these Web sites to make informed choices.

3. New Company Capabilities

New forces also have combined to generate a new set of capabilities for today's companies:

➤ Marketers can use the Internet as a powerful information and sales channel, augmenting their geographical reach to inform customers and promote their businesses and products worldwide. By

- establishing one or more Web sites, they can list their products and services, history, its business philosophy, job opportunities, and other information of interest to visitors.
- Researchers can collect fuller and richer information about markets, customers, prospects, and competitors. They can also conduct fresh marketing research using the Internet to arrange for focus groups, send out questionnaires, and gather primary data in several other ways.
 - Managers can facilitate and speed internal communication among their employees by using the Internet as a private intranet. Employees can query one another, seek advice, and download or upload needed information from and to the company's main computer.
 - Companies can also facilitate and speed external communication among customers by creating online and off-line "buzz" through brand advocates and user communities.
 - Target marketing and two-way communication are easier, thanks to the proliferation of special-interest magazines, TV channels, and Internet newsgroups. Extranets linking suppliers and distributors let firms send and receive information, place orders, and make payments more efficiently. The company can also interact with each customer individually to *personalize* messages, services, and the relationship.
 - Marketers can send ads, coupons, samples, and information to customers who have requested them or have given the company permission to send them. They can now assemble information about individual customers' purchases, preferences, demographics, and profitability.
 - Companies can reach consumers on the move with mobile marketing. Using GPS technology, for instance, consumers

can download company logos so they can spot brands when they're on the road. Firms can also advertise on video iPods and reach consumers on their cell phones through mobile marketing.

- Corporate buyers can achieve substantial savings by using the Internet to compare sellers' prices and to purchase materials at auction or by posting their own terms. Companies can improve logistics and operations to reap substantial cost savings, at the same time improving accuracy and service quality.
- Firms can also recruit new employees online, and many are also preparing Internet training products for download to employees, dealers, and agents.

1.6 MARKET RESEARCH

Q34. Define Marketing Research. What are the objectives of Marketing Research?

Ans : (Feb.-12)

Definitions

According to The American Marketing Association. The systematic gathering, recording and analysis of data about problems relating to the marketing of goods and services".

According to Richard Crisp "The systematic objective and exhaustive research for and study of the facts relevant to any problem in the field of marketing."

Objectives of Marketing Research:

Marketing research is undertaken for attaining the following objectives:

1) To Provide Basis For Proper Planning

Marketing and sales forecast research provides sound basis for the formulation of all marketing plans, policies, programmes and procedures.

2) To Reduce Marketing Costs

Marketing research provides ways and means to reduce marketing costs like selling, advertisement and distribution etc.

3) To Find Out New Markets for The Product

Marketing research aims at exploring new markets for the product and maintaining the existing ones.

4) To Determine Proper Price Policy

Marketing research is considered helpful in the formulation of proper price policy with regard to the products.

5) To Study in Detail Likes and Dislikes of the Consumers

Marketing research tries to find out what the consumers, (the men and women who constitute the market) think and want. It keeps us in touch with the consumers, minds and to study their likes and dislikes.

6) To Know The Market Competition

Marketing research also aims at knowing the quantum of competition prevalent in the market about the product in question. The company may need reliable information about competitor's moves and strategies which are of immense significance for further planning.

7) To Study The External Forces and Their Impact

Marketing research provides valuable information by studying the impact of external forces on the organization. External forces may include conditions developing in foreign markets, govt, policies and regulations, consumer incomes and spending habits, new products entering in the market and their impact on the company's products.

Q35. Explain the nature of marketing research.

Ans :

Nature of Marketing Research**1) It is a Function of Marketing Management**

Marketing research operations helps the marketing executives to keep abreast with the environmental changes by providing right information on dynamic environments to facilitate decision-making. The marketing

environment consists of customers, competitors, suppliers, distributors, etc. The information generated through marketing research can be used to determine most appropriate marketing mix. Thus, marketing research is a well recognized and very important function of marketing management.

2) It is an Integrated Effort

A teamwork or group effort is needed for carrying out marketing research activities in any organization. Research objectives are set by planning executives and data requirement for the accomplishment of these objectives are determined by the data analyst. The data processor should know the nature and location of available data to retrieve and process it at the desired time. Thus, marketing research is a team effort.

3) It is a Systems Approach

Marketing research involves a number of activities, viz., collection, recording, tabulating, analyzing and interpretation of information. Each of these activities are performed by some experts who are supervised by marketing management executives. Thus, marketing research constitutes a systems approach from start to finish.

4) It is an Inter-Disciplinary Process

Marketing researcher collects vast amount of information from various disciplines, viz., economics, sociology, psychology, etc., and uses various statistical and mathematical techniques to process this information. Psychological and sociological information is used to study consumer behavior. Thus, marketing research is based on inter-disciplinary approach.

5) It is an Imperfect Science

Science is an open discipline which hides nothing and brings everything to surface. A scientific method is a set of prescribed procedures for establishing and connecting general laws. In marketing research the objectives and assumptions inherent in the phenomenon are formulated and then data is collected and analyzed to draw inferences.

Marketing research can be viewed as scientific effort to enhance knowledge by developing concepts, collecting and analyzing meaningful data and the critical study of concepts and premises. But the studies in marketing research are never exact as it deals with unpredictable and dynamic human behavior. The results are always uncertain with certain amount of risk. Thus, marketing research is based on scientific method and can be termed as science but it cannot be designated as perfect like other social science, i.e., it is an imperfect science.

6) Indispensable for the New Product Introduction

Before introducing a new product, the market research is used to find out suitable avenues and place of the new products. It reveals the various opportunities of new markets and reveals the methods to reach the markets.

7) Market-Orientation

The objective of marketing research is to enable the firms to produce the goods and services acceptable to the customers. It sees that the goods and services must reach the market easily, quickly, cheaply and profitably. The right course of action to approach and sustain the market is possible with suitable marketing research.

Q36. Elucidate the scope of marketing research.

Ans :

The scope of marketing research is very wide and it provides useful information about all the aspects of marketing, for instance :

1. Product or service features desired by the customers

This information can be collected from the customers through a well defined research instrument. Furthermore the relative importance of various features can also be obtained.

2. Pricing

The information regarding the prices charged by the competitors for the same and nearly

same products (or) services can be obtained by market survey.

3. Consumer Behaviour

The research can be conducted to know about buying habits of the consumers. Information can be obtained regarding why consumers buy something; when do they buy it; from where they buy; how much do they buy; who accompanies them during the shopping etc. Information to these key question will help the marketer in improving his offering.

4. Distribution

The information can be obtained about the effectiveness of channel member their motivation level and what needs to be done to improve their motivation level, in identifying the training needs etc.

5. Promotion

Vital information can be obtained regarding the media habits of consumers which can provide vital inputs for the media planning. Advertising effectiveness can also be measured by pre and post testing techniques which can help in identifying the best advertisement and its impact on the consumers. The consumers response both qualitative and quantitative can help in identifying the best sales promotion technique for ones product or service.

1.6.1 Marketing Research Process

Q37. Outline the process of Marketing Research Process.

Ans : (Nov.-20, July.-18, Aug.-17, Sep.-15, Sep.-16, Sep.-13)

1) Specifying Research Objectives

In this step of the research process researchers must first obtain answers to the questions, "What is the purpose of this study?" and "What are the objectives of the research?" If these questions are not properly answered at the outset, the study is likely to be misdirected and to pursue vague or obscure goals. The probable result will be that the collected data will not be as valid and/or reliable as desired.

2. Preparing a List of the Needed Information

After a satisfactory statement of the study's purpose and objectives has been established, it is necessary to prepare a list of the information needed to attain the objectives. The contents of such a list will be determined by the objectives of the research and the situation leading to the research request.

3. Designing the Data-collection Project

After the research objectives have been specified (step 1) and the list of needed information has been prepared (step 2), the researcher should determine whether such information is already available, either in company records or in outside sources. Certainly, the researcher should not collect data from the field until the appropriate secondary source of information has been reviewed. If the needed information is not available from secondary sources, the researcher will have to collect data in the field, and so it will be necessary to design a data-collection project.

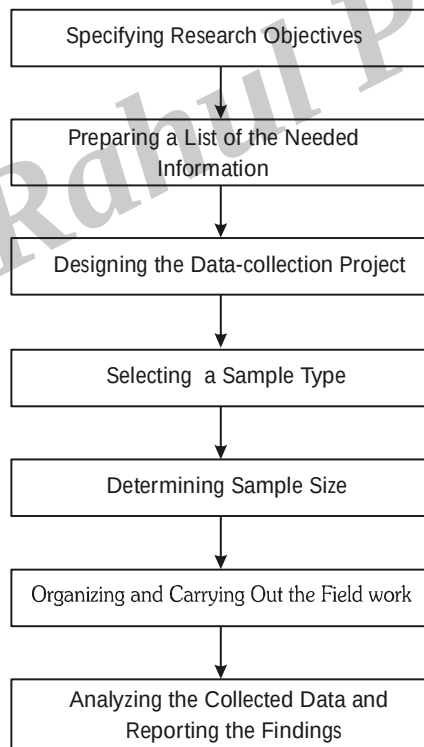


Fig. Marketing Research Process

4. Selecting a Sample Type

Almost all marketing research projects are interested in information about a large population such as all families with children at home or all retail grocery stores. As it is impractical to collect data from all members of such large populations, a sample is selected. Various types of samples are possible, but they can be classified into two general categories-non-probability and probability.

5) Determining Sample Size

The researcher must also decide how large a sample to select. Marketing research samples vary from fewer than 10 to several thousand. He researcher must consider the problem at hand, the budget, and the accuracy needed in the data before the question of sample size can be answered.

6) Organizing and Carrying out the Field work

Fieldwork includes selecting, training, controlling and evaluating the members of the field force. The methods used in the field are very important, for they usually involve substantial part of the research budget and are a potential source of error through lack of both validity reliability. Fieldwork methods are dictated largely by the method of collecting data, the sampling requirements, and the kinds of information that must be obtained.

7) Analyzing the Collected Data and Reporting the Findings

After all interviews and/or observations have been made, the completed data-collection forms must be processed in a way that will yield the information the project was designed to obtain.

First, the forms need to be edited to ensure that instructions were followed, that all questions were asked or observations made, and that the resulting data are consistent and logical. Next, the data must be prepared for

tabulation. This means the data must be assigned to categories and then coded so the responses can be put into the computer. The responses are usually tabulated and analyzed on a computer.

1.6.2 Marketing Research and Ethics

Q38. Explain the various ethical issues in marketing research.

Ans : (May-19)

The marketing research includes, several ethical issues as follows,

1. Privacy

The data collection techniques involved in marketing research may disclose the one's privacy, because people are being observed with the help of hidden cameras, their purchase behaviour is studied by using the scanner data, credit card use data. The personal information about the customers can be revealed by using their databases, which can be used in a wrong way (illegally) to make greater profits.

2. Intrusion

Marketing research involves collecting the complete information from the respondents, but the respondents may feel irritated and inconvenient to provide or reveal the information. Both the interviews, i.e., either personal or telephonic interviews may be irritating ones.

3. Deception

The researchers may very rarely follow the deceptive methods for collecting the data from businesses. Other researchers act as shoppers and collect their opinions about products or brands from the co-shopper.

4. False Representation

The authentic researchers may lose their image or reputation because of "sugging" and "frugging". "Sugging" refers to selling under the name of research and "frugging" refers to raising funds in the name of research.

1.7 MARKETING INFORMATION SYSTEMS

Q39. Define Marketing Information Systems. What are the characteristics of Marketing Information Systems.

Ans :

Definition of Marketing Information System

Marketing information system (MIS) is an orderly procedure for the regular collection of raw data both internally and externally and the conversion of these data into information for making marketing-decisions. Different authors have defined MIS as:

- i) **According to Cundiff, Still and Govoni,**
"Marketing information system is an organized set of procedures, information handling routines and reporting techniques designed to provide the information required for making marketing decision".
- ii) **According to K. Cox and K. Gonod,** "MIS is a set of procedures and methods for the regular and planned collection, analysis and presentation of information in making marketing decisions".
- iii) **According to Richard H. Brien & James,**
"Marketing information system is structured interacting complex of persons, machines and procedures designed to generate an orderly flow of pertinent information collected from intra and extra firm sources, for use as the base for decision making in specific responsibility areas of marketing management".
- iv) **According to Professor Alder Lee,**
marketing information system is "an interacting, continuing, future oriented structure of people, equipment and procedure designed to generate and process an information flow which can aid business executives in the management of their marketing programmes."

Characteristics of Marketing Information System

1. MIS is a consciously developed master plan for information flow. It is an ongoing process and operates continuously.
2. MIS provides integration and co-ordination among marketing planners, salesforce and external environment.
3. MIS is future-oriented. It anticipates and prevents problems as well as solves marketing problems. It is both a preventive as well as a curative process in marketing.
4. MIS provides scientific base to marketing with the help of operations research techniques.
5. Management gets a steady flow of information on a regular basis, the right information, for the right people, at the right time.

Q40. Explain the components of marketing information system.

Ans :

The marketing information system concept is illustrated in figure below. The marketing manager, in order to do marketing planning, execution and control responsibilities needs (shown extreme right) information about developments in marketing environment (shown extreme left). The role of the MIS is to assess the manager's information needs, develop the needed information and distribute the information in a timely fashion to the marketing managers. The needed information is developed through internal marketing information, marketing intelligence activities and marketing research. These are the three major components or divisions of marketing information system and have been explained below:

- 1) Internal Marketing Information/ Internal Report System
- 2) Marketing Intelligence System
- 3) Marketing Research System
- 4) Analysis and Processing/ Analytical Marketing System

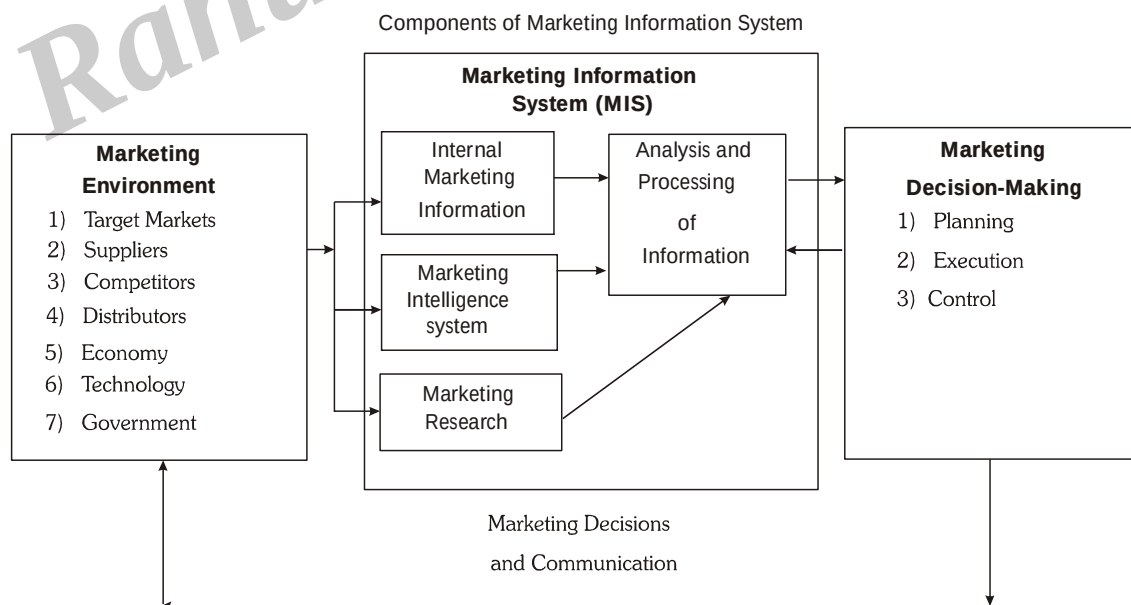


Fig. Marketing Information System

1. Internal Marketing Information

The most basic information system used by marketing managers is the internal records system. They include detailed reports on orders, sales, prices, inventory levels, receivables, payables and so on. By analyzing this information, marketing managers can spot important opportunities and problems.

All enterprises which have been in operation for any period of time have a wealth of information. However, this information often remains under-utilized because it is compartmentalized, either in the form of an individual entrepreneur or in the functional departments of larger businesses. That is, information is usually categorized according to its nature so that there are, e.g., financial, production, manpower, marketing, stockholding and logistical data. Often the entrepreneur or various personnel working in the functional departments holding these pieces of data, does not see how it could help decision-makers in other functional areas. Similarly, decision-makers can fail to appreciate how information from other functional areas might help them and therefore do not request it.

The internal records that are of immediate value to marketing decisions are: orders received, stockholdings and sales invoices. These are but a few of the internal records that can be used by marketing managers, but even this small set of records is capable of generating a great deal of information. Below is a list of some of the information that can be derived from sales invoices:

- i) Product type, size and pack type by territory,
- ii) Product type, size and pack type by type of account,
- iii) Product type, size and pack type by industry,
- iv) Product type, size and pack type by customer,

- v) Average value and/or volume of sale by territory,
- vi) Average value and/or volume of sale by type of account,
- vii) Average value and/or volume of sale by industry,
- viii) Average value and/or volume of sale by salesperson.

By comparing orders received with invoices an enterprise can establish the extent to which it is providing an acceptable level of customer service. In the same way, comparing stockholding records with orders received helps an enterprise ascertain whether its stocks are in line with current demand patterns.

2. Marketing Intelligence System

Marketing intelligence is the systematic collection and analysis of publicly available information about competitors and developments in the marketing environment. Marketing Intelligence Vs Marketing Research: Marketing intelligence includes internal data about the firm's own operations: Overall sales; market shares; product-wise, region-wise and territory-wise data on sales; information about channel members, their classification according to their current and potential turnover and contribution to the company's sales. In industrial markets, similar data has to be maintained about customers as well.

All this data is essential for marketing planning as well as operations in general and need not be restricted to a product category or a specific research study. It should be maintained by the marketing intelligence section of the client organization. A market researcher called in for a specific project should usually not need to collect this data as part of the project; the manager must have access to such information on a continuous basis, independent of marketing research.

i) Unfocused Scanning

The manager, by virtue of what he/she reads, hears and watches exposes him/herself to information that may prove

useful. Whilst the behavior is unfocused and the manager has no specific purpose in mind, it is not unintentional.

ii) **Semi-Focused Scanning**

Again, the manager is not in search of particular pieces of information that he/she is actively searching but does narrow the range of media that is scanned. For example, the manager may focus more on economic and business publications, broadcasts, etc, and pay less attention to political, scientific or technological media.

iii) **Informal Search**

This describes the situation where a fairly limited and unstructured attempt is made to obtain information for a specific purpose. For example, the marketing manager of a firm considering entering the business of importing frozen fish from a neighboring country may make informal inquiries as to prices and demand levels of frozen and fresh fish. There would be little structure to this search with the manager making inquiries with traders he/she happens to encounter as well as with other ad hoc contacts in ministries, international aid agencies, with trade associations, importers/exporters, etc.

iv) **Formal Search**

This is a purposeful search after information in some systematic way. The information will be required to address a specific issue. Whilst this sort of activity may seem to share the characteristics of marketing research it is carried out by the manager him/herself rather than a professional researcher. Moreover, the scope of the search is likely to be narrow in scope and far less intensive than marketing research.

Marketing intelligence is the province of entrepreneurs and senior managers within an agri-business, it involves them in scanning newspapers, trade

magazines, business journals and reports, economic forecasts and other media. In addition it involves management in talking to producers, suppliers and customers, as well as to competitors. Nonetheless, it is a largely informal process of observing and conversing.

Some enterprises will approach marketing intelligence gathering in a more deliberate fashion and will train its salesforce, after-sales personnel and district/area managers to take cognizance of competitors' actions, customer complaints and requests and distributor problems. Enterprises with vision will also encourage intermediaries, such as collectors, retailers, traders and other middlemen to be proactive in conveying market intelligence back to them.

3) **Marketing Research**

Marketing research is the third component of marketing information system. Marketing research is the systematic design, collection, analysis and reporting of data and findings relevant to a specific marketing situation facing the company.

Marketing Information System Vs Marketing Research

Marketing research: Marketing research is the search for and analysis of information relevant to the identification and solution of any problem in the field of marketing.

Marketing Information System

Marketing information system is defined as a set of procedures and methods for regular and planned collection, analysis and presentation of information in making marketing decisions.

Marketing research is only a part of marketing information system, while MIS is an ongoing system. Thus, MIS is a wider concept than marketing research.

4) Analysis and Processing of Information:

Within the MIS there has to be the means of interpreting information in order to give direction to decision. These models may be computerized or may not. Typical tools are:

- i) Time series sales models,
- ii) Brand switching models,
- iii) Linear programming,
- iv) Elasticity models (price, incomes, demand, supply, etc.),
- v) Regression and correlation models,
- vi) Analysis of Variance (ANOVA) models,
- vii) Sensitivity analysis,
- viii) Discounted cashflow
- ix) Spreadsheet what if models.

These and similar mathematical, statistical, econometric and financial models are the analytical sub-system of the MIS. A relatively modest investment in a desktop computer is enough to allow an enterprise to automate the analysis of its data. Some of the models used are stochastic, i.e., those containing a probabilistic element whereas others are deterministic models where chance plays no part. Brand switching models are stochastic since these express brand choices in probabilities whereas linear programming is deterministic in that the relationships between variables are expressed in exact mathematical terms

1.7.1 Marketing Research vs. Marketing Information System

Q41. Compare and contrast marketing research and marketing information system.

Ans :

Difference between Marketing Research and Marketing Information System

S.No.	Basis of Distinction	Marketing Research	Management Information System
1)	Nature	It lays stress on external information	MIS uses both types of data internal and external data
2)	Aim	Marketing Research is concerned with solving of problems.	MIS is concerned with preventing problems and their solutions
3)	Use	Marketing Research operates in fragmented intermittent fashion - on a project to project basis.	MIS always work on a continuous basis.
4)	Focus	Marketing Research lays focus on past information	MIS is more concerned for future.
5)	Use of Computer	Marketing Research is not computerized base	Mis is totally computerized based
6)	Dependence	One source of information input into a marketing information system.	MIS includes other sub-systems, besides market research

1.8 INTERNATIONAL MARKETING RESEARCH

Q42. Explain briefly about international marketing research ?

Ans :

International Market Research is a particular discipline of Market Research, focusing on certain geographical areas.

International Market Research is concerned with consumer goods, but also with any resource or service within a value chain which will be commercially utilized or further processed – which is the area of industrial goods and B2B-Marketing.

International market research projects may have various objectives and purposes.

Classical market research very often covers cross-country issues. Same question, but being raised internationally. This may however lead to differing answers from country to country – due to historical or cultural reasons. This implies that country-specific answers will also lead to internationally differing marketing decision.

Research topics usually include the following aspects:

- development of customer needs and customer desires
- customer's perception of the company, compared to competitor companies
- performance and adequacy of marketing tools such as product and services, branding, direct sales and distribution channels, communications including internet marketing, pricing – all this being challenged by standardisation ("world product") or country-specific features (local speciality).
- marketing innovation: new business models and billing schemes, new variations of marketing tools, new technology applications
- service quality of business relations between customers and sales persons or service technicians, to be examined by mystery shopping

- openness for and acceptance of new technology applications

Strategic projects within international corporate planning and globalization affect a firm's New Business Development.

These projects may include very differing objectives, for instance:

- **evaluation and selection of target markets** – e.g. examining market potentials, market attractiveness, market barriers, intensity of competition, sales channels, customer segments and others more
- **preparations for new sales market entry** – e.g. profiling and prioritize of prospective customers, providing short lists of target customers "turn-key"-ready for sales managers, short lists of resellers, distributors, intermediaries, and logistics or other service facilities
- **procurement out of new vendors** – e.g. profiling, evaluation and selection of suppliers, clarification of detail questions such as transportation, custom duties, payment procedures, and others more
- **shift of production** – e.g. country comparison, execution of feasibility studies, later research for manufacturers, suppliers, manufacturing facilities, personnel and others more.
- Take-over of competitors in target markets, again creation of long and short lists, profiling, contacting, negotiating, due diligence and others more.

All these examples mean that accurate, complete, and up-dated pieces of information are delivered to come to sound decisions.

Usually, there is a clear geographical focus on specific country markets.

Q43. Why is International Market Research so important ?

Ans :

International Market Research shall identify new business opportunities and help assure a so-called area strategy which defines which geographical hemisphere needs to be covered.

Generally, market research intends to provide new ideas, comparisons, and control information for marketing deciders. These deciders are found not only in Marketing and Sales, Import and Export positions, but also in New Business Development, in a Strategy staff, in Corporate Planning departments and of course, within top management.

International Market Research provides an information base for strategic decisions. Here, competitive information needs to be available early, fastly, and with the right filter.

Q44. What needs to be considered when executing International Market Research ?

Ans :

Strategic decision-making requires an outstandingly high quality information base.

Therefore, international market research projects have to consider the following:

- globalization experts are featured by product and industry knowledge, industry-specific experiences, methodological know-how like research methods, information access (e.g. to specializing commercial data bases), reputation (e.g. experts with door-opener-quality) and international experience, language skills, and others more
- competitive information needs the right focus, but also needs to be provided fastly, and early enough in order to be effective.
- information should be retrieved exclusively for your company – if all the industry enjoys the information there will not be any competitive gain

- procurement of information may be done by internal staff ("make", e.g. sales force, internal research department), but also by such type of external market intelligence specialist who are working in the international field.

Q45. Explain the types of International Marketing Research ?

Ans :

Types of Information for International Marketing Research

International Marketing Research can be defined as the research that is either conducted simultaneously or in a sequence in order to facilitate the organization's marketing decisions in countries other than the country of their origin. International marketing research, apart from having a number of similarities, differs from the process of domestic marketing from a number of perspectives. These major differences include; the differences in the country's political, economic, legal, cultural and social aspects, these differences when combined together are termed as national differences and the comparability of the results obtained from the international marketing research, as a consequence of these differences.

To keep in view these differences is very essential in order to have an effective assessment of the international market in which the firm is planning to operate. A broader scope of knowledge, if the following type of information is included in the international marketing research results of an organization:

1. Economic

This must include the general data about the country's economic growth and business cycle trends, the rate of inflation in that country, and finally the analysis if the company's potential profitability which it is going to obtain through its product.

2. Socio-cultural and political information

This outlines the information about the general non economic factors that might affect the company's business, these factors may include, ecology, leisure time and safety in

addition to the information about the societal and cultural norms and the policies of the local government.

3. **A detailed analysis of the market conditions**

as the name implies, this portion will include the information regarding the affects of the prevailing market conditions on the company's business. This may include the influence of the market segment the company aims to target.

4. **Technological Environment**

This section must provide information about the technologies available in that particular country, which the organization aims to expand. Since this is a critical factor and the company's success in the new market heavily depends upon the state of the art technology available, this section must provide information carefully segregated according to product segmentation.

5. **Competition**

This is the most critical piece of information required by any organization before starting its business. So, the section of competitive environment must provide a review of the rivals' revenue obtained from their sales, their methods of segmenting the market and the products and last but not the least a review of their apparent strategies which they use for operating in the global competitive environment.

These important factors when identified appropriately help the organization to make effective marketing decisions. The domestic marketers acquire this information after years of experience of operating in a single market, but in international markets such information is mandatory to be gathered prior to start any business in a market which is absolutely new to the organization. However, the information which was anticipated and what turns out to

be after the research have certain differences.

A number of organizations who are operating in the international market do not use the information gathered through marketing research in making decisions, while others do not even bother to invest their time, money and human resources on research and as a consequence they face severe losses in terms of profit as well as company's image, this is why a great amount of emphasis is laid on international marketing research. In fact, the expenditures made on the marketing research are indicators of the size and growth of the international markets.

Q46. International Marketing Research is associated with its own pros and cons. Illustrate the statement with suitable examples.

Ans :

Pros (or) Advantages of International Marketing Research

The international marketing research is found to be advantageous due to the following reasons,

1. Forecasting

Every organization takes up strategic decisions on the formulated assumptions which are designed to develop the future business activities. For this purpose, organization is required to conduct research for updating its aims, objectives and assumptions based on the changing environment. During the Research process, companies adopt different techniques for gathering detailed information about the current and nature market trends. Hypothesis testing method also constitutes a usual research method, employed for evaluating the efficiency of proposed theories and assumptions.

2. Planning

Planning acts as the crucial driving force behind the success of any business. Research plays a significant role specially when an organization is planning to expand its business operations in different countries across the

globe. It assists the organization in determining the problems and challenges that might be faced by the business which needs to be overcome by implementing various strategies and tactics.

3. **Competitive Intelligence**

While conducting the international market research, a Researcher must gather information about the strengths, weakness, opportunities and threats of the competitors firms. Through the competitive intelligence practise most of the organizations are developing competitive strategies by comparing them with that of competitor's strategies. Based on the results of the Research, firms implement strategies which include effective product pricing, distribution pattern and other strategies to compete at the International platform.

Information about the rival firms can also be obtained through public sources such as Brochures, Internet and the library.

4. **Progress in Organizational Objectives**

Appropriate organizational objectives can be formulated by effectively carrying out the skillful international research. Research will suggest the corrective actions to the manager through which he can make adjustments to ensure the success of any organization in the coming future.

5. **Maximize the Organizational Skills and Knowledge**

Before undertaking the International Research in process, researcher needs to improve his skills and knowledge which will enable him to interact and negotiate more efficiently with various associates, partners and customers. The International Marketing research also develop the marketing skills which acts as a source for the attainment of competitive advantage and also in the development of organizational performance.

Cons (or) Disadvantages of International Marketing Research

The following are the challenges faced by a Manager/ Researcher carrying out IMR,

1. The international marketing research involves a series of interrelated activities which are usually complex in nature.
2. Researcher come across with many difficulties while gathering accurate and reliable information due to existence of cross-national differences in culture, languages, laws, Regulations, Income levels and so on.
3. If a researcher gathers bulk of information it cannot be interpreted that he has gathered beneficial information. This is due to the fact that he might have collected the useless, unreliable, non-viable or information which is difficult to understand.
4. The information gathered through public sources like libraries and internet would not be sufficient for the success of an organization.
5. It is difficult for the organization to maintain an equilibrium between the relevant information and cost expenditures required/ incurred for conducting research.

Short Question and Answers

1. Market.

Ans :

Introduction

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 of Market

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

Ans :

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

Marketing is the process of interesting potential customers and clients in your products and/

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

Definitions of Marketing

Numerous definitions were offered for marketing by different authors. Some of the definitions are as follows :

1. **According to William G. Zikmund and Michael d.Amico** Marketing is the process that seeks to influence voluntary exchange transactions between a customer and a marketer.
2. **According to H.L. Hansen.** Marketing is the process of discovering and translating consumer needs and wants into products and services, creating demand for these products and services and then in turn expanding this demand.
3. **According to Edward W. Cundiff** Marketing is the business process by which products are matched with markets and through which transfer of ownership are affected.
4. **According to American Marketing Association** Marketing consists of the performance of business activities that direct the flow of goods and services from producers or suppliers to consumers or end-users.
5. **According to Philip Kotler** Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others.
6. **According to William D. Perreault and E. Jerome McCarthy** Marketing is the performance of activities that seek to accomplish an organization's objectives by

anticipating customer or client needs and directing the flow of need satisfying goods and services from producer to customer or client.

3. What are the differences between market and marketing.

Ans :

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

4. Production Concept.

Ans :

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

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

5. Define societal marketing concept.

Ans :

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

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

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

6. Differentiate between a firm's marketing measures and internal measures of performance.

Ans :

Two main differences between firms marketing measures of performance and firms internal measures of performance are as follows,

1. Marketing measures of performance are external measures where as, internal measures of performance are internal measures.
2. Some of the examples of marketing performance measures are - brand choice, sales, inter-purchase times. One example for internal measures of performance in a manufacturing unit is defects per million.

7. What is marketing environment?

Ans :

Marketing Environment is ever changing; modern marketers realize that environmental scanning would provide them with continuous interaction between the customers and the business they are in, based on integration, the marketing managers can evolve marketing strategies to ensure effective and efficient goal achievement. The

environment of a business enterprise may be static or dynamic. When the environment forces do not show a significant change, they are termed as stable or static environment. But the environment of modern organizations is dynamic because of frequent changes.

Meaning of Marketing Environment

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

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

Definition of Marketing Environment

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

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

8. Explain the Need for analyzing marketing environment.

Ans :

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

1. Marketing environment is analyzed to estimate the future marketing environment.
2. Marketing environment is analyzed to keep track on the environment changes and the outcomes of such changes.

3. To identify the opportunities and threats posed by the marketing environment, marketing environment is analyzed.
4. The marketing strategies, plans and programs of the company have to be designed by taking into consideration the opportunities and trends in the marketing environment. And for this clear analysis of marketing environment is very essential.
5. Marketing environment is analyzed to determine the scope of each opportunity posed by the marketing environment and to select those opportunities which can positively influence company's marketing operations.

9. Define Marketing Strategies.

Ans :

Marketing strategy of a firm is the complete and unbeatable plan or instrument designed specifically for attaining the marketing objectives of the firm. The marketing objectives will tell where the firm wants to go; the marketing strategy will provide the design for getting there.

- i) **According to Cundiff, Still and Govoni,** "Basically, a company's overall marketing strategy is its competitive posture in the market place. Formulating an overall marketing strategy requires integration of all dimensions of the marketing effort".
- ii) **According to Michael E. Porter,** "Marketing strategy has mainly one aim to cope with competition. There are five major and vital forces that decide the nature and intensity of competition the threat of new entrants, bargaining power of customers, bargaining power of suppliers, threat of substitute products and the jockeying among the existing contestants. The collective strength of these forces determines the ultimate profit potential of an industry. And the strategist's goal is to find a position in the industry where his company can best defend

itself against these forces or can influence them in his company's favor. Strategy can be viewed as building defenses against the competitive forces".

- iii) **According to Prof. Philip Kotler,** "Marketing strategy is the basic approach that the business unit will use to attain its goals and which comprises of elaborate decisions (strategies) on largest markets, market positioning and mix and marketing expenditure allocation. Moreover, the marketer should take care of the other two strategic aspects, viz., expected environment and competitive conditions while determining the marketing strategy".

10. Define Marketing Plan.

Ans :

Marketing plans are becoming more customer and competitor-oriented, better reasoned and more realistic than in the past. They draw more inputs from all the functions and are team developed. Planning is becoming a continuous process to respond to rapidly changing market conditions.

A Marketing Plan is a written document outlining the marketer's experience about the market. It also denotes the ways in which an organization plays to attain its marketing objectives. It is one of the most vital output of the marketing process as it contains strategic guidelines for marketing programs and financial allocations over the planning period. A marketing plan represents a detailed scheme of guidelines for the firm's marketing activities in a written form.

11. Define Marketing Research.

Ans :

Definitions

According to The American Marketing Association. The systematic gathering, recording and analysis of data about problems relating to the marketing of goods and services".

According to Richard Crisp "The systematic objective and exhaustive research for and study of the facts relevant to any problem in the field of marketing."

12. Objectives of Marketing Research.

Ans :

Marketing research is undertaken for attaining the following objectives:

1) To Provide Basis For Proper Planning

Marketing and sales forecast research provides sound basis for the formulation of all marketing plans, policies, programmes and procedures.

2) To Reduce Marketing Costs

Marketing research provides ways and means to reduce marketing costs like selling, advertisement and distribution etc.

3) To Find Out New Markets for The Product

Marketing research aims at exploring new markets for the product and maintaining the existing ones.

4) To Determine Proper Price Policy

Marketing research is considered helpful in the formulation of proper price policy with regard to the products.

5) To Study in Detail Likes and Dislikes of the Consumers

Marketing research tries to find out what the consumers, (the men and women who constitute the market) think and want. It keeps us in touch with the consumers, minds and to study their likes and dislikes.

6) To Know The Market Competition

Marketing research also aims at knowing the quantum of competition prevalent in the market about the product in question. The company may need reliable information

about competitor's moves and strategies which are of immense significance for further planning.

13. Define Marketing Information Systems.

Ans :

Marketing information system (MIS) is an orderly procedure for the regular collection of raw data both internally and externally and the conversion of these data into information for making marketing-decisions. Different authors have defined MIS as:

i) According to Cundiff, Still and Govoni,

"Marketing information system is an organized set of procedures, information handling routines and reporting techniques designed to provide the information required for making marketing decision".

ii) According to K. Cox and K. Gonod, "MIS is a set of procedures and methods for the regular and planned collection, analysis and presentation of information in making marketing decisions".

iii) According to Richard H. Brien & James, "Marketing information system is structured interacting complex of persons, machines and procedures designed to generate an orderly flow of pertinent information collected from intra and extra firm sources, for use as the base for decision making in specific responsibility areas of marketing management".

iv) According to Professor Alder Lee, marketing information system is "an interacting, continuing, future oriented structure of people, equipment and procedure designed to generate and process an information flow which can aid business executives in the management of their marketing programmes."

14. Characteristics of Marketing Information System.

Ans :

1. MIS is a consciously developed master plan for information flow. It is an ongoing process and operates continuously.
2. MIS provides integration and co-ordination among marketing planners, salesforce and external environment.
3. MIS is future-oriented. It anticipates and prevents problems as well as solves marketing problems. It is both a preventive as well as a curative process in marketing.
4. MIS provides scientific base to marketing with the help of operations research techniques.
5. Management gets a steady flow of information on a regular basis, the right information, for the right people, at the right time.

15. International marketing research ?

Ans :

International Market Research is a particular discipline of Market Research, focusing on certain geographical areas.

International Market Research is concerned with consumer goods, but also with any resource or service within a value chain which will be commercially utilized or further processed – which is the area of industrial goods and B2B-Marketing.

International market research projects may have various objectives and purposes.

Classical market research very often covers cross-country issues. Same question, but being raised internationally. This may however lead to differing answers from country to country – due to historical or cultural reasons. This implies that country-specific answers will also lead to internationally differing marketing decision.

16. Write a brief note on elements of marketing environment.

Ans :

The marketing environment of the company can be divided into two macro environment and micro environment,

1. **Macro Environment** : The external environmental factors cannot be controlled by the organization. The various macro environmental factors influencing the company's marketing functions are,
 - (a) Demographic Factors
 - (b) Political and Legal Factors
 - (c) Economic Factors
 - (d) Social and Cultural Factors
 - (e) Technological Factors
2. **Micro Environment** : Micro environmental factors are those factors which are in close control of the company. The internal environment of the company also comes under micro environment. The various micro environmental factors influencing company's marketing functions are,
 - (a) Suppliers
 - (b) Customers
 - (c) Marketing Intermediaries
 - (d) Competitors
 - (e) Company's Internal Environment

UNIT II

Analyzing Marketing Opportunities, Customer Value and Marketing Mix: Consumer Decision Making, Building Customer Value, Analyzing Consumer Markets – Consumer Behavior – Cultural, Social & Personal Factors, developing products & brands – product levels; classifying products, product range, product line & product mix, Product Life Cycles, new product development., New Service Development, Stages of Product/ Service innovation development, The process of adoption, Branding.

2.1 CONSUMER DECISION MAKING

Q1. Define Consumer Decision Making. Explain the process of Consumer Decision Making.

Ans : (Dec. - 19, July. - 18)

Consumer decision making is a process which is followed by the consumer to purchase any product. Various stages are involved in the consumer decision-making process. The marketer should concentrate only on those stages which are found to be highly influential in nature.

The purchaser or consumer takes his buying decisions, for some commodities immediately without much consideration such as items of daily use while for some other commodities mainly luxury or durable items, he thinks much before taking a decision to purchase it. Sometimes, he consults others. Generally, the purchaser passes through five distinct stages in taking a decision for purchasing a particular commodity. Broadly, in making a purchase decision the consumer goes through the following stages :

1. Problem recognition
2. Pre purchase information search
3. Evaluation of alternatives
4. Purchase decision
5. Post purchase behaviour

1. Problem Recognition

The buying process starts when the buyer recognizes a problem or need. The need can be triggered by internal stimuli. In the former case one of the person's normal needs- hunger, thirst, sex- rises to a threshold level

and become a drive. In the latter case, a need is aroused by an external stimulus. A person passes a bakery and sees freshly baked bread that stimulates her hunger, she admires a neighbor's new car; or she watches a television ad for a Hawaiian vacation.

Marketers need to identify the circumstances that trigger a particular need by gathering information from a number of consumers; marketers can identify the most frequent stimuli that spark an interest in a product category. They can then develop marketing strategies that trigger consumer interest.

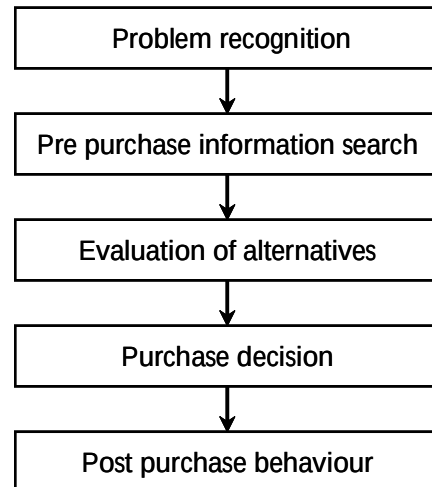


Fig. Buyer Decision Making Process

2. Pre-purchase Information Search

An aroused consumer will be inclined to search for more information. We can distinguish between two levels of arousal. The milder search state is called heightened attention. At this level a person simply becomes more receptive to information about a product.

At the next level the person may enter active information search: looking for reading material, phoning friends and visiting stores to learn about the product of key interest to the marketers, are the major information sources to which the consumer will turn and the relative influence each will have on the subsequent purchase decision.

Consumer information sources fall into four groups.

- i) **Personal Sources:** Family, friends, neighbors, acquaintance
- ii) **Commercial Sources:** Advertising, salespersons, dealers, packaging, displays.
- iii) **Public Sources:** mass media, consumer, rating organization.
- iv) **Experiential Sources:** Handling, examining, uses the product.

The relative amount and influence of these information sources vary with the product category and the buyer's characteristics. Generally speaking the consumer receives most of the information about a product from commercial source-that is, marketers-dominated sources. But most effective information comes from personal sources. Each information sources performs a different function in influencing the buying decision. Commercial information normally performs an informing function, and personal sources perform a legitimizing or evaluation function. **For example** physicians often learn of new drugs from commercial sources but turn to other doctors for evaluative information.

3. Evaluation of Alternatives

There is no single evaluation process used by all consumers or by one consumer in all buying situations. There are several decision evaluation processes the most current models of, which see the process as cognitively oriented. That is, they see the consumer as framing judgment largely on a conscious and rational basis.

Evaluation may be thought of as a system as depicted in Figure.

- i) **Evaluative (Choice) Criteria:** These are the dimensions used by consumers to compare or evaluate products or brands. In the car example, the relevant evaluative criteria may be fuel economy, purchase price and reliability.
- ii) **Beliefs:** These are the degrees to which, in the consumer's mind, a product possesses various characteristics, e.g., roominess.
- iii) **Attitudes:** These are the degrees of liking or disliking a product and are in turn dependent on the evaluative criteria used to judge the products and the beliefs about the product measured by those criteria.
- iv) **Intentions:** These measure the probability that attitudes will be acted upon. The assumption is that favorable attitudes will increase purchase intentions, i.e., the probability that the consumer will buy.

Some basic concepts will help us understand consumer evaluation processes.

- i) The consumer is trying to satisfy a need.
- ii) The consumer is looking for certain benefit from the product solution.
- iii) The consumer sees each product as a bundle of attributers with varying abilities of delivering the benefit sought to satisfy this need.
- iv) The attributes of interest to buyers vary by product.

Consumers vary as to which product attributers they see as most relevant and the importance they attach to each attribute. They will pay the most attention to attributers that deliver the sought benefit. The market for a product can often be segmented according to attributes that are salient to different consumer groups.

The consumer develops a set of brand beliefs about where each brand stands on each attribute. The set of beliefs about a brand makes up the brand image. The consumer's brand image will vary with his or her experience as filtered by the effects of selective perception selective distortion and selective retention.

4. Purchase Decision

In the evaluation stage, the consumer forms preference among the brand in the choice. The consumer may also form an intention to buy the most preferred brand. However, two factors can intervene between the purchase intention and the purchase decision.

- i) The first factor is the attitudes of others. The extent to which another person's attitude reduces, one's preferred alternative depends on two things:
 - a) The intensity of the other person's negative attitude towards the consumer's preferred alternative.
 - b) The consumer's motivation to comply with the other person's wishes.
- ii) The second factor is unanticipated situation factors that may erupt to change the purchase intention. Preferences and even purchase intentions are not completely reliable predictors of purchase behavior.

5. Post-purchase Behavior

After purchasing the product, the consumer will experience some level of satisfaction or dissatisfaction. The marketer's job does not end when the product is bought. Marketers must monitor post purchase satisfaction, post purchase actions and post purchase product uses.

- i) **Post-purchase Satisfaction:** What determines whether the buyer will be highly satisfied, somewhat satisfies or dissatisfied with a purchase? The buyer's satisfaction is a function of the closeness between the buyer's expectations and the product's perceived performance. If

performance falls short of expectations, the customer is disappointed; if it meets expectations the customers is satisfied; if it beyond expectations the customer is delighted. These feelings signify a difference in whether the customer buys the product again and talks favorably or unfavorably about the product to others.

- ii) **Post-purchase Actions:** The consumer's satisfaction or dissatisfaction with the product will influence subsequent behavior. If the consumer is satisfied he or she will exhibit a higher probability of purchasing the product again.

Q2. What are the stages of the consumer buyer decision process and describe how you or your family went through this process to make a recent purchase.

Ans : (May-19)

Recently, I had a plan to purchase table fans. The different types of decisions which I had taken in the process of purchase are,

1. What to Buy?

I had collected information about different brands of table fans and their respective prices. Based on the collected information, I had decided to purchase 'Usha table Fan'.

2. How Much to Buy?

After deciding what to buy, my next decision was about how many table fans to be bought. As I have one drawing room and two bed rooms, I decided to purchase total three table fans.

3. Where to Buy?

As D-mart is near to my place, I decided to purchase table fan from D-mart.

4. When to Buy?

As attractive discounts are found in festivals seasons, I decided to purchase table fans during Diwali festival offers.

5. How to Buy?

As purchasing three table fans at a time is an expensive decision, I preferred to purchase table fans in instalments.

2.2 BUILDING CUSTOMER VALUE

Q3. What is customer value ? Explain the approaches of customer value.

Ans : (July. - 2018)

Those companies that are marketing-oriented aim to create customer value in order to attract and retain customers. Their intention is to deliver superior value to their target customers and, in doing so, they implement the marketing concept by meeting and exceeding customer needs better than the competition.

One of the great benefits of having satisfied customers is that they tell others of their experiences, further enhancing sales. For example, recent research has shown that the experience of other customer with a product or service has a significant impact on purchase decision in sectors like automobiles and financial services.

Customer value is dependent on how the customer perceives the benefits of an offering and the sacrifice that is associated with its purchase. Therefore:

$$\text{customer value} = \text{perceived benefits} - \text{perceived sacrifice}$$

Perceived benefits can be derived from the product, the associated service and the image of the company. Conveying benefits is a critical marketing task and is central to positioning and branding. Perceived sacrifice is the total cost associated with buying the product. This consists not just of monetary costs, but also the time and energy involved in the purchase.

For example, with hotels, good location can reduce the time and energy required to find a suitable place to stay. But marketers need to be aware of another critical sacrifice in some buying situations; this is the potential psychological cost of not making the right decision. Uncertainty means that people perceive risk when purchasing.

The key to marketing success is to exceed the value offered by competitors. Consumer decide on purchases on the basis of judgements about the value offered by suppliers. Once a product has been purchased, customer satisfaction depends on its perceived performance compared to the buyer's expectations. Customer satisfaction occurs when perceived performance matches or exceeds expectations.

Expectations are formed through pre-buying experiences, discussions with other people and suppliers' marketing activities. Companies need to avoid the mistake of setting customer expectations too high through exaggerated promotional claims, since this can lead to dissatisfaction if performance falls short of expectations.

In the current competitive climate, it is usually not enough simply to match performance and expectations. Expectations need to be exceeded for commercial success so that customers are delighted with the outcome. In order to understand the concept of customer satisfaction, the Kano model helps to separate characteristics that cause dissatisfaction, satisfaction and delight. Three characteristics underline the model; 'must be', 'more is better' and 'delighters'.

Customer Expectations

Customer is defined as anyone who receives that which is produced by the individual or organization that has value. Customer expectations are continuously increasing. Brand loyalty is a thing of the past. Customers seek out products and producers that are best able to satisfy their requirements. A product does not need to be rated highest by customers on all dimensions, only on those they think are important.

Measuring Customer Satisfaction

To execute a successful client satisfaction survey, build one that your customers have the time and inclination to respond to, and that delivers into the types of information that will truly help enhance your performance. By carefully constructing a brief, yet strong, survey, you can discover what your customers believe your strengths and weaknesses are and what makes your customers loyal to your company.

Approach of Customer Value Measurement

1. Process Definition and Mapping

We work with you to identify all potential client points of interaction or "touchpoints" and map their contribution to an overall picture of service delivery for your organization

2. Market Segmentation

We work with you to develop an approach to segmenting your customers into groups to understand strategic drivers of value

3. Customer Value Measurement

Leveraging a number of data collection methodologies, we collect detailed feedback from your customers. Wherever feasible, we collect detailed feedback from your competitors' customers to learn how you are positioned in the competitive landscape.

4. Value Mapping

Using the data collected from your customers and competitors' customers, along with your segmentation plan, we develop a series of value maps designed to show what your market groups value, and how well you (and your competitors) are performing

5. Develop Strategies

Based on the value maps and corresponding performance scores, you will have the intelligence necessary to create targeted strategies that are grounded in very specific tasks that can be managed

6. Continuous Tracking

Measuring customer value is an ongoing process. Things happen that are out of your control, but which may affect what your customers value. Continuous measurement allows you to be proactive with your customer management strategies.

Q4. Explain different types of customer value.

Ans :

1. Functional Value

The functional value of a consumer choice is the perceived functional, utilitarian or physical performance utility received from the choice (product)'s attributes. It is associated with economic utility theory, popularly expressed in terms of rational economic reason. At the heart of such a value definition is the set of attributes like reliability, durability, and price. When somebody purchases a bar of soap, he is buying it for the purpose of washing.

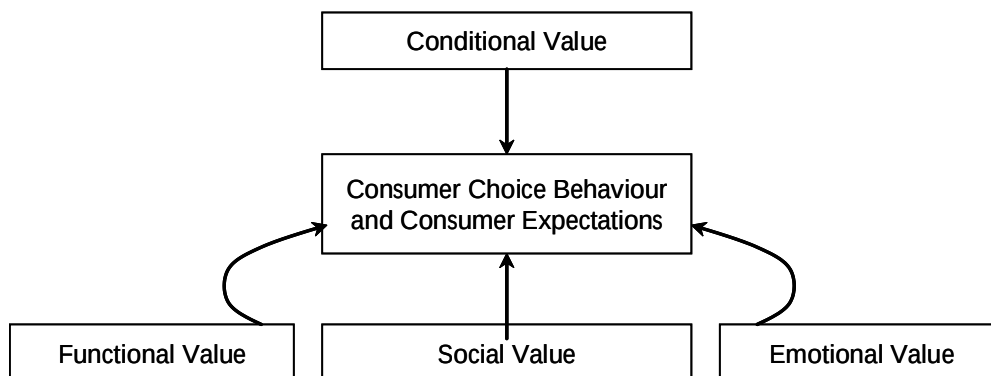


Fig. : Types of Values Expected by Customers

2. Social Value

The social value of a choice is the perceived utility acquired because of the associations between one or more specific social groups and consumer choice. A consumer's choice gains social value by being linked with positively or negatively stereotyped demographic socio-economic and cultural-ethnic groups, i.e., reference groups.

3. Emotional Value

The emotional value of a choice is the perceived utility acquired from its capacity to stimulate the consumer's emotions or feelings. A choice acquires emotional value when associated with specific feelings or when it triggers or sustains those feelings. Products and services are frequently associated with emotional responses.

4. Conditional Value

Conditional value of a choice is the perceived utility acquired by a choice as an outcome of some particular situation or circumstances facing the customer, e.g., products associated with a particular time or event like coffee at breakfast. Some products have specific climate or location benefit like sunscreen lotions; some are associated with once-in-a-lifetime events like purchase of first car. And some are used only in emergency situations like a dentist on a Sunday afternoon. Conditional value is served best when we associate the brand with usage situations. For example, Nescafe which is served at the end of a hard day or on a lazy afternoon.

Q5. How could a business have a high customer retention rate but a low customer loyalty score?

Ans : (Feb. - 17)

There exists a direct relationship between customer loyalty and customer retention. Customer loyalty reflects the emotional attachment that a consumer has, towards to the organization and the product or service. In simple terms, it refers to the faithfulness and preference a consumer gives to the organization and its product.

According to a Harvard research scholar, "It is not enough for the firm to have (customer satisfaction). You need the hearts and minds of the customers to close the loyalty gap".

On the other hand, customer retention refers to the process through which an organization retains its customers. Customer satisfaction, customer interaction and customer loyalty are the key pillars of customer retents.

Any organization can only retain its loyal customers. Thus marketing firms try to answer questions such as,

- (i) Do we know the desires and wants of our customers?
- (ii) Do we know the life time value of our customers?
- (iii) What measures are we taking to bring back our previous customers?

Generally, the greater the loyalty of customer, the greater is the customer retention scale. However, under the following situations a business may have a high customer retention rate but a low customer loyalty score,

- (a) When the organization is a monopolist, irrespective of dissatisfaction, the customer is retained by the organization.
- (b) When the cost of switching over to any other competitor organization is very high.
- (c) When the organization products or services are patented.
- (d) When the firm is the dominant firm in the industry.

2.3 ANALYZING CONSUMER MARKETS

Q6. How consumer market is analyzed.

Ans :

Most of the companies used three different methods to analyze consumer market and requirement of consumers! They are as follows,

(a) Customer Panels

Few companies make use of customer panels to grab information regarding customer

attitude and customer satisfaction. Customer panels are the group of customers who are ready to share their experience with the product through questionnaire, investigator or via telephone.

(b) Customer Surveys

Customer surveys is a traditional method of analyzing customer satisfaction. Questionnaire is usually used in surveys.

(c) Customer Feedback, Complaints and Suggestion System

The feedback received from the customers assists the company in making further improvements. Customer driven companies often invite feedback, complaints and suggestions from their customers.

Consumer Markets

A market is a place wherein all the buyers and sellers assemble together for buying and selling their products or services. The marketers usually use the term 'market' for dealing with different types of customers. The consumer markets are the markets wherein, the firms sell large consumer goods and services like, soft drinks, cosmetics, air travel, athletic shoes and equipments. These companies spend a significant amount of time for building a superior brand image. The strength of these brands depend upon developing a superior product and packaging, which assures their availability and are supported by communications and effective services.

2.3.1 Consumer Behavior

Q7. Define Consumer Behaviour.

Ans : (July. - 18)

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 of Consumer Behaviour

- (i) According to Belch and Belch,** "Consumer behavior is the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires".

- (ii) According to Engel, Blackwell and Miniard,** "Consumer behavior includes those activities directly involved in obtaining, consuming and disposing of products and services including the decision processes that precede and follow these actions."

- (iii) According to Solomon,** "Consumer behavior is the process involved when individuals or groups select, purchase, use, or dispose of products, services, ideas or experiences to satisfy needs and wants."

- (iv) Consumer behavior may also be defined as,** "The study of individuals, groups, or organisations 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 on the society".

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

1. Customers and Consumers

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

2. 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 others 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.

3. 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 cases a number of people can be jointly invoked in a purchase decision. For example, planning a vacation or deciding on a new car can involve an entire family.

4. 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 we are interested. :

5. 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, affect consumer behaviour. In fact, it is often difficult to draw a distinct line between consumer-related and other aspects of human behavior.

Q8. Explain the Importance of Consumer Behavior.

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. The study of consumer behavior enables us to become better, that is, wiser, consumers.

2. Importance for Marketers

As marketers and 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.

Q9. What is 'lifestyle'? What is its influence on consumer behaviour?

Ans : (Aug, Sept. - 16)

Life Style

Lifestyle is defined as "patterns in which people live and spend time and money". The individual's activities, interest and opinions are reflected by these patterns.

The psychographic variables that define the activities, interests and opinions of individuals are used to describe the lifestyle variables. In other words the activities - how the time is spent by the people, interest - what is important for them in the environment and opinions - what they and the world around them thinks define the lifestyle variables.

Lifestyle Influence on Consumer Behaviour

Psychographic is the method of explaining lifestyle in measurable terms. Psychographic or lifestyle may affect the consumer in the following manner,

1. They are less theoretical and related to consumer situation directly than personality testing.
2. Psychographics tests help in measuring consumer desires efficiently than long interview methods of motivation research.
3. They provide quantitative results which can be further submitted to statistical analysis easily.
4. They are useful in developing advertising and promotion strategy and copy.
5. They are also beneficial to other consumer related decisions which involves designing of marketing channels.
6. Psychographic data is also useful to industrial designers in creating designs of product which satisfy consumer wants.

Hence psychographic information is useful in many ways such as product designing, market segmentation, media selection and development of an advertising strategy.

Q10. Present the detailed model of consumer behaviour and explain its components.

Ans :

(Aug, Sept.- 15)

The study of buying decision of consumers has become an integral part of marketers. Most of the large companies conduct research on buying decisions of consumer to find out what consumers buy, when they buy, why they buy and how often they buy. It is not easy to learn the ways of consumer buying behaviour because the consumers themselves know exactly what they want to buy. The figure below shows a model of consumer buyer behaviour and how marketing and other stimuli enter the buyer's "black box" and create certain responses.

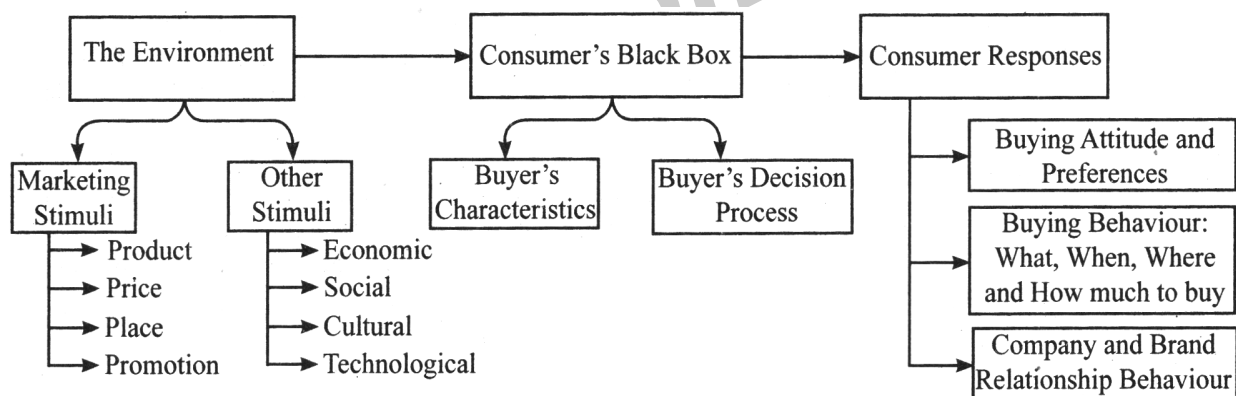


Fig. : Model of Buyer Behaviour

Let us discuss the components of buyer behaviour model.

1. The Environment

The environment consist of marketing stimuli i.e., 4 P's of marketing mix product, price, place and promotion and other stimuli such as economic, social, cultural and technological forces and events. All these inputs enters into the consumer's black box.

2. Consumer Black Box

The buyer's black box includes characteristics and decision process of the buyer. These characteristics of buyer are again categorized into four characteristics i.e., cultural, social, personal and psychological characteristics. It is difficult for the company to gather accurate information and to influence these aspects as they are internal to each person. The buyer's decision process includes all factors like

external stimuli and the characteristics of the buyer. Based on these factors the consumers have several needs, process of evaluation and preferences and the decision - making process. The companies analysis the external stimuli and the buyer's black box for influencing the final buying decision. The main objective of the companies (i.e., to be selected by the consumers instead of their competitors) can be achieved with the knowledge of the consumer's characteristics and an effective marketing stimulus.

3. Consumer Responses

Here, the consumer response towards the product can be seen. The buying attitude, taste, preferences of consumers. The purchasing behaviour of consumer like what to buy, when to buy and how much to buy. The buyer's brand and company relationship can be observed.

The marketers wants to know how the environmental stimuli changed enter into consumer black box and turned into a set of observable buyer responses.

2.3.2 Cultural Factors

Q11. Define Culture. What are the characteristics of culture ?

Ans :

Introduction

Culture is everything that is socially learned and shared by the members of a society. Culture consists of material and non-material components. Non-material culture includes the words people use; the ideas, customs, and beliefs they share; and the habits they pursue.

Culture is "the sum total of learned beliefs, values and customs that serve to direct the consumers behavior of members of a particular society".

According to Mr. Edward B. Tyler defines culture as "that complex whose that includes knowledge, belief, art, morals, law, custom and any other capabilities and habits acquired by man as a member of society".

Characteristics of Culture

1. Culture is Invented

Culture does not simply "exist" somewhere waiting to be discovered. People invent their culture. This invention consists of three interdependent systems or elements:

- i) **An ideological system**, or mental component, that consists of the ideas, beliefs, values and ways of reasoning that human beings learn to accept in defining what is desirable what is and undesirable.
- ii) **A technological system** that consists of the skills, crafts, and arts that enable humans to produce material goods derived from the natural environment; and
- iii) **An organisational system** (such as the family system an social class) that makes it possible for humans to coordinate their behavior effectively with the actions of others.

2. Culture is Learned

Culture is not innate or instinctive, but is learned beginning early and is charged with a good deal of emotion. The great strength of this cultural stamp handed down from one generation to another is such that at an early age, children are firmly imbued with their culture's ways of acting, thinking, and feeling. This obviously has important implications for the behavior of consumers, because these preconditions of that behavior are molded by their culture from birth.

3. Culture is Socially Shared

Culture is a group phenomenon, shared by human beings living in organized societies and kept relatively uniform by social pressure. The group that is involved in the sharing may range from a whole society to a smaller unit such as a family.

4. Cultures are Similar But Different

All cultures exhibit certain similarities. For example, each of the following elements is found in all societies: athletic sports, bodily adornment, a calender, cooking, courtship,

dancing, education, family, gestures, government, housing, language, law, music, religious ritual, and numerous other items. There is, however, great variation from society to society in the nature of each of these elements, which may result in important consumer-behavior differences around the world.

5. Culture is Gratifying and Persistent

Culture satisfies basic biological needs as well as learned needs. It consists of habits that will be maintained and reinforced as long as those who practice them are gratified. Because of this gratification, cultural elements are handed down from generation to generation. Thus, people are comfortable doing things in the customary way.

6. Culture is Adaptive

In spite of our resistance to change, cultures are gradually and continuously changing. Some societies are quite static, with a very slow rate of change, while others are more dynamic, with very rapid changes taking place.

7. Culture is Organised and Integrated

A culture "hangs together" that is, its parts fit together. Although every culture has some inconsistent elements, it tends to form a consistent and integrated whole.

8. Culture is Prescriptive

Culture involves ideal standards or patterns of behavior so that members of society have a common understanding of the right and proper way to think, feel, and act. Norms are society's rules or guidelines specifying what behavior is appropriate or inappropriate in given situations.

2.3.3 Social Factors

Q12. Explain how social factors influence consumer behaviour.

Ans : (Feb. - 16)

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 that 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 on 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 throughout 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.

2.3.4 Personal Factors

Q13. Explain how personal factors influence consumer behaviour.

Ans : (Feb. - 16)

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, and personality and self-concept.

(a) Age and life-cycle stage

People change the goods and services they buy over their life time. They 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.

Q14. Explain how Psychological Factors influence consumer behaviour.

Ans :

A person's buying choices are also influenced by four major psychological factors – motivation, perception, leaning 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 Sigmund Freud, Abraham Maslow, and Fredrick Herzberg – carry quiet different.

(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 (a) Selective exposure (b) selective – distortion, and selective retention.

(c) Learning

When people act, they learn. Learning describes changes in an individual's behavior arising form 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 very interested in the beliefs that people carry in their heads about their products and services.

An attitude describes a person's enduring favorable or un-favorable 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.

2.4 MARKETING MIX

Q15. Explain the concept of Marketing Mix.

Ans :

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

Definitions of Marketing Mix

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

(ii) According to Philip Kotler "A Marketing mix is the mixture of controllable marketing variables that the firm uses to pursue the sought level of sales in the target market."

Features of Marketing Mix**1. Combination of four marketing variables**

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

2. Useful for achieving marketing targets

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

3. Flexible and dynamic concept

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

It is necessary to adjust the variables in the mix from time to time as per the changes in the marketing environment. It is the continuous monitoring of the marketing mix which facilitates appropriate changes in the mix.

4. Periodical adjustment of variables necessary

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

5. Marketing manager acts as a mixer of ingredients

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

6. Customer is the focus point

The main focus of marketing mix is the customer. His satisfaction and support are important. Variables of marketing mix are for

giving more satisfaction and pleasure to consumers.

7. Variables are interrelated

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

8. Consumer-oriented activity

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

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

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

Q16. What are the Components of Marketing Mix

Ans :

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

1. Product

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

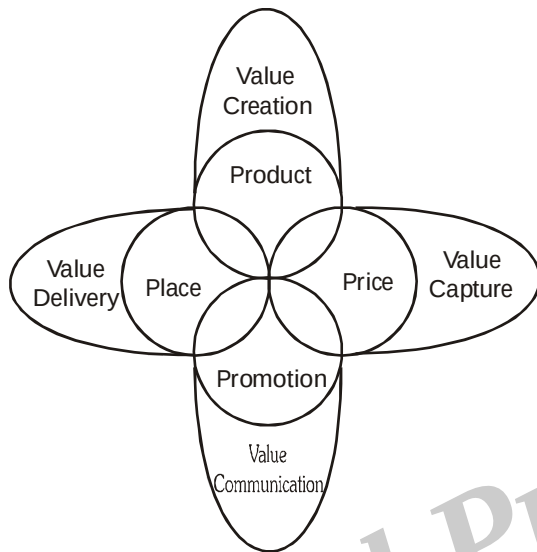
- Product design, features, brand name, models, style, appearance.
- Product quality.
- Warranty.
- Package: design, material, size, appearance and labeling.
- Service: pre-sale and after-sale, service standards, service charges.

2. Place

Place includes company activities that make the product available to target customers. In

this time they should place all the above place activities.

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



3. Price

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

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

4. Promotions

Promotion means activities that communicate the customers.

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

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

Q17. 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 or Expanded Marketing Mix

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

1. Product

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

2. Price

The "going price" for a product or service is not always the best target to focus on. A pricing strategy needs to address competitive

pricing, of course, but often, a more expensive product may be seen as superior. Consumers still succumb to discounts and special offers, and most are sensitive to warranty and return questions. All these aspects should be considered when formulating the pricing strategy, as price wars are rarely successful for a company, in the long run.

3. Place

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

4. Promotion

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

5. People

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

6. Process

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

7. Physical Evidence

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

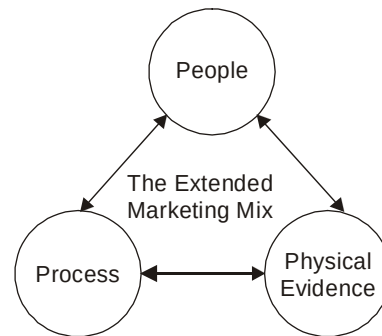


Fig.: Expanded Marketing Mix

2.5 DEVELOPING PRODUCTS & BRANDS

Q18. Define product. State the features of product.

Ans :

Product is anything that can be offered to a market that might satisfy a want or need. There are two concepts of 'product' - narrow concept and wide concept. In its narrow concept, a product is a bundle of physical or chemical properties which has some utility. A product is not a non-living object; it is not a mere assemblage of matter - physical and chemical. Utility alone is not the function of the product. A product means an object which satisfies the need of the customer. Thus fan, table, pen, cooler, chair etc. are products. In its wider concept, all the brands, all the colors all the packaging or all the designs of a product is taken to be different products. For example, if a tooth paste is produced in three different sizes, these are three products because they satisfy needs of different customers. Thus, if there is a change in the size or color or brand, or packaging, it produces a new product. The product is thus total package of benefits received by a customer.

Definitions

- (i) **According to George Fisk**, "Product is a cluster of psychological satisfactions".
- (ii) **According W. Alderson**, "A product is a bundle of utilities consisting of various features and accompanying services".

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

(iv) **According to Phillip Kotler**, “A product is a bundle of physical services and symbolic particulars expected to yield satisfactions or benefits to the buyer”.

Features of Product

From the above definitions, we realize the important features of a product, which include:

1. Tangibility

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

2. Intangible Attributes

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

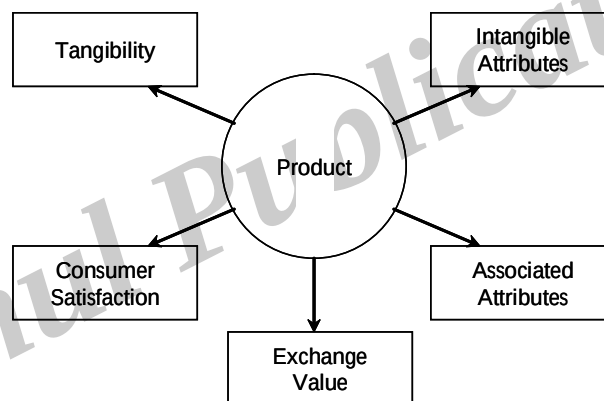


Fig.:

3. Associated Attributes

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

4. Exchange Value

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

5. Consumer Satisfaction

Products should have the ability to offer value satisfaction to the consumer. The satisfaction may be both real (or) and psychological. For instance, when we buy SNOW we also buy beauty - a product with a bundle of utilities.

2.5.1 Product Levels

Q19. Define product level ? Explain the five levels of product ?

Ans :

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

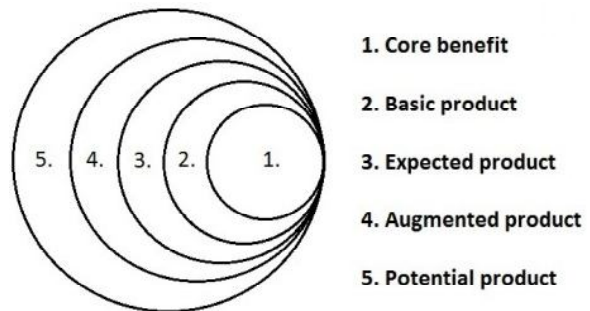
For him, a product is more than physical. A product is anything that can be offered to a market for attention, acquisition, or use, or something that can satisfy a need or want. Therefore, a product can be a physical good, a service, a retail store, a person, an organisation, a place or even an idea.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

Kotler distinguished three components :

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

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

The 5 levels of the product



1. Core Benefit

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

2. Generic / Basic Product

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

3. Expected Product

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

4. Augmented Product

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

5. Potential Product

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

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

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

2.5.2 Classifying Products

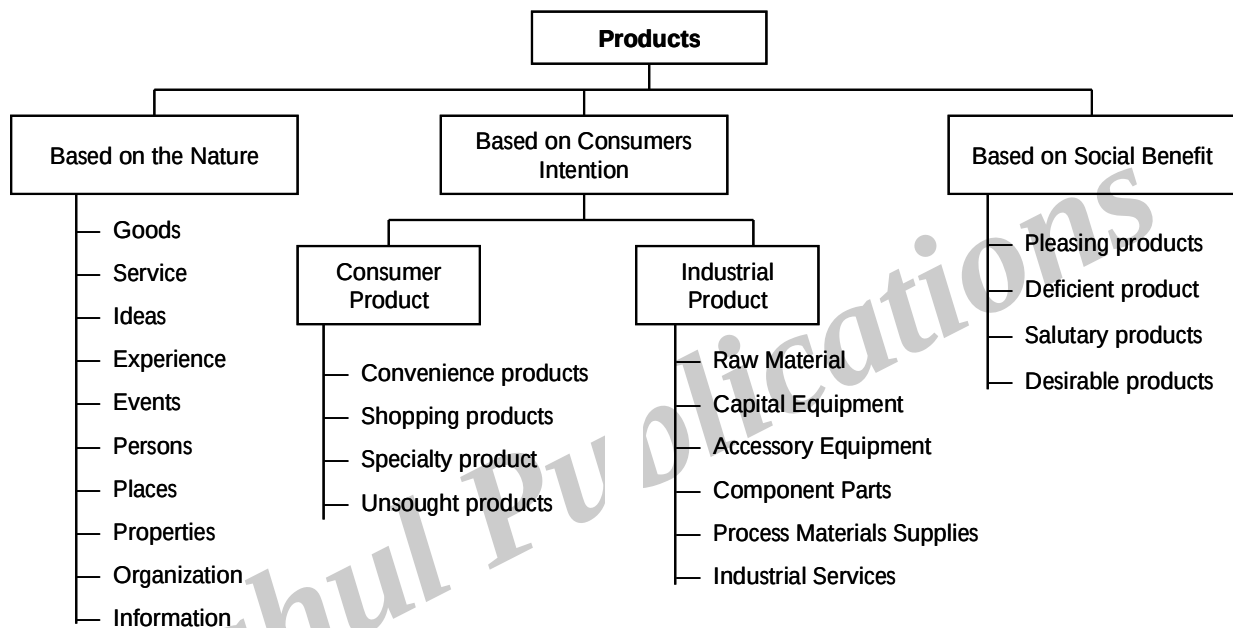
Q20. Classify the different types of products.

Ans :

(Feb. - 17, Sep. - 16)

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

- (a) Based on the nature
- (b) Based on consumers intentions
- (c) Based on social benefits.



(A) Based on the Nature

Based on nature, product can be classified into ten types. These are:

1. Goods

Physical goods are the tangible and physical materials. It has the quality of possession and ownership.

Example: Rice, Clothing etc.

2. 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.

Example: Hospital, Banking etc.

3. 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.

Example: Consultancy firm, Ad Agency.

4. Experiences

By orchestrating several services and goods, one can create, stage and market experiences.

Example: Science City, Aquatica Theme Park, Water World.

5. Events

Marketers promote time-based events such as Olympics or Movie Awards.

6. Persons

Celebrity marketing has become a major business. Different film stars and sports persons have their own publicity and endorsement agent.

7. Places

Places can be marketed to attract tourists industries etc.

Example: Kerala-God's Own Country Campaign.

8. 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.

9. Organizations

Organizations actively work to build a strong favorable image in the mind of their customers.

Example: Philips uses a tagline "Let's Make things Better".

10. Information

Information can be produced and marketed as a product.

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

(B) Based on Consumers' 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) Business or Industrial 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.

1. 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'.

2. 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.

3. 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.

According to American Marketing Association, 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”.

4. 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:

i) **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.

ii) **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.

According to American Marketing Association, industrial goods are “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.

1. 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).

2. 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.

Examples include machineries, lathe, cranes etc.

3. Accessory Equipment

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

Examples: motors, hand tools, meters, word processors, calculators etc.

4. 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.

5. 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.

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

6. 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. Paints, fuses, office stationeries, maintenance items, lubricating

oils, cleaning materials, paper, pens and pencils etc. are the examples.

7. 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. Financial, legal, marketing etc., are the examples of industrial services.

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).

1. Pleasing Products

These give high immediate satisfaction, but do harm to consumers in the long run. Examples are pan masala, cigarettes, alcohols etc.

2. 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. Current examples could be typewriter or pager.

3. Salutory 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. The example is soyabean chips (diet chips)

4. 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.

2.5.3 Product Range

Q21. Define product Range. Explain the strategies involved in product range ?

Ans : (Feb. - 17)

Product range is a word that refers to the variety of products that are produced by a company. For instance, the manufacturer Land Rover, which is owned Tata Motors also produces Land Rover Defender, Discovery and Freelander models, Range Rover, Range Rover Sport and the Range Rover Evoque; this forms its product range.

Product Range Strategy

A product range strategy comprises all the elements a company must take into account when it is developing a new product line. These elements involve nearly all the different divisions of a business from marketing to engineering and even the sales department. Each division brings a different piece of information to the overall product range strategy. A team effort is needed to ensure the plan is implemented effectively.

1. Market Analysis

A product range strategy often requires in-depth market analysis to determine consumer needs. This analysis may be further broken down into consumer needs by gender, age group and even economic status. Analyzing these factors can help a company determine what products in a given range should be targeted to which consumer groups. Effectively targeting products can maximize chances for success and profitability within a product range and encourage the company to continue developing the product line for other market areas and buyer groups.

2. Pricing and Design

Market analysis contributes to product design by informing company engineers and artists of how competing products in the market are built and how they are performing in terms of sales. The company then shapes its product design to improve on models currently existing in the market while also attempting to create something totally different from what is currently available. The materials used in construction of the product greatly affect its price. The cost of a product range can also

be a useful marketing tool in that a company may wish to create higher end versions of a product for wealthy consumers as well as lower cost models for consumers on a budget.

3. Selling the Product Range

Deciding where to sell items in a product range can have a great affect on how well these items perform in the market in terms of sales. A business must carefully consider which methods of sale offer the greatest viability for the company's products and which methods of sale most frequently connect the products with the target customer base. For example, a business creating a line of low-cost tables may not choose to sell these products with a high end furniture store because it does not place the product range with consumers likely to purchase them.

4. Profit Goals

An effective product range strategy should also include targets for profits generated from the sale of items within the range. Expected profit numbers are created by examining the level of sales currently existing in the market along with the success of the predicting company's profits with other products. Often a successful company is able to use the sales figures and popularity of other products to gauge likely sales of new product lines. Profit goals then help the company determine the overall success of the product range.

2.5.4 Product Line

Q22. Define Product Line. Explain briefly about decision, benefits of product line.

Ans :

A product line is a group of product items or brands that are closely related in terms of their functions and benefits they provide. Companies like Unilever have many product lines. Personal care products and packaged foods are two product lines of Unilever. Gillette's product lines include blades and razors, toiletries and writing instruments.

The depth of a product line is the number of product items or brands it contains. Gillette's razor and blade product line include brands like Sensor, Trac III, Atra, etc. The depth of product line depends upon the pattern of customer requirements (the number of segments to be found in the market), the product depth of competitors and the company's resources. Companies increase the depth, i.e., add more brands to their product lines to attract buyers with different preferences and to increase sales by further segmenting the market.

Decisions to Product Line

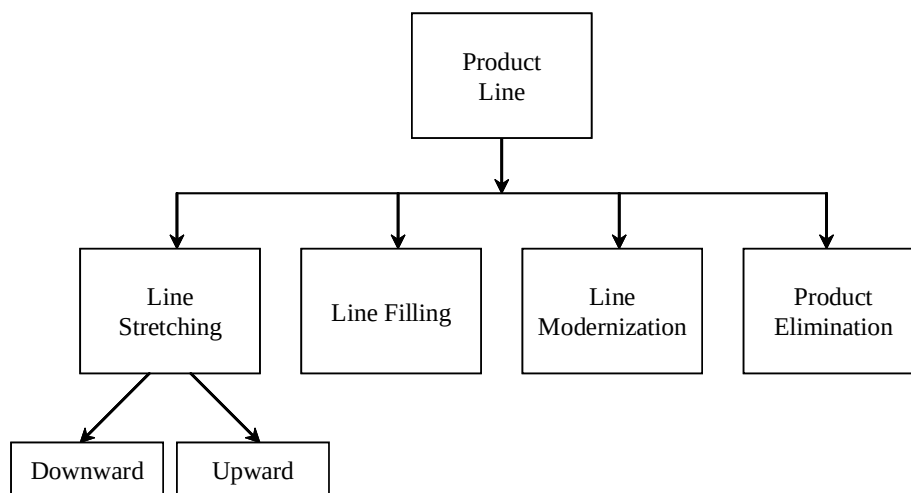


Fig. : Product Line Decision

1. Line Stretching

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

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

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

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

2. Line Filling

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

Reasons Filling

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

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

3. Line Modernization

Modification and modernization of existing product line is another key concern of the product manager. In some cases the product line length may adequate but some of the

product may has lost competitive edge, because of technological or fashion or additional features, which in turn would be reflected in the overall product returns.

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

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

4. Product Elimination

In many organizations weak products are allowed to be continued in the product line simply because of emotional/sentimental reasons. These products become drains on managerial line and other resources. A Product line needs pruning to eliminate low profit products. Some times on entire product line is eliminated Ex XEROX dropped its line of computers and Gillette its line of digital watches. Line pruning is also resorted to when there is shortage of Raw materials and energy. It is difficult to maintain production capacity.

Benefits of Product Lines➤ **A Advertising economies**

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

➤ **Package uniformity**

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

➤ **Standardized components**

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

➤ **Efficient sales and distribution**

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

➤ **Equivalent quality**

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

2.5.5 Product Mix

Q23. Define Product Mix. Enumerate the factors influencing in product mix.

Ans :

"A product mix (also called product assortment) is the set of all product lines and items that a particular seller offers for sale to buyers". An organization with several product lines has a product mix. Product mix need not consist of related products. In other words, product mix is "the composite of products offered for sale by a firm". It is a collection of products manufactured or distributed by a firm. It is the full list of all products offered by a firm. For instance, a firm manufactures watches, machinery items, electric lamp, etc. It has four main characteristics.

1. Product Length
2. Product Width
3. Product Depth
4. Product Consistency.

It is necessary to understand the meaning of the term product item and product line before coming to the definition of the product mix.

Product Item: Product item means a specific product of certain specifications and may be distinguished from other product, or brands. A particular brand of a product is a product item, such as Lux Soap, Colgate Toothpaste, Facit Typewriter, H.M.T Watch, Rath Vanaspati, Televista Television and Bajaj Chetak Scooter.

Product Line: A product line is a group of different product items, closely related with each other. All the product lines are closely related with each other either because they satisfy a class of needs, or used together, or are sold to the same group of customers, or are sold through the same channel of distribution, or are within same pricing range. Toothpaste, Watch, TV, Scooter, Typewriter are the examples of a product line. Here, it is appropriate to note that a particular brand of a product is a product item and all the brands of the same product are included in product line.

According to American Marketing Association, "Product Mix is the composite of products offered for sale by a firm or a business unit".

For example, if an enterprise manufactures or deals with different varieties of soap, oil, toothpaste, toothbrush etc., the group of all these products is called 'Product Mix'.

Factors Influencing Change in Product Mix

1. Change in Market Demand

The change in the demand of a product (due to change in habits, fashion, purchasing power, income, attitudes and preferences of consumers) affects the decision of product mix.

2. Cost of Production

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

3. Quantity of Production

If the production of the new product is considered to be at a large scale and the company can add one more item to its product line just to get the economies of large scale production. Keeping in view its production capacity and other factors.

4. Advertising and Distribution Factors

Advertising and distribution factors may be the one of the reasons for the changes in production mix. If the advertising and distribution organization are the same, the

company may take the decision to add one more item to its product line.

5. Use of Residuals

If residuals can be used gainfully, the company can develop it's by products into the main products.

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

6. Change in Company Desire

Keeping in mind the objectives of the firm, i.e., maintaining or increasing the profitability of the concern, the firm may eliminate some of its unprofitable processes or may start a new more profitable product. In this way, the firm tries to make its product mix an ideal one.

7. Competitors Actions and Reactions

The decision of adding or eliminating the product may be the reaction of competitors' actions. If company thinks that it can meet the competition well by making necessary changes in the size, color, packing or price, it can make such changes.

8. Change in Purchasing Power or Behavior of the Customers

If the numbers of customers are increased with the increase in their purchasing power or with the change in their buying habits, fashion, etc. the company may think of adding one more product keeping mass-production or increase in profitability in the mind.

9. Full-utilization of Marketing Capacity

If the company is not getting desired results from the market, it can decide to stop the production of such a product and divert its resources to produce a new product or improve the existing product, according to the needs of the consumers.

10. Financial Resources

Finance is the life blood of a firm. Availability of finance may necessitate some changes in the product of the company. If the company is short of finances or if the product is

continuously going into loss the company may decide to drop the production of such product. Similarly, if company has sufficient funds, it may improve its products.

Q24. Explain briefly about the various strategies of product mix.

Ans :

Manufacturers and middlemen use several strategies to manage their product mix effectively. We will discuss a few of these strategies here.

➤ Expansion of product mix

An organization may opt to expand its existing product mix by increasing its product lines and/or the depth within the line. New product lines may be either related or unrelated to the existing product lines.

➤ Contraction of product mix

It has been noted that companies contract their product mix during economic slumps, and when the competition is intense. Organizations contract their product mix either by eliminating the entire product line or by simplifying the assortments within the lines. The product mix is contracted to eliminate low profit yielding products and to get a better profit margin from fewer products.

➤ Altering existing products

Companies should consider alternating the existing products instead of adding new products to their product mix. Redesigning or adding new features to the existing product can prove to be less risky and more lucrative. Packaging is an equally important tool in altering the look and the usage of product.

Creative packaging has been found to increase the attractiveness of even mundane products like cheese, paper napkins, eggs, etc. For example, the tetra pack of milk/juices increases the ease of handling and storage. Colgate toothpaste's plastic packaging makes it easy to use and dispense the product.

➤ **Positioning the product**

Product positioning is the image projected by the product against the competitor's products and other products of the same firm. Marketers use various strategies to position the product in the market. Some of these states are:

➤ **Trading Up**

Companies offer higher priced, prestige products to their existing product line in an effort to increase the sales of their low priced products and enhance the company's image.

➤ **Trading Down**

Marketers who adopt the trading down strategy add low priced items to their existing line of specialty products. Trading down is used in order to provide a new product to customers who cannot afford the original product, for example Marriott Corporation (in the hospitality industry) introduced a new chain of hotels called "Holiday Inn" to cater to the needs of not-so-affluent customers. Both trading up and trading down have to be used carefully – they can prove to be suicidal strategies if the new product confuses customers.

Q25. What is the advantage of understanding the customer's total experience with a product?

Ans : (Feb. - 17)

The primary advantage for an organization to understand and work towards the "customer total experience" are as follows,

- (i) The creation of a loyal customer base.
- (ii) Increased role of the product or service in which the firm deals.
- (iii) Easy and effective word of mouth marketing of the firm by its satisfied customers.
- (iv) Understanding the customer total experience and working towards, providing a good customer total experience would also help a firm in creating a niche market for itself.

(v) It would also facilitate the creation of a USP (Unique Selling Proposition) for the organization.

(vi) It would also ensure, whether the customer is fully satisfied in terms of his/her desire to purchase the product.

(vii) The customer total experience would directly effect the customers perception about the product and the firm in a positive sense.

Customer total experience refers to the "total feeling" a customer gets during his interaction with the good or service, the way employees of the firm communicate the general atmosphere of the place and so on.

For Example: If a restaurant serves mouth watering, hot and delicious food in a dirty, noisy and cramped place, the customers total experience would be negative. However, if the same delicious food is served in clean and neat serving area, with slow music being played in the background and by waiters, who are smiling and helpful, then the total customer experience of the customer would be a positive one.

Q26. How would you measure 'customer lifetime value'?

Ans : (Aug. Sept. - 16)

Customer lifetime value refers to the net present value of the total profits that a company can earn from an average new customer within a given customer segment during a specified number of years. It is the real value of a customer which helps to evaluate the potential of an organization to invest, to acquire/retain customers.

CLV helps in determining the investment which a company can invest to develop relationship with a specific customer. The company can plan to invest in the customer to retain him and so it reduces the rate of customer defection or to convert low-profit customers into more profitable. The longevity of the customers relationship is increased or growth potential of each customer is enhanced through cross-selling, up-selling and increased share of wallet.

The calculation of lifetime value of customers in service business is very complicated. It is not possible to project customer value beyond five years.

The calculation consists of customer's age, tenure and the number of products and services

used along with his propensity to acquire additional products and services minus the risk incurred from defect of current product and services. The value of the customer's projected portfolio is computed by using typical profitability figures for each product and service.

2.6 PRODUCT LIFE CYCLE (PLC)

Q27. Define Product Life Cycle (PLC). What are 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 of Product Life Cycle

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

Q28. Elaborate the variuos stages of product life cycle.

Ans :

(Nov.-20, May-19, Aug. - 17, Mar. - 16)

Stages of PLC

The PLC is flexible and can be applied to both brands and product lines. The traditional PLC has four stages – Introduction, Growth, Maturity and Decline.

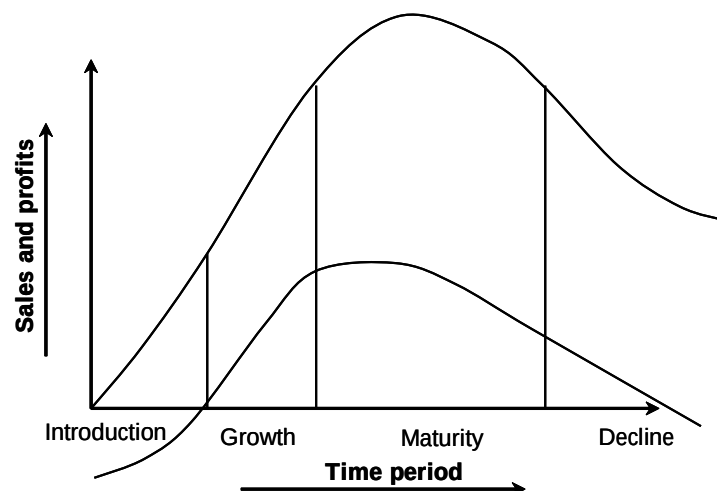


Fig. : Product Life Cycle

(i) Introduction

- The product is introduced in the market.
- Its sales growth is low because customers are not aware of the product and even when they become aware of the availability of the product, they are not sure if it will be useful to them.
- Losses are incurred because of heavy development and promotional costs.
- Companies monitor speed of product adoption and if it is disappointing may terminate the product at this stage.

(ii) Growth

Growth is the period of faster sales and profit growth due to rapid market acceptance and repeat purchase.

- Customers become aware of the product and are convinced that it is useful to them.
- Companies will have to spend substantially in production and marketing as they reach out to a larger number of customers and expand their manufacturing facilities to meet the rapidly growing demand.
- Availability of resources becomes a critical factor in this stage.
- At the later stage of growth, large numbers of competitors enter the market, as they are attracted by fast sales growth and high profit potential of the market. Profits decline due to intense competitor activity, and at the end of growth period, weaker players exit the market.

(iii) Maturity

- In this stage, all the customers who could have bought the product have already bought the product, resulting in a saturated market.
- Sales are largely driven by replacement purchases and population growth.
- Sales reach their peak, and eventually start stagnating. Flat sales force weaker competitors to exit the market.
- The surviving companies compete for market share by product improvements, advertising,

sales promotion, dealer discount and price cutting, resulting in lesser profit margins for all players.

- It is important that companies have strong brands at this stage, because in times of product parity, customers' affiliation to a brand reduces their migration to a rival brand which has reduced its price.
- A company with strong brands will be able to protect its profit margins in the maturity stage, and will face less erosion of market share in face of competitors' price moves.

Decline

- Sales decline as a new technology or change in consumer needs reduce demand for the product.
- It is important to remember that the decline stage sets in due to events that are outside the purview and control of the company.
- Typewriter is in decline stage, because a computer can do its job better. Therefore, a company should read the writing on the wall and exit. It is not wise to prolong one's stay in a market if customers have found a better way of satisfying the need that the company was serving, or when that need no longer exists.
- Companies prolong their stay in a declining market, hoping that it would revive, and they launch new products and advertise aggressively to revive the market. But, the market never revives.
- A company should start by reducing product depths, decreasing promotional and product development expenditures, dropping marginal distributors and then exit as early as possible.
- It is possible that a company is able to spot a small segment, whose customers value the product so much that they will continue to use it.
- The company can design a business model to serve this segment, but it should definitely exit from its erstwhile major segments.

Q29. State the uses and limitations of product life cycle.**Ans :****Uses of PLC**

- Product life cycle analysis forces a company to manage its product portfolio proactively instead of letting market forces shape it. It has to ensure that there are not too many products in any one stage of PLC. It may feel the need to replace old products with new ones. It needs to have a balanced product portfolio. A company with all its products in the maturity stage may be generating profit today but as the products enter decline stage, profits may fall. A balanced product portfolio would contain some products in the growth stage, and some in the maturity stage. It would also be working on new product concepts, and overseeing its exit from a few markets. A smart company considers its product portfolio as an interrelated set of profit generating assets that need to be managed as a group.
- A company that introduces a new-to-the-world product is in a very powerful position because it does not have any competitors. It may be prompted to charge a high price because customers do not have any alternate supplier to go to. But unless the product is patented, competition will enter during growth phase and make it difficult for the pioneer to charge high prices.
- Customers get angry when they find the pioneer reducing its high price due to competitive pressures. They feel that the company has charged them a high price when they could afford not to. A company which understands concept of PLC will realize and estimate the eventual entry of competitors, and will take that into account when they shape their early strategies of market entry. In fact, smart pioneers will price the products at a low price so that the potential competitors do not consider the market attractive enough to enter it. If pioneers decide to be content with low margins, they can keep off competitors, at least those which pursue markets purely for

profits and do not have strategy and preference for entering new markets. Genuinely interested competitors will still enter the market but they will be there for the long haul and their strategies and moves will be more predictable and manageable.

- Product life cycle analysis reminds a company that a time may come when customers will no longer need its products, and that they still may be as good as when they were wholeheartedly buying its product.
- It has to learn to move on—try to serve the customer need in the new way that has come up, or simply exit and start a new business. It has to keep working on new product concepts, so that as and when it finds a product in a decline stage, it has few products that it can launch soon.
- Product life cycle analysis reminds a company that its market will stagnate, and that it cannot grow at the frantic pace that it has been doing in the past.
- Therefore, it should plan its expansion prudently, and not let the rate of growth of the growth stage determine its capacity. Companies that base their capacity decisions on the rate of growth of growth stage, end up having more capacity than it requires, and hence its cost of production per unit is higher than competitors who scaled down growth projections when they took their capacity decisions.
- A company needs to follow different strategies in the different stages of the PLC, and therefore it needs to estimate when a stage is likely to end. It needs to believe that the strategy that has worked in one stage will be totally inappropriate in the next stage, and hence it needs to be ready with a new strategy before its product enters the next stage.

Limitations of PLC

- All products do not follow the classic S-shaped PLC curve. The sale of a product may rise sharply, and then fall all of a sudden, signaling the demise of the product. This phenomenon is true for fads, and for technological products, as it happened with pagers.

- There was nothing wrong with pagers— it is just that mobile phones came too soon after pagers came into the market. And there are products like soap and toothpaste, which are in the maturity stage for a long time, and show no inclination to enter the decline stage any time soon. Even some brands have shown such tenacity, and brand managers have been able to reinvent brands and put them back in the growth stage repeatedly.
- PLC is the result of marketing activities, and is not the cause of variability in sales. It is simply a pattern of sales that reflects marketing activity. Sales of a product may stagnate because it has not been promoted aggressively enough, or because it has not kept up with competitors in terms of benefits and features. Therefore, a product may have entered the decline stage because it did not receive enough support, and hence an appropriate strategy cannot be to prune it—the appropriate strategy will to support it, and see if it sells.
- The duration of PLC stages is unpredictable because it is governed by factors which are outside the purview and control of any single company. However much a company may try, it cannot remain in the growth stage if all the customers have already bought the product. Similarly, it cannot escape the decline stage if its customers have found an alternate means to serve their need.

Q30. Explain pricing strategies in product life cycle. How do you distinguish different stages of PLC?

OR

Discuss various pricing strategies in product life cycle stage.

Ans : (Nov.-20, Sept.-14)

Pricing Strategies in 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 maximise 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.

S.No.	Criteria of Differentiation	Introduction	Growth	Maturity	Decline
1.	Sales	Very low sales volumes	Increasing sales volumes	High sales volume	Decreasing sales volume
2.	Costs	High cost per consumer	Average cost per consumer	Low cost per consumer	Low cost per consumer
3.	Profits investment.	Negative no profits only investments	Increasing profit with low no investments	Very high profits and	Decreasing profits
4.	Customers	Innovators	Early adopters	Majority	Laggards
5.	Competitors no competitors	Very few or sometimes in number	Competitors increases decrease	Competitors begin to	Decreasing competitors
6.	Product	Basic product services, warranties etc.	Product with after sales and brands	Introduces new models	Drops the weak products
7.	Pricing strategies	Markup pricing strategy	Penetration pricing strategy strategy	Competition based Pricing	Price cut pricing strategy
8.	Distribution distribution	Launches selective	Launches intensive distribution distribution	Launches more intensive which are unprofitable	Shut downs the outlets
9.	Sales promotion	High sales promotion	Less sales promotable by increasing sales promotable	Encourages different brand	Less sales promotion

2.7 NEW PRODUCT DEVELOPMENT

Q31. Define New Product Development. Explain the categories of new products.

Ans :

New products are completely new in the market which were not introduced earlier. New product development is a risky process. So, the marketer takes crucial steps before launching a new product in the market by working on new product development programme which satisfies the needs of the customers and increases the returns of the companies.

Categories of New Products

The term new product is somewhat confusing because its meaning varies widely. Actually, the term has several "correct" definitions. A product can be new to the world, to the market, to the producer or seller, or some combination of these. There are six categories of new products:

- **New-to-the-world products (also called discontinuous innovations):** These products create an entirely new market. New-to-the-world products represent the smallest category of new products.
- **New product lines:** These products, which the firm has not previously offered, allow it to enter an established market. For example, ITC, a tobacco-to-hotels conglomerate, introduced a range of soaps and shampoos called Fama Di Wills and Vivel for the premium and mid-market segment respectively to enter the personal care market.
- **Additions to existing product lines:** This category includes new products that supplement a firm's established line. Brooke Bond's Red Label tea added to its tea line with the Red Label Natural Care, which enhances the health immunity and reduces the chances of falling ill.
- **Improvements or revisions of existing products:** The "new and improved" product may be significantly or only slightly changed. Surf Excel, a detergent brand from HUL, released a new version of its product, called Surf Excel Matic, that specialized in removing tough stains in the washing machine itself.

- **Repositioned products:** These are existing products targeted at new markets or market segments, or ones repositioned to change the current market's perception of the product, which may be done to boost declining sales. Indian telecom service provider brand Airtel, hoping to reach out to global audience and promoting its 3G offerings, repositioned itself as a brand that delivers anything the consumers desire, anytime and anywhere.
- **Lower-priced products:** This category refers to products that provide performance similar to competing brands at a lower price. HP LaserJet 3100 is a scanner, copier, printer, and fax machine combined. This new product is priced lower than many conventional color copiers and much lower than the combined price of the four items purchased separately.

Q32. Outline the various stages of New Product Development.

Ans :

(Sep. - 15, Aug. - 11, July. - 18)

1. Idea Generation

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

- a. Customers
- b. Competitors
- c. Distributors
- d. Creative Techniques
- e. External world
- f. Research and development

2. Idea Screening

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

- a. Lousy idea
- b. Unsuitable idea for the Firm
- c. Obvious problem in production and marketing
- d. Too little potential
- e. Some one else is already exploiting it.
- f. No long term potential
- g. Other reasons: unsuitable for the main customers of the company.

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

3. Concept Testing and development

During this stage, the New product idea is Transformed from concept to a prototype, out lining the physical characteristics of the product, package design, Brand Name etc. While the concept is evaluated from many marketing angles, Apart from examining production requirements, cost and other modifications necessary before entering into the test marketing stage.

Here, a major activity involves obtaining consumer feedback on different prototype models. Typically, Consumers are given a sample to test the proposed new product. This activity is popularly known as concept testing.

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

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

4. Product development

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

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

5. Test Marketing

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

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

6. Marketing Strategy development

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

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

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

7. Business Analysis

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

8. Test marketing methods

The following methods are used in test marketing

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

9. Commercialisation

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

As a precautionary measure, the company may setup a plant smaller than the one demanded by the sales forecast. Apart from production costs, the company has to bear

heavy marketing costs packaging, promotion, advertising, distribution etc., marketing expenditures are the highest in the year of the launch, reaching in some cases almost 60 percent of sales. Here, times & cost, timing of the launch coverage and target, markets are important.

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

Q33. What are the methods for consumer goods market testing for new products?

Ans : (Sep. - 16)

The methods which are used for consumer goods market testing of new product are,

1. Sales-Wave Research Testing

Under this method of consumer goods market testing, it is very essential for a firm to make a test marketing on new products entering into markets. Most of the customers prefer new products only when they are offered as free samples. Later on, they are re-offered again with reduction in prices more than a twice. So firms usually considers the feedback of customers regarding their level of satisfaction.

2. Simulated Market Testing

The simulated test marketing reflects the process of marketing strategies where customers receives money to purchase products after going through the advertisements. The marketers track the number of buyers who brought the new product. They were encountered with the queries such as, reasons for buying and for not buying the products, where they can focus on the attitudes, intentions and satisfaction of the customer.

3. Control Test Marketing

This method of new product market testing involves a panel of researchers who manages, controls, displays and promote new products at stores by paying a small fee. These operations are carried out with the help of electronic scanners. It emphasizes the sales through the strategies of advertising and promotion at the local level for new consumer products.

4. Test Marketing

The method of test marketing purely rely on the parameters of geographical area, exposure, advertisement, attitudes and promotion of new products. These test marketing parameters will explain the purchase intentions of the customers.

2.8 NEW SERVICE DEVELOPMENT

Q34. Define new service development. Explain the types of new service development.

Ans :

New services (or) products can be developed and introduced either in the existing markets or in completely new markets. Before understanding the actual process of new service development, let us first discuss the different categories under which new services can be developed.

Types of New Services

- 1. Major Service Innovations:** Major Service innovations are new core products for markets that have not been previously defined. These products usually include both new service characteristics and radical new processes.
- 2. Major Process Innovations:** Major Process innovations consist of using new processes to deliver existing core products in new ways with additional benefits.

- 3. Product-line Extensions:** Product-line extensions are additions by existing firms to their current product lines. The first company in a market to offer such a product may be seen as an innovator; the others are merely followers, often acting defensively. These new services may be targeted at existing customers to serve a broader array of needs or designed to attract new customers with different needs (or both).

Telephone companies have introduced numerous value-added services, such as call waiting and call forwarding. In banking, many banks now retail insurance products in the hope of increasing the number of profitable relationships with existing customers.

4. Process-Line Extensions

Process-line extensions are less innovative than process innovations but often represent distinctive new ways of delivering existing products so as to either offer more convenience and a different experience for existing customers or to attract new customers who find the traditional approach unappealing. Most commonly, process-line extensions involve adding a lower-contact distribution channel to an existing high-contact channel, such as creating telephone- or Internet-based banking service.

5. Supplementary-Service Innovations

Supplementary-service innovations take the form of adding new facilitating or enhancing service elements to an existing core service or of significantly improving an existing supplementary service.

6. Service Improvements

Service improvements are the most common type of innovation. They involve modest

changes in the performance of current products, including improvements to either the core product or existing supplementary services. For example, Extended hours of banking services; Adding amenities to the hotel room, for example, coffee making facilities; Improvement in speed of service (faster execution): Teller system in a bank.

7. Style Changes

Style changes represent the simplest type of innovation, typically involving no changes in either processes or performance. However, style changes are often highly visible, create excitement, and may motivate employees. Examples are repainting retail branches and vehicles in new color schemes, outfitting service employees in new uniforms, introducing a new bank check design, or making minor changes in service scripts for employees.

2.8.1 Stages of Product/ Service Innovation Development

Q35. Enumerate the various Stages of Product/ Service innovation development.

Ans :

Services should be viewed as a way of value creation opportunities rather than as an extension to product offering. According to Shelton (2009) there are four stages of product/ service innovation development. They are,

Stage-1

At this stage, services are used as a product after sale support in order to maintain a product and ensure satisfaction of customer after purchasing the product. In this way, customers will notice the differentiation between a product and a service. Example, a machine repair service.

Stage-2

At this stage, after sales services are designed to enhance the key products. Customer satisfaction with the existing products and customer loyalty should be improved with the after sales services. Example, Hewlett-Packard's 'PC Tune-up' gives a free set of diagnostics to manage customers and access their systems.

Stage-3

At this stage, customers life cycle problems are solved by providing differentiated offering. Example, Motorola provides wireless end-to-end service support to the clients.

Stage-4

At this stage, an integrated bunch of solutions related to product/service for complete customer life cycle are developed. It requires complete knowledge of customer's overall business as it is developed through collaborative working with clients. It also generate innovative mutual value solutions through collaborative processes of buyer and seller. Example, servitization strategies of Rolls Royce Aerospace industry which offers engines as well as training, delivery and maintenance services.

2.9 THE PROCESS OF ADOPTION**Q36. What are the stages of consumer adoption process ?**

Ans :

A new product is a good, service or idea that is perceived by some potential customers as Neo. It might have been around for a while, but our interest is in how consumers learn about products for the first time and make decision on whether to adopt them.

Adoption Process: The mental process through which an individual passes first hearing about an innovation to find adoption. And adoption as the decision by an individual to become regular user of the product.

Stages in the Adoption Process

Consumers go through five stages in the process of adopting a new product.

1. Awareness

The consumer becomes aware of the new product. But lack of information about it.

2. Interest

The consumer seeks information about the new product.

3. Evaluation

The consumer considers whether trying the new product make sense.

4. Trail

The consumer tries the new product on a small scale to improve his or her estimate of its value.

5. Adoption

The consumer decided to make full and regular use of the new product.

This model suggests that the new product marketer should think about how to help consumers move through these stages.

Categories of Adopters

Depending on the time of adoption, consumers are grouped into five categories. it is not possible for all consumers to adopt the innovation at the same time. The categories of adopters are innovator, early adopter, early majority, late majority and laggard. These categories of adopters helps the market to segment the market and plan strategies based on type of adopters.

Categories of Adopters

S.No.	Categories	Characteristics
1.	Innovators	The persons who first adopt the new product are innovators. They occupy 2.5 percent of the market and are very courageous who take risks and try new ideas.
2.	Early adopters	The second group who adopt the innovation are early adopters. They occupy 13.5 percent of the market and are more sociable than innovators. The social status of early adopters is high but the risk capital is less than innovators.
3.	Early Majority	The most organized group in categories of adopters are early majority group, their adoption period is very long. They occupy 34 percent of market and are active members of a formal organization.
4.	Late majority	The late majority occupies 34 percent of a market and adopt the innovation due to economic necessity or increasing social pressures. They are uncertain about new ideas and adopt an innovation only after average consumer in the market place.
5.	Laggards	The last group who adopt an innovation are laggards and occupy 16-percent of a market. They highly depend on tradition and make decision on the basis past decisions. They suspect the innovations and innovators and their adoption process takes longer time.

2.10 BRANDING**Q37. Define branding ?***Ans :***Introduction**

In Any product strategy, a crucial decision is about branding. Branding a product means a long term investment in building that brand by spending on promotion, advertising and packaging. The brand name gives power to the firm.

Definition

According to American Marketing Association Chicago A brand is defined as “a name, term, sign, symbol or special design or some combination of these elements that is intended to identify the good or services of one seller or group sellers. A brand differentiates these products from those of competitors.

A Brand in short is an identifier of the seller or the maker. A brand name consists of words, letters, and/or numbers that can be vocalized. A brand mark is the visual representation of the brand like a symbol, design, distinctive coloring or lettering.

Q38. Explain the advantages and disadvantages of branding.*Ans :*

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

Advantages of Branding

1. Memorability

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

2. Loyalty

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

3. Familiarity

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

4. Premium image, premium price

Branding can lift what you sell out of the realm of a commodity, so that instead of dealing with price-shoppers you have buyers eager to pay more for your goods than for those of competitors. Think of some people's willingness to buy the currently "in" brand of

bottled water, versus toting along an unlabeled bottle of the same stuff filled from the office water cooler.

5. Extensions

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

6. Greater company equity

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

7. Lower marketing expenses

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

8. For consumers, less risk

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

Disadvantages of Branding

1. Cost

If you wish to create and maintain a strong brand presence, it can involve a lot of design and marketing costs. A strong brand is memorable, but people still need to be exposed to it, this often requires a lot of

advertising and PR over a long period of time, which can be very costly.

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

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

2. Impersonal

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

3. Fixed Image

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

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

4. Timescale

The process of creating a brand will usually take a long period of time. As well as creating a brand and updating your signs and equipment (E.g.: Stationary, vehicles etc...), you need to expose it to your potential customers.

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

Q39. 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.

Q40. What are the objectives of Branding ?

Ans :

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

1. To differentiate a firm's product

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

2. To assist in promotion

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

3. To increase prestige and status

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

4. To maintain product quality

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

5. To increase brand loyalty

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

6. To legally protect the firm

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

7. To build values for customers

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

Q41. Explain the Principles of Branding.

Ans :

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

1. Defining the Brand's Identity

When launching a new product questions of relevance are - Who is being targeted, what is the product positioning - its distinctive advantage and competitive area, and finally what promises and benefits can the consumer expect? Another important question when

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

2. Imaginary Sources

Major brands do not solely derive their identity from functional sources. The choice of a brand's imaginary source is just as important as choosing what products of the range to advertise.

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.

Q42. What are the Strategies of Branding ?

Ans :

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

1. Product Branding

It is a well-known fact that a brand can simultaneously be an object, a word, a symbol, or a concept. Brand is an object as it helps to differentiate each product from other goods and services in the market. Brand is a word as it has a brand name which gives details of the product in case of oral and written communication. Brand is a symbol as it has variety of features and it is expressed through many figurative expressions like logos, colours, forms, emblems, designs and packaging. Lastly, brand is a concept as it dictates its own meaning and worth similar to any other symbol.

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

2. Line Branding

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

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

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

3. Range Branding

Range branding strategy looks similar to line branding strategy, but there is a significant difference between the two. Like line branding, different products are associated with the basic brand concept, but these products are not complementary to each other. Different categories of products are available under the same brand concept. Here, the basic theme of branding is the area of expertise.

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

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

4. Endorsement Branding

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

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

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

5. Umbrella Branding

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

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

6. Source Brand Strategy

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

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

Q43. Define Brand Equity. What are the various sources of Brand Equity.

Ans :

(Nov.-20)

Brand Equity is the value and strength of the Brand that decides its worth. It can also be defined as the differential impact of brand knowledge on consumers response to the Brand Marketing. Brand Equity exists as a function of consumer choice in the market place. The concept of Brand Equity comes into existence when consumer makes a choice of a product or a service. It occurs when the consumer is familiar with the brand and holds some favourable positive strong and distinctive brand associations in the memory.

Definition of Brand Equity

According to Biel, "Brand equity can be thought of as the additional cash flow achieved by associating a brand with the underlying product or service".

According to Aaker, "Brand equity is a set of brand assets and liabilities linked to a brand, its name and symbol add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers".

According to Keller, "Brand equity is defined in terms of marketing effects uniquely attributable to the brands. For **example**, certain outcomes result from the marketing of a product or service because of its brand name, which would not have been occurred if the same product or service did not have the brand name".

The marketing literature is laden with works which explore, interpret, and 'demystify' (clarify) the concept of brand equity. The advantages of brand equity direct academic and managerial attention to its measurement and management.

Source of Brand Equity

The sources of brand equity are as follows :

1. Market Research

Introducing brand in the market needs quantities or qualitative research to get familiar with the trends and different attributes. Proper market research allows the company to launch a right brand for the right segment.

2. Quality

New product must incorporate quality ingredient because first impression is the last impression. If customers are satisfied with the quality of your product then customers will suggest other people to go for this product by sharing good thoughts.

3. Marketing Mix

The proper use of marketing mix adds value in the brand marketing. Promotion and personal relation increase brand equity.

4. Brand Extension

To polish the brand, bring some new products and services under the umbrella of same brand name. For example, Dettol soap and shampoo, Lux soap and shampoo, LG monitors and mobiles.

5. Customer Opinion

Always look for customer opinion because they know the best and worst about the product. For example, Procter and Gamble ask for the customer idea for their product through their customer portal.

6. Protecting the Brand Equity

The brand name can be establish and compete among the competitors brand only if the quality match the perception of the customer. The customer purchasing the product always willing to get more than the value he paid for the product. Organisation should take care of the customer to maintain the value of brand in the marketplace.

Q44. What are the various Stages of Building Brand Equity?

Ans :

The following three stages that are required in order to build a strong brand :

1. Introduction

Introduce a quality product with the strategy of using the brand as a platform from which to launch future products. A positive evaluation by the consumer is important.

2. Elaboration

Make the brand easy to remember and develop repeat usage. There should be accessible brand attitude, that is, the consumer should easily remember his or her positive evaluation of the brand.

3. Fortification

the brand should carry a consistent image over time to reinforce its place in the consumer's mind and develop a special relationship with the consumer. Brand extensions can further fortify the brand, but only with related products having a perceived fit in the mind of the consumer.

Q45. What are the Advantages of Brand Equity?

Ans :

1. Allow the company to charge a price premium compared to competitors with less brand Equity.
2. Strong brand names simplify the decision process for low-cost and non-essential products.
3. Brand name can give comfort to buyers unsure of their decision by reducing their perceived risk.
4. Maintain higher awareness of the products.
5. Use as leverage when introducing new products. Often interpreted as an indicator of quality.
6. High Brand Equity makes sure the products are included in most consumers' consideration set.
7. The company brand can be linked to a quality image that buyers want to be associated with.
8. It can lead to greater loyalty from customers.
9. It offers a strong defense against new products and new competitors.
10. It can lead to higher rates of product trial and repeat purchasing due to buyers' awareness of the company brand, approval of its image/reputation and trust in its quality.

Q46. What are the Differences between product and brand ?*Ans :*

Brand and Product are two different terms, which are commonly encountered in marketing. These two differ in the sense that a **product** is created by the company while a **brand** is built by the people using them i.e. customers. Moreover, the former can be easily duplicated, whereas a the latter is unique, and it cannot be copied. A product passes through a life cycle, but a brand is timeless.

Basis for Comparison	Product	Brand
Meaning	A product is an item which is ready for sale in the market.	A brand is something which distinguishes a product from other products in the market.
What is it?	A product is What you need?	A brand is What you want?
Uniqueness	A product can be easily copied.	A brand has a distinguished identity, that cannot be copied.
Created by	Manufacturers	Customers
Can it be replaced?	Yes	No
What they do?	A product performs the functions.	A brand offers value.
Appearance	A product may be tangible or intangible in nature.	A brand is intangible.
Time Horizon	A product can be outdated after some time.	Brand remains forever.

Short Question and Answers

1. Define Consumer Decision Making.

Ans :

Consumer decision making is a process which is followed by the consumer to purchase any product. Various stages are involved in the consumer decision-making process. The marketer should concentrate only on those stages which are found to be highly influential in nature.

The purchaser or consumer takes his buying decisions, for some commodities immediately without much consideration such as items of daily use while for some other commodities mainly luxury or durable items, he thinks much before taking a decision to purchase it. Sometimes, he consults others. Generally, the purchaser passes through five distinct stages in taking a decision for purchasing a particular commodity.

2. What is customer value ?

Ans :

Those companies that are marketing-oriented aim to create customer value in order to attract and retain customers. Their intention is to deliver superior value to their target customers and, in doing so, they implement the marketing concept by meeting and exceeding customer needs better than the competition.

One of the great benefits of having satisfied customers is that they tell others of their experiences, further enhancing sales. For example, recent research has shown that the experience of other customer with a product or service has a significant impact on purchase decision in sectors like automobiles and financial services.

Customer value is dependent on how the customer perceives the benefits of an offering and the sacrifice that is associated with its purchase. Therefore:

$$\text{customer value} = \text{preceived benefits} - \text{perceived sacrifice}$$

Perceived benefits can be derived from the product, the associated service and the image of the company. Conveying benefits is a critical marketing task and is central to positioning and branding. Perceived sacrifice is the total cost associated with buying the product. This consists not just of monetary costs, but also the time and energy involved in the purchase.

3. Define Consumer Behaviour.

Ans :

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

Definitions of Consumer Behaviour

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

4. Define Culture.

Ans :

Culture is everything that is socially learned and shared by the members of a society. Culture consists of material and non-material components. Non-material culture includes the words people use; the ideas, customs, and beliefs they share; and the habits they pursue.

Culture is "the sum total of learned beliefs, values and customs that serve to direct the consumers behavior of members of a particular society".

According to Mr. Edward B. Tyler defines culture as "that complex whole that includes knowledge, belief, art, morals, law, custom and any other capabilities and habits acquired by man as a member of society".

5. Marketing Mix.

Ans :

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

Definitions of Marketing Mix

- (i) **According to W. J. Stanton** "Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company's marketing system: the product, the price structure, the promotional activities, and the distribution system."
- (ii) **According to Philip Kotler** "A Marketing mix is the mixture of controllable marketing variables that the firm uses to pursue the sought level of sales in the target market."

6. Define product.

Ans :

Product is anything that can be offered to a market that might satisfy a want or need. There are two concepts of 'product' - narrow concept and wide concept. In its narrow concept, a product is a bundle of physical or chemical properties which has some utility. A product is not a non-living object; it is not a mere assemblage of matter - physical and chemical. Utility alone is not the function of the product. A product means an object which satisfies the need of the customer. Thus fan, table, pen, cooler, chair etc. are products. In its wider concept, all the brands, all the colors all the packaging or all the designs of a product is taken to be different products. For example, if a tooth paste is produced in three different sizes, these are three products because they satisfy needs of different customers. Thus, if there is a change in the size or color or brand, or packaging, it produces a new product. The product is thus total package of benefits received by a customer.

Definitions

- (i) **According to George Fisk**, "Product is a cluster of psychological satisfactions".
- (ii) **According to W. Alderson**, "A product is a bundle of utilities consisting of various features and accompanying services".
- (iii) **According to Rustom S. Davar**, "A product may be regarded from the marketing point of view as a bundle of benefits which are being offered to consumer".
- (iv) **According to Phillip Kotler**, "A product is a bundle of physical services and symbolic particulars expected to yield satisfactions or benefits to the buyer".

7. Define product Range.

Ans :

Product range is a word that refers to the variety of products that are produced by a company. For instance, the manufacturer Land Rover, which is owned Tata Motors also produces Land Rover Defender, Discovery and Freelander models, Range Rover, Range Rover Sport and the Range Rover Evoque; this forms its product range.

8. Define Product Line.

Ans :

A product line is a group of product items or brands that are closely related in terms of their functions and benefits they provide. Companies like Unilever have many product lines. Personal care products and packaged foods are two product lines of Unilever. Gillette's product lines include blades and razors, toiletries and writing instruments.

The depth of a product line is the number of product items or brands it contains. Gillette's razor and blade product line include brands like Sensor, Trac III, Atra, etc. The depth of product line depends upon the pattern of customer requirements (the number of segments to be found in the market), the product depth of competitors and the company's resources. Companies increase the depth, i.e., add more brands to their product lines to attract buyers with different preferences and to increase sales by further segmenting the market.

9. Define Product Mix.

Ans :

"A product mix (also called product assortment) is the set of all product lines and items that a particular seller offers for sale to buyers". An organization with several product lines has a product mix. Product mix need not consist of related products. In other words, product mix is "the composite of products offered for sale by a firm". It is a collection of products manufactured or distributed by a firm. It is the full list of all products offered by a firm. For instance, a firm manufactures watches, machinery items, electric lamp, etc. It has four main characteristics.

1. Product Length
2. Product Width
3. Product Depth
4. Product Consistency.

It is necessary to understand the meaning of the term product item and product line before coming to the definition of the product mix.

10. Assumptions of Product Life Cycle

Ans :

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, purchasing, and human resource strategies in each stage of their life cycle.

11. Define branding ?

Ans :

Introduction

In Any product strategy, a crucial decision is about branding. Branding a product means a long term investment in building that brand by spending on promotion, advertising and packaging. The brand name gives power to the firm.

Definition

According to American Marketing Association Chicago A brand is defined as "a name, term, sign, symbol or special design or some combination of these elements that is intended to identify the good or services of one seller or group sellers. A brand differentiates these products from those of competitors.

A Brand in short is an identifier of the seller or the maker. A brand name consists of words, letters, and/or numbers that can be vocalized. A brand mark is the visual representation of the brand like a symbol, design, distinctive coloring or lettering.

12. Define Brand Equity.

Ans :

Brand Equity is the value and strength of the Brand that decides its worth. It can also be defined as the differential impact of brand knowledge on consumers response to the Brand Marketing. Brand Equity exists as a function of consumer choice in the market place. The concept of Brand Equity comes into existence when consumer makes a choice

of a product or a service. It occurs when the consumer is familiar with the brand and holds some favourable positive strong and distinctive brand associations in the memory.

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The marketing literature is laden with works which explore, interpret, and 'demystify' (clarify) the concept of brand equity. The advantages of brand equity direct academic and managerial attention to its measurement and management.

13. What are the Advantages of Brand Equity?

Ans :

1. Allow the company to charge a price premium compared to competitors with less brand Equity.
2. Strong brand names simplify the decision process for low-cost and non-essential products.
3. Brand name can give comfort to buyers unsure of their decision by reducing their perceived risk.
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6. High Brand Equity makes sure the products are included in most consumers' consideration set.
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9. It offers a strong defense against new products and new competitors.

UNIT III

Designing a Customer Driven Strategy: Market segmentation – Segmentation Targeting Positioning Process - segmentation of consumer market, business market, requirement for effective segmentation, market targeting – evaluating market segmentation, selecting target market segmentation, positioning – Positioning and repositioning positioning maps, product positioning strategies.

3.1 MARKET SEGMENTATION

Q1. Define market segmentation. What are the features of market segmentation?

Ans : (July - 18)

Introduction

Market segmentation represents an effort to increase a company's targeting precision. It can be carried out at four levels: segments, niches, local areas, and individuals. Market segmentation is the identification of portions of the market that are different from one another. Segmentation allows the firm to better satisfy the needs of its potential customers.

Definitions of Market Segmentation

- i) **According to W.J. Stanton.** The process of talking to total heterogeneous market for product and dividing it into several sub-markets or segments, each of which tends to be homogeneous in all significant aspects.
- ii) **According to Philip Kotler.** Market segmentation is subdividing of a market into distinct and increasing homogeneous subgroups of customers where any group can conceivably selected as a target market to be met with a distinct marketing mix.

Features of Market Segmentation

The process of market segmentation, involves the creation of market segments or parts or sub-sets. A segment of the market is basically a sub-set, in terms of goods, service or product, of the entire market and is identified or created by the marketing department in such a manner that the individuals

(or organizations) in that very segment would demand a certain set of goods and services that have similar features.

In short, a segment is a division of market, the elements of which depict common needs.

The features of a market segment includes the following :

1. Geographically or product-wise or even need wise, a single market segment is distinct from other segments, though one can also count on the existence of some minute similarities.
2. Products that are demanded by the consumers are homogeneous and in some cases also tend to have similar price levels.
3. A product introduction into such a segment stimulates similar and almost congruent reactions from a majority of consumers.

Q2. State the various levels of market segmentations.

Ans :

1. Segment Marketing

A market segment consists of a large identifiable group within a market with similar wants, purchasing power, geographical location, buying attitudes, or buying habits. For example, an auto company may identify four broad segments: car buyers who are primarily seeking basic transportation or high performance or luxury of safety.

2. Niche Marketing

A niche is a more narrowly defined group, typically a small market whose needs are not

well served. Marketers usually identify niches by dividing a segment into sub segments or by defining a group seeking a distinctive mix of benefits. For example, the segment of heavy smokers includes those who are trying to stop smoking and those who don't care.

3. Local Marketing

Target marketing is leading to marketing programs being tailored to the needs and wants of local customer groups (trading areas, neighborhoods, even individual stores). Citibank provides different mixes of banking services in its branches depending on neighborhood demographics.

4. Individual Marketing

The ultimate level of segmentation leads to "segments of one," "customized marketing," or "one-to-one marketing." For centuries, consumers were served as individuals: the tailor made the suit and the cobbler designed shoes for the individual.

Q3. "The Indian market represents an excellent example for formulating the market segmentation strategy by a marketer". Did you agree with the statement? Discuss.

Ans :

(Sep. - 15)

Segmentation Strategy of HDFC Credit Cards

The credit cards or all the products of HDFC bank are segmented on the following basis,

1. Demographic

- (a) **Occupation:** On the basis of the different occupational segments such as doctors, lawyers, professionals etc., different products are segmented.
- (b) **Income:** On the basis of the income level of the customers different products are being segmented. Minimum balance acts as a barrier to income segment.

2. Geographical

HDFC bank mainly focuses on tier 1 and tier 2 cities for selling its products as these cities helps in extending their reach. Tier 2 cities have population of less than 1 million.

Example: Nasik, Bhopal, Amritsar, Raipur etc. Tier 1 cities have more than 1 million population, example: Delhi, Mumbai, Hyderabad, Kolkata, Chennai etc.

3. Psychographic Age

HDFC bank segments different products for different age groups. Example: Students accounts for students, credit cards for adults etc.

Market Segmentation Strategy of LG

The washing machines and all the products of LG are segmented on the following basis,

1. Demographic

On the basis of the income level and occupational segment of the customers, the products of LG are segmented.

2. Geographic

LG concentrates on tier 1 and tier 2 cities for selling its products as these cities helps in extending the reach.

3. Psychographic

On the basis of the life-styles and personality of the customers the products of LG are being segmented.

4. Behavioural

On the basis of the value and the benefits derived from the products, the products are being segmented.

LG segments its markets on the basis of products which it offers to its consumers. It mainly targets the customers who demand life style products. The products of LG are usually designed for upper middle class and premium segment consumers who demand quality products at best prices. But now LG is also shifting towards middle class segments and wants to mass markets their products.

Q4. What are the Benefits of Market Segmentation?

Ans :

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

1. By developing strong position in specialized market segments, medium sized firms can achieve a rapid growth rate.
2. By tailoring the marketing programmes to individual market segments, marketer can do a better marketing job and make more efficient use of marketing resources.
3. People awareness is increasing in relation to their preferences. In these circumstances it is necessary that marketer must segment and then try to fulfill the needs of that segment.
4. It helps in determining the kinds of promotional devices that are effective and also helps to evaluate their results.
5. Appropriate decision making, relating to introduction of new products, promotion, distribution, pricing could be easily taken.

Q5. Explain in detail the bases for market segmentation.

Ans :

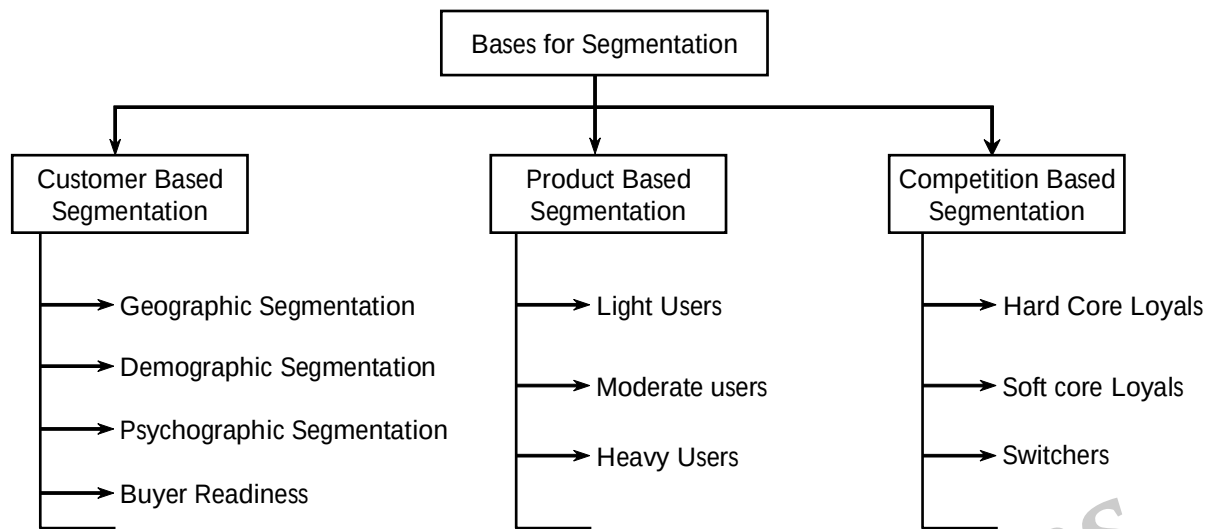
(Nov.-20, May-19)

Market segmentation can be broadly into three major groups.

1. Customer Based Segmentation
2. Product Related Segmentation
3. Competition Based Segmentation

1. Customer based Segmentation**a) Geographic Segmentation**

This is generally the starting point of all market segmentation strategy. The geographic location of customers does help the firm in planning its marketing offer. Quite common is the rural and urban divide in the consumer market. Also, a very common base is the metro or non metro markets. One also hears of bases like district, block markets etc. The assumption in using this basis for segmentation is that people in a particular geographic area have identical preferences and consumption behavior.



b) Demographic Segmentation

The next commonly used basis for market segmentation is demographic characteristics of the market. Factors like age, education, occupation, sex, family size and marital status are used singly or in a combination to segment the market.

i) **Age** : Very commonly used as the basis, the assumption is that people in the same age group will behave in an identical manner. Based on this factor, one can have the

- Infants market (newly born upto 1 year)
- Child market (1 year - 12 years)
- Teens market (13 years - 19 years)
- Youth Market (20 years - 35 years)
- Middle Aged market (36 years - 50 years)
- Elders or seniors market (50 years and above)

Studies conducted by marketing research agencies give us picture of the behaviour of these different markets.

ii) **Income** : The next commonly used variable is income. For it is believed that, as Consumer's income increases, his/her consumption behaviour changes. One of the research findings is that expenditure on food and other basic amenities as a per cent of total expenditure declines as consumer income increases. In other words, with an increase in income, the customer starts buying other branded products and so called luxuries like holiday packages, air travel, perfumes, microwave ovens, cooking ranges, washing machines, automobiles etc.

- Low income
- Low middle income

- Middle income
 - Upper middle income
 - Higher income
- iii) **Sex :** The male market is different from the female market. Hence, gender is used for segmenting the market for different products. While some products like textiles are exclusively made for each of the segments, there are other products which are exclusively made or marketed to one gender. A cosmetic firm will have to take a decision whether it wants to manufacture or market cosmetics for men only or women or for both. Lately, particularly in blue jeans marketing, the marketer is directing the product at both segments as the product is a unisexual one.
- iv) **Occupation :** The occupation of the consumer is also an important variable in segmenting the market. Whether a person is self employed or works full or part time and his or her position in an enterprise, affects his or her consumption behaviour. On the basis of consumption, one may find segments like professionals, traders or shop keepers, businessmen or industrialists, teachers, university professors, sales personnel and self employed people, house wives and the like.
- v) **Education :** The education profile of the customer will also affect his or her preferences and level of awareness. It is a known fact as literacy increases and people get educated, they become more aware about the environment and different products. They also become more aware about their rights. Based on education, the Indian market can be segmented as illiterates, high school educated and secondary or university educated persons. Again within the university educated persons, the market can be segmented among the graduates, post graduates, doctorates and post doctorates.

vi) **Marital Status :** Another demographic basis for segmentation is the marital status of the customer. The assumption is that behavior and consumption patterns of single and married people differs. For example unmarried people are more likely to be spend thrifts and users of packaged goods and fast foods. Married people are more conservative and are generally frugal in spending. However they are often the consumers of many expensive or inexpensive gift items.

vii) **Family Size and Structure :** Another important demographic variable is family size or structure. With the spread of the family planning programme and with its more and more acceptance among urban families, one finds that the average family size has been declining from a high of 5-6 persons per family in 1970 to just 3 in the 1990. One finds that the family norm now is birth control. So today, the marketer can segment his market into families with three or less members, families with four members and families with more than five members.

c) **Psychographic Segmentation**

Often it has been seen that two consumers with the same demographic characteristics may act in an entirely different manner. Even though the two may be of the same age, from the same profession, with similar education and income, each of the customers may have different attitude towards risk taking and new products, stores etc.

This is largely because of personality and life style differences of consumers. Increasingly marketers are turning to psychographic variables to segment their markets. The Titan Watch Company, for example has segmented its market for Timex and Titan Quartz high priced watches on the basis of life style.

d) Buyer readiness

Another variable used for segmenting the market is buyer readiness or preparedness to buy the product. At any given time, buyers are at different stages of readiness. There are unaware buyers, people who are aware but not interested, people who are interested and are desirous to buy and lastly those who will positively buy the product. The relative proportion of buyers at these different stages will affect the marketer's tasks.

2. Product Related Segmentation

The marketer may even use product related bases for segmenting the market. One of the important bases is the product use situations. Different customers may use the same product in different use situations. Rasna, for example is shown as being used in different situations like a party, the unexpected guests, a drink at the end of a long and tiring working day etc.

A marketer tries to make the product versatile so that it can be used in different situations. But the customer may use different products and brands for different situations. Like for sports, a customer may buy a sports watch and for a party may wear a jewelled watch. Thus depending on the use situations, a product or a brand may be selected by the customer. Knowing these situations help the marketer plan the positioning strategy.

The quantity consumed at any given time has also been the basis for segmenting the beverages, soft drinks, breweries, and cigarette markets. Accordingly the following market segments are visible :

- (a) Light Users:** These are the categories of the users who are very infrequent users. In case of cosmetics an average housewife who is not very fashion conscious is a light user of the cosmetics.
- (b) Moderate users:** The fashion-conscious teenagers are the medium users of cosmetics i.e., they use it very frequently.
- (c) Heavy users:** There are people for whom the cosmetics are the most important purchase and they are heavy

users of it. Celebrities in entertainment world, the models etc., need cosmetics on a regular basis, as it is the most important part of their profession.

3. Competition based Segmentation

An important indicator of marketing success of an enterprise is number of its loyal customers. Customer loyalty, therefore is an important index to determine the competitive position of the firm. This is also used as the basis for segmenting the market and evolving the marketing strategy for each segment and also to encourage customer loyalty. Based on loyalty we can again have the following segments.

- **Hard Core Loyals :** Hard Core loyals are those customers who continue to buy the same brand again and again. These customers refuse to buy competing brand if offered and insist on buying their own preferred brand. Newspaper readers, cigarette smokers, and tea drinkers are some customer groups where such hard core loyalties are commonly visible.
- **Soft Core Loyals :** Those who are loyal to two or three brands in a product group are called soft core loyals. For example, a housewives who buys the same brand of soap in her nine shopping expeditions will be considered as a soft core loyal. The marketer needs to watch such customers and motivate them to shift to the hard core loyalty segment.
- **Switchers :** Switchers are those customers who never stick to a brand. These are customers for whom brand switching is as easy as changing a shirt. They may switch for a variety or for a special deal.

In either case, this is a very slipping market segment for the marketer. The firm needs to examine why it is losing its customers to competitor brands. This can help it to strengthen its competitive positions in the market.

Q6. Explain the limitations of market segmentation ?

Ans :

Limitations of Segmentation

Segmentation also has its limitations as it needs to be implemented in the proper manner. As segmentation is one of the most important process in the marketing plan or for your business, you need to know the limitations of segmentation and what pitfalls lie ahead if you go wrong with your target market segment.

1. Segments are too small

If the chosen segment is too small then you will not have the proper turnover which in turn will affect the total margins and the viability of the business.

2. Consumers are misinterpreted

The right product to the wrong customers. What if your market research says that your customers want a new soap and you come out with a new facial cream. The concept is same, cleanliness. But the concept is completely different.

3. Costing is not taken into consideration

Targeting a segment is ok but you also need to know how much you will have to spend to target a particular segment. If it is a Sec A segment and you do not have the budget to be present in the places the Sec A customer visits, then your segmentation strategy is a failure.

4. There are too many brands

Along with segmentation, you also need to check out the competition offered in the same segment from other products. Getting into a segment already saturated will mean higher costs and lesser profit margins.

5. Consumer are confused

If the consumer himself doesn't know whether he will be interested in a particular product or not, than that's a sign that you need to get out of that segment / product.

6. Product is completely new

If a product is completely new than there is no market research to base your segmentation on. You need to market it to the masses and as acceptance increases, only then will you be able to focus on one particular segment.

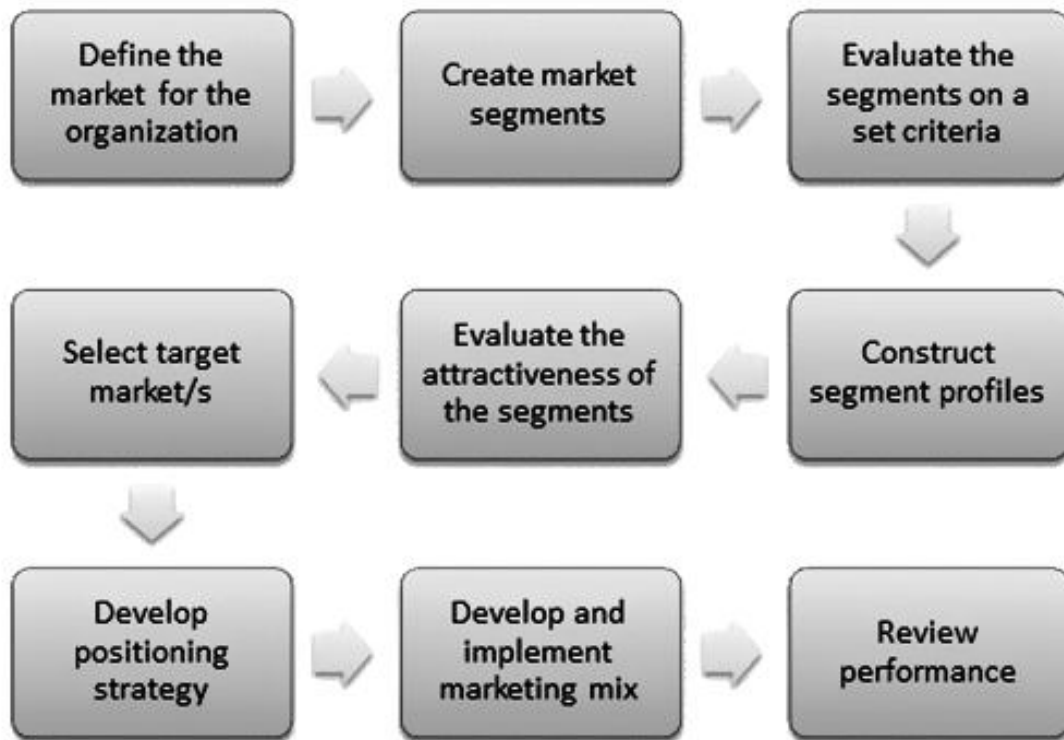
3.2 SEGMENTATION TARGETING POSITIONING PROCESS**Q7. Explain briefly about segmentation, targeting and positioning process ?**

Ans :

(Dec. - 19, March - 16)

The market segmentation, targeting and positioning (STP) process is a fundamental concept in understanding marketing and the strategies of firms. In most marketing textbooks, the STP approach is presented as a simple three step process. While that approach provides a good introduction to this marketing concept, it fails to adequately highlight the smaller steps of the STP process that should also be understood.

The following diagram highlights the overall STP process in nine steps :



Full steps for the overall segmentation, targeting and positioning process

The following is a quick discussion of the full market segmentation, targeting and positioning (STP) process, as shown above.

Step One – Define the market

In the first step in this more detailed model is to clearly define the market that the firm is interested in. This may sound relatively straightforward but it is an important consideration. For example, when Coca-Cola looks at market segmentation they would be unlikely to look at the beverage market overall. Instead they would look at what is known as a sub-market (a more product-market definition). A possible market definition that Coca-Cola could use might be diet cola soft drinks in South America. It is this more precise market definition that is segmented, not the overall beverage market, as it is far too generic and has too many diverse market segments.

Step Two – Create market segments

Once the market has been defined, the next step is to segment the market, using a variety of different segmentation bases/variables in order to construct groups of consumer. In other words, allocate the consumers in the defined market to similar groups (based on market needs, behavior or other characteristics).

Step Three – Evaluate the segments for viability

After market segments have been developed they are then evaluated using a set criteria to ensure that they are useable and logical. This requires the segments to be assessed against a checklist of factors, such as: are the segments reachable, do they have different groups of needs, are they large enough, and so on.

Step Four – Construct segment profiles

Once viable market segments have been determined, segment profiles are then developed. Segment profiles are detailed descriptions of the consumers in the segments – describing their needs, behaviors, preferences, demographics, shopping styles, and so on. Often a segment is given a descriptive nickname by the organization. This is much in the same way that the age cohorts of Baby Boomers, Generation X and Generation Y have a name.

Step Five – Evaluate the attractiveness of each segment

Available market data and consumer research findings are then added to the description of the segments (the profiles), such as segment size, growth rates, price sensitivity, brand loyalty, and so on. Using this combined information, the firm will then evaluate each market segment on its overall attractiveness. Some form of scoring model will probably be used for this task, resulting in numerical and qualitative scores for each market segment.

Step Six – Select target markets

With detailed information on each of the segments now available, the firm then decides which ones are the most appropriate ones to be selected as target markets. There are many factors to consider when choosing a target market. These factors include: firm's strategy, the attractiveness of the segment, the competitive rivalry of the segment, the firm's ability to successfully compete and so on.

Step Seven – Develop positioning strategy

The next step is to work out how to best compete in the selected target market. Firms need to identify how to position their products/brands in the target market. As it is likely that there are already competitive offerings in the market, the firm needs to work out how they can win market share from established players. Typically this is achieved by being perceived by consumers as being different, unique, superior, or as providing greater value.

Step Eight – Develop and implement the marketing mix

Once a positioning strategy has been developed, the firm moves to implementation. This

is the development of a marketing mix that will support the positioning in the marketplace. This requires suitable products need to be designed and developed, at a suitable price, with suitable distribution channels, and an effective promotional program.

Step Nine – Review performance

After a period of time, and on a regular basis, the firm needs to revisit the performance of various products and may review their segmentation process in order to reassess their view of the market and to look for new opportunities.

3.3 SEGMENTATION OF CONSUMER MARKET & BUSINESS MARKET

Q8. Define consumer market. Discuss the bases for segmenting consumer market.

Ans : (July - 18)

Consumer market

Consumer markets refers to the markets where people purchase products for consumption and are not meant for further sale. This market is dominated by the products which consumer use in their daily life.

Each time a consumer purchase a commodity for his own usage he is participating in a consumer market. Primarily there are four types of consumer markets; food and beverages, retail, consumer products and transportation. In consumer market purchasers make their own decisions to purchase the products and these products can be used for personal use or can be shared with others. Marketing plays a role of paramount importance in consumer markets by influencing customer's preferences and purchasing decisions and educating them on the options available in the market. Brand loyalty of consumer plays a significant role in consumer markets. Consumer markets are different from business markets in the sense that in business markets products are sold to different businesses and intermediaries for further sale.

Dividing a market into distinct groups with distinct needs, characteristics, or behavior who might require separate products or marketing mixes. Market segmentation is a marketing strategy which

involves dividing a broad target market into subsets of consumers, businesses, or countries who have, or are perceived to have, common needs, interests, and priorities, and then designing and implementing strategies to target them. Market segmentation strategies are generally used to identify and further define the target customers, and provide supporting data for marketing plan elements such as positioning to achieve certain marketing plan objectives. Businesses may develop product differentiation strategies, or an undifferentiated approach, involving specific products or product lines depending on the specific demand and attributes of the target segment.

Types of market segmentation

The following are the most common forms of market segmentation practices.

1. Geographic Segmentation

Marketers can segment according to geographic criteria - nations, states, regions, countries, cities, neighborhoods, or postal codes. The geo-cluster approach combines demographic data with geographic data to create a more accurate or specific profile. With respect to region, in rainy regions merchants can sell things like raincoats, umbrellas and gumboots. In hot regions, one can sell summer clothing. A small business commodity store may target only customers from the local neighborhood, while a larger department store can target its marketing towards several neighborhoods in a larger city or area, while ignoring customers in other continents. Geographic segmentation is important and may be considered the first step to international marketing, followed by demographic and psychographic segmentation.

2. Demographic Segmentation

Segmentation according to demography is based on variables such as age, gender, occupation and education level or according to perceived benefits which a product or service may provide. Benefits may be perceived differently depending on a consumer's stage in the life cycle. Demographic segmentation divides markets into different life stage groups and allows for messages to be tailored accordingly.

A variant of this approach known as firm graphic or feature based segmentation is commonly used in business-to-business markets (it's estimated that 81% of B2B marketers use this technique). Under this approach the target market is segmented based on features such as company size (either in terms of revenue or number of employees), industry sector or location (country and/or region).

3. Behavioral Segmentation

Behavioral segmentation divides consumers into groups according to their knowledge of, attitude towards, usage rate, response, loyalty status, and readiness stage to a product. There is an extra connectivity with all other market related sources. Behavioral segmentation divides buyers into segments based on their knowledge, attitudes, uses, or responses concerning a product. Many marketers believe that behavior variables are the best starting point for building market segments.

4. Psychographic Segmentation

Psychographic segmentation, which is sometimes called lifestyle, is measured by studying the activities, interests, and opinions (AIOs) of customers. It considers how people spend their leisure, and which external influences they are most responsive to and influenced by. Psychographic is highly important to segmentation, because it identifies the personal activities and targeted lifestyle the target subject endures, or the image they are attempting to project. Mass media has a predominant influence and effect on psychographic segmentation. Lifestyle products may pertain to high involvement products and purchase decisions, to speciality or luxury products and purchase decisions.

5. Occasional Segmentation

Occasion segmentation focuses on analyzing occasions, independent of the customers, such as considering Coke for occasions of being thirsty, having dinner or going out, without taking into consideration the differences an affluent and middle-class customer would have during these occasions.

Occasional customer segmentation merges customer-level and occasion-level segmentation models and provides an understanding of the individual customers' needs, behavior and value under different occasions of usage and time. Unlike

traditional segmentation models, this approach assigns more than one segment to each unique customer, depending on the current circumstances they are under.

Customer segmentation is the practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests and spending habits. Customer segmentation, also called consumer segmentation or client segmentation, procedures include:

- Deciding what data will be collected and how it will be gathered
- Collecting data and integrating data from various sources
- Developing methods of data analysis for segmentation
- Establishing effective communication among relevant business units (such as marketing and customer service) about the segmentation
- Implementing applications to effectively deal with the data and respond to the information it provides

Customer segmentation can have a great effect on customer management in that, by dividing customers into different groups that share similar needs, the company can market to each group differently and focus on what each kind of customer needs at any given moment. Large or small, niche customer segments can be targeted depending on the company's resources or needs. In B2B marketing, companies are concerned with decision-makers' job titles, the industry sector, whether the company is public or private, its size, location, buying patterns and their technology at their disposal, for example. In B2C marketing, companies are concerned with particular customers' profiles, attitudes and lifestyles.

Approaches to B2B customer segmentation include vertical or horizontal alignments. In vertical segmentation, companies select certain industries or job titles that would likely find their products appealing and then focus marketing efforts on those segments that they feel are most ready to buy. In horizontal segmentation, companies simply focus on one job title across a wide range of industries and organizations.

Q9. Define business market.

Ans : (Dec.-19)

Business marketing is a marketing practice of individuals or organizations (including commercial businesses, governments and institutions). It allows them to sell products or services to other companies or organizations that resell them, use them in their products or services or use them to support their works. It is a way to promote business and improve profit too.

Business marketing is also known as industrial marketing or business-to-business (B2B) marketing. Despite sharing dynamics of organizational marketing with marketing to governments, business-to-government marketing is different.

Q10. What are the variables of Behavioural Segmentation? Explain each of them with suitable example.

Ans : (Sep. - 16)

Variables of Behavioural Segmentation

Under the behavioural segmentation, the buyers are classified into group depending on their knowledge, attitude, use and response towards products. The variables of behavioural segmentation includes the following,

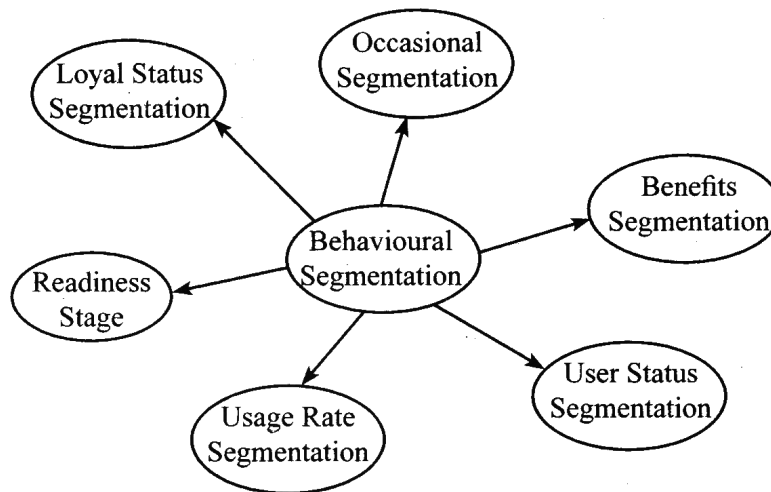


Fig.: Variables of Behavioural Segmentation

1. Occasional Segmentation

Under this variable of behavioural segmentation, the buyers are differentiated on the basis of occasions in which they develop a need for buying and using the products. It helps the firms to expand the usage of products. The examples of occasional segmentation are stated below.

Serial Number	Occasion	Product	Company
1.	Birthdays, Wedding cards, Diwali, Rakshabandhan.	Greeting cards.	Archies and Hall mark cards.
2.	Festivals [Special festival gift packs].	Chocolates, Cadbury's, Sweets/ snacks.	Kurkure, Haldirams, Dairy Milk and Almond House.

Along with these, goods such as cars and home appliances are advertised and promoted during festive occasions.

2. Benefit Segmentation

Benefit segmentation buyers are differentiated on the basis of benefits they want to obtain from the product or service. Many marketers make use of benefit segmentation for segmenting their consumer markets. Examples of benefit segmentation are discussed below.

	Segmentation Based on Benefits	Category	Product of the Company
1.	Cleaning of hair	Shampoo	Chick
2.	Conditioning effects	Shampoo	Pantene, Chick
3.	Medicinal properties	Shampoo	Head and Shoulders
4.	Freshness	Soap	Lux
5.	Total Protection	Soap	Dettol soap

3. User Status Segmentation

Another variable of behavioural segmentation is user status segmentation. Under this, buyers are segmented into users, non-users, potential users, first time users and ular users of products. Marketing strategies for these users differ according to the way they purchase.

Example

Blood banks do not depend on the regular donors, they also provide entrance to new first time donors to donate blood.

4. User Rate Segmentation

In this segmentation, markets can be further segmented into light, medium and heavy product users. Here heavy product users are focussed mainly because of their higher consumption levels. They were either loyal to one brand or look for low prices towards another brand.

Example

Mobile phone market usually target this segment by offering special packages on products.

5. Buyer Readiness Stage

In any given market, not all people are aware of products available there. Some customers are aware, some are informed and some possess the desire to purchase the product. In order to overcome such issues marketers has to develop customer awareness by heavily advertising their products.

Example

Most of the medical diagnosis centres will not publicise their medical test offers/programs. Only few segments of markets might be aware of such programs. So, by advertising their offers/programs it will reach all segments of customers and increase the consumer base for the marketer.

6. Loyalty Status Segmentation

Marketer also segments the market depending on the customers, who rely on one brand, some use more than one, some swap their brands to another and some consumers who possess no loyalty towards any brands of a product or service.

Example

Rolls Royce is a niche product where customers will not switch to another brand.

Q11. How do firm demographics help shape business-to-business customer needs?

Ans : (Feb. - 17)

The concept firm demographics to the features and facts about an organization such as,

- (a) The age of the organization.
- (b) The size of the organization.
- (c) The geographic location of the organization.
- (d) The industry in which the organization operates.
- (e) The firms operating variables and nature of purchasing.
- (f) Other unique features of the firm.

Firm demographics helps in understanding and shaping of the Business to Business (B2B) customer needs in the following manner,

- (a) Information from firm demographics helps B2B suppliers understand the potential in a given market. For example global FMCG firm nestle segments the markets on the basis, of the information gathered through firm demographics.
- (b) B2B suppliers would use this information to get ready to supply the required material. For example, a rubber tyres manufacturer would study the firm demographics of an automobile firm before placing a quotation for a tender to supply tyres. If the firm is very large automobile manufacturer the firm demographic data would facilitate it to arrive at the decision, whether it can supply the required raw material or not.
- (c) By studying the firm demographic information B2B and B2C needs can be estimated.

Q12. What is a segment value proposition? Why is it a critical part of the segmentation process?

Ans : (Feb. - 17)

Value proposition is an important part of the segmentation process. The term 'value proposition' refers to the set of value or benefits that an organization guarantees to deliver to the customer, through its service.

For example, washing detergent powder "Surf Excel" promises the value that it would provide all - powerful cleaning, clear and white, without damanging the clothes.

Another example is of Volvo automobiles limited which stress upon the value proposition that its automobiles are,

- (i) More safe to drive
- (ii) Fuel efficient
- (iii) Have 20% premium, compared to other cars.

Similarly when global soft drink giant Coca Cola entered the Indian softdrink market, it purchased the Indian Cola Maker "ThumsUp". To attract the patriotic Indian customers, it came up with the following value proposition.

"For men aged 20- 29, Thumps Up is a Cola that unlike Coke and Pepsi, has Indian heritage tastes spicer, and tastes just as good warm as it does cold".

From segmentation point of view, value proposition plays a critical role as it helps the organization to differentiate its products from that of its competitors. It helps to provide an answer to the customers question. "Why should I buy this product or service over the other substitutes" This helps in cleverly highlighting the products position in the minds of its target customers.

Q13. Differentiate between business market and consumer market.

Ans :

The differences between business market and consumer market are as follows.

	Criteria	Business Market	Consumer Market
1.	Professional buying	Well trained/professional buyers are involved in buying the goods/ services of the business market.	The goods of consumer markets are not purchased by professional buyers,
2.	Number of buyers	The organizations in business markets deal with a large number of buyers when compared to organizations in consumer markets.	Consumer marketers deal with small number of buyers.
3.	Buying influences	The business buying decisions in business markets are influenced by several people.	The business buying decisions in consumer markets are influenced by lesser number of people.
4.	Relationship between customer and supplier	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.
5.	Sales calls	In business markets, large number of individuals are involved. In the process of selling multiple sales calls have to be attended to get more number of business orders.	In consumer markets, taking up multiple sales calls is not necessary.

Q14. Why customer needs should be the driving force in segmenting a market?

Ans :

(Feb.-17)

Customer needs refer to the wishes, wants and desires, of the customer which can be satisfied by providing the desired product or service. In simple words, it refers to "what the customer wants to consume.

While segmenting the market, an organization should consider the 'customer need' as the key basis for segmentation. This, is because it would provide the firm a competitive edge over its competitors.

Customer need based segmentation would help a firm to create a niche market for itself. Thus, it would ensure that it has a loyal customer base.

For Example

Japanese cars are world famous for being reliable, durable and affordably priced. However, luxury car manufacturers such as Porsh, Mercedes and Ford had created a niche market for themselves by segmenting the market as per the needs of the elite, ultra rich customers.

There are various other options for the firm to segment the market, like:

- (a) Segmenting based upon the geographic area
- (b) Segmenting based upon the desired price etc.

However, segmenting (dividing) the market based upon the customer needs would help the firm to create a niche market and create a unique brand name for itself.

3.4 REQUIREMENT FOR EFFECTIVE SEGMENTATION

Q15. What are the five key criteria for effective segmentation ?

Ans : (July-18, Sep-16, Aug.-17, Sep-13)

A good market segmentation will result in segment members that are internally homogenous and externally heterogeneous; that is, as similar as possible within the segment, and as different as possible between segments.

Philip Kotler mentioned five criteria for an effective segmentation which states that Segmentation should be :

1. Measurable

The size of the segment must be in numbers, the purchasing power of the segment and the characteristics of the segment must be

measurable in numerically. Market research would be able to explain, if the segment is accurate, the number of individuals within the segment must be defined clearly.

2. Substantial

The segment must be a homogeneous group, with similar characteristics. Factors such as age group, brand perception and other factors. The segment must be large enough to tailor marketing effort. The consumer market must be defined clearly, products are made for certain characteristics, it could be for height or weight or other preferences. The segment chosen must be substantial.

3. Accessible

The targeted segments need to be accessible, take example a form of advertising, certain areas may not have access to the internet so they need to be targeted using different methods of communication. The targeted segment must be served well, locations need to be chosen based on seasons.

4. Differentiable

Different segments must be differentiated, they must react differently to different campaigns or products, and different marketing tools would be used to target these audiences. Their characteristics must be differentiated and their understanding of the marketing efforts and the product or service must be different.

5. Actionable

The segment must be devised in such a way that it results in an action, this could be a buying behaviour. The segment must have practical value; the marketing effort must result in an action.

Marketers must segment a market keeping these five market segmentation criteria in mind; the targeted market segmentation must be able to target the product or service accurately. The segment must go along with the objectives of the company; the segment must help the company grow in a particular market.

3.5 MARKET TARGETING

Q16. Define target marketing ? Explain the steps and levels of target marketing.

(May-19, July/Aug. - 17)

(OR)

Explain the strategies of target marketing.

Ans :

Target Marketing involves breaking a market into segments and then concentrating your marketing efforts on one or a few key segments. Target marketing can be the key to a small business's success.

Definition: A specific group of consumers at which a company aims its products and services.

Steps in Identifying the Target Market

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 group(s).

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.

Levels of Target Market (Strategies)

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

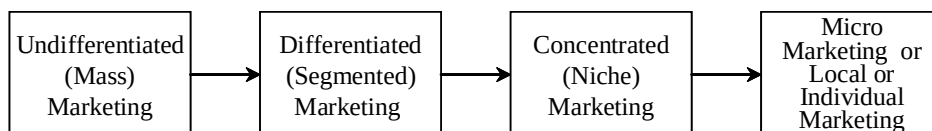


Fig.: Target Marketing Strategies

- 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.

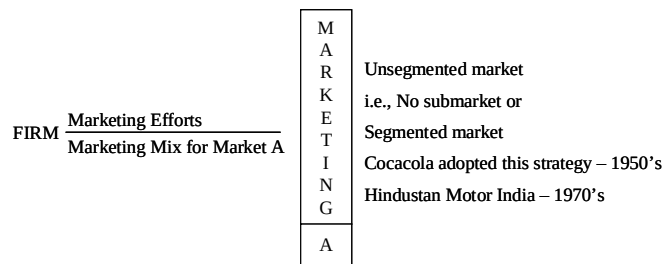


Fig.: Undifferentiated Marketing or Single Market Approach

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) segmen-ted Marketing :** Using this strategy, the company decides to target market segments and designs separate offers for each segment.

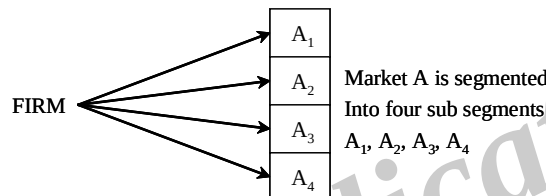


Fig. : Multiple Target Market Approach

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

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

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

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

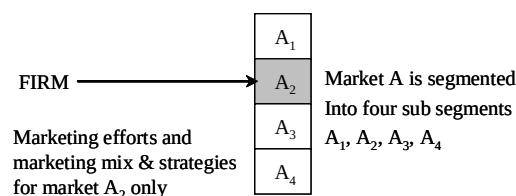


Fig.: Concentrated Marketing (combined target market approach)

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

- 4. Micro Marketing or Single or Individual Marketing :** Differentiated and concentrated marketer's offers & marketing program to meet the needs of various market segments and niches.

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

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

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

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

Best Strategy for Target Marketing

Generally many companies are following. This depends on :

1. Company resources
2. Degree of product variability
3. Product life cycle stages
4. Market Variability
5. Competitions & strategies.

Q17. Explain the process of selecting target market ?

Ans : (Nov.-20)

Target Market Selection Process

After the process of effective segmentation, marketers must focus their attention on targeting the market segments that are relevant to their products and likely to respond positively to their marketing strategies.

- 1. Evaluating the Market Segments :** While evaluating the market segments, a firm must first evaluate the potential of the segment and also its own ability to tap it. Marketers need to ensure that the organisation objectives are fulfilled while serving a particular segment of the market.

- 2. Selecting the Market Segment :** After evaluating different market segments, the company or the marketer should decide which segments to target. Targeting the customers in a highly competitive environment is a complex process. Therefore, marketers are searching for new ways of targeting customers. Companies such as Phillips are adopting new ways to target their customers.

- i) Single segment concentration
- ii) Selective specialisation
- iii) Product specialisation
- iv) Market specialisation
- v) Full Market Coverage

- 3. Other Consideration :** There are certain other considerations, which are examined for the choice of segments for marketers to target.

- i) Ethical choices of market targets
- ii) Segment interrelationships and super segments
- iii) Segment-by-segment invasion plans
- iv) Intersegmental cooperation.

The target market selection can be done through,

- 1. Focus on One Segment :** Through focusing on just one segment the company's presence is heightened. It gets excellent market information and reduces expenses though customisation of its production, channels of distribution and communications.
- 2. Specific Segments :** Many segments are chosen as target markets. Though these segments may have no connectivity, each individual segment more or less guarantees good profits. When a company spreads its business across many segments it reduces its vulnerability to adverse market forces.

3. **Specific Product Segment :** The company produces a single product, which it markets in various market segments. The company is capable of customising its production to suit various needs. The big disadvantage here is that the product may suddenly find itself replaced by another using new technology.
4. **Specific Market Segment :** In this type of market targeting, a company produces a number of different products that are required by a specific customer group. By doing so it is able to gain strong customer loyalty and also act as a channel distributor for this group's requirements of other products as well. The disadvantage is the group could become smaller in size or be deprived of funds for these purchases.
5. **The Entire Market All Segments :** This strategy can only be adopted by very big organisations who have two options to cover this huge area,
 - i) Undifferentiated Marketing
 - ii) Differentiated Marketing
6. **Product Costs :** Since each product needs to be tailored to meet the needs in different segments its cost is higher.
7. **Production Costs :** It's simple to understand that manufacturing 100 units each of 10 different products will cost more than manufacturing 1000 units of 1 product.
8. **Administration Costs :** Since the company necessarily has to devise different marketing programs for each target market, its market research, advertising and promotions, distribution channels and so on will be more costly.
9. **Stocking Costs :** It is much more expensive to manage and stock a large number of products.

The final three concerns in segment evaluation are, entering one segment at a time, upgrading segments are making ethical choices.

1. **One Segment at a Time :** It is customary for marketing savvy companies to enter one segment at a time and that too without allowing their competitors know their plans.

2. **Upgrading Segments :** Marketing segments need constant monitoring since they do change. It is possible to find new segments by looking closely at the sequence in which consumers scrutinise attributes of products before deciding to buy. This sequence of attributes divulges consumer segments.
3. **Making Ethical Choices :** Target marketing can cause a public uproar, if it feels marketing are trying to take advantage of children or other susceptible groups. Marketers must combine societal responsibility with their interests to ensure that the interests of targeted consumers are also borne in mind.

Q18. Explain the ethical issues involved in targeting.

Ans :

The ethical issues involved in targeting are,

- (i) The advertisements shown in promotional tools, in school marketing programs, messages on the internet forces and create interest among children to buy various products and brands.
- (ii) Marketers usually target adult products to teens and college students by exaggerating the product attributes.
- (iii) Cigarette advertisements makes adults addicted to smoking.
- (iv) Marketing of adult oriented entertainment products among children and teens.
- (v) Marketing communications are directed at specific target markets.
- (vi) Makers of alcohol and tobacco uses tools like bill boards and other advertising media to target economically disadvantaged consumers.

3.6 EVALUATING MARKET SEGMENTATION, SELECTING TARGET MARKET SEGMENTATION

Q19. How the evaluation and selection of market segmentation is done ?

Ans :

When various market segments are being targeted two vital aspects must be assessed.

1. Whether the segment possesses a positive response when evaluated on the five norms above.
2. Is it worth while for the company to invest in this segment, given its goals, capabilities and the funds at its disposal.

Even then, some appealing segments may not really match the company's long-term product policy, or the company may not be able to offer the product quality or values required by the segment.

A) Focus on One Segment

Through focussing on just one segment the company's presence is heightened. It gets excellent market information and reduces expenses through customization of its production, channels of distribution and communications.

Focus on one segment strategy may have to face up to the possibility that the segment turns bad or competition may intrude into this segment. It is precisely because of this that companies normally choose to target more than a single segment.

When a company chooses two or more target segments it must closely study the links on cost, production and technology. The company could produce more products that can be sold through the existing sales team and result in savings.

- **Specific Segments:** Many segments are chosen as target markets. Though these segments may have no connectivity, each individual segment more or less guarantees good profits. When a company spreads its business across many segments it reduces its vulnerability to adverse market forces.
- **Specific Product Segment:** The company produces a single product which it markets in various market segments. The company is capable of customizing its product to suit various needs. The big disadvantage here is that the product may suddenly find itself replaced by another using new technology.
- **Specific Market Segment:** In this type of market targeting, a company produces a number of different products that are

required by a specific customer group. By doing so it is able to gain strong customer loyalty and also acts as a channel distributor for this group's requirements of other products as well. The disadvantage is the group could become smaller in size or be deprived of funds for these purchases.

B) The Entire Market, All Segments

This strategy can only be adopted by very big organisations who have two options to cover this huge area-undifferentiated or differentiated marketing.

In Undifferentiated marketing, a product, service and marketing plans is devised to attract the largest number of consumers in the whole area. Mass communication and mass distribution gives the product a special appeal and value. The single production line reduces cost across the board R-&D, production, advertising, market research, transport and product management. It then follows naturally, that these reduced costs enables the company to offer lower prices to woo price conscious segments.

In differentiated marketing a company targets a number of market segments but develops various products for each segment separately.

Managing multisegments is best handled by having each segment supervised by an executive, who will have the authority and responsibility to grow the business in his segment. These executives need to realize that the company is best served when they cooperate with each other.

In differentiated marketing, which does result in higher sales and revenue, also increases the following costs which the company must bear.

1. **Product Costs:** Since each product needs to be tailored to meet the needs in different segments its cost is higher.
2. **Production Costs:** Its simple to understand that manufacturing 100 units each of 10 different products will cost more than manufacturing 1000 units of 1 product.
3. **Administration Costs:** Since the company necessarily has to devise different marketing programs for each target market, its market research, advertising and promotions, distribution channels and so on will be more costly.

4. **Stocking Costs:** It is much more expensive to manage and stock a large number of products.

The final three concerns in segment evaluation are; Entering one segment at a time; upgrading segments and making ethical choices.

- a) **One Segment at a Time:** It is customary for marketing savvy companies to enter one segment at a time and that too without allowing their competitors know their plans.
- b) **Upgrading Segments:** Marketing segments need constant monitoring since they do change. It is possible to find new segments by looking closely at the sequence in which consumers scrutinise of products before deciding to buy. This sequence of attributes divulges consumer segments.
- c) **Making Ethical choices:** Target marketing can cause a public uproar, if it feels marketers are trying to take advantage of children or other susceptible groups. Marketers must combine societal responsibility with their interests to ensure that the interests of targeted consumers are also borne in mind.
- A target market is a group of consumers who have similar needs, wants and desires, which a company chooses to serve.
 - Target marketing is beneficial to both seller and buyer. Cosmetics markets cosmetics for "ethnic women who desire the exotic". Colgate targets children using special flavours, shapes, and packaging to put more fun into brushing the teeth.

3.7 PRODUCT POSITIONING

Q20. Define Positioning. Explain the process of Product Positioning.

Ans : (May-19)

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.

Product Positioning Process

Generally, the product positioning process involves

1. Defining the market in which the product or brand will compete (who the relevant buyers are)
2. Identifying the attributes (also called dimensions) that define the product 'space'
3. Collecting information from a sample of customers about their perceptions of each product on the relevant attributes
4. Determine each product's share of mind
5. Determine each product's current location in the product space
6. Determine the target market's preferred combination of attributes (referred to as an ideal vector)
7. Examine the fit between the product and the market.

3.7.1 The Positioning Concepts

Q21. Explain concepts of The Positioning Concepts.

Ans :

There are three basic concepts for positioning:

1. Functional Positions deal with solving a problem, providing benefits and getting a favorable perception from investors, stockholders and consumers.
2. Symbolic Positions deal with self-image enhancement, ego identification, belongingness, social meaningfulness and affective fulfillment.
3. Experiential Positions deal with providing sensory or cognitive stimulation.

Positioning is facilitated by perceptual mapping to determine the ideal points of consumers. This helps to determine if positioning should be functional, symbolic, or experiential. Strong positioning will enable a single product to appeal to different customers for different reasons. For example, two people are interested in buying a new car; one wants a car that is powerful and stylish while the other buyer is looking for a car that is reliable and safe and yet they buy the same exact car. One purchase solved a problem and exemplifies functional positioning while the other purchase is an example of symbolic and/or experiential positioning.

Marketers manage product positioning by focusing their marketing activities on a positioning strategy. Pricing, promotion, channels of distribution, and advertising all are geared to maximize the chosen positioning strategy.

Q22. Explain the various approaches of positioning.

Ans :

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

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

1. Customer Benefit Approach

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

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

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

2. Price Quality Approach

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

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

3. The Use And Application Approach

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

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

4. The Product User Approach

In this approach, the brand identifies and determines the target segment for which the product will be positioned. Many brand uses a model or a celebrity to position their

product. The expectation are that a model or a celebrity is likely to influence the product's image by reflecting their own image to it.

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

5. The Product Class Approach

This approach is use so that the brand is associated with a particular product category. This is generally used when a category is too crowded. **For example:-** HLL has positioned Dove toilet soap as a cleansing cream product for young woman with dry skin and its is positioned as a premium segment toilet soap.

6. The Cultural Symbol Approach

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

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

7. The Competitor Approach

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

3.7.2 Positioning and Repositioning

Q23. Explain concept of positioning and repositioning with the perceptual map of a FMCG.

Ans : (Feb. - 17)

Concept of Positioning

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 it benefits by connecting it with a key segment in a market. Apart from this, it can also attract the costumers 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.

Concept of Repositioning

Repositioning refers to the process of changing the position of a product in the minds of a customer. This would help a firm to generate new revenues and also boost its sales and hold in the marketplace. Repositioning of a product helps the firm to show its customers the new benefits that the customer can derive by using the said product.

Example

The FMCG product Milkmaid (Nestle) is a popular product used in the Indian kitchens. This product is a tin of condensed milk. After the launch of while revolution in India, the total milk production in the country increased many folds. This led to a sharp decline in the sale of milkmaid. To increase sales, the company came up with a repositioning strategy. It started marketing milkmaid as an idle ingredient for making Indian desserts such as "Gajjar ka halwa", "Kheer". "Seviyan", "Coconut laddu" etc.

Further Nestle started to print detailed recipe of the desert on one side of the product tin, along with attractive pictures.

This repositioning strategy helps nestle India to not just stop declining sales, it also help it gain new target markets.

Q24. Define unique selling proposition (USP).

Ans :

(Sep. - 13, Sep. - 16)

A unique selling point defines your company's unique position in the marketplace, getting at the heart of your business: the value you offer and the problem you solve. A strong USP clearly articulates a specific benefit – one that other competitors don't offer – that makes you stand out.

If all the products appear to be the same, your prospective customers won't know which one is right for them. Being clear about your unique selling proposition helps them differentiate between the variety of choices available to them. It is a crucial part of effective selling, especially online where consumers have so many options.

A USP can also serve an important role internally as it forces you to consider your company's mission and its very reason for being. A successful business is often on which their key competitive differentiators are clear.

Example

Zappos is an online shoe store, and there is nothing especially unique about selling shoes online. However, their selling point is unique: free returns. There is no penalty whatsoever to returning a pair of shoes you don't want, a major convenience to customers and a strong unique selling proposition.

There are many ways a company can communicate their USP to their customers and potential customers. A few commonly employed methods include:

- **Advertising:** Traditional media advertising and brand marketing campaigns can be a good way for a new business to get their brand in front of their target audience and communicate their USP.
- **Social Media:** Social media is becoming a large driver of brand awareness for many companies. Having a strong presence on social networks and working with social media influencers can be a way for companies to communicate their USP.
- **Content Marketing:** Creating interesting or viral content that also talks about how why a company is different from the competition can be a good way to communicate USPs.
- **Digital Marketing:** For an online store or digital business the USP is often presented as the tagline of a web page or as a bulleted list on a product page.
- **Search Marketing:** Improving a website's SEO and ranking for key terms in search engines such as Google can be a good way for a company to generate visibility and communicate their USPs.

3.7.3 Positioning Maps**Q25. Write about concept of positioning Maps.**

(Aug. - 17)

(OR)

What is perceptual Mapping.

Ans :

Firms use perceptual or positioning maps to help them develop a market positioning strategy for their product or service. As the maps are based on the perception of the buyer they are sometimes called perceptual maps. Positioning maps show where existing products and services are positioned in the market so that the firm can decide where they would like to place (position) their product. Firms have two options they can either position their product so that it fills a gap in the market or if they would like to compete against their competitors they can position it where existing products have placed their product.



Drawing a Perceptual (Positioning) Map

Theoretically a perceptual map can have any number of lines, to keep things simple they usually have 2 lines the x and y axis. The x axis goes left to right and the y axis goes bottom to top. Any criteria can be used for the map for example price, quality, status, features, safety and reliability. Once the two lines have been drawn and labeled existing products will be placed onto the map.

Example Perceptual Map

In the example below two dimensions price and quality have been used. If we plot the UK chocolate market, we can identify where existing chocolate brands have been positioned by manufacturers. For example our fictional brand of Belgian chocolates called Belgium Chocolates are high quality and high price so they are placed in the top right hand box, whilst Twix is an affordable “every day” treat chocolate so it has been placed in the bottom left hand square, in the low quality low price brand box.

Purpose Of Perceptual Maps

1. Perceptual maps can help identify where (in the market) an organization could position a new brand.
2. There is also a gap in high price low quality but consumers will not want to pay a lot of money for a low quality product.

3. Perceptual maps are based on the buyer's perception this is challenging: what may be viewed as a quality product by one buyer, may not be perceived as a quality product by another buyer.
4. Perceptual maps help firms understand how customers view their products. However as perception is very subjective, firms need to ensure that the data they use to plot the map is accurate
5. If customer perception data is wrong, the map will be wrong and this will affect the success of any marketing strategy based on the perceptual (positioning) map. Perceptual maps may help organizations identify gaps in the market.
6. Before deciding to fill any gaps in the market firms need to ensure that there is likely to be a demand for a product positioned in that gap.

3.7.4 Product Positioning Strategies

Q26. How are positioning strategies developed and communicated?

Ans :

(May-19)

It is very essential for the firms to position their products effectively in the market as ineffective positioning leads to confusion in the markets. For effective positioning of products, the positioning strategies must be developed and communicated in an effective manner. The positioning strategies can be developed and communicated by finding out frame of reference through identification of target market and competition and by determining the perfect points of parity and points of difference associations brand.

1. Competitive Frame of Reference

For specifying a competitive frame of reference for a brand positioning, the firm should first find out its category membership'. A category membership includes products or set of products used by the brand for competing. The target market decisions acts as an important determinant of competitive frame of reference. For effective determination of competitive frame of reference, the firms should have knowledge about the consumer behaviour and the factors which the consumers use while selecting the brands.

2. Points of Difference and Parity

After fixing competitive frame of reference through specifying customer target market and nature of competition, the marketers should outline suitable points of difference and points of parity associations.

- **Points of Difference :** Points of difference includes those qualities or benefits with which the buyers relate with a brand and evaluates it positively. These features helps in differentiating the products from competitive brands.
- **Points of Parity :** Points of parity includes those attributes or associations which are shared among various brands. These attributes or associations are of two types - category points of parity and competitive points of parity.

3. Building Category Membership

It is very essential for the marketers to inform the category membership of the brand to the consumers. This approach helps in underlying the brand's point of difference through which the customers can know the actual membership of the brand.

4. Selecting Points of Difference and Parity

Points of parity are selected on the basis of the needs of category membership and need for nullifying the competitors point of difference. While selecting the points of difference, two important points should be considered i.e., whether the customers think that the point of difference is desirable or not and whether the firm has the ability to deliver according to the point of difference or not.

5. Developing Points of Difference and Parity

As most of the features or benefits of points of difference and points of parity have negative relationship, it is very difficult to develop a strong and competitive brand positioning. Individual features and benefits have both positive as well as negative aspects. The customers tries to maximize attributes as well as the benefits of the products. So, the marketers should create their product or service which performs effectively on both the aspects/dimensions.

There are number of methods for solving the problem of negatively correlated points of difference and points of parity which are as follows,

- (i) Present attributes or benefits separately
- (ii) Controlling equity of other entity
- (iii) Redefining relationship.

Thus, in this way, the positioning strategies are developed and communicated.

Q27. Explain the strategies to be adopted in positioning the product.

Ans :

(July - 18)

Following are the major strategies adopted for positioning the product,

1. No Product Can Appeal to Everyone

The positioning of a product is done by highlighting one or more attributes of a product which satisfies the needs of target customers. Recognising these attributes or values and using them creatively for introducing a product is the core of product positioning. A product is positioned solely for a high class segment of a market, for men, for children, for fun- loving youth, against competing brand etc.

2. Positioning Involves Planning Product in a Fixed Area

Positioning is a process of placing the product in the minds of the target customers. A product incurs heavy losses when a positioning decision is taken inaccurately.

It requires lots of time and immense effort for repositioning a wrongly positioned product. Organisations should determine the consumer's perception of the position and if there is a difference from earlier insight then gap should be filled up.

3. Positioning Links Product Offering with Target Market

The selection of target market helps in clarifying for whom the product is planned and marketing mix denotes how the product, price, place and promotion (4 Ps) are assigned in the offer to the target market. Positioning of a product helps in connecting the product offer with the target market.

4. Minds of Customers are regarded as a Geometric Perceptual Space

In positioning, the minds of the customers are considered as a geometric perceptual space in which various product categories and brands occupy specific positions. These positions keep on changing and are replaced by new products/brands. A marketer can position product in the minds of the customers with the help of various routes/propositions. A product can be positioned by putting the brand against the frame of reference viewed by the customer.

5. Positioning Should be Monitored and Adjusted

The marketer should monitor the performance of the brand and check whether the positioning is performing effectively or not. This examination is done in the market and only brand performance can determine whether the positioning is right or wrong. Sometimes, the firm will plan a particular positioning but the marketer may understand it differently and also sometimes the assumptions of the firm in brand positioning may go wrong.

6. Value Added Product Positioning

For successful positioning of the product, it should have attribute/feature which have identifiable, meaningful and compelling value proposition. A value proposition is the benefits and satisfaction statement which the product is offering. In positioning, the marketer should firstly outline the value proposition of the product and then the product should be appealed to target customers. The marketers make use of advertising for communicating the value proposition to the customers.

Short Question and Answers

1. Define market segmentation.

Ans :

Introduction

Market segmentation represents an effort to increase a company's targeting precision. It can be carried out at four levels: segments, niches, local areas, and individuals. Market segmentation is the identification of portions of the market that are different from one another. Segmentation allows the firm to better satisfy the needs of its potential customers.

Definitions of Market Segmentation

- i) **According to W.J. Stanton.** The process of talking to total heterogeneous market for product and dividing it into several sub-markets or segments, each of which tends to be homogeneous in all significant aspects.
- ii) **According to Philip Kotler.** Market segmentation is subdividing of a market into distinct and increasing homogeneous subgroups of customers where any group can conceivably selected as a target market to be met with a distinct marketing mix.

2. Explain the limitations of market segmentation.

Ans :

Limitations of Segmentation

Segmentation also has its limitations as it needs to be implemented in the proper manner. As segmentation is one of the most important process in the marketing plan or for your business, you need to know the limitations of segmentation and what pitfalls lie ahead if you go wrong with your target market segment.

1. Segments are too small

If the chosen segment is too small then you will not have the proper turnover which in turn will affect the total margins and the viability of the business.

2. Consumers are misinterpreted

The right product to the wrong customers. What if your market research says that your customers want a new soap and you come out with a new facial cream. The concept is same, cleanliness. But the concept is completely different.

3. Costing is not taken into consideration

Targeting a segment is ok but you also need to know how much you will have to spend to target a particular segment. If it is a Sec A segment and you do not have the budget to be present in the places the Sec A customer visits, then your segmentation strategy is a failure.

4. There are too many brands

Along with segmentation, you also need to check out the competition offered in the same segment from other products. Getting into a segment already saturated will mean higher costs and lesser profit margins.

3. Define consumer market

Ans :

Consumer markets refers to the markets where people purchase products for consumption and are not meant for further sale. This market is dominated by the products which consumer use in their daily life.

Each time a consumer purchase a commodity for his own usage he is participating in a consumer market. Primarily there are four types of consumer markets; food and beverages, retail, consumer products and transportation. In consumer market purchasers make their own decisions to purchase the products and these products can be used for personal use or can be shared with others. Marketing plays a role of paramount importance in consumer markets by influencing customer's preferences and purchasing decisions and educating them on the options available in the market. Brand loyalty of consumer plays a significant role in consumer markets. Consumer markets are different from business markets in the sense that in business markets products are sold to different businesses and intermediaries for further sale.

Dividing a market into distinct groups with distinct needs, characteristics, or behavior who might require separate products or marketing mixes. Market segmentation is a marketing strategy which involves dividing a broad target market into subsets of consumers, businesses, or countries who have, or are perceived to have, common needs, interests, and priorities, and then designing and implementing strategies to target them. Market segmentation strategies are generally used to identify and further define the target customers, and provide supporting data for marketing plan elements such as positioning to achieve certain marketing plan objectives. Businesses may develop product differentiation strategies, or an undifferentiated approach, involving specific products or product lines depending on the specific demand and attributes of the target segment.

4. Define business market.

Ans :

Business marketing is a marketing practice of individuals or organizations (including commercial businesses, governments and institutions). It allows them to sell products or services to other companies or organizations that resell them, use them in their products or services or use them to support their works. It is a way to promote business and improve profit too.

Business marketing is also known as industrial marketing or business-to-business (B2B) marketing. Despite sharing dynamics of organizational marketing with marketing to governments, business-to-government marketing is different.

5. Differentiate between business market and consumer market.

Ans :

The differences between business market and consumer market are as follows.

Criteria	Business Market	Consumer Market
1. Professional buying	Well trained/professional buyers are involved in buying the goods/ services of the business market.	The goods of consumer markets are not purchased by professional buyers,
2. Number of buyers	The organizations in business markets deal with a large number of buyers when compared to organizations in consumer markets.	Consumer marketers deal with small number of buyers.
3. Buying influences	The business buying decisions in business markets are influenced by several people.	The business buying decisions in consumer markets are influenced by lesser number of people.
4. Relationship between customer and supplier	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.
5. Sales calls	In business markets, large number of individuals are involved. In the process of selling multiple sales calls have to be attended to get more number of business orders.	In consumer markets, taking up multiple sales calls is not necessary.

6. Define target marketing.

Ans :

Target Marketing involves breaking a market into segments and then concentrating your marketing efforts on one or a few key segments. Target marketing can be the key to a small business's success.

Definition: A specific group of consumers at which a company aims its products and services.

7. 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 group(s).

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.

8. Explain the ethical issues involved in targeting.

Ans :

The ethical issues involved in targeting are,

- (i) The advertisements shown in promotional tools, in school marketing programs, messages on the internet forces and create interest among children to buy various products and brands.
- (ii) Marketers usually target adult products to teens and college students by exaggerating the product attributes.
- (iii) Cigarette advertisements makes adults addicted to smoking.
- (iv) Marketing of adult oriented entertainment products among children and teens.
- (v) Marketing communications are directed at specific target markets.
- (vi) Makers of alcohol and tobacco uses tools like bill boards and other advertising media to target economically disadvantaged consumers.

9. Define Positioning.**Ans :**

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.

10. Repositioning**Ans :**

Repositioning refers to the process of changing the position of a product in the minds of a customer. This would help a firm to generate new revenues and also boost its sales and hold in the marketplace. Repositioning of a product helps the firm to show its customers the new benefits that the customer can derive by using the said product.

Example

The FMCG product Milkmaid (Nestle) is a popular product used in the Indian kitchens. This product is a tin of condensed milk. After the launch of white revolution in India, the total milk production in the country increased many folds. This led to a sharp decline in the sale of milkmaid. To increase sales, the company came up with a repositioning strategy. It started marketing milkmaid as an idle ingredient for making Indian desserts such as "Gajjar ka halwa", "Kheer". "Seviyan", "Coconut laddu" etc.

11. Define unique selling proposition.**Ans :**

A unique selling point defines your company's unique position in the marketplace, getting at the heart of your business: the value you offer and the problem you solve. A strong USP clearly articulates a specific benefit – one that other competitors don't offer – that makes you stand out.

If all the products appear to be the same, your prospective customers won't know which one is right for them. Being clear about your unique

selling proposition helps them differentiate between the variety of choices available to them. It is a crucial part of effective selling, especially online where consumers have so many options.

A USP can also serve an important role internally as it forces you to consider your company's mission and its very reason for being. A successful business is often on which their key competitive differentiators are clear.

Example

Zappos is an online shoe store, and there is nothing especially unique about selling shoes online. However, their selling point is unique: free returns. There is no penalty whatsoever to returning a pair of shoes you don't want, a major convenience to customers and a strong unique selling proposition.

There are many ways a company can communicate their USP to their customers and potential customers. A few commonly employed methods include:

- **Advertising:** Traditional media advertising and brand marketing campaigns can be a good way for a new business to get their brand in front of their target audience and communicate their USP.
- **Social Media:** Social media is becoming a large driver of brand awareness for many companies. Having a strong presence on social networks and working with social media influencers can be a way for companies to communicate their USP.
- **Content Marketing:** Creating interesting or viral content that also talks about how why a company is different from the competition can be a good way to communicate USPs.
- **Digital Marketing:** For an online store or digital business the USP is often presented as the tagline of a web page or as a bulleted list on a product page.
- **Search Marketing:** Improving a website's SEO and ranking for key terms in search engines such as Google can be a good way for a company to generate visibility and communicate their USPs.

12. Explain the strategies to be adopted in positioning the product.

Ans :

Following are the major strategies adopted for positioning the product,

1. No Product Can Appeal to Everyone

The positioning of a product is done by highlighting one or more attributes of a product which satisfies the needs of target customers. Recognising these attributes or values and using them creatively for introducing a product is the core of product positioning. A product is positioned solely for a high class segment of a market, for men, for children, for fun-loving youth, against competing brand etc.

2. Positioning Involves Planning Product in a Fixed Area

Positioning is a process of placing the product in the minds of the target customers. A product incurs heavy losses when a positioning decision is taken inaccurately.

It requires lots of time and immense effort for repositioning a wrongly positioned product. Organisations should determine the consumer's perception of the position and if there is a difference from earlier insight then gap should be filled up.

3. Positioning Links Product Offering with Target Market

The selection of target market helps in clarifying for whom the product is planned and marketing mix denotes how the product, price, place and promotion (4 Ps) are assigned in the offer to the target market. Positioning of a product helps in connecting the product offer with the target market.

UNIT IV

Distribution Decisions, Promotion & Communication Strategies:

Marketing Channels, Channel intermediaries and functions, channel structure, channel for consumer products, business and industrial products, alternative channel, channel strategy decisions. The promotional mix, advertising, public relations, sales promotion, personal selling, Direct and online Marketing. Marketing communication - communication process, communication promotion mix, factors affecting the promotion mix.

4.1 MARKETING CHANNELS

Q1. Define channel ? What are the characteristics and objective of marketing channels ?

Ans : (Feb.-17)

Introduction

A channel of distribution (sometimes call a marketing channel) is a group of individuals and organisations that direct the flow of products from producers to customers. The main function of this element is to find out appropriate ways through which goods are made available to the markets.

Definitions

- (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".

Characteristics 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.

Objectives of Channel of Distribution

1. To ensure availability of products at the point of sale.
2. To build channel members loyalty.
3. To stimulate channel members to put greater selling efforts.
4. To develop managerial efficiency in channel organisation.
5. To identify your organisation at the buyer level.
6. To have an efficient and effective distribution system, to make your products and services available.

Q2. How does the use of a channel system either enhance (or) detract from customer value?

Ans : (Feb.-17)

Customer value refers to the benefit or utility which the end user-derives by purchasing and consuming any product or service. Such customer value can be in the form of lower price of the goods; better Quality of the product and so on.

The channel system plays a significant role in enhancing the customer value as stated below,

- (i) A smooth channel system ensures the regular flow of the goods and service to the consumer thus, it keeps the price in check and boosts the customer value.

- (ii) The present day channel members not just supply the goods to the customers, they also play an active role in providing advice to the customer, explaining them about the product features, providing before sales and after Sales services etc.
- (iii) The channel system acts as a marketer for the organization.
- (iv) The channel members also take feedback from the customers and pass it to the manufacturer. Constructive feedback would help the firm to improve its product features and helps in enhancing the customer value and customer satisfaction. For example, most of the automobile dealers (channel system) asks the customer to fill a feedback form which is related to the product, its performance, any other suggestions etc.

Q3. Why can a channel system be a source of competitive advantage?

Ans : (Feb.-17)

The marketing channels of a firm play a significant role in the overall success of any business organization. Any product or service is produced at one place and then it needs to be distributed through a series of marketing channels, till it reaches the end user (Consumer). Thus, the channel system, acts as the gate keeper and interface between the manufacturer and the consumer. Marketing channels such as the wholesalers, retailers, company agents C and F agents play a very crucial role in the distribution of goods and services globally. According to a research study, 1/3rd of the global gross domestic products are managed through these channel systems.

A good channel system would boost the organizations market position and provide the competitive advantage in the following ways,

1. The channel act as the gate keeper between the manufacturer and the customers as they control the flow of the goods and services. Thus, if a firm has a strong channel system, it would act as a competitive advantage for the firm as its products can be easily made available to its target consumers.

For Example: In-the case of a movie, the financial success of the movie would depend upon the theatres (Channel members) which are airing the movie and for how long.

2. The channel experience would help build a strong brand image for the organization. If a customer gets a good experience at a channel store, he would receive the company to be good and vice versa.'

For Example: A research study has found that car dealers who provide after sales services to their customers are generally perceived in a positive sense.

4.2 CHANNEL INTERMEDIATES

Q4. Who are intermediaries ? Explain different types of intermediaries.

Ans : (Dec.-19)

Channel intermediaries serve several specialized functions that enable manufacturers to make their goods available to their customers at the right place at the right time. The functions that a channel performs, depends on the sophistication of customer needs and existing level of technologies.

1. Retailers

Retailers operate outlets that trade directly with household customers. Retailers can be classified in several ways :

- Type of goods being sold(e.g. clothes, grocery, furniture)
- Type of service (e.g. self-service, counter-service)
- Size (e.g. corner shop; superstore)
- Ownership (e.g. privately-owned independent; public-quoted retail group)
- Location (e.g. rural, city-centre, out-of-town)
- Brand (e.g. nationwide retail brands; local one-shop name)

2. Wholesalers

Wholesalers stock a range of products from several producers. The role of the wholesaler is to sell onto retailers. Wholesalers usually specialise in particular products.

3. Distributors and dealers

Distributors or dealers have a similar role to wholesalers – that of taking products from producers and selling them on. However, they often sell onto the end customer rather than a retailer. They also usually have a much narrower product range. Distributors and dealers are often involved in providing after-sales service.

4. Franchises

Franchises are independent businesses that operate a branded product (usually a service) in exchange for a licence fee and a share of sales.

5. Agents

Agents sell the products and services of producers in return for a commission (a percentage of the sales revenues)

4.2.1 Channel Intermediates Functions

Q5. Explain the various functions performed by Channel Intermediates.

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

The three basic functions are: transactional, logistical, and facilitating. Together these functions reduce the cost of the market coverage, increase the availability of cash flow in the distribution channel, and increase end-user convenience.

The most common intermediaries in a distribution channel are wholesalers, retailers and agents or brokers. Manufacturers may work with all of them, and intermediaries may also work with each other. All perform a variety of functions that help create value for consumers and bring about the profitable exchange of goods. These functions generally fall into three categories: Transactional, logistical and facilitating.

1. Transactional Functions

The transactional functions of intermediaries involve buying, selling and risk taking. Wholesalers or agents buy products from manufacturers in sufficient quantities to stock the shelves of multiple stores. They promote the goods to build sales, using personal salespeople and various marketing communication devices aimed at retailers. While buying and selling, all intermediaries take a measure of risk. That is because the inventory they stock in their warehouses can lose competitive appeal or become obsolete before it is sold.

2. Logistical Functions

Most mass market products must be manufactured in large quantities to achieve economies of scale, but few producers can afford to store their inventories or ship small numbers of items to individual consumers. Instead, they rely on intermediaries to perform these and other logistical functions. For example, frozen food manufacturers ship to supermarkets, not direct to consumers' homes. Book publishers rarely sell to bookstores; they do business primarily with book wholesalers, who assemble large assortments of new releases and then distribute them in accordance with reader demand.

3. Facilitating Functions

Facilitating functions include various activities performed by intermediaries to make exchanges easier for consumers. This often involves collecting and disseminating information. For example, brokers who buy fresh beef or pork from ranchers inspect and grade the meat to enable buyers to accurately compare alternatives. Fruit and vegetable wholesalers sort and certify the freshness of produce. Another facilitating function is the provision of credit and other financial services. This is especially important among retailers, who commonly issue credit cards and offer layaway programs.

Marketing Channel Functions Performed by Intermediaries

Type of Function	Description
(i) Transactional Functions	Contacting and promoting: Contacting potential customers, promoting products, and soliciting orders. Negotiating: Determining how many goods or services to buy and sell, type of transportation to use, when to deliver, and method and timing of payment. Risk taking: Assuming the risk of owning inventory
(ii) Logistical Functions	Physically distributing: Transporting and sorting goods to overcome temporal and spatial discrepancies. Storing: Maintaining inventories and protecting goods. Sorting: Overcoming discrepancies of quantity and assortment by Sorting out: Breaking down a heterogeneous supply into separate homogeneous stocks Accumulating: Combining similar stocks into a larger homogeneous supply Allocating: Breaking a homogeneous supply into smaller and smaller lots ("breaking bulk") Assorting: Combining products into collections or assortments that buyers want available at one place
(iii) Facilitating Functions	Researching: Gathering information about other channel members and consumers. Financing: Extending credit and other financial services to facilitate the flow of goods through the channel to the final consumer.

Q6. Explain how companies motivate and evaluate channel members.*Ans :***(July-18)****A) Motivating Channel Members**

Generally companies carry out their activities with high energy and growth targets. But, for the attainment of these targets, the company's sales force and channel members are required to put in additional efforts.

For ensuring additional efforts, the channel members need to be continuously motivated. One of the best method could be by regularly reminding them that they are also the part of the company during the attainment of the end user's satisfaction.

Various motivational programmes should be undertaken for the channel partners. The first step of channel member's motivation is to understand their requirements which can motivate them to deliver their fullest capability for attainment of customer satisfaction.

John R. French and Jr Bertram Raven have proposed various powers to make the functioning of channel members much more effective. The various powers include,

1. Referent power
2. Expert power
3. Legitimate Power
4. Support power
5. Competitive power
6. Reward power and
7. Coercive power.

B) Evaluating Channel Members

The performance and progress of the company business relies mainly on the effectiveness of its distribution channel. So it is very essential for the company to constantly evaluate the performance of the channel members for assuring the highest standards of performance and for improving them whenever needed. The evaluation will be against the targets on sales quota achievement, the average level of inventory held, percentage of volume which is attained by extending credit, productive calls per day, number of servicing complaints attended and so on.

The following are some of the simple questions relating to channel system whose answers help in evaluating the channel members.

1. Is the system able to deliver the targeted customer service levels as specified by the company?
2. All the partners in the channel network must perform in a cost effective manner for their specified roles on flows and customer service deliverable targets. Is this actually happening in company?
3. Whether the channel system is operating at the lowest total cost possible for a given service level or not?
4. Whether all the channel members are performing at the top of their potential and delivering high quality and timely outputs or not?
5. Whether the system makes use of good performance measurement procedure and is it transparent to all the channel partners or not?

4.3 CHANNEL STRUCTURE

Q7. Define channel structure ? Explain briefly about distribution channel structure.

Ans :

(March-15)

The channels of distribution can broadly be divided into three categories, for example, direct and indirect and multi channel or hybrid distribution system, as shown in the figure 4.3. Under direct channel of distribution, manufacturer sells directly to the consumers, without any middlemen, whereas, under indirect channel of distribution, producer sells through various middlemen like wholesalers, agents, retailers, etc.

The three categories of distribution channel are given as follows:

1. Direct Marketing Channel,
2. Indirect Marketing Channel, and
3. Hybrid Distribution channel (or) Multi channel distribution system.

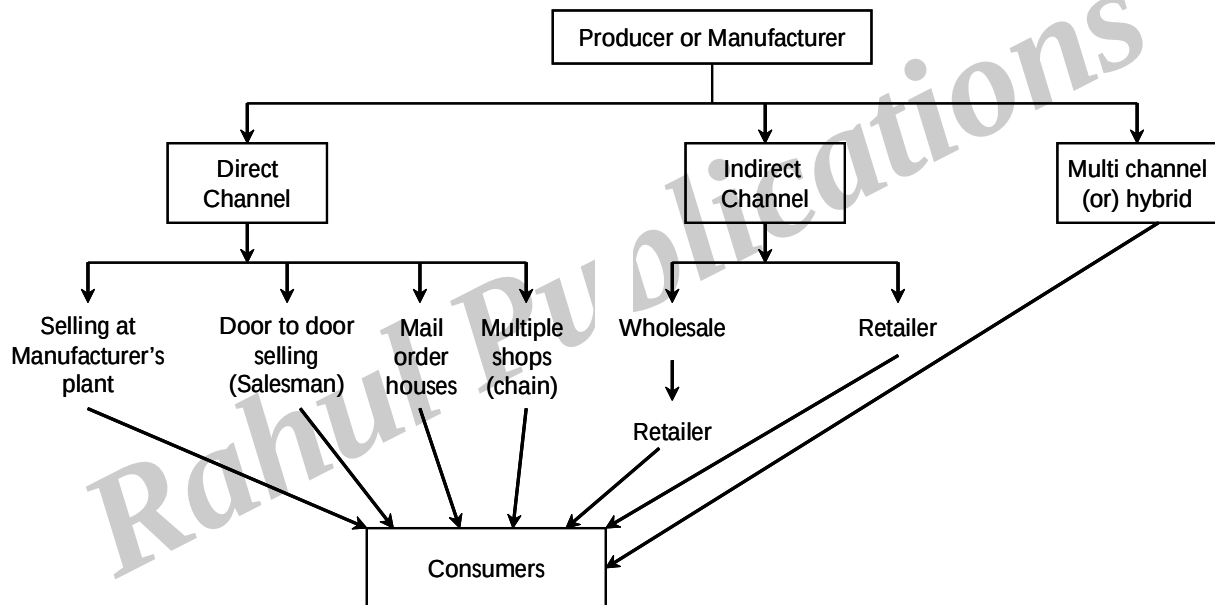


Fig. : Channels of Distributions

1. Direct Marketing Channel (Zero Level)

This is the shortest channel a producer can adopt for distribution of goods or services. In this system, goods move directly from the producers to the consumers without any middleman or a merchant. Usually a producer chooses the direct channels due to the following reasons:

- i) If the buyers prefer direct marketing.
- ii) If the competitors are following direct marketing.
- iii) If the firm has adequate financial resources for investing in marketing.
- iv) Non-availability of suitable middlemen to handle the product.
- v) If the firm has marketing expertise.
- vi) If the firm is able to perform the marketing activities at a reasonable cost.

This is one of the oldest methods of distribution, which was being widely used by producers to sell goods and services prior to the advent of industrial revolution. Under direct channel of distribution, the manufacturer can adopt one of the following methods of selling:

i) Selling at Manufacturer's Plant

This is otherwise known as direct selling. It is one of the earliest, easiest and cheapest methods of distribution of goods. Under this system, the goods are sold by the producers directly to the consumers. Direct selling is generally preferred in case of perishable products like bread, milk, ice cream, fish, meat, egg, vegetables and agricultural products, etc. These products are directly sold to the consumers because they lose their value or become unfit for use if they are stored or transacted for long.

ii) Door to Door Sales

Salesmen employed by the manufacturers call at the door of customers. They move door to door. This system works better when a new product is introduced into the market. Dealers may not have knowledge of the goods or they need a good margin of profit or they do not want to stock unknown products; for them this system is good. Selling under this system may be costly but when the market is known, it can be reduced. But, at the initial stage, when the market is unaware of the product, even at higher cost, this system is better.

iii) Sales by Mail Order Method

It is a system by which products are sold to consumers. The post-office plays a significant role. This system is also known as shopping by post or mail order business or selling by post. It is an impersonal selling, branding, grading, standardizing, packaging etc., facilitating the growth of this system. Customers are

approached by sending catalogues, price lists, pamphlets, etc., by post. Advertising adds further speed in the selling; e.g., books, drugs, watches, toys, small appliances, clothes, seeds, Jewellery, etc.

The mail order system is suitable and profitable, when:

- a) The goods are standardized and graded.
- b) The goods are known to the customers.
- c) The goods can be advertised precisely.
- d) Wide publicity is made.
- e) The price is low.
- f) An improved system of post-office.
- g) Merchandising is effective.
- h) Goods are capable of being put into immediate use on buying.
- i) Goods are not damaged in transit.
- j) Goods are non-perishable.
- k) Manufacturers have earned a good reputation.

Advantages

- a) Business can be housed in any place, by looking at the economy of rent.
- b) Capital requirement is less.
- c) The buyer gets home delivery.
- d) The market is unlimited.
- e) Bad debts can be avoided to a great extent.
- f) Consumers get the products without shopping.

Disadvantages

- a) Buyers cannot inspect or select the goods.
- b) Demonstration is not possible.

- c) After sales, service is not extended.
- d) No credit facilities are provided.
- e) Generally high prices are charged.
- f) Honesty of the seller is question able.

iv) Sales by Opening Own Shops: It is common that producers of perishable and non-perishable goods sell their products to customers, by opening their own retail shops. It is also common that manufacturers of clothes, foot ware, certain electrical equipments etc., can push the goods quickly through retail shops and can offer satisfactory service to customers, thereby building goodwill. It also facilitates the producers to study the market trends, fashion preferred by buyers and style trend of people. This system offers a two way communication and the price is regulated.

Following are the drawbacks of direct channels:

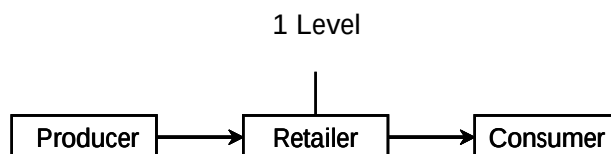
- i) It is uneconomical to have a direct contact with the customers, who are countless and scattered all over.
- ii) It is not possible for a direct contact, with the multi-millions of potential customers for the products.
- iii) Manufacturers, generally, may not have talent of salesmanship.

2. Indirect Marketing Channel

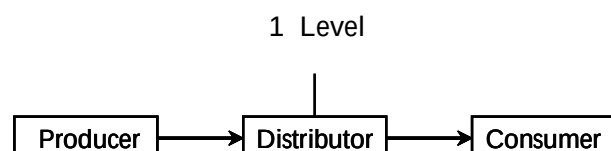
It means distribution of goods through middlemen (or) intermediaries. Either, in the channel there is one middleman like a Sole Selling Agent who distributes the goods through a number of middlemen sub-sequently or, there may be a number of middlemen when the producer distributes the products through a number of agents or wholesalers or even retailers. Retailer sells-directly to the consumers whereas wholesalers sell through them.

Typical Indirect Channels of Distribution

- i) **One-level Channel:** In this type of channel there is only one intermediary between producer and consumer. This intermediary may be a retailer or a distributor.

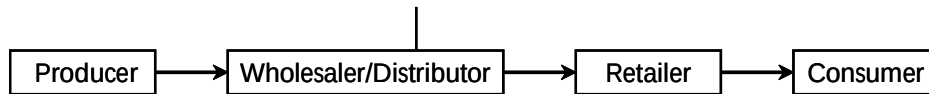


If the intermediary is a distributor, this type of channel is used for specialty products like washing machines, refrigerators or industrial products.



- ii) **Two-level Channel:** This type of channel has two intermediaries, namely, wholesaler/ distributor and retailer.

2 Level



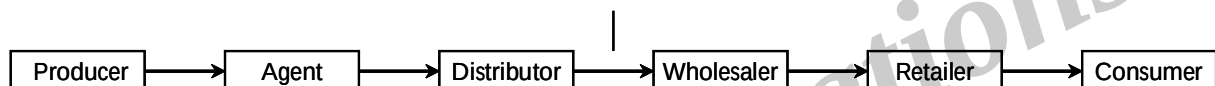
- iii) **Three-level Channel:** This type of channel has three intermediaries, namely, distributor, wholesaler and retailer. This pattern is also used for convenience products.

3 Level



- iv) **Four-level Channel:** This type of channel has four intermediaries, namely, agent, distributor, wholesaler and retailer. This channel is similar to the previous two. This type of channel is used for consumer durable products also.

4 Level



3. Hybrid Distribution Channel or Multi Channel Distribution System

In the past, many companies used a single channel to sell to a single market or market segment. Today, with the proliferation of customer segments and channel possibilities, more and more companies have adopted multi channel distribution systems, often called hybrid marketing channels. Such multi channel marketing occurs when a single firm sets up two or more marketing channels to reach one or more customer segments. The use of hybrid channel systems has increased greatly in recent years.

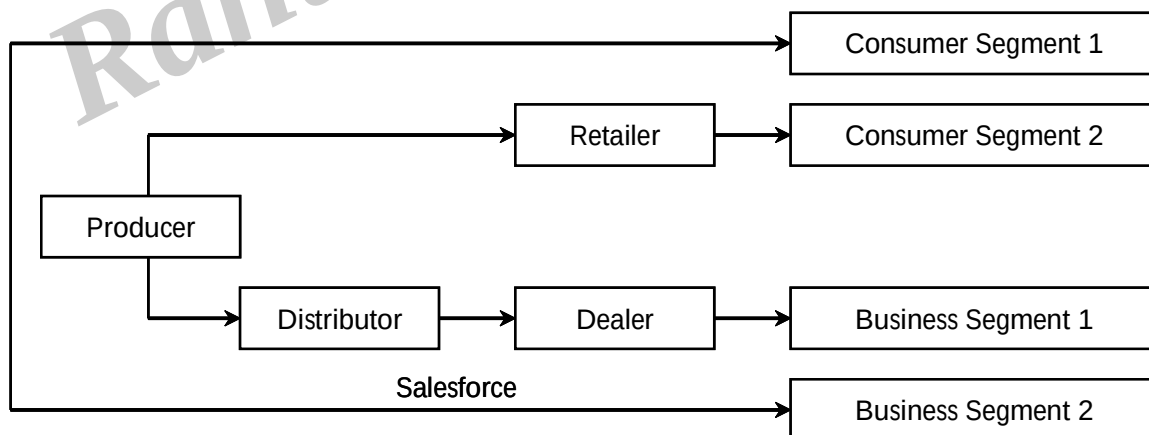


Fig. : Hybrid Marketing Systems

Figure shows a hybrid channel. In the figure, the producer sells directly to consumer segment 1 using direct mail catalogues and telemarketing, and reaches consumer segment 2 through retailers. It sells indirectly to business segment 1 through distributors and dealers, and to business segment 2 through its own salesforce.

Hybrid channels offer many advantages to companies facing large and complex markets. With each new channel, the company expands its sales and market coverage and gains opportunities to tailor its products and services to the specific needs of diverse customer segments. But such hybrid channel systems are harder to control, and they generate conflict as more channels compete for customers and sales. For example, when IBM began selling directly to customers at low prices through catalogues and telemarketing, many of its retail dealers cried “unfair competition” and threatened to drop the IBM line or to give it less emphasis.

In some cases, the multichannel marketer’s channels are all under its, own ownership and control. For example, Dayton-Hudson operates department stores, mass-merchandising stores, and specialty stores, each offering different product assortments to different market segments. Such arrangements eliminate conflict with outside channels, but the marketer might face internal conflict-over how much financial support each channel deserves.

Advantages of Multi Channel Distribution Systems

- i) **Increase in Market Coverage:** The companies can get access to the untapped markets.
- ii) **Lower Channel Cost:** It also helps to optimize the channel cost in certain cases.
- iii) **More Customized Selling:** The companies can alter their distribution as per the customers’ needs.

Disadvantages of Multi Channel Distribution Systems

- i) **More Channel Conflict:** Various channels targeting the same customer can create resentment and confusion among them.
- ii) **Problem in Controlling Various Channels:** Too many channels create the problem for the controlling company to manage them.
- iii) **Degree of Freedom:** The degree of freedom given to channel members may make them do whatever they wish creating problems for company.
- iv) **Non-Cooperation among the Different Channels:** In order to achieve own objectives, the channels may not cooperate with each other and create conflicts among them.

4.4 CHANNEL FOR CONSUMER PRODUCTS, BUSINESS AND INDUSTRIAL PRODUCTS

Q8. Explain various marketing channels in India that are available for consumer, business and industrial products.

Ans :

(May-19, Dec.-19)

The various channel structures (or distribution networks) available for consumer products and business and industrial products are briefly discussed below,

(a) Channels for Consumer Products

Huge number of consumers are available in the market and organizations can opt each and every available route to reach consumers. The distribution network for consumer products contain all the channel members such as wholesalers, retailers and distributors/dealers.

The following figure (1) depicts the distribution networks for FMCG (Fast Moving Consumer Goods) products.

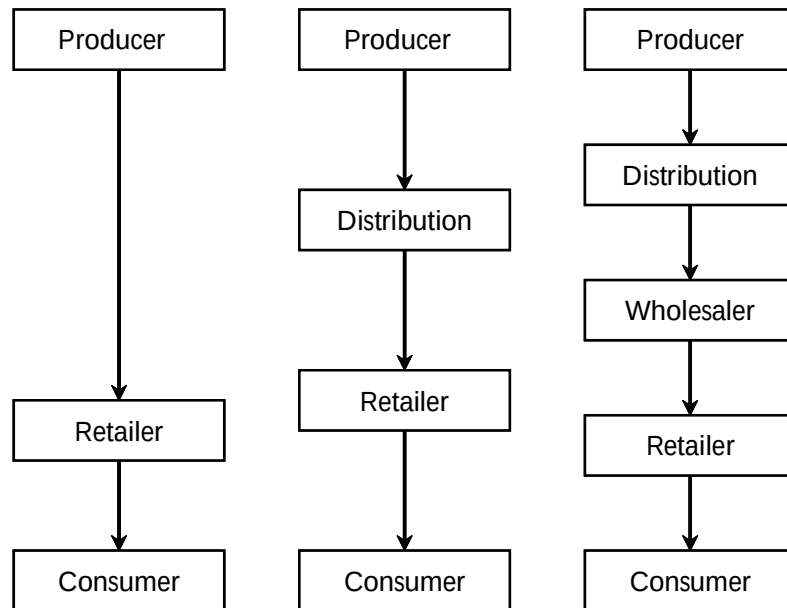


Fig. (1) : Distribution Networks for Consumer Products

(b) Channels for Business and Industrial Products

Being technical in nature and follows B2B business, the distribution network for industrial products is required to be short. The network here is simple which flows from producer to customer rather than selling directly to customers, producer may be industrial distributor (or) agents to reach the distributors located in remote areas.

The following figure (2) depicts the distribution networks for industrial products.

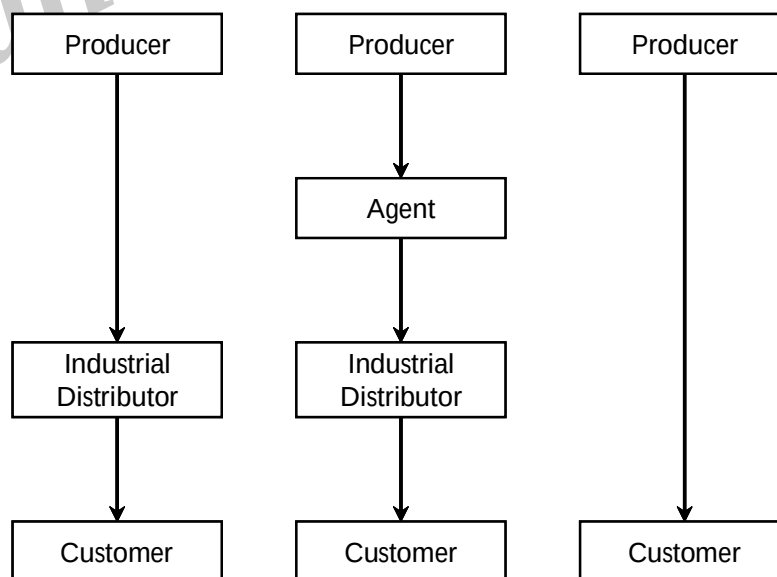


Fig. (2) : Distribution Network for Industrial Products

(c) Alternative Channel Arrangements

Mostly, a producer chooses different types of channels for the distribution of its products to the end consumer rather than by selling through only one specific channel. Alternative channel arrangements comprises multiple channels, Non- traditional channels and strategic channel alliances.

➤ **Multiple Channels**

Employing two or more distribution channels for the distribution of same products to consumers is known as “Dual Distribution” or “Multiple Distribution”. Increased preference for online shopping in consumer markets is forcing the Retailers to opt multiple distribution channels. For instance, companies like Dominos, PVR cinemas etc., are making use of Multiple distribution channels. All these companies carryout trading of their products through Retail stores via internet and Telephone orders.

(d) Non-traditional Channels

Usually, non-traditional channel arrangements assists the company in differentiating company's product from that of competitors products. Non-traditional channels consists of mail-order channels, internet or infomercials. Inspite of the fact that nontraditional channels restricts brand's coverage, the firm is using non-traditional channel because it is used to serve the customers belonging to the Niche market. It can have huge market access and customer focus without seeking direct participation from the channel intermediaries. For big firms, non-traditional channels also shows another way to sell its products to the final consumers. For example, sony pictures have joined hands with the home-shopping network in the United States to organize a three-day shopping event so as to bring awareness in the market segment of Adult women. A movie was released on the Best-selling Auto, biography with the help of international four operators and Travelling websites providing attractive travelling packages. This movie plays a vital role in the promotion of Tourism in India.

(e) Strategic Channel Alliances

Strategic channel alliances are usually formed so that the company is capable of accessing the well-established distribution channel of another manufacturer/producer. Strategic channel alliances are usually formed when the establishment of marketing channel relationship is a time consuming and costlier affair. Example, in the year 2010, IPL (Indian Premier League) and youtube entered into a contract in which youtube is permitted to telecast IPL cricket league matches live across various Nations except United State.

Strategic channel alliances helps the company in carrying out promotional activities. When compared to Mergers and Acquisitions, strategic channel, alliances are more advantageous for growing business as it mainly concentrates on global markets.

Q9. How does the use of multiple channels affect the growth of a business?

Ans :

(Feb.-17)

The use of channels of distribution would directly effect the growth of a business in a positive manner, if such channels are employed effectively and efficiently. The following table illustrates the major channels of distribution:

1. Manufacturer	→	Consumer		
2. Manufacturer	→	Retailer	→	Consumer
3. Manufacturer	→	Agent	→	Retailer → Consumer
4. Manufacturer	→	Agent	→	Distributor → Consumer
5. Others				

If an organization employs multiple distribution channels, it would help the firm in the following ways,

- (a) Using multiple channels of distribution would help the firm to cover a wide geographic area of the market.
- (b) It would help a firm to sell the same product to the consumers and the business market.-

For Example: A mobile cell phone service provider may use one channel to provide connections to its consumers through distributors, whereas another channel may be employed to sell corporate connections.

- (c) It would help the organization to cater to the needs of different size of customers.

Example

For Bulk Consumers → Company Sales force

For Small Consumers → Agents

- (d) It would help the firm to gain a strategic foothold in the market place.
- (e) Using multiple channels of distribution would provide the firm alternative options in case of emergencies, such as strikes etc.

4.5 CHANNEL STRATEGY DECISIONS

Q10. Explain various decisions involved in Channel Strategy.

Ans :

(May-19)

Channel strategy decisions involve (1) the selection of most effective distribution channel, (2) the appropriate level of distribution intensity and (3) degree of channel integration.

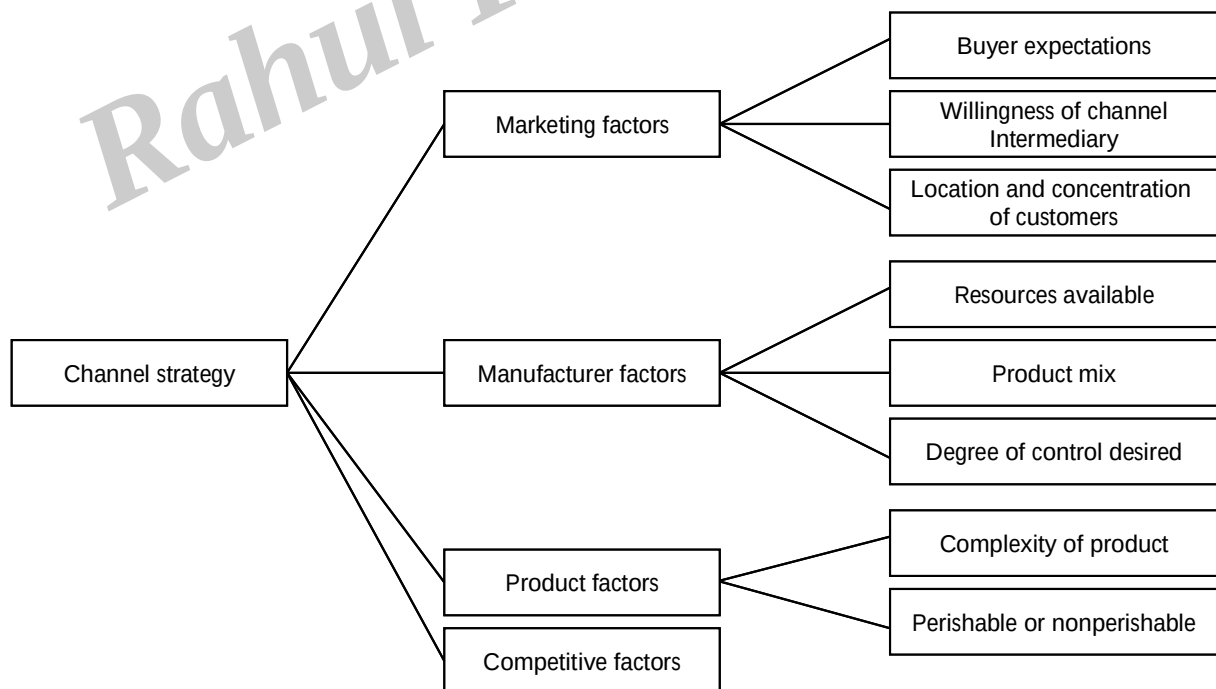


Fig. : Channel Selection

1. Channel Selection

A company has to consider factors related to the market and customers, its own situations, the product and the competitive environment. All these factors have a strong bearing on the type of distribution channel selected. A company should be very deliberate in deciding upon a distribution channel as it is expensive, cumbersome and can invite litigations to dismantle a distribution channel once it is established because interests of independent intermediaries are involved.

Marketing Factors

- Buyers may mandate that products be sold to them only in a certain way. They may prefer to buy from a particular type of outlet, and only at a particular time, and a supplier needs to match customer expectations if it wants their business. A supplier also needs to be mindful of customer needs regarding product information, installation and technical assistance. Buyers' level of need regarding such services has to be researched. The company has to decide whether the channel intermediary can meet these needs in terms of expertise, commitment and cost, or it has to set up its own infrastructure to serve customers' needs effectively. For instance, car service can be provided by dealers or independent authorized service providers, or by service centers run by the company. The company has to decide as to who will provide the service.
- The willingness of channel intermediaries to sell and distribute a company's product strongly influences its decision to use one channel arrangement over another. A company has to resort to direct distribution if distributors refuse to distribute its product. For an industrial product company, this will mean recruitment of salespeople, and for a consumer product company, this will mean selling through direct mail, telephone, or

internet. This situation may arise if the brand or the product is not well established, the intermediaries feel that there would not be enough buyers, selling the product is difficult and complicated, and there is not enough margin. For such products the manufacturer will have to increase margins for the intermediaries and provide them more support. Alternatively, the manufacturer has to create demand among final consumers for the product, so that intermediaries get interested in keeping it. Investment in branding is a good option for marketers of consumer products and even the marketers of industrial products should not rule out the option of branding their products. When customers will demand products, it will be in the self-interest of retailers to keep such products. In fact, manufacturers should look at branding as their weapon for the long term, against powerful intermediaries. Once they have made the initial investment in building a strong brand, they can reduce the margins of the intermediaries and plough back the money in more branding efforts.

- The profit margins demanded by wholesalers and retailers and the commission rates demanded by sales agents also affect their viability and attractiveness as a channel intermediary. These costs need to be assessed in comparison with those that will be incurred if the company decides to sell directly to customers. As the power of retailers has increased, they are demanding higher margins from manufacturers. While most manufacturers are complying due to retailers' command over a huge base of customers and lack of alternate means of reaching customers, some companies are trying to bypass retailers by opening their own stores. If retailers' dominance continues, some radical response to bypass the powerful retailers should be expected from manufacturers in the near future.

- The location and geographic concentration of customers strongly affects channel selection. Direct distribution is feasible if the customer base is clustered, and is local. Direct distribution is also feasible when customers are few in number and buy in large quantities, as in the case of industrial customers. When a company has large number of customers who buy in small lots, and are widely dispersed, it has to use channel intermediaries to reach them-direct distribution would be prohibitively expensive, and can be justified only if unit price is high and the company is able to customize the product in the time between the customer placing an order and the company delivering the product, as Dell does.

Manufacturer factors

- Most manufacturers are good at designing and producing products, and hence want to delegate the task of selling and distributing to channel intermediaries. Some manufacturers lack the financial and managerial resources to take on the tasks of selling and distributing. Therefore, the company does not open its own stores or hires its own salespeople, and uses distributors or agents to sell and distribute its product. A manufacturer of consumer products will need huge investment in setting up infrastructure for distribution because the number of customers is large and are geographically dispersed. The distribution channels of consumer products are long, and managing such a wholly-owned distribution infrastructure will be an arduous task even for the mightiest manufacturers. Also, most manufacturers do not have customer-based skills to sell and distribute their products, and hence have to rely on intermediaries.
- A wide mix of products makes direct distribution feasible, as the cost of setting up

and operating a common distribution infrastructure is distributed over a larger number of products. Narrow or single product companies find the cost of direct distribution prohibitive unless the product is expensive and its customers buy in bulk. Therefore, they have to use channel intermediaries to sell and distribute their products.

- When a company uses independent channel intermediaries, it loses control over the way the product is sold to customers. The company loses control of the price charged to customers and the way the product is stocked and presented to customers. There is no guarantee that the channel intermediary will stock its new products or its full range of products. It may just be interested in stocking products which sell more or on which it earns higher margins. Manufacturers of electronic products are opening wholly-owned megastores to showcase their full range of products. Channel intermediaries are obliged to perform certain tasks like in-store promotion in retail stores, promotion in the local media by retailers, or appointing a minimum number of salespersons in a region by a wholesaler. It is very important for manufacturers to constantly monitor whether channel members are performing the agreed functions.

Product factors

- Design and production of large and complex products need personal contact between the manufacturer and customer. These products are also expensive, and hence direct selling and distribution of such products is economically viable. The manufacturer and customer remain in active contact during the lifetime of the equipment, as both need to collaborate during its installation, operation and service.

- Perishable products require short channels to supply the customer with fresh stock. Bulky or difficult to handle products may require direct distribution because distributors may refuse to carry them in their stores due to space constraint or because expensive provisions will have to be made to handle and store them. Intermediaries may have difficulty in displaying such bulky products.

2. Distribution Intensity

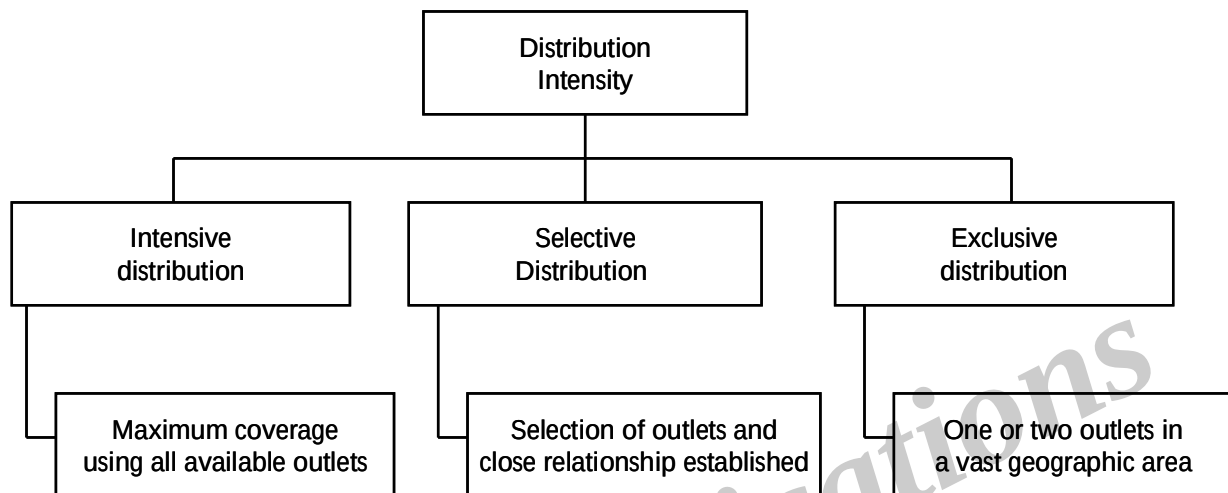


Fig. : Distribution Intensity

Deciding the number of outlets in a region or for a population, i.e., the intensity of outlets is a critical decision. If the number of outlets is more than required, the cost of serving a customer goes up. If the number of outlets are less than required, customers will face difficulty in accessing the outlets and they may buy an alternate brand or product or forgo purchase altogether. There are three options for a company:

➤ Intensive distribution

The product is inexpensive and customers can choose from large number of equally good brands. Intensive distribution is required for such products, which provides maximum coverage of the market by using all available outlets. Sales are a direct function of the number of outlets penetrated in case of mass market products such as cigarettes, food and confectioneries. This happens because customers have a range of acceptable brands from which they choose. If a brand is not available in an outlet, an alternative is bought. The convenience aspect of purchase is paramount in such products, and the customer will buy an alternate brand if his preferred brand is not stocked in the store he is shopping. Some such purchases are also unplanned and impulsive in nature. They are bought because the products happen to be in sight. If the product or the brand not spotted by the customer, sales are lost."

➤ Selective distribution

For products like electronics goods and home appliances, a manufacturer uses a limited number of outlets in a geographical area. It selects the best outlets in the area in terms of their location, space, decor and the owners' enthusiasm to carry its products. It develops close relationships with the outlets and trains their salespeople. It ensures that the salespeople are motivated to sell its products and that they are well compensated. Retail outlets and industrial distributors prefer such an arrangement as it reduces competition amongst them.

➤ **Exclusive distribution**

The product is important to the customer and he is willing to travel to buy his preferred brand. The product is expensive and hence the company will incur high inventory holding costs if it is stocked at too many locations. Only one wholesaler, retailer or industrial distributor is used in a geographical area. Car dealers are an example. Customers cannot negotiate prices between dealers since to buy in a neighboring town or from a dealer in a distant location, may be inconvenient when repairing and servicing are required. It allows close co-operation between the manufacturer and the retailer over servicing, pricing and promotion. The right to exclusive distribution may be demanded by a distributor as a condition for stocking a manufacturer's full product line. The manufacturer may agree for exclusive dealing where the distributor agrees not to stock competing lines.

3. Channel integration

Degree of channel integration varies widely. The manufacturer or any particular intermediary has minimal control when independent wholesalers, dealers and agents are part of the distribution channels. At the other extreme, in the wholly-owned distribution infrastructure, the channel members are owned by the manufacturer who exercises complete control over them. Somewhere in between are arrangements like franchise operation where both franchiser and franchisee exercise power and discretion in their areas of jurisdiction.

4.6 ALTERNATIVE CHANNEL**Q11. Explain the various alternative channel arrangements.**

Ans :

Multiple Channels When a producer selects two or more channels to distribute the same product to target markets, this arrangement is called dual distribution (or multiple distribution). As more people embrace online shopping, an increasing number of retailers are using multiple distribution channels. For example, companies such as Dominos, Oriflame cosmetics, and PVR cinemas sell in-store, online, and through telephone orders.

(i) Nontraditional Channels

Often nontraditional channel arrangements help differentiate a firm's product from the competition. Nontraditional channels include the Internet, mail-order channels, or infomercials. Although nontraditional channels may limit a brand's coverage, they can give a producer serving a niche market a way to gain market access and customer attention without having to establish channel intermediaries. Nontraditional channels can also provide another avenue of sales for larger firms.

In order to increase and develop awareness in the market segment of adult women, Sony Pictures teamed up with the Home Shopping Network in the United States to stage a three-day shopping event featuring merchandise inspired by *Eat Pray Love*, a film adaptation of the best-selling autobiography of the same name. The movie also helped in promoting tourism to India, with international tour operators and travelling websites offering travel packages to India.

(ii) Strategic Channel Alliances

Companies often form strategic channel alliances, which enable them to use another manufacturer's already-established channel. Alliances are used most often when the creation of marketing channel relationships may be too expensive and time-consuming. Youtube and the Indian Premier League (IPL) signed a contract in 2010 allowing Youtube to broadcast IPL cricket matches live across the globe, except for United States. The matches could be viewed online on a dedicated channel called youtube.com/ipl. This was the first time a major sporting event was broadcasted on Youtube worldwide.

Alliances can also prove more efficient when a company wants to run promotions. PepsiCo purchased its two major bottlers and has since been able to work directly with retailers abroad to create store-specific bundles for grocery stores (12-packs of Pepsi and large bags of chips) and for convenience

stores (single bottles of Pepsi and small bags of chips). The purchase of its bottlers has also made it easier for Pepsi to work directly with stores to provide store-specific merchandise, like bringing Mexican brands to stores in San Antonio, Texas, that cater to Hispanics.

Strategic channel alliances are proving to be more successful for growing businesses than mergers and acquisitions. This is especially true in global markets where cultural differences, distance, and other barriers can prove challenging.

4.7 THE PROMOTIONAL MIX

Q12. Define Promotion Mix ? Explain its objectives.

Ans : (Dec.-19)

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

Objectives of Promotion Mix

The promotion objectives centers around the following six stages to attract the target audience. They are,

- i) Awareness
- ii) Knowledge
- iii) Liking
- iv) Preference
- v) Conviction, and
- vi) Purchase.

The six stages together constitute “hierarchy of effects” as the buyers go through each of these stages before purchasing and it also facilitates effect of promotion.

i) Awareness

The seller's task is to create awareness in the minds of the buyers towards the brand or products.

Example : Dental check up for avoiding tooth related problems, Indian Medical Dental Association is establishing camps where free dental check up is carried out for all the patients.

ii) Knowledge

Knowledge is more than awareness where a buyer gathers and learns about the usage of products and its associated features. With the help of knowledge, customers get an idea about the product and its usefulness.

Example: Fem Bleach cream contains a leaflet in its pack which gives information to the customers about its application, use and affects.

iii) Liking

Liking refers to the market's perception towards the product. Various techniques are used to differentiate one brand from another. The common technique for the brand is to associate with attractive logo, symbol or person.

iv) Preference

Preference refers to giving more preference (priority) to the products of a particular brand over the products of other brands. Customers give preference to the brand if they are satisfied with that brand or that brand has special effects in the minds of customers irrespective of other brands offering the same benefits.

v) Conviction

Conviction factor helps the customers to take final decision of purchasing the product, which fulfill the buyers' needs.

Example : Cameras with Bluetooth, image clarity, dual sim card facility etc., satisfies the customers needs which enables them to purchase the product.

vi) Purchase

A customer may delay the purchase of a product even though he wants to buy due to the hindrance caused by the situational factors such as lack of sufficient money at the time of shopping, customer's resistance to change. Promotional efforts act as a tool in maintaining loyalty among customers who purchase the product in specific stores frequently.

Q13. Explain the importance of promotion mix.

Ans ; (July-18)

- (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.

Q14. Explain the various elements of promotion mix.

Ans : (Feb.-12)

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.

4.7.1 Advertising**Q15. What is advertising ? Explain the features of advertising.**

Ans ; (Aug.-17)

The term Advertising originates from the Latin 'Advetro'. Which means to turn Round. Advertising thus denotes the means employed to draw attention to any object or purpose. In marketing context, Advertising has been defined "as Any paid form of Non-personal presentation and promotional of ideals, good or services by an identified sponsor. Through Advertisement, the Advertiser intends to spread his ideals about his products/ offerings among his customers and prospects. Popularisation of the products is the basic aim of the Advertising Activity.

Meaning of Advertising

Advertising is a paid form of a non-personal message communicated through the various media by industry, business firms, nonprofit organisations, or individuals. Advertising is persuasive and informational and is designed to influence the purchasing behaviour and/or thought patterns of the audience. Advertising is a marketing tool and may be used in combination with other marketing tools, such as sales promotions, personal selling tactics, or publicity.

Definition of Advertising

Advertising is defined differently by different people, some of the definitions are as follows:

According to Richard Buskirk, "Advertising is a paid form of non-personal presentation of ideas, goods or services by an identified sponsor."

According to **Wheeler**, "Advertising is any form of paid non-personal presentation of ideas, goods or services for the purpose of inducing people to buy."

Features of Advertising**1. Tool for Market Promotion**

There are various tools used for market communication, such as advertising, sales promotion, personal selling and publicity. Advertising is a powerful, expensive and popular element of promotion mix.

2. Non-personal

Advertising is a type of non-personal or mass communication with the target audience. A large number of people are addressed at time. It is called as non-personal salesmanship.

3. Paid Form

Advertising is not free of costs. Advertiser, called as sponsor, has to spend money for preparing message, buying media and monitoring advertising efforts. It is the costliest option of market promotion. Company has to prepare its advertising budget to appropriate advertising costs.

4. Wide Applicability

Advertising is a popular and widely used means for communicating with the target market. It is not used only for business and profession, but is widely used by museums, charitable trusts, government agencies, educational institutions, and others to inform and attract various target publics.

5. Varied Objectives

Advertising is aimed at achieving various objectives. It is targeted to increase sales,

create and improve brand image, face competition, build relations with publics or to educate people.

6. Forms of Advertising

Advertising message can be expressed in written, oral, audible or visual forms. Mostly, message is expressed in a joint form, such as oral-visual, audiovisual, etc.

7. Use of Media

Advertiser can use any of the several advertising media to convey the message. Widely used media are print media (newspapers, magazines, pamphlets, booklets, letters, etc.), outdoor media (hoardings, sign boards, wall-printing, vehicle, banners, etc.), audio-visual media (radio, television, film, Internet, etc.), or any other to address the target audience.

Q16. What are the Objectives of Advertising?

Ans :

The real objective of advertising is effective communication between producers and consumers with the purpose to sell a product, service, or idea. The main objectives of advertising are as follows:

1. Informative

Objective of advertising is to inform its targeted audience/customers about introduction of new product, update or changes in existing products or product related changes, information regarding new offers and schemes. Informative advertising seeks to develop initial demand for a product. The promotion of any new market entry tends to pursue this objective because marketing success at this stage often depends simply on announcing product availability. Thus, informative advertising is common in the introductory stage of the product life cycle.

2. Persuasive

Objective of advertising is to increase demand for existing product by persuading new customer for first time purchase and existing customers for repurchases. Persuasive

advertising attempts to increase demand for an existing product. Persuasive advertising is a competitive type of promotion suited to the growth stage and the early part of the maturity stage of the product life cycle.

3. Reminder

The objective of advertising is to remind customers about existence of product, and ongoing promotional activities. Reminder advertising strives to reinforce previous promotional activity by keeping the name of a product before the public. It is common in the latter part of the maturity stage and throughout the decline stage of the product life cycle.

Q17. Explain the importance of advertising.

Ans : (Nov.-20)

Organisations are benefited through various advantages of advertising which are as follows :

1. Importance to Manufacturers

"It pays to advertise", is quite a rational statement as advertising is beneficial for manufacturers in many ways :

i) Increased Sales

The primary purpose of every producer engaged in advertisement of the products manufactured, is to stimulate and increase sales of the product. Goods manufactured on a large scale are marketed by advertising, which is a common influential method. Advertising assists in increasing the sales figures. Frequent and persistent broadcasting of an advertisement will help the producer, to grab attention of more customers and increase its market coverage apart from the current markets. It helps in indicating additional benefits of the product to potential customers.

ii) Steady Demand

Seasonal fluctuations cause decrease in demand of the product. But advertising regularises these variations in demand

for various products. Producers are always searching for new benefits and features of a seasonal product, to advertise and attract new customers. For example, new and innovative products like cold coffee and ice-tea have become popular beverages in the month of summer. These beverages are preferred by customers thus increasing the demand. Refrigerator can be considered as another example which has similar demand pattern.

iii) Lower Costs

Advertising acts as a motivator for sales and an enormous increase in the turnover ratio is observed. This is beneficial in two ways, i.e., firstly, advertising expenses (included in the total selling costs) get evenly distributed over huge sales volume, which ultimately reduces per unit selling cost. And secondly, the per unit production cost is reduced due to increase in production levels initiated by increase in turnover ratio.

iv) Greater Dealer Interest

Retailers receive a considerable amount of help, while performing their task of selling goods (which are being advertised by the manufacturers). Retailers are always interested in selling advertised goods, because advertising creates demand for such goods in the market and hence, they are never concerned about increasing sales of such goods.

v) Quick Turnover and Smaller Inventories

A well-regulated and efficient advertising campaign enables expeditious turnover of products due to creation of a highly reactive market. It also decreases the inventory cost due to constant demand.

vi) Supplementing Salesmanship

The most essential premise for selling a product is done by advertising.

Advertising simplifies the job of a salesman. It supplements the work of the salesman as he has to only suggest the product which the prospective buyer is already acquainted with (by way of advertisements).

vii) Encouragement to Better Performance

Advertising of the products manufactured by the organisation gives a proud feeling and sense of self-esteem to the employees of that organisation as they are part of the whole process. It increases efficiency levels of employees and workers and also motivates them to increase their efforts. This raises the team spirit and confidence of the employees of the organisation.

viii) Creation of Goodwill

The advertising benefits the manufacturer by establishing a good reputation for it. It makes the organisation a producer who has developed a positive image of delivering quality products to the society.

2. Importance to Consumers

Following points highlight the advantages of advertising to consumers:

i) Facility of Purchasing

The shopping experience of customers is simplified due to advertising, because the re-sale value of products sold by retailers is predetermined, which is mentioned in the ads. An explicit and absolute commitment is given by an advertisement to target audience that the product offered is not excessively priced, thus, making the customer comfortable while finalising their choice.

ii) Improvement in Quality

Usually, organisations promote their products under the respective brand names. Thus, when a customer decides

to buy a product after watching the advertisement, it is the brand assurance which helps him to prefer the product over other similar options available under different brand names. The organisation can expect regular orders from the customer if he gets the anticipated benefit from the product. If not, the organisation may experience a steep fall in the sales, once the anticipated quality is not received by the customer.

iii) Elimination of Unnecessary Intermediaries

Advertising builds up a direct link between the producer and the consumer. This association can help to reduce the price of the product which has been increased due to middlemen margins and subsequently increase the profit margin of the producer. It implies that consumers are being offered products at low rates and huge earnings are generated by the producer.

iv) Consumer's Surplus

Many people discover the value of products through advertisements, as it results in increased utility of available products. In case of products with higher utility rate, advertising adds more points to their popularity. It will lead to consumer's surplus with reference to the additional satisfaction obtained from the products, if these products are made available at cheaper rates.

v) Education of Consumers

Advertising is a powerful and informative concept. It is a medium to inform and educate the consumers about various innovative products being launched in the market and their uses and benefits. Thus, it induces them to shun their old behavioural pattern and embrace modern lifestyle. Hence, it leads the customers to a superior standard of living.

Q18. What are the functions of Advertising ?

Ans :

Advertising has become an essential marketing activity in the modern era of large scale production and serve competition in the market. It performs the following functions:

1. Promotion of Sales

It promotes the sale of goods and services by informing and persuading the people to buy them. A good advertising campaign helps in winning new customers both in the national as well as in the international markets.

2. Introduction of New Product

It helps the introduction of new products in the market. A business enterprise can introduce itself and its product to the public through advertising. A new enterprise can't make an impact on the prospective customers without the help of advertising. Advertising enables quick publicity in the market.

3. Creation of Good Public Image

It builds up the reputation of the advertiser. Advertising enables a business firm to communicate its achievements in an effort to satisfy the customers' needs. This increases the goodwill and reputation of the firm which is necessary to fight against competition in the market.

4. Mass Production

Advertising facilitates large-scale production. Advertising encourages production of goods in large-scale because the business firm knows that it will be able to sell on large-scale with the help of advertising. Mass production reduces the cost of production per unit by the economical use of various factors of production.

5. Research

Advertising stimulates research and development activities. Advertising has become a competitive marketing activity. Every firm tries to differentiate its product from the substitutes available in the market

through advertising. This compels every business firm to do more and more research to find new products and their new uses. If a firm does not engage in research and development activities, it will be out of the market in the near future.

6. Education of People

Advertising educate the people about new products and their uses. Advertising message about the utility of a product enables the people to widen their knowledge. It is advertising which has helped people in adopting new ways of life and giving-up old habits. It has contributed a lot towards the betterment of the standard of living of the society.

7. Support to Press

Advertising provides an important source of revenue to the publishers and magazines. It enables to increase the circulation of their publication by selling them at lower rates. People are also benefited because they get publications at cheaper rates. Advertising is also a source of revenue for TV network. For instance, Doordarshan and ZeeTV insert ads before, in between and after various programmes and earn millions of rupees through ads. Such income could be used for increasing the quality of programmes and extending coverage.

Q19. Explain various benefits of advertising.

Ans ;

The benefits of advertising to various manufacture are as follows:

Benefits to Manufacturer

1. It enhances sales volume.
2. It helps to know competitors.
3. It helps in enhancing the brand image.
4. It helps in making advertising strategies.
5. It enhances the demand for the product.
6. It helps to promote innovate products and services.

7. It helps in gaining customer loyalty.
8. It ensures lower inventory costs.
9. It motivates the employees.
10. It enhances the productivity.
11. It enhances the efficiency.
12. It saves the business from seasonal fluctuations.
13. It is a good selling tool for big businessmen.
14. It stimulates business recovery in severe recessions.
15. It increases interest among dealers in manufacturer's goods.

Benefits to Salesmen

1. It is quite easy for the salesmen to introduce products, services and ideas.
2. It reduces the efforts of sales men.
3. It helps in customer relationship management.
4. It helps to drive the consumer towards the salesmen at the point of sale.
5. It educates the sales-force.
6. It enhances self-confidence in sales men.
7. It motivates the sales-force.
8. It enhances the efficiency of sales force.
9. It helps the sales force in achieving their sales target.
10. It enhances the sales force efficiency.

Benefits to Distribution Channel (Wholesalers and Retailers)

1. It enhances the sales volume.
2. It enhances the labour efficiency.
3. It reduces the selling costs.
4. It supplements the selling activities.
5. It discourages bargaining with retailers.
6. It is a very potent and effective salesman of middlemen.
7. It ensures easy sales of the products.
8. It enhances the turn-over of the stock.

9. It ensures economical selling by reducing selling overheads.
10. It ensures good customer relationship.

Benefits to Customers

1. It helps the customer to find the best products or services.
2. It helps the customers to compare various products and services.
3. It helps the customer in buying decision process.
4. It ensures value for money.
5. It enhances the knowledge of the consumers.
6. It creates a positive image of good products.
7. It reduces dissonance.
8. It enhances living standards.
9. It helps in eliminating the middlemen.
10. It results in cheaper goods.

Benefits to Society

1. It leads to development of society.
2. It enhances employment.
3. It gives choices to buyers with self interest.
4. It leads to healthy competition.
5. It enhances standard of living.
6. It provides information on social, economical and health issues.
7. It helps educating people.
8. It helps to address social issues such as welfare of animals.
9. It accepts and maintains the value structure of society.
10. It imparts cultural ideas and valuable lessons of life-styles.

Q20. What are the ethical issues concerning advertisement?

Ans : (Aug./Sept-16)

Marketers use different types of advertising techniques for selling their products. However, advertising has been criticized by various Analyst its

deceptive and untruthful nature. Some advertisements have been criticized for being offensive and in bad taste. The social and ethical criticism against advertising is discussed under the following heading,

1. Advertising as Deceptive and Untruthful

A major criticism against advertising is that many ads are deceptive and untruthful in nature. These ads misrepresent the facts about the advertising product. A research conducted by Forester Research found Majority of the consumers do not trust on ads.

It is also noted false and misleading ads are aired by small companies. Big companies do not publish deceptive ads as it can adversely impact on their brand name and customer confidence.

On the other hand critics stated that ads highlight only present facts about the product, rather than highlighting favorable points related to the product.

2. Advertisement Impact on Society and Culture

Critics believe that advertising has a negative impact upon the society and culture in the following ways,

- (a) Ads encourage materialism, rather than intellectual or spiritual concerns.
- (b) It forces public to buy such products which they do not need, through constant advertising
- (c) Ads stereotype women only as beautiful, attractive or some one who is good at household work. Thus, ads do not showcase the changing role of a woman in the society.

It can be concluded from the above discussion that the criticism against advertisement is valid to a certain extent.

Thus it is advisable to marketers and ad-makers to overcome from the aforementioned social and ethical criticism against advertisement.

Q21. Describe the qualities of the good advertising / copy and layout. What are the recent trends in the advertisement pattern?

Ans : (Mar.-16)

Qualities of Good Advertising Copy and Layout

A good copy of advertisement should possess the following characteristics or qualities or values,

(i) Attention Value

An advertisement copy must attract the attention of the potential consumers. If it fails in this mission, the whole money and efforts will go waste though it possesses all other values because everything else follows this.

Various devices can be used to make the copy attractive such as,

(a) Use of Pictures

Pictures have the immense display and attention value. The old Chinese proverb 'one seeing' is worth thousand telling indicates the place of pictures in attention value.

(b) Price Quotation

Prices should not be quoted on the advertisement copy except when they are very low as in clearance sale or special offers.

(c) Reply Coupons

Reply coupons inserted in an advertisement in an unusual setting are yet another way of attracting attention of the readers to the copy.

(ii) Suggestive Value

Having attracted the attention of the reader, the next task would be to offer a suggestion about the use and the utility of the product that may remain inserted on the mind of the reader even when he forgets where he really saw the advertisement. Slogans, pictures, phrases and suggestions may be used for this purpose.

(iii) Memorizing Value

The copy of the advertisement should be so drafted and laid out that the product will stick to the mind of the individual reader. Repetition of advertisement with slogan is an effective method of creating a memorizing value. Pictures and photograph confirming to the suggestion will have tremendous memorizing value. Trade marks and brand names have a considerable amount of memorizing value. Trade marks and brand names have a considerable amount of memorizing value.

(iv) Conviction Value

An advertisement copy can prove effective and achieve the desired end when the suggestion contained in it is backed by convincing arguments. The advertiser must be careful to include the statements in the advertisement copy which do not conform to the product.

He should avoid both extremes it should neither be a plain notice just to announce the availability of the product nor should it be in an exaggerated or flowery and high flown language without giving reasons or ground to use that product in preference to other competitive products available in the markets.

(v) Sentimental Value

Sentiments play a very important role in advertising, particularly in the case of food articles. Sentiments reflect the personal feelings and attitudes of an individual towards various things. They indicate reactions of a person in favour or against a particular product.

(vi) Educational Value

A good copy of advertisement must possess educative value because the object of modern advertising is not merely to satisfy the existing demand but to create future demand. So a good copy of advertisement should educate the general public about the uses of the new product or the new uses or the same product.

(vii) Instructive Appeal Value

Human thoughts and actions are guided by instincts and inclination. All that one thinks or does has its roots in one instinct or the other. Instincts are the underlying forces which compel the mean to act in certain ways.

Recent Trends in Advertising Pattern

Recently, in India significant change is found in the marketing and advertising scenario of the firms. Advertising industry has been emphasizing more on the innovative and most effective promotional strategic in order to create brand image and gain competitive advantage in the target market. Earlier, advertiser practiced to focus on using women for strategic, but now with the changing scenario, they have been shifted towards using children, celebrity endorsement and popular and inspirational individuals for promoting their product. Eventhough, it is an expensive one, advertisers found it as an effective promotional tool in order to accomplish the sales objectives of the firm.

(i) The increased importance for children in advertising industry is due to increased in the profits from the youth market which was estimated to be 2000-2500 crores in 1990. Advertiser realised the role of youth (children in family purchase decision making and thereby enhanced the use of children to penetrate the target market more effective than before,

As youth including children and teenager form major portion of the consumer/customer segments and possess unique consumption habit and whose purchase decisions depends on the changing trends and technology in their environment, advertiser are using youth to attract the youth market and to achieve high profits and success.

(ii) In India people love and are crazy about celebrities such as cricket stars like Sachin Tendulkar, film stars like Amitabh, Aishwarya etc. Advertisers are making use of this belief to penetrate more effectively in the target market. Recently most of the advertisers are investing huge funds to align their brands with endorser/celebrity for effective promotion and communication of brand image.

- (iii) Even public sector and government is also using the same strategy to effectively communicate public messages and government policies to people.

Q22. What are the various media for advertisement? Discuss about them briefly.

Ans : (Sept-13)

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,

- 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.
- The usage of products in real-life situations can be easily portrayed. 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 assimilate at leisure. 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) The high illiteracy rate.
- (ii) The different languages spoken.

4. Other Media

(i) Outdoor

Hoardings, posters, transit (trains, buses, autos) bus stops railway stations, CCTVs (railway stations, airports), neon signs, glow signs, kiosks, amusement parks, exhibitions, balloons and sky writing. Point-of-sale, in-store danglers, 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 refined lists that meet the marketer's requirements. Refinements are done across various categories like age, sex, income group, profession, residential area and even pin code.

Example: Cable TV, web sites and video cassettes and CDs containing movies or songs.

4.7.2 Public Relations

Q23. Define Public Relations ? Explain the features of Public Relations.

Ans :

Public relations is, "The planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its public". A firm's public includes its employees, stakeholders, trade unions, general public, customers (past, present and future), charities, media, government and politicians etc.

An organisation needs to communicate with the public both internally as well as externally. As the attitude of the public influences the sales of an organisation, enhanced public relations work to enhance the overall image and create goodwill for the company. Hence organisations need to communicate with one or all members of its public regularly.

Definition

According to International conference of public relations institutions held in Mexico City, "Public relations practice is the art and social science of analysing trends, predicting their consequences, counseling organisation leaders and implementing planned programmes of action which will serve both the organisation and the public interest."

Characteristics of Public Relations

1. Relatively Low Cost

The major advantage of public relations is that it tends to be much cheaper, in terms of cost per person reached, than any other type of promotion. Apart from nominal production costs, much PR activity can be carried out at almost no cost, in marked contrast to the high cost of buying space or time in the main media. To make the most use of this apparently free resource, many companies retain outside PR consultants who can prove themselves to be cost-effective in developing these opportunities.

2. Can be Targeted

Public relations activities can be targeted to a small specialised audience if the right media vehicle is used.

3. Credibility

The results of PR activity often have a high degree of credibility, compared with other promotional sources such as advertising. This is because the audience may regard such a message as coming from an apparently impartial and non-commercial source. Where information is presented as news, readers or viewers may be less critical of it than if it is presented as an advertisement, which they may presume to be biased.

4. Relatively Uncontrollable

A company can exercise little direct control over how its public relations activity is subsequently handled and interpreted. If successful, a press release may be printed in full, although there can be no control over where or when it is printed. At worst, a press release can be misinterpreted and the result can be very unfavorable news coverage. This is in contrast to advertising, where an advertiser can exercise considerable control over the content, placing and timing of an advert.

5. Saturation of Effort

The fact that many organisations 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.

Q24. Explain the objectives and tools of public relation.

Ans :

Objectives and Public Relation

- (i) To build up mutual understandings and good relations.
- (ii) To inform the public through different media.
- (iii) How to employ the objectives.
- (iv) To create a public opinion,
- (v) To win the publics.
- (vi) To build up a good image of organization.
- (vii) To help the company in informing the public about good work done by the organization.
- (viii) To inform the public about the activities achievement outstanding performances of the organization to the publication through n/p and other media.
- (ix) To advise the management about what the public thinks about the company i.e. to provide the management with necessary feedback.

- (x) To publish the launchings of a new product or services.
- (xi) To establish and maintain cordial relation with the press and other media for avoiding adverse criticism.
- (xii) To maintain good relations with the government both state and central and the community in adverse criticism
- (xiii) To mould public opinion in favor of the organization.
- (xiv) To arrange effective and timely publicity of the performance and the policies of the organization.
- (xv) To establish and maintain mutual understanding and cordial relations between the organization and its internal publics i.e. employees.

Tools of Public Relations

A wide range of tools is available to the PR practitioner, and the suitability of each tool is dependent upon the promotional objectives at which it is directed. In general, the tools of public relations are best suited to creating awareness of an organization and its products, or a liking for them. Public relations tend to be less effective in directly bringing about action in the form of purchase decisions.

Some of the important tools of public relations are described below:

1. Press Releases

A press release can be defined as a communication that seeks to secure editorial space in the media, as distinct from paid-for advertising space. Because of its important contribution towards the promotion mix, this tool is considered in more detail later.

2. Lobbying

Professional lobbyists are often employed by a company in an effort to inform and hence influence those key decision makers who may be critical to its success. Lobbying can take

place at a local level (e.g. a fast food company seeking to convince members of a local authority' about the benefits of allowing them to locate in a sensitive area); at a national level (e.g. lobbying by UK brewers to bring UK tax on beer down to the lower levels of many other European Countries); and at a supranational level (e.g. the lobbying by herbal remedy companies in 2003 against planned new EU regulations which would require expensive product testing).

3. Education and Training

In an effort to develop a better understanding – and hence liking – of an organization and its products, many firms aim education and training programmes at important target groups. In this way, food manufacturers frequently supply schools and colleges with educational material that will predispose recipients of the material to their brand. Open days are another common method of educating the public by showing them the complex processes that occur 'behind the scenes' in order to ensure a high quality of output for customers.

4. Exhibitions and Trade Shows

Most companies attend exhibitions not with the intention of making an immediate sale, but to create an awareness of their organization which will result in a sale over the longer term. Exhibitions offer the chance for potential customers to talk face to face with representatives of the organization and to sample products. Exhibitions are used to target both consumer and commercial audiences. Many trade shows are important events in their respective business sectors, where a high proportion of key decision makers are likely to be present. The annual World Travel Market in London, for example, is an ideal opportunity for travel-related organizations to communicate with their key business customers. The absence of a company at such key exhibitions may lead to concern among some visitors about why they have chosen not to be there.

4.7.3 Sales Promotion

Q25. Define sales promotion? Explain the need of sales promotion.

Ans :

Sales promotion consists of diverse collection of incentive tools, mostly short-term designed to stimulate quicker and / or greater purchase of a particular product by consumers or the trade. Where as advertising offers a reason to buy, sales promotion offers an incentive to buy. Sales promotion includes tools for consumer promotion (for example samples, coupons, prizes, cash refund, warranties, demonstrations, contest) trade promotion (for example buying allowances, free goods, merchandise allowances, co-operative advertising, advertising and display allowances, dealer sales contests); and sales-force promotion (for example bonuses, contests, sales rallies).

Sales promotion efforts are directed at final consumers and designed to motivate, persuade and remind them of the goods and receives that are offered. Sales persons adopt several techniques for sales promotion. Creative sales promotion can be very effective. It is the marketing manager's responsibility to specify promotion objectives and policies.

Definitions of Sales Promotion

- (i) **According to the Institute of Sales Promotion**, "Sales Promotion comprises that range of techniques used to attain sales or marketing objectives in a cost effective manner by adding value to a product or service either to intermediaries or end users, normally but not exclusively within a defined time period. Almost every Company uses Sales Promotion techniques at some stage of the product life cycle since sales promotion techniques provide a strong incentive to Buy.
- (ii) **According to William J. Stanton**, "Sales promotion is an exercise in information, persuasion and influence".
- (iii) **According to American Marketing Association**, "These marketing activities, other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as display shows

and exhibitions, demonstrations and various non-recurrent selling efforts not in the ordinary routine".

- (iv) **According to Philip Kotler**, "Promotion encompasses all the tools in the marketing mix whose major role is persuasive communication".

Need of Sales Promotion

The various objectives of sales promotion are as follows.

1. To Introduce New Products

To induce buyers to purchase a new product, free samples may be distributed or money and merchandise allowance may be offered to business to stock and sell the product.

2. To Attract New Customers

New customers may be attracted through issue of free samples, premiums, contests, and similar devices.

3. To Induce Present Customers to Buy More

Present customers may be induced to buy more by knowing more about a product, its ingredients, and uses.

4. To Help Firm Remain Competitive

Sales promotions may be undertaken to meet competition from a firm.

5. To Increase Sales in Off Season

Buyers may be encouraged to use the product in off seasons by showing them the variety of uses of the product.

6. To Increase the Inventories of Business Buyers

Retailers may be induced to keep in stock more units of a product so that more sales can be affected.

7. To Develop Patronage Habits among Customers

It can be done by popularising goods and services of the producer among the potential consumers and to motivate them towards larger purchases.

8. To Educate Customers

Educating customers/dealers and salesmen simplifies the efforts of 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.

Q26. Explain the Scope of Sales Promotion.

Ans :

The scope of sales promotion can be visualised in following aspects:

1. Exposure

The important objective is simply to expose an adequate number of target consumers to it. Managers must choose promotional media that will reach adequate number of target co-planning for exposure, marketers should take the following steps:

- i) Define target consumers,
- ii) Determine their numbers,
- iii) Choose the promotion media, and
- iv) Determine the promotion budget needed to acquire the number of exposures.

2. Attention

The term attention refers to the state of focusing one's mind upon something. Marketers are faced with the need to take steps to make their promotion stand-out and say or do something to attract consumer attention.

3. Comprehension

To comprehend is to understand, or to receive communicated knowledge. The objective is

achieved when consumers interpret the message in the manner intended by the marketer. Consumers often fail to comprehend promotional message when the messages are poorly designed or simply not able to create interest.

4. Attitude Change

It involves readiness to respond in a particular way. When a message promises a reward, it will change the attitude of the customer. **For example**, a strong cleaning powder or a detergent will increase the chances of attitudinal change.

5. Behaviour/Action

Inducing behaviour or action is especially important in personal selling and sales promotion. Many managers encourage consumers to:

- i) Buy the brand for the first time,
- ii) Continue to buy the brand,
- iii) Buy more of the brand,
- iv) Urge friends to buy the brand,
- v) Visit a retail store.
- vi) See a demonstration of the brand, and
- vii) Try-out the brand.

Q27. Explain the Distinct Characteristics of sales promotion.

Ans :

Sales promotion is one of the powerful tools used to achieve various promotional objectives. The following are the important characteristics of a successful sales promotion.

1. Maximum Effect at Minimum Cost

The nature of promotion objective involves achievement of objective by way of sales promotion instead of advertising, then the promotion objective is achieved through minimum cost.

2. Motivates Consumers to Buy Now

Successful sales promotions strive towards purchasing now rather than postponing to

future. The role of consumers in this case is to take instant decision to process the transaction further.

3. Offers What the Consumers Want

Sales promotion should never use that strategy which is not desirable by target consumers. They can attract consumers only if the offers are interesting, exciting and valuable to them.

4. The Promotion should be Clear and Uncomplicated

The successful sales promotions have powerful incentive to carry-out the process. There is a direct relationship between subsidiary offer and main offer. The promotion should be clear so that the consumers can understand the promotional offer better. If the promotion is not clear, then the target consumers will not get attracted to the offer made.

5. Promotion should be Highly Visible

The strategy behind making the offer is to attract the target consumers. In this case, the selection of media : crucial. If the promotion is effective, then it results in high visibility and creative qualities.

6. Promotion should Benefit all Concerned

Promotions consist of co-operation of sales force and channel members. These few aspects are motivated to; greater extent in order to get the promotional efforts successful.

7. Promotion must be Believable and Honest

The foremost aspects of promotion which are crucial to the target consumers are promotion should be bot: believable and honest, otherwise, the consumers loose interest in this aspect. The other key aspects which the target consumers look in to promotion are exact details of the product, no exaggerations, respecting public intelligence etc.

8. Promotion must be Legal

Promotion by no means should be illegal. The marketers must carefully analyze the authenticity and legality of promotion prior to announcement in the market.

9. Promotion must be Implemented Efficiently

Few types of promotions comprises of handling houses and premium suppliers. Proper arrangement in this case helps in reducing complexities arising due to involvement of outside parties.

Q28. Explain the various Reasons for the growth of Sales Promotion

Ans :

- 1. Cost-Effective:** High cost of media advertising such as newspapers and TV, is one of the main reasons to find more cost-effective forms of sales promotion.
- 2. Growth of Super markets:** The growth of huge supermarkets necessitated the need for aggressive selling. On-the-shelf promotion is another reason for its growth.
- 3. Accelerates Cashflow:** By inducing more sales through sales promotion, inflow, of cash increases — This could be one of the objectives of the firm.
- 4. Production capacity:** To main the high production capacity, a company may go for sales promotion to accelerate sales.
- 5. Creation of Goodwill:** Media advertising tends to be impersonal whereas sales promotion is more personal, linking the manufacturer with the customer.
- 6. Fun and Excitement :** The introduction of a certain amount of fun and excitement into promotions which customers can enjoy as participants.
- 7. To attract buyers:** To encourage impulse buying and attract first-time buyers, sales promotion is used.

Q29. Explain the various objectives of sales promotion ?

Ans :

Sales promotion works as link between advertisement and personal selling. There may be difference in the objectives of the method of sales promotion. However, the common objectives of sales promotion are as follows:

1. To introduce new products

Through sales promotion, new products are presented to prospective customers to persuade them to buy the products. Mostly free samples are distributed. Likewise premium, consumer competition, reduction in price etc. tools can be used. Besides the consumers, middlemen also can be motivated to keep stock of the products.

2. To identify and attract new consumers

The objective of sale promotion is also to identify new customers and attract them towards the firm's products. Different techniques of sales promotion are used at different times to stimulate customers to buy the products. If the business firm feel that the volume of current sales to the present customers is unsatisfactory, the firm tries to identify and develop new customers to sell the products.

3. To encourage more purchase among current customers

The main objective of sales promotion is to increase sales volume. The producers encourage current customers to purchase more through different promotional methods like premium, reduction in price, competition etc.

4. To combat or offset competitors' marketing efforts

A business firm always adopts sales promotion policy so that its products are not sold less than competitors' product in the markets. So, it becomes necessary for the firm to adopt proper sales promotion policy to offset the effect of competitors' policy in the market, if they try any. Hence the objective of sales promotion is to counter competitors' marketing policy and efforts.

5. To stabilize the fluctuating sales pattern

Fluctuation in demand, especially due to seasonal effect, brings instability in sales volume. In such situation, the producer or business firm can bring stability in sales pattern through sales promotion programs.

6. To increase brand awareness

The other important objective of sales promotion is to increase the total number of customers by increasing brand awareness.

7. Other objectives

The other objectives of sales promotion are as follows:

Increasing consumption

Broadening distribution channel

Educating consumers regarding product improvement.

Q30. Compare and contrast advertising and sales promotion.*Ans :*

Advertising	Sales Promotion
1) It develops a favorable consumer pre-disposition towards the product.	1) It develops a favorable purchase decision, rather a kind of inducement.
2) It is of long or short term, to create a good image of the company.	2) It is of short term to arrest decline in sales or to know the preference of a new product.
3) The media include press, audio-visual, television, film, etc.	3) Media include premiums, prizes, sampling, consumer contest, trading stamps, etc.
4) It appears often, long term and cumulative in nature.	4) It appears usually to achieve a specific marketing objective,
5) It plays its role in pre- and post-transaction phase.	5) It plays its role in the transaction phase.

4.7.4 Personal Selling**Q31. Define Personal Selling.***Ans :*

Personal selling is an oral presentation for prospective customers to generate the sales. It involves a face to face relationship or interpersonal interaction or communication between a sales person and buyer.

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.

Q32. Explain the objectives of personal selling.*Ans :*

The objectives of personal selling could be quantitative and qualitative.

(a) Quantitative : These are all short-term objective.

(b) Qualitative : These are long-term objectives.

(a) Quantitative Objectives

- To get the orders and execute these orders to customer satisfaction.
- To meet sales target and profits and expenses.
- To maintain the present account and add new customers.
- To maintain the market share and competitive edge.
- To reach sales volume
- To submit the management reports regularly as per company policies.

(b) Qualitative Objectives

- To do the entire selling jobs.
- To serve the existing accounts in terms of their order booking, stock position, requirements.
- To generate new enquires and new prospects.
- To convert some of the new prospects in to long term customers.
- To keep regular contact with customers to inform 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.

Q33. Explain the importance of personal selling.

Ans : (Sept.-14)

1. Personal selling is an important element in the promotion mix. It has become a dynamic element in the marketing mix. It has been observed that 20 percent of the total sales are effected through personal selling.
2. The salesman pinpoints the prospective buyers when other sales promotional activities cannot reach them. Here there is a minimum waste of effort and time.
3. Personal selling is to maintain attention and interest in the public. This is useful to motivate of the buyers.
4. Through personal selling, the salesman understanding the reactions and objections of the prospects.
5. In sales presentation, the salesman can adjust the reaction of the potential buyers. It is two way communication, so the salesman can findout the weakness of the buyers.

6. Feedback is possible in personal selling.
7. Salesman can offer services to customers and retailers.
8. Personal selling is useful to prepare market plans and management controlling, planning and execution.
9. Salesman can easily find the target customers. They can formulate suitable strategies and effective policies for increasing the sales.

Q34. Explain the advantages and disadvantages of personal selling.

Ans :

The nature of personal selling positions this promotional tool uniquely among those available to marketers. Its advantages include the following:

Advantages of personal selling**1. Allowing for two-way interaction**

The ability to interact with the receiver allows the sender to determine the impact of the message. Problems in comprehension or objections can be resolved and in-depth discussions of certain selling points can be provided immediately. In mass communications this direct feedback is not available and such information cannot be obtained immediately (if at all).

2. Tailoring of the message

Because of the direct interaction, messages can be tailored to the receiver. This more precise message content lets the sender address the consumer's specific concerns, problems, and needs. The sales rep can also determine when to move on to the next selling point, ask for the sale, or close the deal.

3. Lack of distraction

In many personal selling situations, a one-to-one presentation is conducted. The likelihood of distractions is minimized and the buyer is generally paying close attention to the sales message. Even when the presentation is made by a group of salespeople or more than one decision maker is present, the setting is less distracting than those in which nonpersonal mass media are used.

4. Involvement in the decision process

Through consultative selling and relationship marketing, the seller becomes more of a partner in the buying decision process, acting in conjunction with the buyer to solve problems. This leads the buyer to rely more on the salesperson and his or her products and services. An added benefit may be increasing the involvement of the organization's own employees.

5. Source of research information

In a well-integrated marketing/sales department the sales force can be the "eyes and ears" of the firm. Sales reps can collect information on competitors' products and services, promotions, pricing, and so on, firsthand. In addition, they can learn about the buying needs and wants of customers and potential customers.

Disadvantages of personal selling**1. Inconsistent messages**

Earlier we stated that the ability to adapt the message to the receiver is a distinct advantage of personal selling. But the lack of a standardized message can become a disadvantage. The message to be communicated is generally designed by the marketing staff with a particular communications objective in mind. Once this message has been determined, it is communicated to all receivers. But the salesperson may alter this message in ways the marketer did not intend. Thus, the marketing staff is at the mercy of the sales force with respect to what exactly is communicated. (Sales communications aids can offset this problem to some degree, as you will see later in this chapter.)

2. Sales force/management conflict

Unfortunately, there are situations in even the best companies when one wonders if the sales staff and marketing staff know they work for the same company and for the same goals. Because of failure to communicate, corporate

politics, and myriad other reasons, the sales force and marketing may not be working as a team. The marketing staff may not understand the problems faced by the sales staff, or the salespeople may not understand why marketing people do things the way they do. The result is that the sales force may not use materials provided from marketing, marketing may not be responsive to the field's assessment of customer needs, and so forth. The bottom line is that the communications process is not as effective as it could be due to faulty internal communications and/or conflicts.

3. High cost

As the cost per sales call continues to climb, the marketer may find mass communications a more cost-effective alternative.

4. Poor reach

Personal selling cannot reach as many members of the target audience as other elements. Even if money were no object (not a very likely scenario!), the sales force has only so many hours and so many people it can reach in a given time. Further, the frequency with which these accounts are reached is also low.

Q35. What are the Functions of Personal Selling?

Ans :

The important functions of personal selling are as follows,

(a) To Provide Customer Service

The main function of personal selling is to provide services to the customers in the following manner,

- (i) Explaining the use of the product.
- (ii) Providing guidelines about the product use.
- (iii) Effective demonstration of product handling.
- (iv) Convincing customers about the product's quality and demands

- (v) Clearing/eliminating the customer's doubts related with the product.

(b) To Sell the- Products

Personal selling primarily aims at selling the products to both the customers and consumers.

(c) To maintain the Sales Record

Personal selling functions also includes the j maintenance of the sales record for the business. The |organisations would be able to achieve business stability only by continuously maintaining the sales records accurately.

(d) Executive Function

Personal selling also performs certain executive functions as follows,

- (i) Provides training to salesmen
- (ii) To formulate and develop short-term and long-term training programs
- (iii) Providing management with information related to market trends.

(e) To promote Goodwill

In order to withstand the cut-throat competition in j the competitive market, a business firm needs to build a good image in the market. Personal selling helps in developing and promoting goodwill for the company.

(f) To Achieve Sales Target

Profits are being increased by increasing the sales volume of the company's products. Thus, personal selling helps in achieving the sales targets by increasing profits with the help of sales volumes.

Q36. Explain the process of personal selling.

Ans : (Feb./March-16, Sept.-13)

Process of Personal Selling

The process of personal selling consist of the following steps.

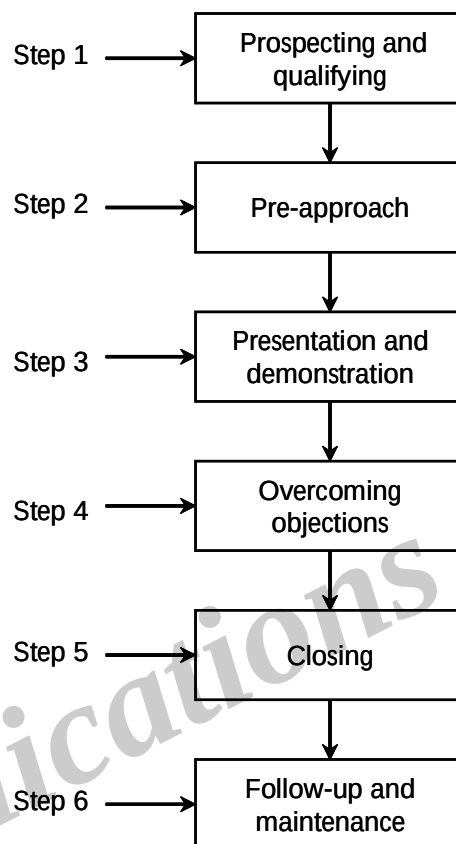


Fig. : Steps in Personal Selling

1. Prospecting and Qualifying

It is the first step in the personal selling process. Sales people can make use of their valuable time for companies customers in prospecting. Selling companies can qualify the leads by using mail or phone in order to determine their level of interest and financial soundness.

2. Preapproach

The sales person is supposed to gather more information about the future of the company and its buyers. He should set clear strategy towards his responsibilities that enable him to make immediate sale. Beside this the sales person must also take care of the personal visit, phone call or a letter.

3. Presentation and Demonstration

The sales people give presentation and demonstration about the product so that the buyer understands the product's features, its

usage its needs etc., clearly. The sales persons usually follows AIDA formula [gaining attention, holding interest, arousing desire and obtaining action] and FABV approach [Features, Advantages, Benefits and Value approach].

4. Overcoming Objections

Customers generally raise objections while presentation or orders are placed. Sales people must politely handles their objections by clearing their doubts. Handling objections is an essential aspect of negotiation. The two type of resistance which occurs in this stage are as follows,

(a) Psychological Resistance

It refers to the resistance with respect to a reference, apathy, dislike of making decisions, neurotic attitude towards money etc.

(b) Logical Resistance

It refers to the objections raised with respect to price, delivery schedule, product or company characteristics etc.

5. Closing

Sale people cannot directly close the sale. They should determine the closing signs such as physical actions, repeating the important feature of the product. They ask whether the buyer likes the product, can they place order right now. The salesperson ends the closing process through emphasizing on special price, token gift, price, discount if placed earlier etc.

6. Follow-up and Maintenance

Follow-up and maintenance are essential in the personal selling process. After closing the sales the salesperson provides necessary information which the buyer may need while placing the order such as delivery time, purchase terms etc. Follow-up technique helps in proper installation, instructions and servicing if the buyers faces any problem then the salesperson deals immediately. Thus, the salesman must develop a maintenance and growth plan.

4.8 DIRECT MARKETING

Q37. Define Direct Marketing ? Explain the characteristics of 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-goes 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. However, a key consideration in collecting information to build a database is the need to gain consumer permission and respect their privacy. An understanding of current regulations about direct marketing (including the use of e-newsletters) is now mandatory.

Many event planners decide that the best way for them to market their event is to use direct marketing to reach their intended audience. In many cases, the event planner is marketing the event to individuals and companies that they have already had a business relationship with so they have all of the relevant information about their audience readily at hand. In some cases, the event planner is targeting a certain industry in a certain area and would like to use direct marketing for all of the targeted businesses in the area. 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

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".

Characteristics

Successful direct marketing is based on four types of characteristics/feature. These are targeting, interaction, control and continuity, or TICC for short.

These features are discussed below:

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.

Q38. Explain the methods of direct marketing ?

Ans :

Direct marketers can use a number of methods for reaching prospects and customers are as follows :

1. 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, it referred 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. Direct mail should be followed-up by an e-mail, which is less expensive and less intrusive than a telemarketing call.

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.

3. 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 centres for inbound telemarketing - receiving calls from customers - and outbound telemarketing - initiating calls to prospects and customers.

4. Direct (face-to-face) Selling

Direct selling may be defined as, "The direct personal presentation, demonstration, and sale of products and services to consumers, usually in their homes or at their jobs". Many consumer companies use a direct-selling force: insurance agents, stockbrokers, and

distributors working for direct-sales organisations such as Avon, Amway. Direct selling is distinct from direct marketing because it is about individual sales agents reaching and dealing directly with clients. Direct marketing is about business organisations seeking a relationship with their customers without going through an agent/consultant or retail outlet.

5. Direct Response Marketing

Direct Response Marketing (DRM) is another expression that marketers come across in the context of direct marketing. What distinguishes direct mail marketing and direct response marketing from each other is the media/instruments used. Some direct response marketing campaigns, for example, rely totally on television 'infomercials' (commercials which give information about product, benefits and usage aspects).

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. Television home shopping is a retail format in which customers watch a TV program demonstrating merchandise and then place orders for the merchandise by telephone.

7. Database Marketing

Database marketing is a form of direct marketing using databases of customers or potential customers to generate personalised communications in order to promote a product or service for marketing purposes. Database marketing is an important part of Analytic CRM. In a plain language, database marketing is a marketing technique that utilises customer databases.

Q39. Explain the strengths and weakness of direct marketing ?

Ans :

Strengths of Direct Marketing

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.

Weaknesses of Direct Marketing**1. May be Seen as Competing with Existing Intermediaries**

May upset marketing intermediaries as sales through direct marketing may be taking sales away from them. In effect, you may end up competing with your own customers, that is, the intermediaries.

2. May be Seen as Intrusive by Consumers

Especially a problem for door-to-door and telemarketing.

3. Costs

Initial customer acquisition costs are high - high cost per thousand reached; and database development can be expensive.

4. Fraud

There is also the concern that personal information collected by legitimate direct marketing agencies could be purchased by unscrupulous or shady companies for the express purpose of fraud.

5. Lack of Awareness

Many people are unaware of how the personal information they include on an order form or survey may be used for targeted advertising later.

6. Cost

The cost per thousand will be higher than almost any other form of mass promotion (although the wastage rate may be much lower). Large quantities of paper are thrown away in direct marketing.

7. Alienation

Some recipients resent direct marketing being "forced" upon them, and boycott companies that do so. Moreover, they may obtain Prohibitory Orders against companies whose direct marketing mail they find offensive.

8. Privacy Concerns

Legitimate Direct Marketing firms should offer methods by which individuals can 'opt out' of these lists upon request. Direct Marketing agencies must respect the do-not-call list maintained by government agencies.

4.9 ONLINE MARKETING**Q40. Define online marketing ? Explain its objectives of online marketing.**

Ans :

Online marketing is the marketing of products or services over the Internet. It ties together creative and technical aspects of the internet, including design, development, advertising and sales. Online

marketing is the process of promoting an organization using online media, typically with the goals of increasing sales and boosting profits.

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

Objectives of Online Marketing

Online marketing can serve several purposes:

1. Actual Sales of Products

Products are ordered, sale and purchase online through internet. Many sites like amazon.com, eBay involve in actual sales of products.

2. Promotion/Advertising

Customers can be quite effectively targeted in many situations because of the context that they, themselves, have sought out.

3. Customer Service

The sites may contain information for those who no longer have their manuals handy and, for electronic products, provide updated drivers and software patches.

4. Market Research

Data can be collected relatively inexpensively on the Net. However, the response rates are likely to be very unrepresentative and recent research shows that it is very difficult to get consumers to read instructions. This is one of the reasons why the quality of data collected online is often suspected.

Q41. Explain the tools required to Manage Online Marketing ?

Ans :

There are various approaches and method to e-marketing and advertising. It is important know about each method so that one can compare the results. These various forms are :

1. E-Mail Marketing

The primary reason many people use the internet is to send and receive e-mail messages. With millions of people online and the numbers substantially increasing each year, it is little wonder that marketing communicators have turned to e-mail as a viable advertising medium. E-mail advertising is simply the use of the internet for sending commercial messages. However, as with any other advertising medium, there is no such thing as a single type of e-mail message; rather, e-mail messages appear in many forms, ranging from pure-text documents to more sophisticated versions that use all the audio-video powers of the internet.

2. Web Blogs Marketing

Blogs are, in a manner of speaking, "everyman's" way of communicating with others and establishing digital communities wherein individuals, mostly of like mind, can exchange their views on issues of personal relevance. It is in this context that products and brands are sometimes discussed. It is here where companies can endeavor to further enhance the equity of their brands and perhaps even to generate additional business.

3. Article Marketing

Article marketing is a type of advertising in which businesses write short articles related to their respective industry. These articles are made available for distribution and publication in the marketplace. Each article contains a *bio box* and *byline* (collectively known as the resource box) that include references and contact information for the author's business. Well-written content articles released for free distribution have the potential of increasing the authoring business' credibility within its market as well as attracting new clients. These articles are often syndicated by other websites, and published on multiple websites.

4. Viral Marketing

Viral marketing sometimes refers to Internet-based stealth marketing campaigns, including

the use of blogs, seemingly amateur websites designed to create word-of-mouth for a new product or service. Often the goal of viral marketing campaigns is to generate media coverage via “off-beat” stories worth many times more than the campaigning company’s advertising budget.

5. Buzz Marketing

Buzz marketing is a marketing technique consisting, as its name suggests, of making a noise around a new product or offer. Similar to Viral Marketing, it differs from it in the control of the content of the advertising message. Buzz marketing activities are designed to get consumers talking about a product or service. Buzz fosters mystery, stimulates questions, surprises audiences and exploits consumption contexts to generate the desired behaviour.

6. Rich Media Advertising

These are any web ads that move, talk, beep, or flash. As communication lines improve and desktop computers get more powerful, transmission times shorten and become less of an issue with users. This opens the door for these kinds of ads that require more processing capability - and provide the first glimpse of what filmed commercials on the web would be like. It was only a matter of time before internet advertisers began using online formats that were more dynamic than banners in their use of motion, sights, and sounds. This newer form of virtual advertising is referred to as rich media, and includes pop-up ads, interstitials, superstitials, and now even video advertisements.

7. Display or Banner Ads

The most popular advertising format in the internet’s short advertising history has been the static advertisement known as a display, or banner, ad. This format can be considered analogous to a static print ad in a magazine or newspaper. Banner ads are a staple of internet advertising. These are typically small, static ads placed in frequently visited Websites.

Banner ads on the internet are ubiquitous. Click-Through Rates (CTRs) to banner ads are very low, averaging less than 0.3 per cent. Banner ads for B2B companies receive somewhat higher CTRs than do those for B2C companies.

8. RSS Marketing

RSS stands for Really Simple Syndication and it may be difficult to conceptualise in the beginning. RSS works by RSS feeds which needs to be generated by website. People can subscribe to these RSS feeds and can view the content of the website via their RSS reader. By this people are enabled to receive the content directly on their desktop. This method is quite new as compared to others and has become really popular following spam issues in email marketing.

9. Forum Marketing

Forum is a place where people gather and discuss their problems, strategies etc. There are many forums on the web that you can join and participate in discussion. Most of the forums allow a link back to the website in the signature text which would appear below the post you make. Again a good traffic builder.

10. Search Engine Optimisation Marketing

There is a much loved saying among the interactive advertising community that “If you are not on Google, the business does not exist”. Although this statement is true to an extent, there is much more to SEO than simply submitting the website to Google Search Engine. The ultimate goal of SEO is to increase the quality or volume of traffic to websites via search engines.

11. Social Media Marketing

It is the new kid on the block as far as interactive advertising is concerned, but it is increasing exponentially in popularity. Popular networking sites including Myspace, Facebook, and Twitter are social media most commonly used for socialisation and connecting friends, relatives, and employees.

Q42. What are the Challenges faced by Online Marketing.

Ans :

- **Limited consumer exposure and buying:** Online marketing still reaches only a limited market space. Web users appear to do more window browsing than actual buying.

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

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

- **Chaos and clutter :** The Internet offers up millions of web sites and a staggering volume of information. Thus, navigating the Internet can be frustrating, confusing, and time consuming for consumers. In this chaotic and cluttered environment, many web ads and sites go unnoticed or unopened. Even when noticed, marketers will find it difficult to hold consumer attention.

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

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

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

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

Q43. Explain the Benefits of Online Marketing.

Ans :

A) Benefits to Consumers

1. **Convenient :** customers can shop 24 hours a day from anywhere without going to the store physically.
2. **Interactive & Immediate :** consumers can interact with the seller's site to find the information, products, or services they desire, then order or download them on the spot.

B) Benefits to Marketers

1. **Customer Relationship Building :** Companies can interact with customers to learn more about their needs and to build customer databases.
2. **Reduce Costs & Increase Efficiency:** Avoid the expense of maintaining a physical store, costs of rent, insurance, and utilities. Digital catalogs cost less to produce than printing and mailing paper catalogs.

3. **Greater Flexibility :** Unlike a paper catalog whose products and prices are fixed until the next printing, an online catalog can be adjusted daily or even hourly, adapting product availability, prices, and promotions to match changing market conditions.
4. **Access to Global Markets :** The Internet is a global medium, which allows buyers and sellers to click from one country to another in seconds.

4.10 MARKETING COMMUNICATION

Q44. Define Marketing Communication. What are the various ways of Marketing Communication ?

Ans :

Marketing depends heavily on an effective communication flow between the company and the consumer. Manufacturing a product and making it available on the market is only a part of the company's job. It is equally important, or perhaps more important, to make it known to the consumer that the product is available in the market. In a competitive market, where several firms are striving to win over consumers, it is not enough if just the availability is made known. It is essential to propagate the distinctive features of the product. The process does not end here either. The firm should also get feedback on how the consumers accept its products and interpret its messages.

Traditionally, marketing men have been of the view that the 'promotion mix' consisting of personal selling, advertising, sales promotion and publicity, is the only instrument available for communicating with the consumer. In the past marketing literature too adopted the same approach and described the promotion mix as the sole instrument of marketing communications. This approach has, however, undergone significant changes over the years. Today, besides promotion mix, other entities like product, price and the channel are also viewed as components of marketing communications.

Marketing communications can be defined as the endeavor of presenting a set of messages to a target market through multiple cues and media, with the intention of creating a favorable response from the market for the company's total product offering and simultaneously providing for market feedback for improving and modifying the offering.

Marketing Communication Tools / Ways

Marketing communications mix consists of eight ways of communication which are as follows,

(a) Advertising

It is a paid form of non-personal presentation and promotion of ideas, goods and services by an identified promoter.

(b) Sales Promotion

It deals with providing short-term incentives for the trial or purchase of a product or service.

(c) Events and Experiences

It deals with promotional activities and programs which are designed to establish special brand-related interactions.

(d) Public Relations and Publicity

It includes different programs which are designed to promote and protect the company's image or its products.

(e) Direct Marketing

It makes use of media for making direct communication with customers and responding to them quickly through mail, telephone, fax, internet.

(f) Interactive Marketing

It includes online activities and programs which are designed to engage customers and increase their awareness directly or indirectly, enhance its image and thereby increase the sales.

(g) Word-of-Mouth Marketing

It deals with individual-to-individual communications either orally or written or through electronic means for communicating the information about the usage of products or services.

(h) Personal Selling

It involves making face-to-face interactions with the best and prospective buyers to make presentations, answer the questions and order-processing.

4.10.1 Communication Process

Q45. Explain the various steps involved in developing effective marketing communication.

Ans :

(Sept.-14)

1. Identifying the Target Audience

The process starts with a clear target audience in mind that may include the nature of potential buyers as well as the current users. This analysis is the primary step, as this will influence the communications designs. A major part of this analysis is the image analysis. Image is the set of beliefs, ideas and impressions a person holds regarding an object. People's attitudes and actions toward an object are highly conditioned by that object's image.

The first step is to use the familiarity scale that measures the target audience's knowledge of the object. The example of this is illustrated below:

Know very well	Know considerable amount	Know a little	Just heard	Never heard of
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The next step is to use favorability scale that helps to know how the respondents familiar with the product feel toward it.

2. Determination of the Communication Objectives

Once the target market and its perceptions are identified, the marketing communication must be determined keeping in mind the possible consumer responses in the form of cognitive, affective and behavioral.

3. Designing the Message

Having defined the desired response, the next step of communication strategy is to develop an effective message. In deciding the message content and presentation, we should see whether the message conforms to AIDA (Attention, Interest, Desire, Action) model so that it is able to gain attention, hold interest, arouse desire and elicit action of purchase. There are 4 questions to be answered while formulating a message. They are:

- i) What to say? (Message Content)
- ii) How to say it logically? (Message Structure)

iii) How to say it symbolically? (Message Format)

iv) Who should say it? (Message Source)

4. Selection of the Communication Channels

Another important step in communications strategy is select communication channels to carry the message. Communication channels are of two types:

(a) Personal Communication Channels

These involve two or more persons communicating directly with each other face-to-face, person to audience, over the telephone or through e-mail. Personal communication channels deliver their effectiveness through the opportunities for individualizing the presentation and feedback.

i) **Advocate:** This consists of company salespeople contacting buyers in the target market.

ii) **Expert:** It consists of independent experts making statements to target buyers.

iii) **Social:** it consists of independent neighbors, friends, family members and associates talking to target buyers. (WQM) sources are convincing sources are low cost.

Companies can take several steps to stimulate personal influence channels to work on their behalf. These are:

- i) Identifying influential individuals and companies and devote extra effort to them.
- ii) Creating opinion leaders by supplying certain people with the product on attractive terms.
- iii) Working through community influential.
- iv) Using influential or believable people in testimonial advertising.

v) Developing advertising that has high "conversion value".

vi) Developing WOM referral channels to build business.

vii) Establishing an electronic forum.

(b) Non-personal Communication Channels: Non-personal channels are those where there is no personal interaction. These include:

i) **Media:** This consists of print media (newspapers, magazines, and direct mails), broadcast media (TV, radio), electronic media (audiotape, videotape, CD-ROM, Web page) and display media (hoardings, banners, posters, glow signs, balloons, and stickers).

ii) **Atmosphere:** These are "packaged environments" that create or reinforce the buyer's learning toward product purchase. A 5-star hotel use elegant and costly furniture, decorations and utensils to create an ambience of luxury.

iii) **Events:** These are various occurrences designed to communicate particular messages to target audiences. JK Tyre organizes Go Karting championships all across country to promote their brand image.

5. Establishing the Total Communications Budget

It is not only important to select messages, but also find out how much to spend on communications. There are various methods to select budget:

i) **Affordable Method:** Many companies set their promotional budget depending only on how much they can afford.

ii) **Percentage of Sales Method:** Many companies set their promotional budget at a specified percentage of sales either current or projected

- iii) **Competitive Parity Method:** Some companies set their promotional budget depending on other competitors' budget.
- iv) **Objective and Task Method:** Some companies set their promotional budget by defining specific objectives, determining the tasks to be performed to achieve these objectives and estimating the costs of performing these tasks.

4.11 COMMUNICATION PROMOTION MIX

4.11.1 Factors Affecting the Promotion Mix

Q46. Define communication mix. What are the various factors which have be taken into consideration for deciding the promotion mix ?

(or)

Brief on the factors affecting the promotion of mix of a service firm.

Ans :

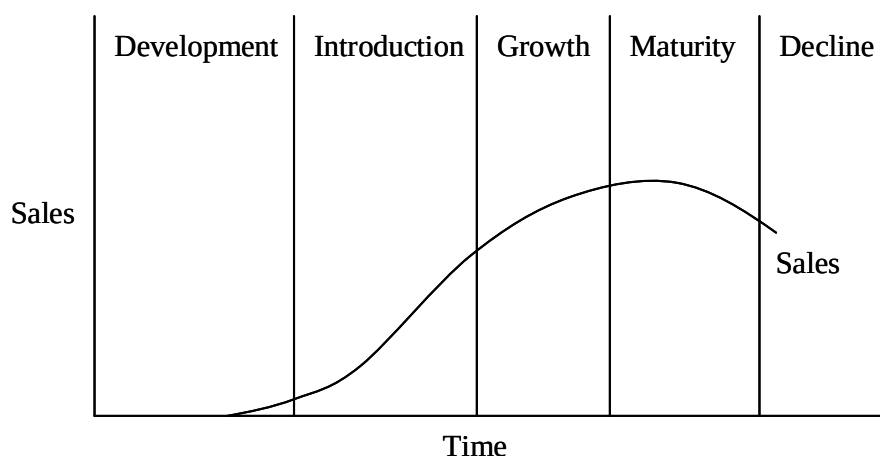
(Dec.-19)

Marketing communication mix includes advertising, public relations, personal selling, sales promotion and direct marketing tools which are used by the firms for communicating the customer value and developing customer relationships. It is also known as promotion mix.

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

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

- 1. Stages of Product Life Cycle :** The stage in the life cycle of product is one of the determinants in deciding the promotional mix. The various stages in the PLC are :



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

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

2. Types of Products : The product is generally classified two types :

- i) Consider product
- ii) Industrial product

i) Consider goods : There are three types of consumer goods

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

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

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

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

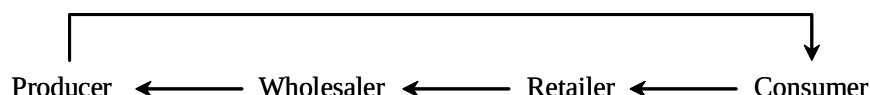
- Promotion to Wholesales (Sales promotion)
- Promotion to Retailers (Sales promotion)
- Promotion to Industrial Consumer (Sales promotion)
- Promotion to Final Customer (Sales Adv.)

4. Size of the Budget : Depends upon the budget we can select promotional tools. If the high budget we can choose TV and Radio. If the low budget we can select SP, PR and Others.

5. Push and Pull Strategies : In push strategy sales promotion personal selling tools required because the company depends upon the wholesaler and retailers.

Push Strategies : Producer → Wholesaler → Retailer → Consumer

Pull Strategies : In this system, adv. required



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

Short Question and Answers

1. Define channel.

Ans :

A channel of distribution (sometimes call a marketing channel) is a group of individuals and organisations that direct the flow of products from producers to customers. The main function of this element is to find out appropriate ways through which goods are made available to the markets.

Definitions

- (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".

2. Why can a channel system be a source of competitive advantage?

Ans :

The marketing channels of a firm play a significant role in the overall success of any business organization. Any product or service is produced at one place and then it needs to be distributed through a series of marketing channels, till it reaches the end

user (Consumer). Thus, the channel system, acts as the gate keeper and interface between the manufacturer and the consumer. Marketing channels such as the wholesalers, retailers, company agents C and F agents play a very crucial role in the distribution of goods and services globally. According to a research study, 1/3rd of the global gross domestic products are managed through these channel systems.

A good channel system would boost the organizations market position and provide the competitive advantage in the following ways,

- (i) The channel act as the gate keeper between the manufacturer and the customers as they control the flow of the goods and services. Thus, if a firm has a strong channel system, it would act as a competitive advantage for the firm as its products can be easily made available to its target consumers.

For Example: In-the case of a movie, the financial success of the movie would depend upon the theatres (Channel members) which are airing the movie and for how long.
- (ii) The channel experience would help build a strong brand image for the organization. If a customer gets a good experience at a channel store, he would receive the company to be good and vice versa.'

For Example: A research study has found that car dealers who provide after sales services to their customers are generally perceived in a positive sense.

3. Who are intermediaries ? Explain different types of intermediaries.

Ans :

Channel intermediaries serve several specialized functions that enable manufacturers to make their goods available to their customers at the right place at the right time. The functions that a channel performs, depends on the sophistication of customer needs and existing level of technologies.

1. Retailers

Retailers operate outlets that trade directly with household customers. Retailers can be classified in several ways :

- Type of goods being sold(e.g. clothes, grocery, furniture)
- Type of service (e.g. self-service, counter-service)
- Size (e.g. corner shop; superstore)
- Ownership (e.g. privately-owned independent; public-quoted retail group)
- Location (e.g. rural, city-centre, out-of-town)
- Brand (e.g. nationwide retail brands; local one-shop name)

2. Wholesalers

Wholesalers stock a range of products from several producers. The role of the wholesaler is to sell onto retailers. Wholesalers usually specialise in particular products.

3. Distributors and dealers

Distributors or dealers have a similar role to wholesalers – that of taking products from producers and selling them on. However, they often sell onto the end customer rather than a retailer. They also usually have a much narrower product range. Distributors and dealers are often involved in providing after-sales service.

4. Franchises

Franchises are independent businesses that operate a branded product (usually a service) in exchange for a licence fee and a share of sales.

5. Agents

Agents sell the products and services of producers in return for a commission (a percentage of the sales revenues)

4. Motivating Channel Members

Ans :

Generally companies carry out their activities with high energy and growth targets. But, for the

attainment of these targets, the company's sales force and channel members are required to put in additional efforts.

For ensuring additional efforts, the channel members need to be continuously motivated. One of the best method could be by regularly reminding them that they are also the part of the company during the attainment of the end user's satisfaction.

Various motivational programmes should be undertaken for the channel partners. The first step of channel member's motivation is to understand their requirements which can motivate them to deliver their fullest capability for attainment of customer satisfaction.

John R. French and Jr Bertram Raven have proposed various powers to make the functioning of channel members much more effective. The various powers include,

1. Referent power
2. Expert power
3. Legitimate Power
4. Support power
5. Competitive power
6. Reward power and
7. Coercive power.

5. Evaluating Channel Members

Ans :

The performance and progress of the company business relies mainly on the effectiveness of its distribution channel. So it is very essential for the company to constantly evaluate the performance of the channel members for assuring the highest standards of performance and for improving them whenever needed. The evaluation will be against the targets on sales quota achievement, the average level of inventory held, percentage of volume which is attained by extending credit, productive calls per day, number of servicing complaints attended and so on.

The following are some of the simple questions relating to channel system whose answers help in evaluating the channel members.

1. Is the system able to deliver the targeted customer service levels as specified by the company?
2. All the partners in the channel network must perform in a cost effective manner for their specified roles on flows and customer service deliverable targets. Is this actually happening in company?
3. Whether the channel system is operating at the lowest total cost possible for a given service level or not?
4. Whether all the channel members are performing at the top of their potential and delivering high quality and timely outputs or not?
5. Whether the system makes use of good performance measurement procedure and is it transparent to all the channel partners or not?

6. Define Promotion Mix.

Ans :

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

7. What is advertising ?

Ans ;

The term Advertising originates from the Latin 'Advetro'. Which means to turn Round. Advertising thus denotes the means employed to draw attention to any object or purpose. In marketing context, Advertising has been defined "as Any paid form of Non-personal presentation and promotional of ideals, good or services by an identified sponsor. Through Advertisement, the Advertiser intends to spread his ideals about his products/ offerings

among his customers and prospects. Popularisation of the products is the basic aim of the Advertising Activity.

Meaning of Advertising

Advertising is a paid form of a non-personal message communicated through the various media by industry, business firms, nonprofit organisations, or individuals. Advertising is persuasive and informational and is designed to influence the purchasing behaviour and/or thought patterns of the audience. Advertising is a marketing tool and may be used in combination with other marketing tools, such as sales promotions, personal selling tactics, or publicity.

Definition of Advertising

Advertising is defined differently by different people, some of the definitions are as follows:

According to Richard Buskirk, "Advertising is a paid form of non-personal presentation of ideas, goods or services by an identified sponsor."

According to **Wheeler,** "Advertising is any form of paid non-personal presentation of ideas, goods or services for the purpose of inducing people to buy."

8. Define Public Relations.

Ans :

Public relations is, "The planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its public". A firm's public includes its employees, stakeholders, trade unions, general public, customers (past, present and future), charities, media, government and politicians etc.

An organisation needs to communicate with the public both internally as well as externally. As the attitude of the public influences the sales of an organisation, enhanced public relations work to enhance the overall image and create goodwill for the company. Hence organisations need to communicate with one or all members of its public regularly.

Definition

According to International conference of public relations institutions held in Mexico City, "Public relations practice is the art and social science of analysing trends, predicting their consequences, counseling organisation leaders and implementing planned programmes of action which will serve both the organisation and the public interest."

9. Objectives and Public Relation

Ans :

- (i) To build up mutual understandings and good relations.
 - (ii) To inform the public through different media.
 - (iii) How to employ the objectives.
 - (iv) To create a public opinion,
 - (v) To win the publics.
 - (vi) To build up a good image of organization.
 - (vii) To help the company in informing the public about good work done by the organization.
 - (viii) To inform the public about the activities achievement outstanding performances of the organization to the publication through n/p and other media.
 - (ix) To advise the management about what the public thinks about the company i.e. to provide the management with necessary feedback.
 - (x) To publish the launchings of a new product or services.
 - (xi) To establish and maintain cordial relation with the press and other media for avoiding adverse criticism.
-

10. Define sales promotion.

Ans :

Sales promotion efforts are directed at final consumers and designed to motivate, persuade and remind them of the goods and receives that are offered. Sales persons adopt several techniques for sales promotion. Creative sales promotion can be very effective. It is the marketing manager s responsibility to specify promotion objectives and policies.

Definitions of Sales Promotion

- (i) **According to the Institute of Sales Promotion,** "Sales Promotion comprises that range of techniques used to attain sales or marketing objectives in a cost effective manner by adding value to a product or service either to intermediaries or end users, normally but not exclusively within a defined time period. Almost every Company uses Sales Promotion techniques at some stage of the product life cycle since sales promotion techniques provide a strong incentive to Buy.
- (ii) **According to William J. Stanton,** "Sales promotion is an exercise in information, persuasion and influence".
- (iii) **According to American Marketing Association,** "These marketing activities, other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as display shows and exhibitions, demonstrations and various non-recurrent selling efforts not in the ordinary routine".

- (iv) **According to Philip Kotler**, "Promotion encompasses all the tools in the marketing mix whose major role is persuasive communication".

11. Compare and contrast advertising and sales promotion.

Ans :

Advertising	Sales Promotion
1) It develops a favorable consumer pre-disposition towards the product.	1) It develops a favorable purchase decision, rather a kind of inducement.
2) It is of long or short term, to create a good image of the company.	2) It is of short term to arrest decline in sales or to know the preference of a new product.
3) The media include press, audio-visual, television, film, etc.	3) Media include premiums, prizes, sampling, consumer contest, trading stamps, etc.
4) It appears often, long term and cumulative in nature.	4) It appears usually to achieve a specific marketing objective,
5) It plays its role in pre- and post-transaction phase.	5) It plays its role in the transaction phase.

12. Define Personal Selling.

Ans :

Personal selling is an oral presentation for prospective customers to generate the sales. It involves a face to face relationship or interpersonal interaction or communication between a sales person and buyer.

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.

13. 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.

14. Objectives of Online Marketing

Ans :

Online marketing can serve several purposes:

1. Actual Sales of Products

Products are ordered, sale and purchase online through internet. Many sites like amazon.com, eBay involve in actual sales of products.

2. Promotion/Advertising

Customers can be quite effectively targeted in many situations because of the context that they, themselves, have sought out.

3. Customer Service

The sites may contain information for those who no longer have their manuals handy and, for electronic products, provide updated drivers and software patches.

4. Market Research

Data can be collected relatively inexpensively on the Net. However, the response rates are likely to be very unrepresentative and recent research shows that it is very difficult to get consumers to read instructions. This is one of the reasons why the quality of data collected online is often suspected.

UNIT V

Pricing Decisions & Personal Communication: Importance of price, cost determinant of price, markup pricing, profit maximization pricing, break even pricing, pricing strategies, ethics of pricing strategy, product line pricing, Word of Mouth, Rural marketing, Bottom of the Pyramid, relationship Marketing, Retail Marketing, Digital marketing, Social media and mobile marketing, market sustainability and ethics, Global marketing, green marketing.

5.1 PRICING

Q1. Define the term price and pricing and what are the objectives of pricing.

Ans : (Dec.-19, July-18, Sep.-16)

i) Price

Price can be defined as the value set for exchange of goods and services.

ii) Pricing

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

Objectives of Pricing

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

- **Current profit maximization**
Seeks to maximize current profit, taking into account revenue and costs. Current profit maximization may not be the best objective if it results in lower long-term profits.
- **Current revenue maximization**
Seeks to maximize current revenue with no regard to profit margins. The underlying objective often is to maximize long-term profits by increasing market share and lowering costs.

➤ **Maximize Quantity**

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

➤ **Maximize Profit Margin**

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

➤ **Quality Leadership**

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

➤ **Partial Cost Recovery**

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

➤ **Survival**

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

➤ **Status quo**

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

5.1.1 Importance of Price

Q2. Discuss the importance of pricing decision to the economy and the individual.

Ans : (Dec.-19, July-18)

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. Interfirm 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. Customers' 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.

5.2 COST DETERMINANT OF PRICE**Q3. Define cost. Explain different types of cost involved in price of the product.**

Ans :

Cost is an important component which needs to be considered while setting a price. The demand creates a ceiling on the price which the company plans to set for its product. Cost is regarded as a floor or basis for setting the price.

Types of costs**(i) Fixed Costs**

These costs remain constant in 'total' amount over a wide range of activity for a specified period of time; i.e., these do not increase or decrease when the volume of production changes. For example, building rent, managerial salaries remain constant and do not change with change in output level and thus are fixed costs. But fixed cost 'per unit' decreases when volume of production increases and vice versa, fixed cost per unit increases when volume of production decreases.

(ii) Variable Costs

These costs tend to vary in direct proportion to the volume of output. In other words, when volume of output increases, total variable cost also increases, and vice versa, when volume of output decreases, total variable cost also decreases. But, the variable cost per unit remains fixed.

Thus, in general, variable costs show the following characteristics :

- (a) Variability of the total amount in direct proportion to the volume of output;
- (b) Fixed amount per unit in the face of changing volume;
- (c) Easy and reasonably accurate allocation and apportionment to departments;
- (d) Such costs can be controlled by functional managers.

(iii) Semi-variable or semi-fixed costs (Mixed costs)

These costs include both a fixed and a variable component; i.e., these are partly fixed and partly variable. A semi-variable cost has often a fixed element below which it will not fall at any level of output. The variable element in semi-variable costs changes either at a constant rate or in lumps.

5.2.1 Markup Pricing**Q4. Define Markup Pricing ? How do you calculate a Markup Price ?**

Ans : (Dec. - 19)

The markup pricing is also known as cost-plus pricing - exist, but the common thread is that one first calculates the cost of the product, then adds a proportion of it as markup. The amount to be marked up is decided at the discretion of the company. Basically, this approach sets prices that cover the cost of production and provide enough profit margin to the firm to earn its target rate of return.

Cost-plus pricing is used primarily because it is easy to calculate and requires little information. Information on demand and costs is not easily available; however, this information is necessary to generate accurate estimates of marginal costs and revenues. Moreover, the process of obtaining this additional information is expensive. Therefore, cost-plus pricing is often considered a rational approach to maximizing profits. Cost-plus pricing is especially useful in the following cases:

- Public utility pricing
- Finding out the design of the product when the selling price is predetermined, which is also known as product tailoring
- Pricing products that are designed to the specification of a single buyer
- "Monopsony Buying" - buyers have enough knowledge about the costs of a supplier. Thus, they may make the product themselves if they do not comply with the offered prices. So the relevant cost would be the cost that a buying company would incur if it made the product itself.

Calculating a Markup Price

There are two steps which form this approach. The first step involves calculation of the cost of production, and the second step is to determine the markup over costs. The total cost has two components: total variable cost and total fixed cost. In both cases, costs are computed on an average basis. In cost-plus pricing, we use quantity to calculate price, but price is the determinant of quantity.

To avoid this problem, the quantity is assumed. This rate of output is based on some percentage of the firm's capacity. The objective of determining markup over costs is to set prices in a manner that a firm earns its targeted rate of return. This return can be considered $R_s X$, where R_s is the ratio of the respective share of total profit. Therefore, the markup over costs on each unit of output will be X/Q . Price will be calculated through the formula in.

$$P = AVC + AFC + \frac{X}{Q}$$

Cost-Plus Price Equation

A cost-plus price will equal average variable costs plus average fixed costs plus markup per unit.

$$AC = \frac{TVC}{Q} + \frac{TFC}{Q}$$

Total Average Cost Equation

The total average cost for a product is determined by dividing the total fixed costs (TFC) and total variable costs (TVC) by the quantity of the product produced, and then summing these together.

Q5. State the disadvantages of Markup Pricing.

Ans :

Disadvantages of this strategy include:

- Provides incentive for inefficiency
- Tends to ignore the role of consumers
- Tends to ignore the role of competitors
- Uses historical rather than replacement value
- Uses "normal" or "standard" output level to allocate fixed costs.

- Includes sunk costs rather than just using incremental costs
- Ignores opportunity cost

5.2.2 Profit Maximization Pricing

Q6. Explain briefly about Profit Maximization Pricing ?

Ans : (Dec. - 19)

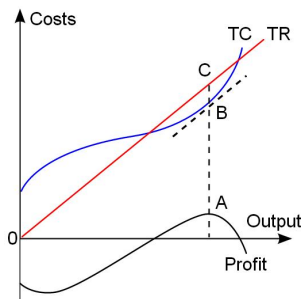
Profit maximization is the short run or long run process by which a firm determines the price and output level that returns the greatest profit. Any costs incurred by a firm may be classed into two groups: fixed costs and variable costs.

Fixed costs, which occur only in the short run, are incurred by the business at any level of output, including zero output. These may include equipment maintenance, rent, wages of employees whose numbers cannot be increased or decreased in the short run, and general upkeep.

Variable costs change with the level of output, increasing as more product is generated. Materials consumed during production often have the largest impact on this category, which also includes the wages of employees who can be hired and laid off in the span of time (long run or short run) under consideration.

Fixed cost and variable cost, combined, equal total cost. Revenue is the amount of money that a company receives from its normal business activities, usually from the sale of goods and services (as opposed to monies from security sales such as equity shares or debt issuances). To obtain the profit maximizing output quantity, we start by recognizing that profit is equal to total revenue (TR) minus total cost (TC).

Given a table of costs and revenues at each quantity, we can either compute equations or plot the data directly on a graph.



Total Profit Maximization

This linear total revenue curve represents the case in which the firm is a perfect competitor in the goods market, and thus cannot set its own selling price.

The profit-maximizing output is the one at which this difference reaches its maximum. In the accompanying diagram, the linear total revenue curve represents the case in which the firm is a perfect competitor in the goods market and thus cannot set its own selling price. The profit-maximizing output level is represented as the one at which total revenue is the height of C and total cost is the height of B; the maximal profit is measured as CB. This output level is also the one at which the total profit curve is at its maximum.

If, contrary to what is assumed in the graph, the firm is not a perfect competitor in the output market, the price to sell the product at can be read off the demand curve at the firm's optimal quantity of output. The above method takes the perspective of total revenue and total cost. A firm may also take the perspective of marginal revenue and marginal cost, which is based on the fact that total profit reaches its maximum point where marginal revenue equals marginal cost.

5.2.3 Break-Even Pricing

Q7. Explain briefly about Break Even Analysis.

Ans : (Dec. - 19)

Break-even Analysis

The Break - Even Point (BEP) can be defined as that level of sales at which total revenue equals total costs and the net income is equal to zero. This is also known as no - profit and no-loss point.

Formula to Calculate Break-even Point in Quantity

Break - even Point (in units)

$$= \frac{\text{Fixed Costs}}{\text{Contribution on Margin Per Unit}}$$

Break - Even Analysis is the study of revenues and costs of a firm in relation to its volume of sales. It is mainly concerned with the determination of that particular volume at which firm's costs and revenues (profits) will be equal. It is also called C-V-P Analysis or cost volume iso-profit analysis.

The main objective of the Break-Even Analysis is not only to spot the BEP, but to develop an understanding of the relationships of cost, volume and price within a company's practical range of operations.

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The main objective of the Break - Even Analysis is not only to spot the BEP, but to develop an understanding of the relationships of cost, volume and price within a company's practical range of operations.

The following Break-Even Chart helps us to understand this concept more clearly.

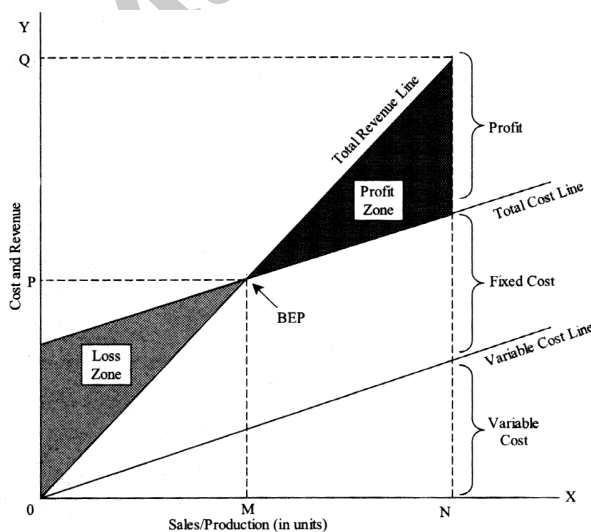


Fig. : Break-even Chart

In from the figure, units of product/sales are shown on the horizontal axis OX and costs and revenues are shown on vertical axis OY. The variable cost line is drawn first. It increases along with volume of production and sales. The total cost line is parallel to variable cost line. It is derived by adding total fixed costs line to the total variable cost line. The Total Revenue (TR) line starts from point (0,0) and increases along with volume of production or sales intersecting total cost line at point BEP.

To the right of the BEP is profit zone and to the left of the BEP is the loss zone.

A perpendicular from the BEP to the horizontal axis at point 'AT' shows 'OM' is the quantity produced at 'OP' the cost at BEP.

The angle formed by the point of inter-section of total revenue and total cost lines at BEP is called angle of incidence. The greater the angle of incidence, the higher is the magnitude of profit once the fixed costs are absorbed.

Margin of safety refers to the excess of production or sales over and above the BEP. The margin of safety 'MN' is the difference between ON and OM ($ON - OM = MN$). The sales value at ON is OQ.

Q8. What are the assumptions of Break Even Analysis.

Ans :

The following are the assumptions underlying break-even analysis :

- Costs can perfectly be classified into fixed and variable costs.
- Selling price does not change with volume changes. It remains fixed. It does not consider the price discounts or cash discounts.
- All the goods produced are sold. There is no closing stock.
- There is only one product available for sale. In case of multi-product firms, the product mix does not change.

Q9. Explain the limitations of Break Even Analysis.**Ans :**

Break-even analysis has certain underlying assumptions which form its limitations.

1. Break-even point is based on fixed cost, variable cost and total revenue. A change in one variable is going to affect the BEP.
2. All costs cannot be classified into fixed and variable costs. We have semi-variable costs also.
3. In case of multi-product firm, a single chart cannot be of any use. Series of charts have to be made use of.
4. It is based on fixed cost concept and hence holds good only in the short-run.
5. Total cost and total revenue lines are not always straight as shown in the figure. The quantity and price discounts are the usual phenomena affecting the total revenue line.
6. Where the business conditions are volatile, BEP cannot give stable results.

5.3 PRICING STRATEGIES
Q10. Explain the various types of Pricing Strategies.**Ans : (May-19, Dec. - 19, July - 18)**

Different Pricing strategies are:

1. Price Discounts and Allowances

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

Types of Discounts

i) Cash and Settlement Discounts: These are intended to bring payments in faster. However, since such discounts need to be at least 2.5% per month to have any real effect, this means paying customer an annual rate of interest of 30% just to get in money which is due anyway. What is more, customers frequently take all the discounts on offer and still do not pay promptly, it is better either to eliminate these discounts altogether and introduce an efficient credit control system, or change terms of business so that you can impose a surcharge on overdue accounts instead.

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

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

2. Geographic Pricing Strategy

This strategy seeks to exploit economies of scale by pricing the product below the competitor's in one market and adopting a penetration strategy in the other. The former is termed as second market

discounting. This second market discounting is a part of the differential pricing strategy where the firm either dumps or sells below its cost in the market to utilize its existing surplus capacity. So, in geographic pricing strategy, a firm may charge a premium in one market, penetration price in another market and a discounted price in the third.

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

Forms of Counter trade

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

3. Promotional Pricing

Companies can use several pricing techniques to stimulate early purchase;

- i) **Loss-leader Pricing:** Supermarkets and department stores often drop the price on well-known brands to stimulate additional store traffic. This pays if the revenue on the additional sales compensates for the lower margins on the loss-leader items. Manufacturers of loss-leader brands typically object

because this practice can dilute the brand image and bring complaints from retailers who charge the list price. Manufacturers have tried to restrain intermediaries from loss leader pricing through lobbying for retail-price-maintenance laws, but these laws have been revoked.

- ii) **Special-event Pricing:** Sellers will establish special prices in certain seasons to draw in more customers
- iii) **Cash Rebates:** Auto companies and other consumer-goods companies offer cash rebates to encourage purchase of the manufacturers' products within a specified time period. Rebates can help clear inventories without cutting the stated list price.
- iv) **Low-interest Financing:** Instead of cutting its price, the company 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
- iii) **Image Pricing:** Some companies price the same product two different levels based on image differences at. A perfume manufacturer can put the perfume in one bottle, give it a name and image, and price it at Rs. 50. It can put the same perfume in another bottle with a different name and image and price it at Rs. 200.
- iv) **Channel Pricing:** Coca-Cola carries a different price depending on whether it is purchased in a fine restaurant, a fast-food restaurant, or a vending machine.
- v) **Location Pricing:** The same product is priced differently at different locations even though the cost of offering at each location is the same. A theater varies its seat prices according to audience preferences for different locations.
- vi) **Time Pricing:** Prices are varied by season, day, or hour. Public utilities vary energy rates to commercial users by time of day and weekend versus weekday. Restaurants charge less to "early bird" customers. Hotels charge less' on weekends. Hotels and airlines use yield pricing, by which they offer lower rates on unsold inventory just before it expires. Coca-Cola considered raising its vending machine soda prices on hot days using wireless

technology, and lowering the price on cold days. However, customers so disliked the idea that Coke abandoned it.

For price discrimination to work, certain conditions, must exist. First, the market must be segmentable and the segments must show different intensities of demand. Second, members in the lower price segment, must not be able to resell the product to the higher-price segment. Third, competitors must not be able to undersell the firm in the higher-price segment. Fourth, the cost of segmenting and policing the market must not exceed the extra revenue derived from price discrimination. Fifth, the practice must not breed customer resentment and ill will. Sixth, the particular form of price discrimination must not be illegal.

5. Product-mix Pricing

Price-setting logic must be modified when, the product is part of a product mix. In this case, the firm searches for a set of prices that maximizes profits on the total mix. Pricing is difficult because the various products have demand and cost interrelationships and are subject to different degrees of competition. Six situations involving product-mix pricing:

- i) **Product line Pricing:** Companies normally develop product lines rather than single products and introduce price steps. In many lines of trade, sellers use well-established price points for the products in their line. A men's clothing store might carry men's suits at three price levels: Rs. 800, Rs. 1500, and Rs. 4500. Customers will associate low-, average-, and high-quality suits with the three price points. The seller's task is to establish perceived-quality differences that justify the price differences.
- ii) **Optional-Feature Pricing:** 'Many companies offer optional products, features, and services along with their main product. The automobile buyer can order electric window controls, defoggers, light dimmers, and an extended warranty. Pricing is a sticky problem; automobiles companies must decide which items to include in the price and which to offer as options. Restaurants face a similar pricing problem.

Customers can often order liquor in addition to the meal. Many restaurants price their liquor high and their food low. The food revenue covers costs, and the liquor produces the profit. This explains why servers often press hard to get customers to order drinks. Other restaurants price their liquor low and food high to draw in a drinking crowd.

Q11. For each of the following products, should the seller adopt a market-skimming or a market penetration pricing strategy? Support your decision in each instance.

- (a) **High fashion dresses styled and manufactured by Yves St. Laurent.**
- (b) **An exterior house paint that lasts twice as long as any competitive brand.**
- (c) **A by subscription website that sends you daily e-mails containing information about up to five topics of your choosing.**
- (d) **A tablet that converts a gallon of water into a gallon of automotive fuel.**

Ans :

(Feb. - 17)

Before we state the suitable pricing strategy for the above mentioned products, it would be helpful to understand the situation under which the skimming pricing strategy and the penetration pricing strategy are suitable.

Market Skimming Pricing

Under this pricing strategy a very high initial price is fixed for a product. It is suitable under the following situations,

- (i) When the product has unique and distinctive features unlike the competitors.
- (ii) Demand for the product is inelastic.
- (iii) The new product is unique and differs from its competitors.
- (iv) During the introduction of new technology products.

Market Penetration Strategy

Under this pricing strategy a very low initial price is fixed for the product. It is suitable under the following situations,

- (i) Fierce competition exists in the market.
- (ii) The demand for the product is highly elastic.
- (iii) There is a large market

(a) High Fashion Dresses Styled and Manufactured by Yves St. Laurent

Yves, St. Laurent is a respected global apparel manufacturer. It sells high fashion dresses with the target customer being the rich, elite and the super rich people who are not very price cautious, rather they prefer being unique and noticeable in any social gathering.

For this, branded product skimming pricing is advisable as, the product is different and unique, further the customer is not price sensitive.

(b) An Exterior House Paint that Lasts Twice as Long as Any Competitive Brand

This product has some unique feature, as no other competitor provides paint with such long lasting life. However, within a short period of its introduction the competitors would also provide paints with similar feature. For this product, it is advisable for the firm to go for market skimming pricing so that it can quickly earn decent profits and also cover up the R and D costs.

(c) A Subscription Website that Sends you Daily E-mails Containing Information about up to Five Topics of Your Choosing

This service is not a very unique one, neither it is a necessity product, for which the demand would be inelastic. Further the internet market is huge with stiff competition.

Thus for this service it is advisable that the firm follow market penetration strategy and keep the price relatively lower to successfully enter into the market.

(d) A Tablet that Converts a Gallon of Water into a Gallon of Automotive Fuel

This product displays features of a product which can have a market skimming price. The product is unique, Very helpful and the demand would be inelastic as the global fuel consumption is increasing each year.

Thus the firm may opt for market skimming price for this product. It would help the firm to cover up the costs and also earn some decent profits.

5.3.1 Ethics of Pricing Strategy

Q12. Explain the ethical issues relating to pricing strategy ?

Ans : (March - 16, 15)

A business operating in today's competitive environment might be tempted to try a variety of unethical pricing strategies to increase market share and profits. But operating just to pursue the company's self-interest can result in decreased trust by customers and lawsuits that take up company time and money to defend. Developing an ethical pricing strategy from the start can help avoid these pitfalls.

The 18th century economist Adam Smith believed that consumers and producers acting in their own self-interest will produce outcomes desirable to all. But, business people today know that market forces can also lead to inequality of income and wealth. When this occurs, companies can be perceived as predatory and not acting for the good of society as a whole. The field of business ethics arose out of a need to develop standards for ethical behavior. Ethical pricing strategies are an important subset of business ethics.

Pricing Ethics

Pricing ethics involves examining what constraints are needed on the pursuit of market share and profits when the actions of a company affect others adversely. For example, a company that has a monopoly on a particular product with few, if any, direct competitors needs to think carefully about raising prices if the price change can not be justified. Justification may be an increase in labor or material costs that can be demonstrated clearly to customers.

Examples of Unethical Pricing Strategies

Price gouging is an example of an unethical pricing strategy. A company may raise prices of items that are temporarily in high demand. This is sometimes seen in the wake of emergency situations when the price of plywood jumps after a flood, even though there is enough plywood to repair houses.

Predatory pricing, on the other hand, involves pricing a product low enough to dampen demand. This type of pricing is typically used to end a

competitive threat. The company lowering the price is operating to protect market share from moving to the competition.

High Pressure Pricing Strategies

Vulnerable consumer groups sometimes take the brunt of unethical pricing strategies. "Bait and switch" selling attracts consumers to a low-priced item then uses high pressure tactics to get them to switch to a higher priced item. Selling counterfeit goods, such as watches, handbags and designer athletic shoes at the same high price as the "real" goods, is another example of an unethical strategy.

Developing an Ethical Pricing Strategy

The Institute of Business Ethics suggests that companies issue statements of ethical practice in regard to their dealings with customers. This includes pricing and should include statements about when the company can raise prices and by how much, how pricing should be communicated to the consumer and the company's pledge to follow all applicable pricing laws. The ethical pricing statement should be reviewed periodically to ensure guidelines are followed.

Legal and Ethical Consideration in Pricing

1. **Deceptive pricing - can't bait and switch:** Advertises a product that is not available for sale and when consumer comes in search of that product the dealer attempts to switch the purchase to a more profitable item that is on hand.
2. **Resale Price Maintenance :** No manufacturer can force retailer to sell the product at the MRP, and if it does it will amount to unfair trade practice.
3. **Different price for the same item for two different customers :** For the same product at the same place two different prices can't be charged.
4. **Predatory Pricing :** No marketer is permitted to sell an item at a loss to bankrupt the competition. Often Multi Nationals are blamed to charge predatory pricing so that local players get out of market and then the MNE charges high price as there is no competition.

5.4 PRODUCT LINE PRICING

Q13. Define Product Line Pricing. Explain the different types of Product Line Pricing.

Ans :

Pricing is one of the most important elements of the marketing mix and has the most effect on whether or not the strategy is successful. Product line pricing (PLP) is a pricing strategy used to sell different products in the same product range at different price points based on features or benefits.

Product lining is the marketing strategy of offering several related products for sale as individual units. A product line can comprise related products of various sizes, types, colors, qualities, or prices. Line depth refers to the number of subcategories a category has. Line consistency refers to how closely related the products that make up the line are. Line vulnerability refers to the percentage of sales or profits that are derived from only a few products in the line. The number of different categories of a company is referred to as width of product mix. The total number of products sold in all lines is referred to as length of product mix. If a line of products is sold with the same brand name, this is referred to as family branding.

Types of Product Line Pricing

There are four types of product line pricing strategies. They are,

1. Captive Pricing

Many organizations produce certain products that must be used with the main product, make good use of this pricing strategy. Some examples are, Ribbons for typewriters and older printers, toners for laser printers, film for cameras, blades for razors, spare parts for automobiles and so on.

Today, laser printers are priced low whereas toners have large profit margins. Games for play stations are also high profit products.

2. Premium Pricing

In premium pricing strategy, marketers set the highest price for the highest quality product or most versatile product of the product line.

This strategy gives more profits to the organisation compared to other strategies. Premium pricing strategy can be applied to the products like - kitchen appliances, ice-cream, television, cable service etc.

3. Price Lining

Under price lining strategy marketers sell goods only at predetermined prices which denote definite price breaks. For instance, seller selling men's ties at ₹ 100 and ₹ 150. Therefore, price line strategy is mostly used for clothing and accessories.

4. Bait Pricing

In bait pricing strategy, marketers set low price for one product with a intention to sell the other product at higher price in the same product line. Therefore, this type of pricing strategy is very helpful in increasing the sales of higher priced products. Example: A computer seller may advertise its low priced computers to the customers with a intention to attract the customers towards his/her shop. When customers arrive at his/her shop, he can sell high priced computers to them.

Q14. How would a business estimate the price elasticity needed for a price decrease that would maintain the current level of profits?

Ans : (Feb. - 17)

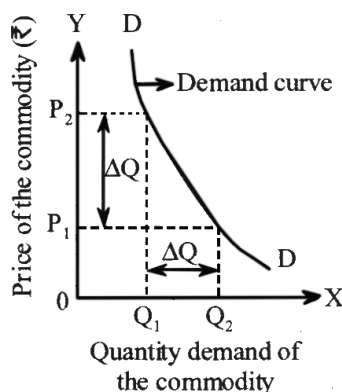
Price elasticity of demand can be defined as the extent of response of demand for a commodity to a given change in price, with other demand determinants being constant.

$$\epsilon_p = \frac{\text{Proportionate change in the quantity demanded of a commodity}}{\text{Proportionate change in the price of the commodity}}$$

Price elasticity of demand is categorized into five types, perfectly elastic demand, perfectly inelastic demand, unitary elastic demand, relatively elastic demand and relatively inelastic demand. Among these four types of price elasticity of demand, unitary elastic demand is a type of price elasticity where the percentage of profits remain

same irrespective of the decrease in price. Therefore, the price elasticity needed for price decrease that would maintain the current level of profits is 'Unitary elastic demand'.

When a proportionate change in the price of the product leads to equally proportionate change in its quantity demanded then the commodity is said to have 'Unitary Elastic' demand. The elasticity coefficient of unitary elastic demand is $\epsilon_p = 1$. The shape of the demand curve is a rectangular hyperbola as shown in figure (4),



Q15. What is plus one pricing and why is it more likely to be used in the mature stage of the product life cycle?

Ans :

Organization follow different types of pricing strategies depending upon the market conditions, the production costs and the stage of the product life cycle. When a product is in the maturity stage of the product life cycle, firms prefer to follow the plus one pricing strategy.

Under the plus one pricing strategy, the firm would calculate the sum total of all the costs it has incurred towards production of the good or service and then add up (plus) a calculated portion as, a profit plus one pricing is also known as full cost of mark up pricing.

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

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

Where,

α – Unit cost (Fixed cost + Variable cost)

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

Organization prefer the plus one pricing strategy during the maturity period of the product life cycle, for the following reasons,

- During the maturity phase of a product, there would be stiff competition in the industry. This firms projecting a higher price would be eliminated. Thus, to remain competitive firms opt for plus one pricing strategy.
- Another reason for employing the plus one pricing strategy is to boost sales and capture the market. During this stage, the prices are cost initiated and not demand initiated.
- During the maturity stage the demand is stagnant and most competitors have a similar cost structure.

If the organization charges a higher price, the customers would deflect to competitor firms.

5.5 WORD OF MOUTH

Q16. Define Word of Mouth. Explain the characteristics of word of mouth.

Ans : (Aug. - 17)

Word-of-mouth advertising is important for every business, as each happy customer can steer dozens of new ones your way. And it's one of the most credible forms of advertising because a person puts their reputation on the line every time they make a recommendation and that person has nothing to gain but the appreciation of those who are listening.

Characteristics of Word of Mouth

A word of mouth communication can be done either online or offline. It has the following three important characteristics which are as follows,

1. Credible

Word of mouth is a persuasive communication which influences the buyers significantly as the individuals know respect and trust each other.

2. Personal

Word of mouth is a close and friendly conversation which displays personal facts, opinions and experiences.

3. Timely

Word of mouth communications takes place when the individuals desires and are interested. It usually follows an important and significant events or experiences.

Word of mouth communication is one of the important aspect of social networks which deals with several conversations and communications among various parties. This type of communication can be used effectively for smaller business for which the customers has more personal relationships.

Types of Word of Mouth Communication

Some marketers have classified word of mouth communication into two types which are as follows,

1. Buzz marketing and
2. Viral marketing.

1. Buzz Marketing

Buzz marketing is a type of word of mouth communication in which unexpected or immoderate methods are used for providing eagerness, publicity and communicating information about the new brands. The firms makes use of agencies for creating buzz. Example: Buzz agent is one of the buzz building organizations.

2. Viral Marketing

Viral marketing is one of the type of word of mouth communication which encourages the buyers to see the developed products and services of the firm listens its audio, see its video or written information. An effective viral campaign depends mainly on sites, blogs, cell phones and message boards.

Thus, buzz marketing as well as viral marketing makes the brand attractive in the market by displaying its important features.

Q17. Explain the Advantages and disadvantages of Word-of-Mouth Marketing ?

Ans :

The Advantages of Word-of-Mouth Marketing

Word-of-mouth advertising is considered one of the most effective forms of marketing. Many companies have adopted strategies that focus on giving people reasons to talk about their positive experiences with their products or services. On a less global basis, companies are very aware that people generally prefer to consult family and friends before making many buying decisions, including choosing a lawyer or doctor, buying a car, or finding a mechanic or hair salon.

1. Effectiveness of Recommendations

One of the major advantages that word-of-mouth advertising has over other forms of marketing is the inherent power of recommendations. People are conditioned to trust recommendations from family and friends; they tend to value them more highly than anything companies can say through their various mediums of advertising. More companies are recognizing the importance of the effectiveness of recommendations and are going the extra mile to keep customers happy and willing to promote their products and services.

2. Cheap Method of Marketing

Word-of-mouth marketing is a cost-effective method of spreading information about products and services. While companies must purchase most forms of marketing, e.g. advertisements, air time, etc., word-of-mouth marketing requires no out-of-pocket expenditure. By merely providing a quality product or service, and doing so in a customer-friendly way, companies are banking on the fact that their happy customers will tell their families and friends about their experience.

3. Encourages Better Products and Services

Since word-of-mouth marketing relies on loyal customers to promote products or

services, companies have to keep their customers happy and satisfied. To do this, they can't produce goods and services that are barely average in value. The preponderance of word-of-mouth advertising—especially the online type—is driving the creation of vastly improved products or services. It's also led to an enhanced level of customer service and the careful consideration of customer feedback.

4. **Strengthens Brand Image**

Companies that have realized the great potential in word-of-mouth marketing continually strive to stand out from the crowd, rather than be one of many. The driving force behind this marketing strategy has led companies to focus greater efforts on building customer loyalty, since it's through loyal customers that word-of-mouth advertising is successful. The more customers are encouraged to be loyal to a product or service, the greater the level of promotion they do for it, something that enhances the company's brand image.

The Disadvantages of Word of Mouth Marketing

Blogs, video marketing, social media networks and forums enable consumers to spread the word about products and services they use. Before making a purchase, consumers often speak with friends and family members for opinions and scour the Internet searching for information on the brands they want to use. While many businesses celebrate word-of-mouth marketing because it comes directly from the consumers and because it's often free, word-of-mouth marketing does have disadvantages.

1. **Negative Customer Feedback**

No matter how much effort you put into providing a quality product, superior customer service and a memorable customer experience, you still run the risk of having a customer who is not impressed with what you provide. Whether the customer doesn't like the flavor, thinks the price is too high or stopped using the service soon after signing up, a customer who does not see value in

what you offer can cause a negative impact on your business through word-of-mouth marketing.

2. **Untrackable Results**

It's virtually impossible for business owners to track every aspect of word-of-mouth marketing. It's not structured like email marketing, where you can track open rates and clicks, or like a radio advertisement where you can estimate how many listeners are tuned in to hear the advertisement. Business can however monitor when their brands are mentioned online with free sites and products such as Technorati, Twitter Search and Google Alerts. Paid applications such as Reputation Defender, BuzzLogic and Radian6 can also help businesses monitor their online reputations.

3. **Permanent Internet Footprint**

Since a lot of word-of-mouth marketing takes place online, through social media networks, negative comments about a brand, their employees or products appear in Internet search results. Potential customers who do a web search are able to find the negative comments, reviews and other feedback and may use it to determine whether or not they'd like to initiate a relationship with a business.

4. **Bad Referrals**

Business owners often participate in word-of-mouth marketing when they refer colleagues and clients to other businesses for services they may not provide. Referrals are risky and can greatly impact your reputation as a business owner. Whether you endorse a company on your website or give a verbal suggestion, if a client or colleague has a negative experience with the company you refer, there's a risk that your name will be associated as the source. It may also make customers and colleagues feel like they can't depend on your referrals in the future and damage your business relationships.

5.6 RURAL MARKETING

Q18. Define Rural Marketing ? Explain the importance of rural marketing ?

Ans : (May-19, July - 18 , Feb. - 12)

According to National Commission on Agriculture "Rural marketing is a process which starts with a decision to produce a salable farm commodity and it involves all the aspects of market system, and includes pre and post harvest operations i.e. assembling, grading, storage, transportation and distribution".

This definition is very limited in scope as it covers only what is produced in rural areas, i.e., agricultural produce. Actually it is a definition of agricultural marketing rather than rural marketing. Because rural marketing involves delivering manufactured or processed inputs or services to rural producers or consumers. The definition talks of only movement of goods from rural to urban areas. Hence the definition ignores the movement of goods and services like consumables, consumer durables, agri inputs, and implements from urban to rural areas. Thus, there is no orientation towards activities of the organised sector, i.e., corporate sector.

In our opinion rural marketing is movement of goods, services, and ideas to rural areas by using marketing tools and techniques with an objective of satisfying rural consumers so as to achieve organisational (marketer's) objectives.

Growing Importance of Rural Marketing

Following factors have contributed to the growth of rural marketing :

- 1. Employment Opportunities:** The income from new employment schemes and rural development efforts of the government and the corporate sector efforts has increased the purchasing power of rural people.
- 2. Agricultural Revolution:** Due to green revolution and white technological breakthrough in the form of green and white revolutions have taken place in rural India, which results into substantial wealth generation in these areas.

3. Favourable Government Policies: Tax exemption in backward areas, subsidy, concession, incentives and heavy investment in rural development programmes have brought rapid growth of rural markets and capital investment plans of Consumer Goods Companies.

4. Literacy Growth: Literacy rate is increasing in rural areas. According to Census 2011 it stood at 68.9% (2001 census 58.7%). There are now more graduates in rural than in urban India. This brings social and cultural changes in buying behaviour of the rural customers.

5. Rising Disposable Income: Good monsoons, green revolution and Administered Pricing Mechanism (PAM), and NREGA have led to rising disposable income in rural areas. According to Advanced Estimates of National Income released by the Central Statistical Office (CSO).

6. Attraction of Higher Standard of Living: Education, constant touch with urban areas, and Hindi Movies have motivated rural people to change their life-styles and have higher standard of living.

7. Spread of Cable Television: The growth of satellite TV channels has made a major impact on villages. This has led to a change in life-style and consumption pattern.

Q19. Explain the opportunities in rural marketing.

Ans : (Sep -16)

The opportunities in rural markets are as follows,

1. Untapped Potential

Rural markets provide great opportunities to sell various branded goods and services for huge number of customers. This market is not exploited or used by marketers. It has been ascertained that, only in India one lakh villages out of five lakh had been tapped till now, which signifies the untapped potential of rural markets.

2. Market Size and Potential

The rural market's size of India is estimated to be 12.2% of the percentage of world population. This indicates that 12.2% of the world's consumers resides, in rural India. The rural households in India constitutes about 72% of the total households which makes up a large market.

3. Current Consumption

There are some durable and non-durable goods whose purchase and consumption by consumers are more in rural areas when compared to urban areas. The durables which have more demand in rural areas are radio's, bicycles, securing machines etc. It has been found that for durables and washing machines, the growth rate has been 37% and 25% annually. The consumption rate of various non-durables in Indian rural markets are as follows.

4. Increasing Income

The government had taken several initiatives for enhancing the economic situation of rural areas. The increase in income is observed with respect to values and average number of days of occupation in a year.

5. Accessibility of Markets

Although the road network had not developed completely an adequate development has made in several regions which made these regions accessible from the urban region, and made the product supply easier to these regions.

6. Competition in Urban Areas

The urban market is becoming saturated, and is not able to provide the required market to several companies so most of these firms are planning to target the rural market.

Q20. What are the key challenges in rural marketing ?

Ans : (Sep -16)

- 1. Vastness and Uneven Growth:** India has about 5 lakhs villages, which are scattered over a wide range of geographical area, and also they are not uniform in size.

- 2. Transport Problem:** Transportation infrastructure is very poor in rural India. Though India has the fourth largest railway system in the world, many villages remain outside the railway network. Many villages have only kaccha roads while many of rural interiors are totally unconnected by the roads. Because of this the physical distribution is difficult in rural areas.

- 3. Communication Problems:** Communication infrastructure consisting of posts, telegraphs and telephones are inadequate.

- 4. Warehousing Problems:** Central Warehousing Corporation and State Warehousing Corporation do not extend their services to the rural parts. The warehouses at mandi level are managed by co-operative societies who provide services to members only.

- 5. Many Languages and Dialects:** The number of language and dialects vary widely from state to state, region to region and even from district to district. Though the recognized languages are only 16 the number of dialects is around 850.

- 6. Market Organization & Staff:** Rural marketing needs large marketing organization and staff to have an effective control, which requires huge investment.

- 7. Non-Availability of Dealers:** It is not possible to have direct outlets in each rural market; firms need to have service of dealers, which is not easily available.

- 8. Hierarchy of Market:** Rural consumers have identified market places for different items of their requirements. Thus depending upon the purchase habit of rural people, the distribution network of different commodities has to be different.

Q21. Define urban marketing.

Ans :

Urban marketing implies choosing some suitable ways of projecting and organizing cities to meet the requirements of the target segments interested in urban development. It is considered

that urban marketing reached its goal when the businessmen community and the citizens are satisfied with the urban economic- social environment, when the visitors' and investors' expectations are met.

Urban marketing becomes an outstanding characteristic of the strategy of local economic development. The economic development implies establishing a long-term marketing strategy oriented to preserving and developing the natural, economic and manmade potential of the local community.

Urban marketing is used to accomplish several goals, such as creating a positive image for the community, attracting of companies, institutions, tourists and specially-skilled work force but as well has to find markets for their exports, to adopt instruments for the strategic marketing management in order to create an "urban brand".

Q22. Compare and contrast urban marketing and rural marketing.

Ans :

(March -15)

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

5.7 BOTTOM OF THE PYRAMID (BOP)

Q23. Define Bottom of the Pyramid ? Explain the characteristics of Bottom of the Pyramid ?

Ans :

The Bottom of the Pyramid (BOP) is a socio-economic concept that allows us to group that vast segment - in excess of about four billion - of the world's poorest citizens constituting an invisible and unserved market blocked by challenging barriers that prevent them from realising their human potential for their own benefit, those of their families, and that of society's at large.

Technically, a member of the BOP is part of the largest but poorest groups of the world's population, who live with less than \$2.50 a day and are excluded from the modernity of our globalised civilized societies, including consumption and choice as well as access to organised financial services. Some estimates based on the broadest segment of the BOP put its demand as consumers at about \$5 trillion in Purchasing Power Parity terms, making it a desirable objective for creative and leading visionary businesses throughout the world. One of the undeniable successes in this process is the explosion of the Microfinance industry witnessed in many parts of the world.

Characteristics of the BOP Market**1. Unmet Needs**

One could infer that some needs and wants of the BOP tier and the other tiers are similar, while some needs and wants of the BOP tier could be unique. For instance, BOP and all other tiers may have common needs for efficient transportation system, ICT (Information and Communication Technologies) equipment, banking services, water, electricity, health services, etc. However, need for electronics, apparel, entertainment, etc., may vary across people in BOP tiers and other tiers on the world economic pyramid. People at the BOP are willing to pay for it, but don't have access to it.

2. Subsistence Livelihood

Subsistence livelihood can be explained as the minimum resources required to fulfill the basic needs necessary for one's survival. One may argue that subsistence livelihood is earning above the government determined poverty line or earning minimum wage prescribed by the government of India. The defined poverty line in India is ₹32 per day, per person for urban areas and ₹6 per day, per person for the rural areas. Another measure to assess the subsistence livelihood of the people is the minimum wage. The power of establishing the minimum wage floor has now been given to the state government. Minimum wage starts from ₹100 per day, per person and goes up to ₹370 per day, per person, depending on the state policies, scheduled employment, and skill set of the workers.

3. Poverty Penalty

Poverty penalty can be explained as the excessive price paid by the poor segment of the population against the price paid by the rich for the same goods and services. Despite the meager incomes and financial uncertainties inherent to the BOP, people in BOP tier often end up paying higher prices than people in the top tiers for same goods or services.

For example, BOP tier constituents often obtain loans from money lenders because they do not have access to organized banking services. The rate of interest charged by these money lenders is much higher than the rate of interest charged by the banks. Instances of people succumbing to the pressure created by informal lending practices are rampant across India. Many people end up committing suicide or end up repaying their loans for the rest of their lives.

Q24. Explain the challenges of marketing to Bottle of Pyramid ?

Ans :

1. Limited Purchasing Power

Consumers in the BOP tier have limited purchasing power because of their subsistence livelihoods. They cannot buy a lot of things they may need. It is believed that BOP consumers are price sensitive and value conscious. Thus, it can be inferred that BOP constituents will make a purchase that will be based on maximization of utility rather than purely hedonic reasons. According to C. K. Prahalad, some BOP consumers prefer purchasing durable and trustworthy brands. Thus, the private sector may need to create goods that are not only of good quality but also affordable for the BOP constituents.

2. Lack of Financial Services

It is believed that majority of the consumers from the BOP don't have access to formal credit services. Further, they cannot attain loans because of lack of collateral securities. Many BOP constituents do not have bank accounts because of lack of guarantors and the required minimum balances.

Plausibly, BOP constituents may not have any access to organized financial services industry posing a challenge to the private enterprises for sale of durables and white goods. Given that most consumers have little surplus money and limited access to credit, sale of durables to the BOP tier becomes a challenge.

3. Inadequate Institutional Framework/ Undeveloped Market Structure

Most of the BOP population lives in the rural areas. Access to rural areas for marketing goods and services is a challenge for business firms due to limited infrastructural development in the rural areas. Thus, availability of products and services largely depends on small local retailers, who may have limited ability to maintain inventory. Due to the limited availability and readiness of local retailers to offer credit, consumers in BOP tier continue to stay loyal even if their prices are a little higher than in the cities nearby. Most BOP consumers develop a relationship with the local retailers and the relationship thrives on serving each other's needs.

The BOP consumers are provided important products on credits by local retailers while enjoying continued retail patronage with high profit margin. Given the nature and type of transactions, firms will have to break through the aforementioned challenges caused by the insufficient market structure to be successful in the BOP tier.

4. Lack of Knowledge in Customers

It is also believed that consumers in the BOP lack awareness of various products and services offering that are available in the market. Due to lack of consumer awareness, BOP constituents may not necessarily know the best prices to pay for goods and services purchased by them. Thus, for private enterprises to successfully venture into BOP tier, they will need to educate the consumers.

Private companies along with selling their products will have to create awareness about the product usage by conducting demonstrations, providing free samples, mass media advertising, etc. It is believed that BOP tier is not very well connected with the other tiers of the economic pyramid because of insufficient infrastructure like transportation, telecommunication services, etc. Consequently, effective communication is very essential for both the private and public sector firms for better penetration and outreach into BOP tier.

5.8 RELATIONSHIP MARKETING

Q25. Define Relationship Marketing ? How to build a customer relationship ?

Ans : (Nov.-20, Sep -16)

Customer relationship marketing (CRM) is a business process in which client relationships, customer loyalty and brand value are built through marketing strategies and activities. CRM allows businesses to develop long-term relationships with established and new customers while helping streamline corporate performance. CRM incorporates commercial and client-specific strategies via employee training, marketing planning, relationship building and advertising.

Customer relationship management (CRM) focuses totally on customers and the organisation's entire gamut of functions related to value creation and value delivery. It is concerned with developing brand loyalty and customer loyalty the highest possible level, to maintain long-term customer relationship.

Customer relationship management is defined as "a management process of acquiring customers by understanding their needs, retaining customers by fulfilling their needs more than their expectations and attracting new customers through customer specific strategic marketing approaches. The process involves total commitment on the part of the entire organization in evolving and implementing relationship strategies that would be rewarding to all concerned."

The focus on CRM is beneficial to both the organizations and the customers. The organizations benefit from reduction in customer acquisition costs, generation of more loyal customers, expansion of customer base, reduction in advertisement and promotion expenses, increase in the number of profitable customers, the possibility to introduce new products easily and also the possibility to expand the business.

CRM is beneficial to customers in the form of improved service quality, personalized service, reduction of risk and stress, increased value for money and empowerment.

Building Customer Relationship

Mahatma Gandhi has emphasized the importance of customers to organizations thus :

“A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption on our work.

He is the purpose of it. He is not an outsider on our business. He is a part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us the opportunity to do so.”

The means to build long-lasting relations with customers is to create superior customer value and customer satisfaction. Loyalty comes out of satisfaction and loyal customers are likely to patronize a company's products or services for a long time. Therefore, to attract and retain customers, an organization should constantly seek ways to deliver superior customer value and satisfaction.

1. Customer Value

Normally, a customer buys from the company that offers the 'highest customer perceived value', which is the customer's evaluation of the difference between all the benefits and all the costs of a product or service offer compared to those of the competitors.

2. Customer Satisfaction

Customer satisfaction is the extent to which a product's perceived performance matches a buyer's expectations. If the product's performance falls short of expectations, the customer is dissatisfied; if it matches expectations, the customer is satisfied. If it exceeds expectations, the customer is highly satisfied or delighted.

Successful marketing companies go out of the way to keep their customers satisfied or delighted. They strive to match customer expectations with company performance. Some companies aim to delight customers by promising only what they can deliver, then delivering more than they promise. Marketers use the Customer Satisfaction Index (CSI) to track satisfaction levels.

Five Common Perception Gaps

Perception gaps are the difference between how the company (or the marketer) and its customers view its products or services. The common gaps are the following:

1. The gap between what the company thinks the customer wants and what the customers actually want.
2. The gap between what the company thinks the customer has bought and what the customers perceive they have received.
3. The gap between the service quality the company believes is being provided and what the customer perceives as being provided.
4. The gap between the customer's expectation of service quality and the service quality the company actually delivers.
5. The gap between the marketing promises and the company's actual delivery.

Q26. Explain the Strategies for Build the Relationship ?

Ans :

The strategies for building and maintaining customer relationship will vary from company to company. The variations will depend on factors like nature of business, its size, its market share, nature of product type, volume of sales, geographic spread or concentration, socio-economic status and life-style of the customers concerned, competitor's strength, etc. Some major strategies which are commonly practised in various combinations by successful companies are explained below:

1. People

All the employees within the company have an important role in CRM. Every employee should understand that his or her work is towards satisfying the customers. The marketing department should coordinate integrated activity towards customer satisfaction.

2. Product

The product or service must constantly provide value addition. The expectations of the customer keep on changing and may increase due to many reasons. A customer

satisfied with a given product or service now may soon become a dissatisfied customer in view of the changes taking place in his expectations. Customer's expectations often go beyond physical tangibles and may be influenced by emotions and other psychological factors. Manufacturers and marketers must correctly understand the customer's expectations and match them.

3. Service

Customers expect quality service during pre-sales, sales, and after-sales phases. The company has to set standards for quality of service and adhere to it to satisfy its customers.

4. Competitive Advantage

Customers always compare the products, services and style of operation of a company with competitors to decide their future purchases. So a company needs to make similar analysis and increase its strengths and reduce weaknesses, to ensure that it delivers customer value and satisfaction better than the competitors and maintains competitive advantage. This will help to retain its customers.

5. Partnership with Customers

Partnership alliance will help to build relationship with the customer. Partnership understanding could be in the form of buy-back arrangements, training employees and extending managerial support to the customer organizations. It creates proof for the care and interest shown by customers towards a company.

6. Customer Clubs

Formation of customer clubs is another way to promote relationship. Such clubs will focus a sense of mutual belonging, understanding, and sharing of common problems and emotions. An ideal customer club can act as a bridge between companies and the customers. The clubs provide a direct two-way communication process where the company can inform customers about its marketing activities and products while understanding the needs and problems of its

customers. It helps to enhance the level of satisfaction and improve relationship.

7. Frequency/Loyalty Programmes

Many companies offer frequency marketing programmes or loyalty programmes that reward customers who buy frequently or use a service frequently. Airlines offer frequent-flier programmes, hotels give room upgrades to their frequent guests, and supermarkets give patronage discounts. Such programmes will induce customers to continuously patronize a product or service from a company, thereby building a long-term relationship.

Organizations should volunteer to identify themselves with all social events with which the customers and organizations are concerned. They can celebrate religious functions and national festivals; organize or sponsor cultural meets, sports, etc., in their locations. Similarly, the organizations must come forward to help whenever a crisis situation arises which disturbs the normal life of the customer. This approach makes the organization a part of the customer's life and will help to build relationships.

8. Communications and Complaint Redressing

Organizations should develop simple, open, efficient customer-friendly communication. A good communication system tuned to customer requirements will improve relationship. An organization should also have an efficient and transparent complaints redress system and complaint-monitoring cell. Customer complaints should be handled effectively and expeditiously to the full satisfaction of the complainants. This would enable the creation of better relationship with the customers.

9. Brand Switching Barriers

Some organizations build brand-switching barriers to retain customers by making it difficult and costly for customers to change brands. Examples are incentive schemes, annual quantity rebates, relationship-based pricing, additional services, attractive prize schemes, and sentiments-based schemes.

5.9 RETAIL MARKETING

Q27. Define retail marketing.

Ans :

Retail marketing refers to the range of activities undertaken in the retail store by the retailers as well as the brand to promote the products to the customers in order to generate awareness, interest, and sales.

In simple words, everything from the interior and exterior of the retail store, to in-store advertisements, product placements, offers and promotions, and the behaviour of store representatives comes under retail marketing.

Examples

Ikea is often cited as the best example of implementing great retail marketing strategies. The company designs its stores as mazes to stop shoppers to leave the store and end up buying more.

Another example of smart retail marketing is Aldi which focuses on operating small stores, stocking up store-owned brands, using in-store offers 24 × 7 × 365, and stocking up products in their original shipping containers.

Q28. What are the strategies of retail marketing?

Ans :

Retail Marketing Strategies

Different retail marketing strategies can be planned and employed for different types of retail outlets. The elements which should be considered while crafting a retail marketing strategy are:

i) Target Market

The market segment which the retail outlet caters to.

ii) Retail Format

It's the retail mix of the retailer and the type of the store (ownership-based, franchise-based, discount-store, etc.)

iii) Sustainable Competitive Advantage

An advantage over the competitors.

The main objective of the retail marketing strategy is to differentiate the retail store from the competition by setting up and promoting a sustainable competitive advantage which leads to increased sales.

The contours of the retail marketing strategy include:

- **Retail Branding:** Setting up a good brand name, logo, and positioning of the retail store is among the topmost priorities of a retail marketer. Customers are more motivated to buy a product from a branded retail store than an unbranded one.
- **Price Drops:** A great way to attract customers is to provide the same quality (and quantity) of goods at a lesser price than the competition.

Q29. Explain each element of the retail marketing mix.

Ans :

The retail marketing mix consists of the following elements:

1. Product Offerings

This refers to the product mix that the store retails for customers after a careful study of what their needs and wants are. By matching customer preferences with an assortment of merchandise offered within the store's categories, the retailer gets an ideal basket size per customer. The basket size contains the mix of items a customer buys during a visit.

2. Place

This is the location of the store and its catchment boundaries. The key to optimizing the element of 'place' in the marketing mix is to undertake local marketing efforts besides the national marketing plan.

Determining the market share of the store in the catchment area gives an indication of its performance and efficiency.

3. Price

Price is an important element in the marketing mix as customers are very price-sensitive. Pricing is of different kinds:

- Maximum retail price (MRP) on items generally means full pricing. Promotional pricing involves a temporary reduction in the price to the customer during a particular season, while closing a particular line, or to clear saleable defective and shop-soiled merchandise.
- Loss leader pricing is a tactic used to sell at cost or a little above cost a few critical items to get more footfalls into the store.
- Odd pricing is the way footwear organizations like Bata price their products in India — at levels like Rs. 129.95, 149.95 etc.
- Price bundling is the reduced price offered for a bundle or a predefined group of merchandise when bought together by the customer.
- Everyday low pricing (EDLP), which is not a familiar concept in India, is pricing different kinds of merchandise on a lower scale everyday. If pricing is innovative and exclusive to the identity of the store, offering the right value to the buyer, it will bring in more and more customers and help the retailer to retain them as well.

4. Promotions and Events

These help the store to achieve its short-term goals. Promotions may be price-led or occasion-led, in which case special merchandise is offered by the store only for the occasion (example: Dandiya). Most retail organizations run promotions during festival seasons like Diwali, Christmas, New Year, Valentine's Day, Id, and so on.

Sometimes promotions are driven by brands in cooperation with the retailer. Retail events are gaining significance in India with retailers preferring them to direct price-offs. However, if run very frequently promotions may prove detrimental to the image and positioning of the store.

5. People

There are two kinds of people as far as the retail marketing mix is concerned: People to Serve (customers) and People that Serve

(employees). It is customers who determine whether the retail store is selling the right products and services. People that serve the organization are the ambassadors or the face of the retail store. Excellent delivery standards — which go hand-in-hand with the image and positioning of the store — can be achieved only if the staff are trained well.

6. Presentation

Presentation is the way products and services are grouped and presented in a retail store. Such presentation should conform to the store's positioning and customer profile. For instance, a boutique selling designer garments needs to present its merchandise in exclusive splendour it cannot use ordinary furniture and fixtures. Attending on customers in the boutique ought to be done on a very personal basis, as a mass approach will turn them away.

Q30. Write notes on the elements of the advertising mix in retailing.

Ans :

Advertising in retailing, like FMCG sales, involves both above-the-line (media) and below-the-line communication. The advertising mix of the retail store consists of:

- (a) Point of sale (POS) advertising.
- (b) Sales promotion
- (c) Publicity.
- (d) Personal selling.

(a) Point of sale (POS) Advertising

This is more relevant to the retail store's communication strategy than above-the-line media communication. It is an interesting point that the point of sale itself forms a communication medium as advertising can be done within the store.

POS advertising is in the form of materials and activities. POS materials include festoons, buntings and posters that can be used within the retail premises. POS activities consist of displays, visual merchandising, display contests, shelf-on-hire (SOH) for brands, etc. POS advertising is very cost-effective and addresses the right target customers

as they come into the store itself. There are separate places within the store earmarked for in-store branding and signage effectively used for advertising within the store. This is commonplace in convenience stores and food supermarkets.

(b) Sales Promotion

Sales promotions are done with special communication and displays. It uses copy similar to those used in media advertising and other props and materials so that it immediately attracts the customer's attention when he or she enters the store.

Sales promotion need not necessarily involve price-offs every time. The promotion may be for a new product line or a new category that has hit the shop-shelves by way of displays and special product corners. For instance, the bookshop Crossword has a special sales promotion podium for the latest arrivals with sections like bestsellers, recommended reading etc. Sales promotion communication takes place by shelf-talkers thematically designed for the promotion. The theme is extended even to the uniforms that store sales personnel wear.

(c) Publicity

Publicity is the non-paid advertising mileage that the retail organization gets through free write-ups in media about the store's latest arrivals, sales promotions or any event that the store or brand has organized to achieve its sales objectives. New store launches get a great deal of publicity by way of television interviews of the CEO, interviews on FM radio channels, and interviews and write-ups in the press. Most organized retailers employ PR agencies as retainers. Innovations and exclusive programmes are generally accorded the greatest media hype by public relations.

(d) Personal Selling

Sales and service personnel in the retail organization are its ambassadors, and communicate the value proposition of the entire store. Well-trained sales and service associates who advertise the store by their extraordinary selling and service skills are assets to the retail organization.

Personal selling helps in cross-selling complementary items to the customers, up-selling to achieve higher volumes and selling add-ons to increase average ticket size. Sales associates can do personal selling by making suggestions to customers on what they need to buy for specific needs.

5.10 DIGITAL MARKETING

Q31. What is digital marketing? Explain the objectives of digital marketing.

Ans : (July -16)

In simple terms, digital marketing is the promotion of products or brands via one or more forms of electronic media. Digital marketing is often referred to as online marketing, internet marketing or web marketing.

"Digital marketing" is the process of building and maintaining customer relationships through online activities to facilitate the exchange of ideas, products, and services that satisfy the goals of both parties.

Definition of Digital Marketing

Digital marketing can be defined as the process of promoting of brands using digital distribution channels comprising internet, mobile and other interactive channels. The basic advantage in this form of advertising lies in its low cost model.

Objectives of Digital marketing

One way to make sure you are found on the web is with an optimized digital marketing strategy. Most digital marketing strategies and campaigns have following 5 objectives.

- Reaching the right audience
- To engage with your audience
- To motivate your audience to take action
- Efficient spending on your campaign
- Return on investment (ROI)

Q32. Explain the Classification of digital marketing.

Ans :

Digital Marketing can be classified into Pull and Push marketing.

1. Pull

Pull digital marketing technologies involve the user having to seek out and directly grab (or pull) the content via web searches. Web site/ blogs and streaming media (audio and video) are good examples of this. In each of these examples, users have a specific link (URL) to view the content.

2. Push

Push digital marketing technologies involve both the marketer (creator of the message) as well as the recipients (the user). Email, SMS, RSS are examples of push digital marketing. In each of these examples, the marketer has to send (push) the messages to the users (subscribers) in order for the message to be received.

Q33. What are the Major Factors Affecting the Digital Marketing ?

Ans :

- a) **India's literacy:** rate is at 74.04%. Kerala is the most literate state in India, with 93.91% literacy. Six Indian states account for about 70% of all illiterates in India: Uttar Pradesh, Bihar, Madhya Pradesh, Rajasthan, Andhra Pradesh and West Bengal. Thus increasing literacy positively effecting the digital marketing growth in India .
- b) **Expensive technology:** The mobile and internet rates are very competitive and now it is in reach of a common man also.
- c) **Cost of advertising:** The cost of advertising is very low. One can have its own website in just Rs. 5000 in India. One can promote his product on Google with Google Adsense with just Rs.1000 a month.
- d) **Inherited limitation of Technology:** In India the youth is very adaptable towards technology but still large population is not so friendly with the electronic gadgets.
- e) **Unavailability of Infrastructure facilities in India :** The internet connectivity is still not available in Indian rural areas.
- f) **Believe in Traditional business practices :** The small businessman having running its business in a small area and quite focused on that area only then he prefers Traditional ways of Promotion as it he finds it is more visible to the people around.
- g) **Lack of Online Business Experience:** Lack of awareness about the digital marketing is also a major limitations in the growth of the digital market.

Q34. What are the components of digital marketing ?

Ans :

Digital Marketing is an effectual way of promoting services and products through electronic gadgets like Smartphones, desktops and tablets. Organizations can outspread themselves to reach the targeted audience with Digital marketing. Companies can choose numerous ways to get in touch with people.

Digital Marketing can help companies to analyze and run various marketing strategies and campaigns that are gaining outcome. It is one of the cost-effective ways to optimize ROI of organizations. As an organization, you can interact with your targeted customers without any intervention, anytime, anywhere to provide complete information regarding your products, brands and services. With Digital Marketing, businesses can build their brand value and people trust-flow in the market.

Components of Digital Marketing

Digital Marketing consists of multiple elements. Organizations utilize these components to achieve high productivity. The basic and crucial elements of Digital Marketing are discussed below:

1. Search Engine Optimization

SEO is the list of activities that are carried out to boost the volume of traffic on a website through search engines like Google, Yahoo, Bing, MSN etc. Search Engine Optimization assures that a particular website can be found, for the keywords or phrases that users are searching in the search engine and that are relevant to their products and services, they offer.

2. Search Engine Marketing

Search Engine Marketing consists of paid methods that help in increasing visibility of a business or a brand. Paid approach indicates various methods like PPC (pay-per-click), in which search engines imposes cost to a company whenever their website is clicked by user.

3. Social Media Marketing

Nowadays, social media is a good way to reach to the audience. Using social media networks like Facebook, Twitter, Google Plus, LinkedIn etc, companies can acquire one fourth of the internet users and can share their offerings with them. Acquiring is not enough; Customer engagement is also very important to gain customer loyalty. So, engaging them with different offers can get more business for organizations.

4. E-mail Marketing

E-mail Marketing is an eminent way of targeting audience. Organizations can send newsletters, commercials and various offers related to their business, to their targeted audience as well as their old and existing customers.

5. Affiliate Marketing

In this method, organizations pay one or multiple affiliates for each lead or conversion, depending on the model they prefer. Affiliate marketing basically involves two or more companies in which one is paying other for the lead generation or any conversation. This can be considered as CPA (Cost Per Action), that the affiliates get for each conversation.

6. Mobile Marketing

Mobile marketing involves the process of promoting the products and services of an organization via mobile phones in the form of SMS, MMS, OR codes and VVR. It is a great approach because it can increase brand awareness easily.

7. Web Analytics

Web Analytics is an approach for tracking the user activity and traffic on a website. Using this approach, companies can easily track their consumer behavior, their interests, their geographical locations, number of new as well as the returning visits on their website. ROI of other marketing strategies can be determined with the web analytics technique.

Q35. Explain the need and scope of digital marketing ?

Ans :

Need of Digital Marketing

Today, the Internet is a boon that provides endless opportunities for your small, medium or large business. Currently, more than half of the global population uses the Internet. Experts say that in coming years above 80% of the world population will be online. Therefore, digital marketing has become an integral part of marketing. In this blog post, we will help you understand the importance of digital marketing for your business.

1. Cost Effective

Digital marketing is one of the most cost-effective mediums of marketing. Traditional marketing methods such as print, broadcast, etc. Require a lot of money and provide limited output. On the other hand, Digital Marketing is cheap; it suits all types and sizes of business.

2. Reach Mobile Consumers

Mobile users are growing day by day. Currently, a large portion of adult population in UK uses smartphones. With digital marketing, you can easily target your mobile audience, and convert into your customers. Reaching mobile consumers is the key for business growth.

3. Content Connects Customers

Digital Marketing allows you to use content to get connected with customers. The advantage of content is that it allows you to speak more and express more. Hence it an effective medium to convey a clear message and attract huge website traffic for the purpose of increasing sales.

4. Get High ROI

Return On Investment (ROI) is an important factor in any marketing strategy. Traditional marketing methods have low return on investment and don't suit all types and sizes of business. Where as, Digital marketing is the best method to expand customer base and gain high return on investment.

5. Different Types of Digital Marketing

There are different types of digital marketing available such as Search Engine Optimization (SEO), Pay Per Click Advertising (PPC), Social Media Marketing (SMM), Content Marketing, Affiliate Marketing, etc. You can choose any type of marketing depending on your business type, business size and business goals.

6. Tap Social Media

Social media is on the rise. Right from teenagers to old aged people, everyone is on social media. You can improve the efficiency of your campaign by precisely targeting your potential customers based on their age, location and interests. Moreover, it is an effective method to improve brand visibility and brand awareness.

7. Build Credibility

Trust plays a vital role in converting a potential customer into customer. Digital Marketing strategies will help you to place your brand on first page of Search Engine Results Page (SERP). Being in the first page of Google not only establishes trust, but also increases website traffic. As the result of which, you get new customers effortlessly.

8. Easy to Measure Outcomes

Results of traditional marketing strategies are difficult to measure. Without knowing detailed outcome, it is difficult to gauge the success of a campaign. This is not the case with digital marketing. Every single digital marketing tactic you use is measurable. You can do an in-depth analysis of present results and fine tune to achieve another landmark.

Scope of Digital Marketing In India**1. New to digital era**

Earlier people used to spend a lot of time on newspaper, television and radio to get the latest updates about what is happening around the world. But nowadays the internet has completely changed the lifestyle of the human beings for each and everything we are depending on internet. Slowly, we are shifting from traditional to digital media.

2. Easy to learn and implement

Yes..! what you have read is right. The digital marketing course is easy to learn and implement. First, a person should have patience and passion to learn and ability to think out of the box. But, initially no one can do wonders; as you gain experience you will be an asset to the organization based on your skills.

3. Flexible

As the complete tasks are done using internet one can work from anywhere. But, most of the companies won't provide access to it because as digital marketing is in the booming stage. One has to have good laptop and internet connection to do the work. As we see most of the tasks are done in a digital way. For example: to pay electricity bill; to book train or flight tickets; to order food; to book a cab; to book movie tickets; everything is done through online. So by this, we can say that we are entering into a digital world.

4. Fast Reach

Earlier the only way to get latest news or updates which are happening around the world are radio, newspaper and television. Today's scenario is completely different when something is posted on social media it is going viral because most of the people got used to it.

5. Job opportunities

As we observe the demand for digital marketing is increasing and at the same time even the job opportunities also increasing. To promote any software product or a service these days even software companies are hiring a separate team for digital marketing. This shows that how much impact it is going to show in the market and to sustain from the competition.

6. ROI

In olden days most of the companies used to spend a huge amount on traditional marketing i.e., newspapers or TV ads. But when digital marketing came into play the companies are investing less amount on

marketing and at the same time, the return is more when compared to traditional marketing. So, even top brands are switching from traditional to digital.

7. Results are measured

In every platform (SEO, SEM, SMO, SMM and Email Marketing) of digital marketing the results are measured without waiting for a long time. With the help of a variety of tools the campaigns can be measured i.e., from where the lead or conversions happened.

So, by considering the above eight parameters we can say that there is a lot of scope for digital marketing all over the world.

Q36. What are the benefits/advantages of digital marketing ?

Ans :

Advantages of digital marketing in B2B :

1. Multi-channel

By using multiple channels, digital marketing offers many opportunities (complementary to traditional marketing) and allows users / companies to act at all levels of the purchasing process.

2. Cost-efficiency

Digital marketing is less costly than "traditional" marketing; indeed "... Even stalwart traditional marketers know that they cannot compete the Internet's potential to reach thousands with just a single post". Printing and shipment costs are not taken into account in digital, this is the advantage of CPC (you pay only when click).

3. Immediate and borderless

Information, communication and advertising are instant and have no borders. This is the most efficient way to reach any customer anywhere and anytime; the best and unique way to create traffic;

4. Targeted

With digital marketing, it is very easy to target very precisely who you would like to reach; many criteria (demography, geography, function...) can be used to refine this reach. But do not turn into a spammer;

5. Inbound Marketing

By creating and sharing content specifically designed to appeal to your customers, inbound marketing attracts and retains qualified prospects to your business. This approach is very efficient and can help you reach customers at any stage of the B2B purchasing process.

6. Data Collection and Analysis

With digital marketing, B2B companies can collect a lot of data (pages visited, products downloaded, basket average, time spent on which page, what keywords, what queries) about their customers. They can track all their actions online – provided the right trackers are in place. The collection and analysis of these data represent a major asset for the sales forces and the marketing teams; especially in the perspective of very targeted marketing addressed to specific segments, and the improvement of customer experience and satisfaction.

Benefits of Digital marketing over Traditional Marketing

1. Enlarged engagement with stakeholders

A well-sought and publicized website would aid potential clients, prospects and followers in viewing your website, looking at other available products and services, buying them, rating them as well as providing feedback. All of this, while enhancing the prospects of the business. A good website, is the equivalent of an online visiting card, with much more print space.

2. Instantaneous publicity

Digital marketing allows businesses to instantaneously publicize online within a matter of few minutes as compared to the time-consuming traditional methods such as distributing sales flyers. Usage of social media may be the most effective for sharing breaking news and enabling your messages to be communicated on a larger scale and quicker, through mere 'share options'.

3. **Concurrent results and High measurability of efforts**

It helps to track the traffic coming to the website, almost simultaneously, measuring important facets such as the conversions, demographics of the audience, their locations, peak trading times and much more, all offered by Google analytics.

4. **Reduced costs**

High advertising costs for both visual and print media can be replaced for more effective and marginal costs by using digital marketing by establishing successful online marketing strategies.

5. **Brand development**

Targeting the needs of the target audience becomes easier by maintaining a website which contains quality worthy content. This gives a boost to the value generation and leads to the generation of newer opportunities. The same can be achieved via email marketing and/or social media channels.

6. **Leveled field for competing**

Strong digital marketing strategy allows diverse businesses to compete with each other on similar lines irrespective of the size. A website with good reputation, which entitles its customers to a smooth customer journey, is unparalleled. Also, in most cases, a small company can use the very same tools and techniques as a big company to play out in the same market.

7. **Simple to measure**

Google Analytics makes it easier to measure specific goals. It provides more in-depth reports of the data while making large chunks of consumer data comprehensible to all businesses. Google analytics has integrated with AdWords and launched real time analytics, all making the process even more manageable and aiding in value creation.

8. **Non intrusive communication**

Email marketing is a non – intrusive way of communicating commercial or fund raising messages to an audience, usually potential

customers while giving them an option of opting out of the regular email alerts as per relevance, opposing the traditional marketing gimmicks such as calls and messages at inconvenient times.

9. **Greater exposure**

Digital marketing opens up doors to an international platform for businesses because even a single marketing campaign can be viewed worldwide. Costs of launching a campaign against traditional methods, is considerable. However, one should view it as a long- term investment and can also optimize the key word search content.

10. **Scope for refinement of strategy**

Whilst gathering and analyzing chunks of consumer data, strategies can be upgraded accordingly. This method allows businesses to refurbish their strategies at any point to maximize efficacy at the fraction of cost of traditional marketing.

5.11 SOCIAL MEDIA

Q37. Define social media and social media marketing. Write about the important aspects of social media marketing.

Ans : (July -18)

i) **Social Media**

Social media refers to the participatory online media through which individuals can share news, photos, videos, comments etc. Social Media consists of Whatsapp, Instagram, Facebook, Google Mail (Gmail), Yahoo etc.

ii) **Social Media Marketing (SMM)**

In simple terms social media marketing can be defined as “marketing of products and services through social media websites or applications is referred as Social Media Marketing (SMM)”. It usually describes the use of social networks, online communications, blogs wikis and other types of medias for marketing sales, customer service and public relations. The most common social medias used by companies in today’s business environment includes, Twitter, Whatsapp, Facebook, Youtube etc.

Important Aspects of Social Media Marketing (SMM)

The important aspects used in Social Media Marketing (SMM) are as follows,

1. Buzz

Buzz commonly used in social media marketing. It sends copies of marketing messages through user to user. However, all messages may or may not be related to any kind of product. Most of the successful viral campaigns received too many replies through entertaining or compelling messages followed by company logo or taglines. Thus, creating buzz or newsworthy messages, events, videos, tweets, blogs etc., attracts attention of users and become viral in nature.

2. Fan Pages

Fan pages in Twitter, Facebook, Instagram and others are the new ways of enabling fans of a brand or company to promote a marketing message in multiple online social medias. For example, followers of Salman Khan promote his films or movies, followers of Narendra Modi promote political speeches and so on.

3. Friendly and Ethical

The marketing messages of products, services or any other promotion must be friendly and ethical for individuals. Because a badly designed or unethical message and campaign may backfire on the organization or marketer who have created it. In order to be successful through social media marketing, campaigns should respect the users and encourage them to forward it.

Thus, social media marketing is an effective marketing strategy for promoting products or brands in present world. But, care must be given while promoting any product or brand through social media.

Q38. Define social marketing. Explain the features of social marketing.

Ans :

Social Marketing

Social marketing is also known as "Cause-related marketing". Social marketing is concerned

with the application of marketing concepts and technologies to encourage ideas and behaviors which in turn helps in finding solutions to the social problems.

According to Kotler, Roberto and Lee, "Social marketing is the use of marketing principles and techniques to influence a target audience to voluntarily accept, reject, modify, or abandon a behaviour for the benefit of individuals, groups or society as a whole".

Features of Social Marketing

The six key elements/features of social marketing are,

1. Behavioural Focus

In social marketing, marketer emphasises not only on the changing behaviour of target audience but also on the ability to retain positive behaviours over a period of time. An effective social marketing programme begins with attainable, clear and measurable behavioural objective.

2. Customer Orientation

Like other types of marketing, 'customer orientation' is the key element in social marketing. Efforts are made to find out need and requirements, fears, lives, desires and preferences of target adopters.

3. Long-term Planning

Social marketing requires long-term planning because changing the planning programme in social marketing requires huge time and requires full cooperation between the organisation and the target customers.

4. The Notion of Exchange

In social marketing, exchange denotes the understanding and offering valuable benefits to the target adopters. In other words, in social marketing, the change agent must make those offers which are attractive to target adopters. Change agent refers to an organisation which is involved in social marketing. The offers made by the change agent are either tangible or intangible.

5. Competition

The offers created by the change agent for target adopters must be very competitive in comparison to competitors. Competition may come from both internal and external sources. Competitors include products, companies or commercial marketing.

6. Marketing Mix

Earlier, social marketing was restricted to promotion only. But now this opinion has changed by transforming social marketing to an integrated marketing mix and deliberate marketing orientation for change agent. Product refers to behavioural change or promotion of idea, the cost incurred by an individual towards behavioural change becomes price. The location where physical goods are distributed and services are provided becomes place. Promotion is same as that of commercial marketing.

5.12 MOBILE MARKETING**Q39. Define mobile marketing. Explain the importance of mobile marketing.**

Ans :

Mobile marketing is a multi-channel, digital marketing strategy aimed at reaching a target audience on their smart phones, tablets, and/or other mobile devices, via websites, email, SMS and MMS, social media, and apps.

Mobile is disrupting the way people engage with brands. Everything that can be done on a desktop computer is now available on a mobile device. From opening an email to visiting your website to reading your content, it's all accessible through a small mobile screen. Consider:

- 80% of internet users own a Smartphone.
- Mobile platforms, such as smart phones and tablets, host up to 60% of digital media time for users in the U.S.
- Google anticipates search queries on mobile devices to surpass desktop searches by the end of 2015.

Effective mobile advertising means understanding your mobile audience, designing content with mobile platforms in mind, and making strategic use of SMS/MMS marketing and mobile apps.

Importance of Mobile Marketing**1. Availability of quick services anytime**

People want good, easy and quick services. They are looking for a service provider which can fulfill their requirements anytime, anywhere, and can be easily reached. A company can contact a user via mobile marketing techniques. A customer can also send feedback easily.

2. Mobile has become an undetectable part of life

Mobile is a necessary part of daily life. It can easily be carried to anywhere and that's why it has become a favorite device for e-shopping in leisure time.

3. Mobile is not only used for e-shopping but also used in physical store

A physical store also uses mobile services for providing services and advertising. Many stores will save your number to notify you about special products and discounts offers.

4. SMS Marketing

SMS and MMS marketing bring a tremendous change in marketing. Now users are getting offers and discounts or get notified for sale via sms or mms.

5. Mobile search index becomes primary contents for ranking

Google is going to make search index based on mobile search ranking rather than desktop search ranking. So your website search ranking will be based on mobile searching rather than desktop searching.

6. Importance of Mobile advertisement

Advertising on mobile sites or directly to mobile seems more effective in marketing.

Q40. Explain the various strategies of mobile marketing.

Ans :

- 1. SMS marketing:** It is true that a SMS is checked by a user in less time. So, SMS is a perfect way to contact a customer for their requirement and for advertisement.
- 2. MMS marketing:** Text, video, audio, and image slideshow can be delivered via MMS to users for advertise your business or products. Mobile marketing helps you to understand nature of your customer. You can verify about service requirements of a user and you can help them via MMS.
- 3. Push notification:** It is a flash text to notify users to advertise products and services. It is easily visible to user instead of SMS.
- 4. App-based marketing:** Mobile platform based App of an ecommerce website can be effectively used in a business promotion. You just have to maintain search ranking of app in a store to make it visible.
- 5. In-game mobile marketing:** Marketers used to provide promoting messages within games. This is called mobile advergaming or ad-funded mobile game.
- 6. QR codes:** QR code is an alternative of URL typing. One can go to a page by scanning a 2D image instead of typing a URL.
- 7. Bluetooth:** Some marketers use hotspot to deliver Content Marketing. It is a permission based and a radio-based technology and free of cost. It is an effective way of advertising products. Greatly effective, in case user has activated DND for such advertisements. It works on fact that whenever a customer will comes in range with activated Bluetooth, starts getting notification and ads.
- 8. Proximity service:** Proximity systems or marketing based on GSM also called SMS-CB (Short message Service- Cell Broadcast. This will help in broadcast of messages to all users in a specific geographical area.
- 9. Location-based services:** Location based services are specially conducted through cell phone networks. It is used to send advertise or other messages to user based on location.
- 10. Voice mail:** Marketers can send a voice SMS or a prerecorded message without making any ring for advertising their business.

5.13 MARKET SUSTAINABILITY AND ETHICS

Q41. Give a brief description on market sustainability and ethics.

Ans : (Aug./Sept.-15)

Sustainable Market/Marketing Sustainability

Sustainable marketing is a third age of green marketing. Sustainable green marketing emphasizes on achieving sustainable development and sustainable economy. "Sustainable marketing is a marketing within, and supportive of, sustainable economic development". Sustainable marketing is some what similar to marketing. Like marketing, in sustainable marketing consumer needs are identified and marketing mix are developed accordingly to satisfy the consumer needs. This helps in achieving wealth and revitalizing the environment. The three main objectives of sustainable marketing are,

- (a) Delegation of authority to communities by enhancing their social capital
- (b) Protecting and revitalizing the environment
- (c) Achieving organisational success.

The scope of sustainable marketing is wide. The companies (across the global) aiming at attaining sustainability are entrusted with the following responsibilities.

- Minimizing the consumption of scarce resources.
- Ensuring sustainable supply chain management practices in the company.
- Protection of natural environment.
- Minimizing the frequent changes in the atmosphere/climate.
- Determining consumer preference with respect to sustainability.
- Enhancing global economic stability via sustainability.
- Monitoring the business processes to safeguard the natural environment.

The three E's of sustainability introduced by sustainable marketing are Ecological, Equitable and Economic.

Marketing Ethics

The term 'ethics' was originated from the Greek word 'ethos' which means 'habit' or 'custom'. The meaning of the term marketing ethics can be understood by referring to the definition of marketing.

According to Paul Baines, Chris Fill and Kelly page, "marketing ethics is the analysis and application of moral principles to marketing decision-making and the outcomes of these decisions".

According to Murphy et al "marketing ethics is the systematic study of how moral standards are applied to marketing decisions, behaviours and institutions".

Types of Ethics

There are five types of ethics. They are,

1. Social or Religious Ethics

Social or religious ethics is related to the following aspects of character and conduct,

- What is right and what is wrong.
- What is good and what is bad.

2. Descriptive Ethics

Descriptive ethics is related to understanding the system of beliefs and practices of a social group from the outsiders perspective.

3. Normative Ethics

Normative ethics is associated with the logical analysis of standards of right and wrong, good or bad concerning character or conduct which may be acceptable by group of individuals.

4. Metaethics

Metaethics is a type of philosophical enquiry which considers ethical concepts and belief system as objects of philosophical enquiry.

5. Positive Morality

Positive morality is a body of knowledge which is abide by social group of individuals. Body of knowledge is concerned with what is right and wrong, what is good and bad about character and conduct.

5.14 GLOBAL MARKETING

Q42. Define Global Marketing ? Explain the evolution of Global Marketing.

Ans :

Definition

According to The Oxford University Press defines global marketing as “marketing on a worldwide scale reconciling or taking commercial advantage of global operational differences, similarities and opportunities in order to meet global objectives

Evolution to Global Marketing

Global marketing is not a revolutionary shift, it is an evolutionary process. While the following does not apply to all companies, it does apply to most companies that begin as domestic-only companies.

1. Domestic Marketing

A marketing restricted to the political boundaries of a country, is called “Domestic Marketing”. A company marketing only within its national boundaries only has to consider domestic competition. Even if that competition includes companies from foreign markets, it still only has to focus on the competition that exists in its home market. Products and services are developed for customers in the home market without thought of how the product or service could be used in other markets. All marketing decisions are made at headquarters.

The biggest obstacle these marketers face is being blind sided by emerging global marketers. Because domestic marketers do not generally focus on the changes in the global marketplace, they may not be aware of a potential competitor who is a market leader on three continents until they simultaneously open 20 stores in the Northeastern U.S.

These marketers can be considered ethnocentric as they are most concerned with how they are perceived in their home country.

2. International Marketing

If the exporting departments are becoming successful but the costs of doing business from headquarters plus time differences, language barriers, and cultural ignorance are hindering the company’s competitiveness in the foreign market, then offices could be built in the foreign countries.

Sometimes companies buy firms in the foreign countries to take advantage of relationships, storefronts, factories, and personnel already in place. These offices still report to headquarters in the home market but most of the marketing mix decisions are made in the individual countries since that staff is the most knowledgeable about the target markets.

Local product development is based on the needs of local customers. These marketers are considered polycentric because they acknowledge that each market/country has different needs.

3. Multinational Marketing

At the multinational stage, the company is marketing its products and services in many countries around the world and wants to benefit from economies of scale. Consolidation of research, development, production, and marketing on a regional level is the next step.

Q43. Explain the elements of the global Marketing Mix.

Ans :

The “Four P’s” of marketing: product, price, placement, and promotion are all affected as a company moves through the five evolutionary phases to become a global company. Ultimately, at the global marketing level, a company trying to speak with one voice is faced with many challenges when creating a worldwide marketing plan. Unless a company holds the same position against its competition in all markets (market leader, low cost, etc.) It is impossible to launch identical marketing plans worldwide.

1. Product

A global company is one that can create a single product and only have to tweak elements for different markets. For example, Coca-Cola uses two formulas (one with sugar, one with corn syrup) for all markets. The product packaging in every country incorporates the contour bottle design and the dynamic ribbon in some way, shape, or form. However, the bottle or can also includes the country's native language and is the same size as other beverage bottles or cans in that country.

2. Price

Price will always vary from market to market. Price is affected by many variables: cost of product development (produced locally or imported), cost of ingredients, cost of delivery (transportation, tariffs, etc.), and much more. Additionally, the product's position in relation to the competition influences the ultimate profit margin. Whether this product is considered the high-end, expensive choice, the economical, low-cost choice, or something in-between helps determine the price point.

3. Placement

How the product is distributed is also a country-by-country decision influenced by how the competition is being offered to the target market. Using Coca-Cola as an example again, not all cultures use vending machines. In the United States, beverages are sold by the pallet via warehouse stores. In India, this is not an option.

Placement decisions must also consider the product's position in the market place. For example, a high-end product would not want to be distributed via a "dollar store" in the United States. Conversely, a product promoted as the low-cost option in France would find limited success in a pricey boutique.

4. Promotion

After product research, development and creation, promotion (specifically advertising)

is generally the largest line item in a global company's marketing budget. At this stage of a company's development, integrated marketing is the goal. The global corporation seeks to reduce costs, minimize redundancies in personnel and work, maximize speed of implementation, and to speak with one voice. If the goal of a global company is to send the same message worldwide, then delivering that message in a relevant, engaging, and cost-effective way is the challenge.

Effective global advertising techniques do exist. The key is testing advertising ideas using a marketing research system proven to provide results that can be compared across countries. The ability to identify which elements or moments of an ad are contributing to that success is how economies of scale are maximized.

Market research measures such as Flow of Attention, Flow of Emotion and branding moments provide insights into what is working in an ad in any country because the measures are based on visual, not verbal, elements of the ad.

Q44. Explain the merits and demerits of Global Marketing.

Ans :

Advantages of Global Marketing

Evaluation the usefulness of international market.

- Economies of scale in production and distribution
- Lower marketing costs
- Power and scope
- Consistency in brand image
- Ability to leverage good ideas quickly and efficiently
- Uniformity of marketing practices
- Helps to establish relationships outside of the "political arena"
- Helps to encourage ancillary industries to be set up to cater for the needs of the global player.

Disadvantages of Global Marketing

- Differences in consumer needs, wants, and usage patterns for products
- Differences in consumer response to marketing mix elements
- Differences in brand and product development and the competitive environment
- Differences in the legal environment, some of which may conflict with those of the home market
- Differences in the institutions available, some of which may call for the creation of entirely new ones (e.g. infrastructure)
- Differences in administrative procedures
- Differences in product placement.

Q45. Write about the various factors affecting global marketing and discuss different strategies for global exportation.

Ans :

The factors affecting global marketing organization can be studied under two headings. They are internal factors and external factors.

Internal Factors

The internal factors of global marketing includes,

1. Corporate Objectives

A mission statement directs the company and a vision statement reflects where the company wants to be in future. After setting mission statement, a company need to set its objectives and strategies. Mission statements of few global companies include strategy statements too. Corporate objectives affect global marketing organization structure.

2. Corporate Orientations

There are various orientations relating to global markets. Corporate management can take up any one of its choice, the three types of orientations are,

(a) Polycentric Orientation: In poliocentric orientation, each and every market is assumed to be unique and local

subsidiaries are given freedom to develop and execute independent strategies.

(b) Ethnocentric Orientation: Companies who adopted ethnocentric orientation give more importance to home market. Ideas obtained from home market are given high significance than ideas obtained from foreign markets.

(c) Geocentric Orientation: A company with geocentric orientation focuses on global markets/forcing markets instead of home markets/domestic markets. Ideas are encouraged from all countries. Geocentric companies follow global marketing strategy and task of decision making is shared by subsidiaries and headquarters. Orientations affect global marketing organization.

3. Flexibility

The organization structure designed must be flexible enough to adopt changes in the environment. In order to satisfy changing consumer demands and to face global competition, flexibility in organization structure is very essential.

4. Adequate Resources

In order to achieve success in global marketing, the structure of global marketing organization should be designed in such a way that it facilitates adequate financial . Resources available for taking up global activities. The financial resources allocated for global marketing affect global marketing organization structure.

5. The Size and Significance of International Sales

The size and significance of international sales also affect global marketing organization structure. The organization structure change as per the change in the size of international sales. In case of small size of international sales, export department is arranged. If the size of international sales is increased to some more extent then company prefer setting international division rather than export

department. In the same way, company prefer having worldwide organization in case of large international sales.

6. Human Resource

The company's success in global markets relays upon the availability and skills of human resource. Few companies send their executives to foreign countries to handle the business there. The main objective behind this is to find out whether the executives possesses required skills to handle international business or not.

7. Number of International Markets

Higher the number of international markets served by the company, more complex will be the organization structure designed to handle marketing activities. More number of human resource will be needed to understand market situations and execute marketing strategies.

External Factors

The various external factors affecting global marketing organization structure are listed down below,

1. Geographical Distance

Geographical distance between the countries affect a global marketing organization. Eventhough the problem of geographical distance is half solved through technological innovations such as mobile phones, e-mail, internet etc., geographical distance is still considered as hinderence to global marketing. If companies are located at developed countries where geographical innovations are at peak, geographical distance might not be the problem. But developing countries lack behind in tenns of technology and geographical distance act as barrier to global marketing.

2. Time Zone Differences

In global marketing, company located in one country maintain deals with companies located in other countries. In this situations, difference in time zones of different countries may act as barrier. For example, if managers in New York have dealings with headquarters

in London, then it becomes difficult for managers to fix any meeting with headquarters in London because there is a difference of five hours between the time zones of these two countries (i.e., New York and London). Electronic mail to a large extent shortened the time zone differences.

3. Government Regulations

The rules and regulations imposed by the Government differ from country to country. The global organizations structure get affected by government regulations of the country. Rules and regulations pertaining to imports, exports, taxes etc., vary from country to country and organization structure must be designed by taking into consideration rules and regulation prevailing the country.

4. Types of Customers

Types of customers served by the company also affects global marketing organization structure. If company wants to serve small number of geographically concentrated global customers, then organizations are located where customers are located. On the others side, if company wants to serve large number of customers, then company focuses on setting regional specific organizations.

Thus the above are the various internal and external factors affecting global marketing organization.

Strategies/Approaches for Global Exportation

According to Douglas Wind and Pelmutter, there are four strategies/approaches to global business. They are,

(i) Ethnocentric Approach

The strategy of host countries is to produce that kind of goods which are suitable to national markets, customers and competitors. If the production exceeds the demand on account of changing customer preferences or heavy competition, it leads the firms to exports their products globally. The firm which exported their products globally considered export business as an extension or a new region. The role played by the executive at the head office toward exports

are taking decisions regarding, how much to export etc. The marketing personnel belonging to domestic country supervises export operations with the assistance given by export department.

The firms do not change the products which are to be exported and such maintenance towards international business is referred as 'ethnocentric approach'. This approach works best for those companies which are small and to those who are in the initial phase of internationalization.

(ii) **Polycentric Approach**

After certain stage, the domestic companies using ethnocentric approach to export products to foreign markets feel to have other approach towards exports. Then the company set up subsidiary company to delegate the powers of decision-making and policy-making to executives. The company appoints the staff working in the business and chief executive who can meet and report to him directly, regarding business affair. Usually the company appoints those employees who belong to the domestic country to carry out the operations. The role played by executives of the subsidiary includes framing the policies and strategies, designing the product as per host country's environment and customer's preference. Polycentric approach is therefore related to analyze condition, of the host country in terms of policy formulation strategy implementation and operations.

(iii) **Regiocentric Approach**

The company's strategy towards regiocentric approach is that having company's operations of exporting in foreign companies successfully. It wants to expand its exporting business in the neighboring countries of the domestic country. While framing policies and strategies, the foreign subsidiary considers regional environment.

Regiocentric approach uses the polycentric approach for the existing products but uses different marketing strategies for introducing the products in other countries of the region.

(iv) **Geocentric Approach**

The companies treat the whole world as a single country under this approach. The company selects its employees from across the world and carries out the process by establishing many subsidiaries. The subsidiary activities are directed by managing director (head quarters). Each subsidiary has given the power to operate the business independently and can also participate in framing policies regarding HRc strategic and HR, product-design and making decision etc.

5.15 GREEN MARKETING

Q46. Define Green Marketing ?

Ans : (Nov-20)

Introduction

Environmental issues have gained importance in business as well as in public life through out the world. It is not like that a few leaders of different countries or few big renowned business houses are concerned about the day to day deterioration of oxygen level in our atmosphere but every common citizen of our country and the world is concerned about this common threat of global warming.

So in this scenario of global concern, corporate houses has taken green-marketing as a part of their strategy to promote products by employing environmental claims either about their attributes or about the systems, policies and processes of the firms that manufacture or sell them.

Clearly green marketing is part and parcel of over all corporate strategy; along with manipulating the traditional marketing mix (product, price, promotion and place), it require an understanding of public policy process. So we can say green marketing covers a broad range of activities.

Green Marketing

"Green or Environmental Marketing consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment".

According to the American Marketing Association, green marketing is the marketing of products that are presumed to be environmentally safe. Thus green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising. Other similar terms used are Environmental Marketing and Ecological Marketing.

Firms use green marketing in an attempt to address cost or profit related issues. In implementing green marketing, consumers, corporate and the government play a very important role. But there are few constraints in implementing it like lack of consumer awareness, financial constraints, limited scientific knowledge, lack of stringent rules and competitive pressures. Green marketing involves developing and promoting products and Services that satisfy your customer wants and needs for quality, performance, affordable pricing and convenience without having a detrimental impact on the environment.

Q47. Explain the Four P's of Green Marketing ?

Ans :

1. Product

A firm needs to develop environmentally safe products to have more impact on consumers than competitors. For this, it needs to identify customers environmental needs and develop products to address these needs.

2. Price

Usually environmental benefit is an added bonus but will often be the deciding factor between products of equal value and quality. Most customers will only be prepared to pay a premium if there is a perception of additional product value.

3. Place

Green products, in most cases, positioned broadly in the market place but very few customers will go out of their way to buy green products merely for the sake of it. For this, In-store promotions and visually appealing displays or using recycled materials to emphasize the environmental and other benefits.

4. Promotion

Promotion includes paid advertising, public relations, sales promotions, direct marketing and on-site promotions. Green marketers will be able to reinforce environmental credibility by using sustainable marketing and communications tools and practices.

Q48. Why do firms go green marketing ?

Ans : (Nov.-20)

Firms may choose to green their systems, policies and products due to economic and noneconomic pressures from their consumers, business partners, regulators, citizen groups and other stakeholders (non market environment). Some other reasons may includes :

1. Some scholar claim that Green policies/ products are profitable:

Green policies can reduce costs; green firms can shape future regulations and reap first mover advantage.

2. Now a day's firms are becoming more concerned about their social responsibilities (S.R):

They have taken S.R as a good strategic move to build up an image in the heart of consumers. Even the socially responsible firms are getting leverage, whenever they intend to enter into foreign countries.

There are example of firms like ITC, HLL (Surf excel) who are heavily promoting them as an environmentally concerned firms, where as there is example of firms who are working in this direction in a silence manner like Coca-Cola, who have invested crores of money in various recycling activities, as well as having modified their packaging to minimize its environmental impact. While being concerned about the environment coke has not use their concern as a marketing tool. Another big organization who is also working in this field without claiming any credit is Walt Disney World (WDW). So we can see that firms in this situation have taken two perspectives :

- They are using green marketing as marketing tool.
- They are working in this field without promoting the fact.

3. **Change in customers attitude:** With increasing concern about environment, consumers attitude towards firms having green policies or green products are becoming motivating factor.
4. **Governmental pressure:** In all most all civilized countries Govt. has the law to protect the consumers and the environment from the harmful goods or by products and ensure through law that all types of consumers have the ability to evaluate the environmental composition of goods. Govt. established several regula-tions to control the hazardous waste produced by firms and many by-products of production are controlled through the issuing of various environmental licenses, thus shaping the behavior of organization towards more socially responsible one.
5. **Competitive pressure:** Competition is the integral part of business; and you cannot over look any competitive action taken by your competitor. So to be in the market you have to have a vigil over your competitors move for marketing its products. Some firms have taken green-marketing as a strategy to build up its image rather than inculcate it as a part of the policy and work silence. In some instances this competitive pressure has caused an entire industry to modify and thus reduce its detrimental environmental behavior.
6. **Cost or profit issue:** Firms may also use green marketing in an attempt to address cost or profit related issues. Disposing of environmentally harmful by products, such as polychlorinated biphenyl (PCB) contaminated oil are becoming increasingly costly and in some cases difficult. Therefore firms that can reduce harmful wastes may incur substantial cost savings. When attempting to minimize waste, firms are often forced to re-examine their production processes. In these cases they often develop more effective production processes that not only reduce waste, but reduce the need for some raw materials.

This serves as a double cost savings, since both waste and raw material are reduced. In other cases firms attempt to find end - of - pipe

solutions, instead of minimizing waste. In these situations firms try to find markets or uses for their waste materials, where one firm's waste becomes another firm's input of production. One Australian example of this is a firm who produces acidic waste water as a by-product of production and sells it to a firm involved in neutralizing base materials.

Q49. Explain the Challenges of Green Marketing.

Ans :

1. Need for Standardization

It is found that only 5% of the marketing messages from "Green" campaigns are entirely true and there is a lack of standardization to authenticate these claims. There is no standardization to authenticate these claims. There is no standardization currently in place to certify a product as organic. Unless some regulatory bodies are involved in providing the certifications there will not be any verifiable means. A standard quality control board needs to be in place for such labeling and licensing.

2. New Concept

Indian literate and urban consumer is getting more aware about the merits of Green products. But it is still a new concept for the masses. The consumer needs to be educated and made aware of the environmental threats. The new green movements need to reach the masses and that will take a lot of time and effort. By India's ayurvedic heritage, Indian consumers do appreciate the importance of using natural and herbal beauty products. Indian consumer is exposed to healthy living lifestyles such as yoga and natural food consumption. In those aspects the consumer is already aware and will be inclined to accept the green products.

3. Patience and Perseverance

The investors and corporate need to view the environment as a major long-term investment opportunity, the marketers need to look at the long-term benefits from this

new green movement. It will require a lot of patience and no immediate results. Since it is a new concept and idea, it will have its own acceptance period.

4. **Avoiding Green Myopia**

The first rule of green marketing is focusing on customer benefits i.e. the primary reason why consumers buy certain products in the first place. Do this right, and motivate consumers to switch brands or even pay a premium for the greener alternative. It is not going to help if a product is developed which is absolutely green in various aspects but does not pass the customer satisfaction criteria. This will lead to green myopia. Also if the green products are priced very high then again it will lose its market acceptability.

Q50. Explain the Golden Rules of Green Marketing ?

Ans :

a) Know you're Customer

Make sure that the consumer is aware of and concerned about the issues that your product attempts to address, (Whirlpool learned the hard way that consumers wouldn't pay a premium for a CFC-free refrigerator because consumers didn't know what CFCs were.).

b) Educating your customers

Isn't just a matter of letting people know you're doing whatever you're doing to protect the environment, but also a matter of letting them know why it matters. Otherwise, for a significant portion of your target market, it's a case of "So what?" and your green marketing campaign goes nowhere.

c) Being Genuine & Transparent

Means that a) you are actually doing what you claim to be doing in your green marketing campaign and b) the rest of your business policies are consistent with whatever you are doing that's environmentally friendly. Both these conditions have to be met for your business to establish the kind of environmental credentials that will allow a green marketing campaign to succeed.

d) Reassure the Buyer

Consumers must be made to believe that the product performs the job it's supposed to do- they won't forego product quality in the name of the environment.

e) Consider Your Pricing

If you're charging a premium for your product- and many environmentally preferable products cost more due to economies of scale and use of higher-quality ingredients- make sure those consumers can afford the premium and feel it's worth it.

f) Giving your customers an opportunity to participate

Means personalizing the benefits of your environmentally friendly actions, normally through letting the customer take part in positive environmental action

g) Thus leading brands should recognize that consumer expectations have changed

It is not enough for a company to green its products; consumers expect the products that they purchase pocket friendly and also to help reduce the environmental impact in their own livestock.

Short Question and Answers

1. Define the term price and pricing.

Ans :

i) Price

Price can be defined as the value set for exchange of goods and services.

ii) Pricing

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

2. Objectives of Pricing

Ans :

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

- **Current profit maximization**
Seeks to maximize current profit, taking into account revenue and costs. Current profit maximization may not be the best objective if it results in lower long-term profits.
- **Current revenue maximization**
Seeks to maximize current revenue with no regard to profit margins. The underlying objective often is to maximize long-term profits by increasing market share and lowering costs.
- **Maximize Quantity**
Seeks to maximize the number of units sold or the number of customers served in order to decrease long-term costs as predicted by the experience curve.
- **Maximize Profit Margin**
Attempts to maximize the unit profit margin, recognizing that quantities will be low.

➤ **Quality Leadership**

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

➤ **Partial Cost Recovery**

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

➤ **Survival**

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

3. Define Markup Pricing.

Ans :

The markup pricing is also known as cost-plus pricing - exist, but the common thread is that one first calculates the cost of the product, then adds a proportion of it as markup. The amount to be marked up is decided at the discretion of the company. Basically, this approach sets prices that cover the cost of production and provide enough profit margin to the firm to earn its target rate of return.

Cost-plus pricing is used primarily because it is easy to calculate and requires little information. Information on demand and costs is not easily available; however, this information is necessary to generate accurate estimates of marginal costs and revenues. Moreover, the process of obtaining this additional information is expensive. Therefore, cost-plus pricing is often considered a rational approach to maximizing profits. Cost-plus pricing is especially useful in the following cases:

- Public utility pricing
- Finding out the design of the product when the selling price is predetermined, which is also known as product tailoring
- Pricing products that are designed to the specification of a single buyer

- “Monopsony Buying” - buyers have enough knowledge about the costs of a supplier. Thus, they may make the product themselves if they do not comply with the offered prices. So the relevant cost would be the cost that a buying company would incur if it made the product itself.

4. Disadvantages of Markup Pricing.

Ans :

Disadvantages of this strategy include:

- Provides incentive for inefficiency
- Tends to ignore the role of consumers
- Tends to ignore the role of competitors
- Uses historical rather than replacement value
- Uses “normal” or “standard” output level to allocate fixed costs

5. Assumptions of Break Even Analysis.

Ans :

The following are the assumptions underlying break-even analysis :

- (a) Costs can perfectly be classified into fixed and variable costs.
- (b) Selling price does not change with volume changes. It remains fixed. It does not consider the price discounts or cash discounts.
- (c) All the goods produced are sold. There is no closing stock.
- (d) There is only one product available for sale. In case of multi-product firms, the product mix does not change.

6. Market Skimming Pricing

Ans :

Under this pricing strategy a very high initial price is fixed for a product. It is suitable under the following situations,

- (i) When the product has unique and distinctive features unlike the competitors.
- (ii) Demand for the product is inelastic.
- (iii) The new product is unique and differs from its competitors.
- (iv) During the introduction of new technology products.

7. Define Product Line Pricing.

Ans :

Pricing is one of the most important elements of the marketing mix and has the most effect on whether or not the strategy is successful. Product line pricing (PLP) is a pricing strategy used to sell different products in the same product range at different price points based on features or benefits.

Product lining is the marketing strategy of offering several related products for sale as individual units. A product line can comprise related products of various sizes, types, colors, qualities, or prices. Line depth refers to the number of subcategories a category has. Line consistency refers to how closely related the products that make up the line are. Line vulnerability refers to the percentage of sales or profits that are derived from only a few products in the line. The number of different categories of a company is referred to as width of product mix. The total number of products sold in all lines is referred to as length of product mix. If a line of products is sold with the same brand name, this is referred to as family branding.

8. Define Word of Mouth.

Ans :

Word-of-mouth advertising is important for every business, as each happy customer can steer dozens of new ones your way. And it's one of the most credible forms of advertising because a person puts their reputation on the line every time they make a recommendation and that person has nothing to gain but the appreciation of those who are listening.

9. Characteristics of Word of Mouth

Ans :

A word of mouth communication can be done either online or offline. It has the following three important characteristics which are as follows,

1. Credible

Word of mouth is a persuasive communication which influences the buyers significantly as the individuals know respect and trust each other.

2. Personal

Word of mouth is a close and friendly conversation which displays personal facts, opinions and experiences.

3. Timely

Word of mouth communications takes place when the individuals desires and are interested. It usually follows an important and significant events or experiences.

Word of mouth communication is one of the important aspect of social networks which deals with several conversations and communications among various parties. This type of communication can be used effectively for smaller business for which the customers has more personal relationships.

10. Define Rural Marketing ? Explain the importance of rural marketing ?

Ans :

According to National Commission on Agriculture “Rural marketing is a process which starts with a decision to produce a salable farm commodity and it involves all the aspects of market system, and includes pre and post harvest operations i.e. assembling, grading, storage, transportation and distribution”.

This definition is very limited in scope as it covers only what is produced in rural areas, i.e., agricultural produce. Actually it is a definition of agricultural marketing rather than rural marketing. Because rural marketing involves delivering manufactured or processed inputs or services to rural producers or consumers. The definition talks of only movement of goods from rural to urban areas. Hence the definition ignores the movement of goods and services like consumables, consumer durables, agri inputs, and implements from urban to rural areas. Thus, there is no orientation towards activities of the organised sector, i.e., corporate sector.

11. Compare and contrast urban marketing and rural marketing.

Ans :

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

12. Define Bottom of the Pyramid.

Ans :

The Bottom of the Pyramid (BOP) is a socio-economic concept that allows us to group that vast segment - in excess of about four billion - of the world's poorest citizens constituting an invisible and unserved market blocked by challenging barriers that prevent them from realising their human potential for their own benefit, those of their families, and that of society's at large.

Technically, a member of the BOP is part of the largest but poorest groups of the world's population, who live with less than \$2.50 a day and are excluded from the modernity of our globalised civilized societies, including consumption and choice as well as access to organised financial services. Some estimates based on the broadest segment of the BOP put its demand as consumers at about \$5 trillion in Purchasing Power Parity terms, making it a desirable objective for creative and leading visionary businesses throughout the world. One of the undeniable successes in this process is the explosion of the Microfinance industry witnessed in many parts of the world.

13. Define retail marketing.

Ans :

Retail marketing refers to the range of activities undertaken in the retail store by the retailers as well as the brand to promote the products to the customers in order to generate awareness, interest, and sales.

In simple words, everything from the interior and exterior of the retail store, to in-store advertisements, product placements, offers and promotions, and the behaviour of store representatives comes under retail marketing.

Examples

Ikea is often cited as the best example of implementing great retail marketing strategies. The company designs its stores as mazes to stop shoppers to leave the store and end up buying more.

Another example of smart retail marketing is Aldi which focuses on operating small stores, stocking up store-owned brands, using in-store offers 24 × 7 × 365, and stocking up products in their original shipping containers.

14. Point of sale (POS) Advertising

Ans :

This is more relevant to the retail store's communication strategy than above-the-line media communication. It is an interesting point that the point of sale itself forms a communication medium as advertising can be done within the store.

POS advertising is in the form of materials and activities. POS materials include festoons, buntings and posters that can be used within the retail premises. POS activities consist of displays, visual merchandising, display contests, shelf-on-hire (SOH) for brands, etc. POS advertising is very cost-effective and addresses the right target customers as they come into the store itself. There are separate places within the store earmarked for in-store branding and signage effectively used for advertising within the store. This is commonplace in convenience stores and food supermarkets.

15. Digital marketing

Ans :

In simple terms, digital marketing is the promotion of products or brands via one or more forms of electronic media. Digital marketing is often referred to as online marketing, internet marketing or web marketing.

"Digital marketing" is the process of building and maintaining customer relationships through online activities to facilitate the exchange of ideas, products, and services that satisfy the goals of both parties.

Definition of Digital Marketing

Digital marketing can be defined as the process of promoting of brands using digital distribution channels comprising internet, mobile and other interactive channels. The basic advantage in this form of advertising lies in its low cost model.

16. Define social media and social media marketing. Write about the important aspects of social media marketing.

Ans :

i) Social Media

Social media refers to the participatory online media through which individuals can share

news, photos, videos, comments etc. Social Media consists of Whatsapp, Instagram, Facebook, Google Mail (Gmail), Yahoo etc.

ii) **Social Media Marketing (SMM)**

In simple terms social media marketing can be defined as “marketing of products and services through social media websites or applications is referred as Social Media Marketing (SMM)”. It usually describes the use of social networks, online communications, blogs wikis and other types of medias for marketing sales, customer service and public relations. The most common social medias used by companies in today’s business environment includes, Twitter, Whatsapp, Facebook, Youtube etc.

17. **Features of Social Marketing**

Ans :

The six key elements/features of social marketing are,

1. **Behavioural Focus**

In social marketing, marketer emphasises not only on the changing behaviour of target audience but also on the ability to retain positive behaviours over a period of time. An effective social marketing programme begins with attainable, clear and measurable behavioural objective.

2. **Customer Orientation**

Like other types of marketing, ‘customer orientation’ is the key element in social marketing. Efforts are made to find out need and requirements, fears, lives, desires and preferences of target adopters.

3. **Long-term Planning**

Social marketing requires long-term planning because changing the planning programme in social marketing requires huge time and requires full cooperation between the organisation and the target customers.

18. **Define mobile marketing. Explain the importance of mobile marketing.**

Ans :

Mobile marketing is a multi-channel, digital marketing strategy aimed at reaching a target audience on their smart phones, tablets, and/or other mobile devices, via websites, email, SMS and MMS, social media, and apps.

Mobile is disrupting the way people engage with brands. Everything that can be done on a desktop computer is now available on a mobile device. From opening an email to visiting your website to reading your content, it’s all accessible through a small mobile screen. Consider:

- 80% of internet users own a Smartphone.
- Mobile platforms, such as smart phones and tablets, host up to 60% of digital media time for users in the U.S.
- Google anticipates search queries on mobile devices to surpass desktop searches by the end of 2015.

Effective mobile advertising means understanding your mobile audience, designing content with mobile platforms in mind, and making strategic use of SMS/MMS marketing and mobile apps.

19. **Advantages of Global Marketing**

Ans :

- Economies of scale in production and distribution
- Lower marketing costs
- Power and scope
- Consistency in brand image
- Ability to leverage good ideas quickly and efficiently
- Uniformity of marketing practices
- Helps to establish relationships outside of the “political arena”
- Helps to encourage ancillary industries to be set up to cater for the needs of the global player.

20. Define Green Marketing.

Ans :

Introduction

Environmental issues have gained importance in business as well as in public life through out the world. It is not like that a few leaders of different countries or few big renowned business houses are concerned about the day to day deterioration of oxygen level in our atmosphere but every common citizen of our country and the world is concerned about this common threat of global warming.

So in this scenario of global concern, corporate houses has taken green-marketing as a part of their strategy to promote products by employing environmental claims either about their attributes or about the systems, policies and processes of the firms that manufacture or sell them.

Clearly green marketing is part and parcel of over all corporate strategy; along with manipulating the traditional marketing mix (product, price, promotion and place), it require an understanding of public policy process. So we can say green marketing covers a broad range of activities.

Green Marketing

“Green or Environmental Marketing consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment”.

Internal Assessment (Mid Examinations)

The pattern of Mid Exams or Continuous Internal Evaluation (CIE) prescribed by the JNTU-H as per the Regulations 2019 (R19) for all the semesters is as follows,

- There would be two Mid Exams or Continuous Internal Evaluation (CIE) for each semester,
 - The **Ist Mid Term Examinations** would be conducted during the Middle of the Semester.
 - The **IInd Mid Term Examinations** during the last week of instructions.
- The Mid Exam I and II would have the same pattern of question paper which would carry **25 Marks** each and the time duration for conducting each Mid exam would be 120 min.
- The pattern of Mid Exam Question Paper would consist of two parts i.e., **Part-A** and **Part-B**.
 - **Part-A** consist of 5 compulsory questions each carries 2 marks (i.e $5 \times 2 = 10$ marks).
 - **Part-B** consist of 5 questions out of which 3 questions should be answered, each question carries 5 marks (i.e $5 \times 3 = 15$ marks).
- The average of the two Mid exams will be added with the 75 marks of External end examination which equals to 100 marks (i.e $25 + 75 = 100$).

UNIT - I

Part - A

1. Define market. (Refer Unit-I, SQA-1)
2. What is marketing environment ? (Refer Unit-I, SQA-7)
3. Define societal marketing concept. (Refer Unit-I, SQA-5)
4. Define marketing plan. (Refer Unit-I, SQA-10)
5. Explain any two characteristics of marketing information system. (Refer Unit-I, SQA-14)

Part - B

1. Explain the importance of marketing. (Refer Unit-I, Q.No. 4)
2. What are the responsibilities of Marketing Manager? (Refer Unit-I, Q.No. 16)
3. Micro environmental factors are very crucial for a business to operate smoothly comment on the statement. (Refer Unit-I, Q.No. 24)
4. Distinguish between Micro Environment and Macro Environment factors. (Refer Unit-I, Q.No. 26)
5. Define Marketing Strategies. Explain the nature of Marketing Strategies. (Refer Unit-I, Q.No. 27)

UNIT - II

Part - A

1. Define Consumer Decision Making. (Refer Unit-II, SQA-1)
2. Define product. (Refer Unit-II, SQA-6)

3. Define branding. (Refer Unit-II, SQA-11)
4. Define Brand Equity. (Refer Unit-II, SQA-12)
5. Define Product Line. (Refer Unit-II, SQA-8)

Part - B

1. Define Consumer Decision Making. Explain the process of Consumer Decision Making. (Refer Unit-II, Q.No. 1)
2. What is customer value ? Explain the approaches of customer value. (Refer Unit-II, Q.No. 3)
3. Classify the different types of products. (Refer Unit-II, Q.No. 20)
4. Define product Range. Explain the strategies involved in product range? (Refer Unit-II, Q.No. 21)
5. Elaborate the various stages of product life cycle. (Refer Unit-II, Q.No. 28)

UNIT - III**Part - A**

1. Define market segmentation. (Refer Unit-III, SQA-1)
2. Differentiate between business market and consumer market. (Refer Unit-III, SQA-5)
3. Explain the ethical issues involved in targeting. (Refer Unit-III, SQA-8)
4. Repositioning (Refer Unit-III, SQA-10)
5. Define unique selling proposition. (Refer Unit-III, SQA-11)

Part - B

1. Define market segmentation. What are the features of market segmentation? (Refer Unit-III, Q.No. 1)
2. Explain in detail the bases for market segmentation. (Refer Unit-III, Q.No. 5)
3. Explain briefly about segmentation, targeting and positioning process ? (Refer Unit-III, Q.No. 7)
4. What are the variables of Behavioural Segmentation? Explain each of them with suitable example. (Refer Unit-III, Q.No. 10)
5. Define target marketing ? Explain the steps and levels of target marketing. (Refer Unit-III, Q.No. 16)

UNIT - IV**Part - A**

1. Define channel. (Refer Unit-IV, SQA-1)
2. Motivating Channel Members (Refer Unit-IV, SQA-4)
3. Define Promotion Mix. (Refer Unit-IV, SQA-6)
4. Define sales promotion. (Refer Unit-IV, SQA-10)
5. Importance of personal selling. (Refer Unit-IV, SQA-13)

Part - B

1. Define channel ? What are the characteristics and objective of marketing channels ? (Refer Unit-IV, Q.No. 1)
2. Who are intermediaries ? Explain different types of intermediaries. (Refer Unit-IV, Q.No. 4)
3. Explain the various functions performed by Channel Intermediates. (Refer Unit-IV, Q.No. 5)
4. Define channel structure ? Explain briefly about distribution channel structure. (Refer Unit-IV, Q.No. 7)
5. What are the various media for advertisement? Discuss about them briefly. (Refer Unit-IV, Q.No. 22)

UNIT - V**Part - A**

1. Define Product Line Pricing. (Refer Unit-V, SQA-7)
2. Market Skimming Pricing (Refer Unit-V, SQA-6)
3. Objectives of Pricing (Refer Unit-V, SQA-2)
4. Define Markup Pricing. (Refer Unit-V, SQA-3)
5. Digital marketing (Refer Unit-V, SQA-15)

Part - B

1. Define the term price and pricing and what are the objectives of pricing. (Refer Unit-V, Q.No. 1)
2. Explain briefly about Break Even Analysis. (Refer Unit-V, Q.No. 7)
3. Explain the various types of Pricing Strategies. (Refer Unit-V, Q.No. 10)
4. What are the benefits/advantages of digital marketing ? (Refer Unit-V, Q.No. 36)
5. Define social media and social media marketing. Write about the important aspects of social media marketing. (Refer Unit-V, Q.No. 37)

MARKETING MANAGEMENT

Time : 2 Hours]

[Max. Marks : 75

*Answer any five questions
All questions carry equal marks.*

1. Discuss the major steps in marketing research process. (Unit-I, Q.No. 37)
2. (a) What is the customer - 'value chain concept' proposed Michael Porter? List the primary and support activities in Generic Value Chain.

Ans :

Meaning

Value is the amount buyers desire to pay for what a firm provides to them in the form of a product/service/product-cum-service. Creating value for buyers that exceeds the cost of manufacturing, marketing and other operations is one of the basic goals of any business unit's generic strategy. Business activities that transform inputs into desired output that customers value reflect the value chain. Value chain analysis examines and enhances the efforts of the business operations that contribute to the value to the customers. Value chain analysis views the business as a process of activities from the stage of raw material/inputs to the final stage of delivering the product including sales service to the customer.

Michael E. Porter contributed to identifying building blocks, assessing the value addition from each of the activities and linking their organization's competitive advantage. The value chain display consists of total value of activities and margin. Value activities are of two types, viz., primary activities and support activities.

I) Primary Activities

Primary activities are those business activities that relate and contribute directly to the manufacture, marketing of the product and creating and adding value in the chain of operations. Thus, primary activities form the sequence or chain through which raw materials/inputs are transformed into final product/service that the customers use including the post-sales service. Primary activities, thus, include.

- (a) **Inbound Logistics:** Inbound logistics include quality verification of raw material at the source, transportation in good condition and efficiently, storage and warehousing economically and efficiently controlled. These activities ensure the quality of raw material that can contribute to the quality the final product. In addition to performing these activities on time, ensure the timely distribution the product to market intermediaries and the customer. Further efficient handling of these activities, better negotiations and maintenance of sound relationship with the supplier reduce the cost inbound logistics. Inbound logistics contribute significantly to enhancement of value as raw materials account for more than 50% of product cost in majority of products.

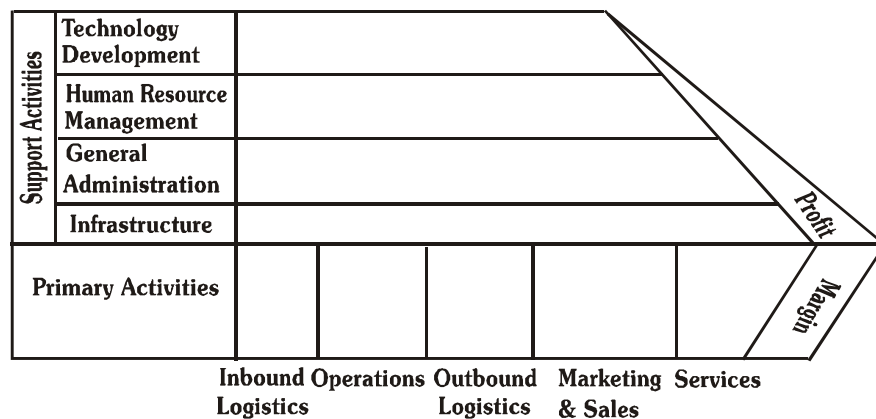


Fig. The Value Chain analysis

- (b) **Operations:** Operations/production deal with the conversion process that transforms the inputs into output. Value is added or created when the input is converted into output. Operations aim at creation and innovation which in turn enhances the value of the product. Further the objectives of zero defect products ensure quality and dependability of the product.
- (c) **Outbound Logistics:** Outbound logistics begin after the completion of the production process and end with the distribution of the product either to the market intermediaries in case of indirect marketing and to the customer in case of direct marketing. Thus, the activities of outbound logistics include storage/warehousing, transportation, handling of products, negotiation with market intermediaries inventory management. Efficient performance of these activities enables the firm to deliver on products in taste to the customer, reduce delivery time and storage. Thereby, it reduces the cost inventory.
- (d) **Marketing and Sales:** Marketing and sales activities include product development and mix, pricing, place of markets including channels of distribution like wholesalers, retailers, sales force and network marketing and promotional mix including advertising, personal selling and sales promotion. Companies select different marketing strategies like leader or follower strategies, total market or niche or focus strategies, single product line or multiple product line strategy, direct marketing or indirect marketing strategies and specified place marketing or online marketing.

Companies select the strategies in order to reduce the marketing costs and enhance the convenience and comfort to the customers. Some of the hotels in India in order to enhance the convenience to the customer introduced phone ordering and home delivery. Even super markets follow this strategy. Most of the airlines including Singapore Airlines, Indian Airlines and Air Niugini introduced online ticket booking in order to reduce the marketing cost and thereby ticket price and enhance customer convenience. Even Indian Railways and many road transport companies introduced online ticket booking. Firms advertise online using Internet that reduces cost and reaches customers fast.

- (e) **Service:** Pre-sales and post-sales services are quite essential for consumer durable, convenience luxury goods. Customers would be willing to pay more when the service and thereby the continuous and perfect functioning of the product is guaranteed and/or ensured. For example, automobiles, refrigerators, TVs, educational instruments like computers, overhead projectors/multimedia projectors and photocopying machines need after sales services. Excellent after sales service ensures continuous and perfect functioning of the product and thus, enhances customer's value.

II) Support Activities

Other activities of the business are support activities which provide support to the primary activities of the business, and hence, they are referred to as support activities. Support activities help the company enhance the customer value and reduce the cost bringing coordination among primary activities and providing necessary inputs for the primary activities. Support activities include:

- Technology development
- Human resource management
- General administration
- Infrastructure

(a) Technology Development: Technology is improved continuously both in production and in other operations. It is developed through innovation and continuous up-gradation. Technology revolution including the revolution in the information technology brought paradigm shifts in the production process, product functions and utilities, speed of manufacturing, quality of products in terms of zero-defect production, fast delivery of the products and information processing. Technology development enables the companies to add multiple functions to the product. For example, mobile phone today carries the functions of a clock, alarm, calculator, tape recorder, camera and video camera.

Similarly, multiple functions are added to computers. Thus, technology development enhances the customer value by adding a variety of functions to the existing product. In addition, it reduces the cost of the product in terms of the utility of all functions put together. Technology development supports the primary activities. Inbound logistics are helped by transportation technology, materials handling technology, and storage technologies. For example, containerization made the sea transportation become more convenient.

(b) Human Resource Management: Human resource plays a dominant role in the successful and profitable performance of a firm. In fact, human resource makes or mars the performance of company. The motivated, committed and efficient human resources significantly support primary activities. Skilled and trained human resources provide necessary support for all primary activities. In fact, all primary activities are performed by human resources.

(c) General Administration: General Administration includes organizational structure, management style, leadership style, policies and procedures. General administrative policies and practice can be enabling or disabling. Enabling policies and practices include: flat and horizontal structure, employees empowerment, decentralization, empowerment of employees in decision-making, strategy formulation and implementation, employee motivation, leading the employees progressively and development of commitment. These enabling policies of general administration support the primary activities, which in turn contribute to the reduction of cost and enhancement of value and profit margin.

(d) Infrastructure: Infrastructural activities include accounting, finance, information system, pay roll, legal affairs, public relations and corporate governance. Expenditure on these activities is called overhead expenses as this expenditure can not be isolated. Infrastructure activities contribute to the value addition by supporting and enabling the primary activities. In addition, the efficient functioning of infrastructure activities contributes to the cost reduction, and thereby increase profit margin.

-
- (b) What is the appropriate marketing strategy at Maturity stage of product life cycle?

(Unit-II, Q.No. 28)

3. Define brand ? Distinguish 'brand equity' from 'brand valuation'. (Unit-II, Q.No. 43)
4. What is psychographic segmentation? Which are the products effectively working on psychographic segmentation strategy? (Unit-III, Q.No. 5)
5. Explain briefly the five patterns of target market selection. (Unit-III, Q.No. 17)
6. How would you measure advertising effectiveness? Give examples. (Unit-IV, Q.No. 17)
7. What is relationship marketing? Discuss its major differences compared to traditional marketing. (Unit-V, Q.No. 25)

Ans :

Points of Distinction	Transactional Marketing (Traditional Marketing)	Relationship Marketing
1. World View	Managing a Company's product portfolio, setting and modifying marketing mix parameters to achieve optimal 4 Ps.	Managing a company's customer portfolio, building long-term business relationship.
2. Assessment Period	Short duration	Long duration.
3. Key concepts	4 Ps, segmentation, branding etc.	Interaction, relationships and networks
4. Marketing focus	Product / Service	Product / Service and Customer.
5. Marketing goal	Customer acquisition	Customer acquisition, customer retention and customer recovery
6. Marketing interaction	One-way communication	Interactive communication.
7. Promotion strategy	Non-personal advertising, brand and image management.	Personal interaction, developing identity as a reliable supplier.
8. Economic profit & Control parameters	Profit, profit margin contribution, sales, costs.	Additionally: customer profit contribution, customer value.
9. Orientation	Towards single sales.	Towards customer retention.
10. Contact	Intermittent customer contact.	Continuous customer contact.
11. Focus	On product features	On customer value.
12. Quality	It is the concern of the production staff.	Quality is the concern of all.
13. Commitment	Limited commitment in meeting customer expectations	Higher commitment in meeting customer expectations.

8. Explain the emerging trend in 'green marketing'. What is its importance? (Unit-V, Q.No. 46, 48)

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A II - Semester Examination

December - 2019

R17

MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 75

Note : This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A, Part B consists of 5 units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

ANSWERS**PART - A (5 × 5 = 25 Marks)**

1. (a) What is marketing management? Does marketing is really useful for business - explain the context with your views? (Unit - I, Q.No. 2, 4)
- (b) How Market opportunities can be analyzed? (Unit - II, Q.No. 6)
- (c) Does the customer driven strategy is useful for business? (Unit - III, Q.No. 14)
- (d) How can promotions and communication strategies improve business? (Unit - IV, Q.No. 46)
- (e) Pricing Decision is crucial when there are lots of competitors - explain the context. (Unit - V, Q.No. 2)

PART - B (5 × 10 = 50 Marks)

2. Explain in detail about the importance and scope of marketing. (Unit - I, Q.No. 4, 6)
OR
3. What are all the core marketing concepts which are useful for business? (Unit - I, Q.No. 8)
4. Explain about
(a) Customer Decision Making
(b) The decisions of customer affects today's business. (Unit - II, Q.No. 1, 2)
OR
5. Explain in detail about how to analyze the consumer markets. (Unit - II, Q.No. 8)
6. STP - Explain in detail about this concept, also explain why STP is used? (Unit - III, Q.No. 7)
OR
7. Briefly explain
(a) Segmentation of consumer market
(b) Business market (Unit - III, Q.No. 8, 9)

8. How does marketing channels helps business? And also explain the channel intermediates and their functions. **(Unit - IV, Q.No. 1, 4, 5)**

OR

9. Explain in detail about channel for
- (a) Consumer products
 - (b) Business Products
 - (c) Industrial Products **(Unit - IV, Q.No. 8)**
10. (a) Does Price play a major role in business - explain the context. **(Unit - V, Q.No. 2)**
- (b) Explain about the cost determinant of
- i) Price
 - ii) Markup Pricing
 - iii) Profit Maximization Pricing **(Unit - V, Q.No. 1, 4, 6)**

OR

11. Explain in detail about pricing strategies and break even pricing. **(Unit - V, Q.No. 10, 7)**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A II - Semester Examination

April / May - 2019

R17

MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 75

Note: This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A, Part B consists of 5 units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

ANSWERS**PART - A (5 × 5 = 25 Marks)**

1. (a) Write a brief note on Marketing Research and Ethics. (Unit-I, Q.No. 38)
- (b) Explain Marketing Mix in Consumer Durables. (Unit-II, SQA-5)
- (c) What is geographic segmentation ? (Unit-III, Q.No. 5)
- (d) Explain with example Ads with Informational appeal.

Ans :

The informational appeal offers facts and information to help the target audience make a purchasing decision. It tries to generate attention using rational arguments and evidence to convince consumers to select a product, service, or brand. For example:

- More or better product or service features: Ajax "Stronger Than Dirt"
- Cost savings: Wal-Mart "Always Low Prices"
- Quality: John Deere "Nothing runs like a Deere"
- Customer service: Holiday Inn "Pleasing people the world over"
- New, improved: Verizon "Can you hear me now? Good."

-
- (e) What is Viral Marketing ? (Unit-V, SQA-8)

PART - B (5 × 10 = 50 Marks)

2. What do you understand by marketing, its concepts and brief on marketing strategies in changing globalized era ? (Unit-I, Q.No. 2, 9, 27)

OR

3. Define market research and develop a research design to identify the needs with respect to automobile industry. (Unit-II, Q.No. 34)
4. Explain the buying decision process with respect to mobile services and brief on factors influencing consumer behaviour. (Unit-II, Q.No. 2)

OR

5. Explain the concept of product hierarchy with insurance products and explain different stages of PLC. (Unit-II, Q.No. 28)

6. Explain the major segmentation variables for B2B markets and strategies for selecting target market. (Unit-III, Q.No. 5, 16)

OR

7. Define positioning, responsibilities and explain product positioning strategies. (Unit-III, Q.No. 20, 26)
8. Enumerate with proper example, different types of trade promotion tools.

Ans :

(i) Discounts / Increased Margin of Sale

Trade promotions run by any company is offering discounts or increasing the margin offered to the channel dealer. This is especially useful for small business owners who do not have the time or the manpower to run company operated trade promotions at dealer end.

(ii) Coupons / Rebates

Coupons are always attractive to end customers because they ensure a guaranteed discount at the retailer or the dealers outlet. This is also a method to drive traffic to the retailer's store and can be especially used when the retail outlet is brand new or when it is losing out to a competition.

Coupons are types of sales promotions in itself. However, it can be used at the trade promotions level and the dealer can run Scratch cards or other such coupon based promotions so that customers get "Assured gifts". when the company backs the dealer in running such coupon or rebate based promotions, then the dealer is extra motivated to sell your items. At the same time, this ensures liquidation of stock and refilling at dealer end.

(iii) Dealer Competition

A fantastic way to motivate your dealers to perform better is to keep dealer competitions. These dealer competitions can be short term or long term. Short term ones can actually be regional, for example, the best sales dealer in territory X gets a free print ad in newspaper from the company or he gets free incentives for all his sales people.

Another, long term format of dealer competition is to keep awards every year or to have dealer leagues within the company. Example would be a Platinum league of dealers who get additional 2% discount on all products they sell. Gold league which gets 1% discount, so on and so forth.

OR

9. Explain the concept of channel levels in both consumer and industrial markets and brief on channel strategy decisions. (Unit-IV, Q.No. 8, 10)

10. Discuss different pricing strategies and brief on use of pricing as a strategy in PLC stages. (Unit-V, Q.No. 10)

OR

11. Explain different modes of personal communication tools used in Indian rural markets. (Unit-V, Q.No. 18)

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD**M.B.A II - Semester Examination****R17****December - 2018****MARKETING MANAGEMENT**

Time : 3 Hours]

[Max. Marks : 75

Note : This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A. Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (5 × 5 = 25 Marks)**ANSWERS**

1. (a) What are the basic aspects of ethics in marketing research? (Unit - I, Q.No. 38)
- (b) What is a brand? What is brand equity? (Unit - II, SQA-11, 12)
- (c) What is product positioning map? (Unit - III, SQA-12)
- (d) What is the step by step approach to personal selling? (Unit - IV, Q.No. 36)
- (e) What is mark up price? What are its advantages and disadvantages? (Unit - V, SQA-3, 4)

PART - B (5 × 10 = 50 Marks)

2. (a) Explain the core concepts of needs, wants and demands as related to marketing. (Unit - I, Q.No. 8)
- OR
- (b) What are the major components of external environment of marketing? (Unit - I, Q.No. 25)
 3. (a) What is the significance of 4 P's of marketing? (Unit - I, Q.No. 16)
 - (b) Explain the difference between questionnaire and 'schedule' in the content of marketing research.

Ans :

Character	Questionnaire	Schedule
Delivered by	In general, questionnaires are delivered to the persons concerned either by post or mail, requesting them to answer the questions and return it.	Enumerators go to the informants with the schedule.
Role of Respondents	Read and understand the questions and reply in the space provided in the questionnaire itself.	Only answer the questions asked by enumerators. Sometimes, the schedule is distributed to the respondents, and the enumerators assist them in answering the questions.

Filled by	Respondents	Enumerators
Response Rate	Low	High
Coverage	Large	Comparatively small
Cost	Economical	Expensive
Respondent's identity	Not known	Known
Observation Method	Not applicable	Applicable
Important features required	• Simple to understand • Short questions • Interesting and Engaging	No special features required
Success relies on	Quality of the questionnaire	Honesty and competence of the enumerator.
Usage	Only when the people are literate and cooperative.	Used on both literate and illiterate people.

4. (a) Explain the concept of product length and width. (Unit - II, Q.No. 22)
- (b) What appropriate strategies need to be adopted at the decline stage of PLC? (Unit - II, Q.No. 30)

OR

5. What are the various stages of new product development? Explain each of them. (Unit - II, Q.No. 32)
6. (a) What is behavioural segmentation of market? With example illustrate the various bases of behavioural segmentation. (Unit - III, Q.No. 10)
- (b) Explain how business market is segmented.

Ans :

The following are the bases for segmenting business markets.

1. Location of the Customer

Marketers usually segment business markets geographically and concentrates on the geographical location of the industries.

Example: The organizations which process natural resources are located near the source for reducing the shipping costs.

2. Type of Customer

Business markets are segmented based on types of customers such as,

- (i) **Industry:** The firms which are selling their products to business customers in different industries will segment their markets depending on the industry.
- (ii) **Size of the Business Customer:** 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.

(iii) Organization: Organizations tries to sell their products in number of ways. Some of the organizations depends mainly on their purchasing departments for controlling the inflow of information, decreasing the number of possible alternatives and conducting negotiations

OR

7. (a) How do you distinguish product positioning from product differentiation?

Ans :

S.No.	Product Positioning	Product Differentiation
1.	Positioning refers to occupying some place in the mind of the customer.	Differentiation refers to a marketing strategy used by companies to make their product unique.
2.	It is a technique which is used by all companies depending on specific criteria.	It is a strategy which is adopted by some companies.
3.	Product positioning influence the perception of consumer relating to brand's characteristics in respect of competitive offerings.	Product differentiation manipulates the marketing mix to position a product which enables the consumer to understand differences between brand and its competitors.

(b) What is niche market? What are its characteristics?

Ans :

Definition: Niche Market can be defined as that particular segment or subset of a bigger market, which caters to a specific group of people having common likings and demand. The market has its own distinctive set of needs, preferences or identity, making it unrelated from the traditional market.

Characteristics

A niche market is characterized by:

- **Unique set of needs:** Niche market is represented by specialist needs among the audience, served by a few competitors.
- **Ample size:** The size of the niche market should be large enough to earn profits.
- **Sufficient purchasing ability:** While selecting a particular niche, the firm must lay emphasis on the purchasing ability of the target customers.
- **No real competitors:** Markets that are not recognized by other firms or the competitors have negligible interest in it.
- **Resources, competencies and skills:** Firm possesses the needed resources, competencies and skills, to exploit the niche.
- **Need for special treatment:** Niches are typified by the customer group whose needs are often ignored by the existing players in the market.
- **Growth prospects:** The firm seeking to enter a niche market should focus on the growth prospects, i.e. the opportunities to grow and expand.

- **Customers Goodwill:** In order to excel in a market niche, first of the entire firm should understand clearly and thoroughly, 'what their customers need'. Further, niche customers are so loyal, that they can pay a higher price to get the product.
- **Firm achieve economies through specialization:** The primary advantage of pursuing a niche strategy is that the firm seeks dominance in the market and achieve economies through specialization.
- **Provides barriers to entry for competitors:** Niche market should be such that which presents barriers to entry for competitors because it is not likely to attract competitors easily.
- **Greater profit margins:** A niche marketer knows the customer's group and their needs so well that it serves them in the best manner. This leads to greater margins due to the premium price for the value addition, and strong brand loyalty. Further, the customers are ready to pay a premium price for the product which exactly satisfies their needs.

8. (a) What are the functions performed by marketing channel? Explain. (Unit - IV, Q.No. 5)
(b) What are the various trade promotion measures? (Unit - IV, Q.No. 29)

OR

9. (a) What is non store retailing? What are the various forms of non store retailing?

Ans :

Non-store retailing refers to retailing that takes place outside traditional brick-and-mortar (physical) locations

There are many different forms of retailing that do not occur at a physical retail space, such as electronic commerce, off-premise direct selling, and distance selling.

One of the best examples of non-store retailing is the e-commerce giant Amazon. Amazon does not have a physical store where consumers go to buy products but sells products to consumers from its website.

The three main types of non-store retailing are: direct selling, distance selling and online selling.

(i) Direct Selling

Direct selling is one of the oldest forms of non-store retailing. It involves retailing goods and services directly to the consumers (at their house or at their workplace).

According to the FTC: "Direct selling is a blanket term that encompasses a variety of business forms premised on person-to-person selling in locations other than a retail establishment, such as social media platforms or the home of the salesperson or prospective customer."

(ii) Distance Selling

This involves selling goods or services through digital TV, by mail order or by phone or text message.

(iii) Online Selling

Online selling refers to selling products or services over the Internet. Buyers land on a seller's website, select something, and arrange for its delivery. Most retailers now provide online shopping facilities for customers. In fact, many companies only sell online and have no physical shop that people can visit. This form of non-store retailing has significantly grown in popularity over the past couple of decades.

Online selling has become a great tool for small businesses to have their own online store and website to sell their products and expand their reach.

- (b) What are the channels of marketing for industrial products ? (Unit - IV, Q.No. 8)
10. (a) What are the pricing objectives ? (Unit - V, Q.No. 1)
- (b) Explain some of the demand based pricing methods. (Unit - V, Q.No. 4)

OR

11. (a) What are the distinguish aspects of global marketing? (Unit - V, Q.No. 45)
- (b) What are the advantages of internet marketing to customers and marketer? (Unit - V, Q.No. 36)

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY
HYDERABAD

M.B.A II - Semester Examination

June / July - 2018

MARKETING MANAGEMENT

R17

Time : 3 Hours]

[Max. Marks : 75

Note: This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (5 × 5 = 25 Marks)**ANSWERS**

- | | |
|---|-----------------------|
| 1. (a) Write a brief note on elements of marketing environment. | (Unit - I, SQA-16) |
| (b) How to build customer value? | (Unit - II, SQA-2) |
| (c) Discuss product positioning strategies. | (Unit - III, SQA-12) |
| (d) Brief on the factors affecting the promotion mix of a service firm. | (Unit - IV, Q.No. 46) |
| (e) Write a short note on rural marketing in India. | (Unit - V, SQA-13) |

PART - B (5 × 10 = 50 Marks)

- | | |
|---|------------------------------|
| 2. Define marketing management, its concepts and provide a detailed note on marketing strategies and the marketing philosophies impact on the strategic planning process of a firm. | (Unit - I, Q.No. 2, 9, 27) |
| OR | |
| 3. What is the importance of marketing research in changing marketing landscape and brief on the marketing research process? | (Unit - I, Q.No. 35, 37) |
| 4. What do you understand by consumer behavior? What are the stages of the consumer buyer decision process and describe how you or your family went through this process to make a recent purchase. | (Unit - II, Q.No. 7, 1, 2) |
| OR | |
| 5. Discuss, how marketing strategies change during the products life cycle? And brief on the new product development process. | (Unit - III, Q.No. 28, 32) |
| 6. Define segmentation; make a detailed note on consumer market segmentation with an appropriate illustration and requirement for effective segmentation. | (Unit - III, Q.No. 1, 8, 15) |

OR

7. What do you mean by target market? Discuss target marketing strategies for a consumer product, and what ethical issues might a company encounter when targeting? (Unit - III, Q.No. 16, 18)

8. Describe the key functions performed by marketing channel members and explain how companies motivate and evaluate channel members. (Unit - IV, Q.No. 5, 6)

OR

9. Discuss the importance of promotion in marketing and brief on the promotional mix elements with appropriate illustration. (Unit - IV, Q.No. 13, 15, 23, 25)

10. What do you understand by pricing, factors impacting on pricing of product and discuss the price adjustment strategies with appropriate illustrations? (Unit - V, Q.No. 1, 10)

11. Discuss the role of social media marketing and digital marketing in creating value for customers and building customer relationship. (Unit - V, Q.No. 37)

Note : This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (5 × 5 = 25 Marks)

ANSWERS

- | | | |
|----|--|-----------------------|
| 1. | (a) What is marketing environment ? | (Unit - I, SQA - 7) |
| | (b) Define Consumer Decision Making. | (Unit - II, SQA - 1) |
| | (c) Differentiate between business market and consumer market. | (Unit - III, SQA - 5) |
| | (d) Importance of personal selling. | (Unit - IV, SQA - 13) |
| | (e) Objectives of Pricing | (Unit - V, SQA - 2) |

PART - B (5 × 10 = 50 Marks)

- | | | |
|----|---|-----------------------|
| 2. | Micro environmental factors are very crucial for a business to operate smoothly comment on the statement. | (Unit - I, Q.No.24) |
| | OR | |
| 3. | Define Marketing Strategies. Explain the nature of Marketing Strategies. | (Unit - I, Q.No.27) |
| 4. | What is customer value ? Explain the approaches of customer value. | (Unit - II, Q.No.3) |
| | OR | |
| 5. | Elaborate the variuos stages of product life cycle. | (Unit - II, Q.No.28) |
| 6. | Explain briefly about segmentation, targeting and positioning process ? | (Unit - III, Q.No.7) |
| | OR | |
| 7. | Define target marketing ? Explain the steps and levels of target marketing. | (Unit - III, Q.No.16) |
| 8. | Define channel ? What are the characteristics and objective of marketing channels ? | (Unit - IV, Q.No.1) |

OR

9. What are the various media for advertisement? Discuss about them briefly.

(Unit - IV, Q.No.22)

10. Define the term price and pricing and what are the objectives of pricing.

(Unit - V, Q.No.1)

OR

11. Define social media and social media marketing. Write about the important aspects of social media marketing.

(Unit - V, Q.No.37)

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A II - Semester Examination

R19

Model Paper - II

MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 75

Note : This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (5 × 5 = 25 Marks)**ANSWERS**

- | | | |
|----|---|-----------------------|
| 1. | (a) Define Marketing Strategies. | (Unit - I, SQA - 9) |
| | (b) Define product Range. | (Unit - II, SQA - 7) |
| | (c) Steps in Identifying the Target Market. | (Unit - III, SQA - 7) |
| | (d) Who are intermediaries ? Explain different types of intermediaries. | (Unit - IV, SQA - 3) |
| | (e) Define Product Line Pricing. | (Unit - V, SQA - 7) |

PART - B (5 × 10 = 50 Marks)

- | | | |
|-----|---|------------------------|
| 2. | Marketing Concept is still in its infant state in India comment. | (Unit - I, Q.No. 5) |
| | OR | |
| 3. | Outline the process of marketing environment analysis. | (Unit - I, Q.No. 23) |
| 4. | Define New Product Development. Explain the categories of new products. | (Unit - II, Q.No. 31) |
| | OR | |
| 5. | Explain the concept of Marketing Mix. | (Unit - II, Q.No. 15) |
| 6. | What are the five key criteria for effective segmentation ? | (Unit - III, Q.No. 15) |
| | OR | |
| 7. | Define Positioning. Explain the process of Product Positioning. | (Unit - III, Q.No. 20) |
| 8. | Define Promotion Mix ? Explain its objectives. | (Unit - IV, Q.No. 12) |
| | OR | |
| 9. | What are the ethical issues concerning advertisement? | (Unit - IV, Q.No. 20) |
| 10. | Discuss the importance of pricing decision to the economy and the individual. | (Unit - V, Q.No. 2) |
| | OR | |
| 11. | Define Rural Marketing ? Explain the importance of rural marketing ? | (Unit - V, Q.No. 18) |

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A II - Semester Examination

R19

Model Paper - III

MARKETING MANAGEMENT

Time : 3 Hours]

[Max. Marks : 75

Note : This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (5 × 5 = 25 Marks)**ANSWERS**

- | | |
|---------------------------------|-----------------------|
| 1. (a) Define Marketing. | (Unit - I, SQA - 2) |
| (b) Define Consumer Behaviour. | (Unit - II, SQA - 3) |
| (c) Define market segmentation. | (Unit - III, SQA - 1) |
| (d) Define Promotion Mix. | (Unit - IV, SQA - 6) |
| (e) Define Green Marketing. | (Unit - V, SQA - 20) |

PART - B (5 × 10 = 50 Marks)

- | | |
|---|------------------------|
| 2. Explain the various core concepts of marketing. | (Unit - I, Q.No. 8) |
| OR | |
| 3. Define Marketing Information Systems. What are the characteristics of Marketing Information Systems. | (Unit - I, Q.No. 39) |
| 4. Define Culture. What are the characteristics of culture ? | (Unit - II, Q.No. 11) |
| OR | |
| 5. What are the objectives of Branding ? | (Unit - II, Q.No. 40) |
| 6. Explain the process of selecting target market ? | (Unit - III, Q.No. 17) |
| OR | |
| 7. Explain concept of positioning and repositioning with the perceptual map of a FMCG. | (Unit - III, Q.No. 23) |
| 8. Explain the process of personal selling. | (Unit - IV, Q.No. 36) |

OR

9. Define communication mix. What are the various factors which have be taken into consideration for deciding the promotion mix ? (Unit - IV, Q.No. 46)
10. Explain the various types of Pricing Strategies. (Unit - V, Q.No. 10)
- OR
11. Define Rural Marketing ? Explain the importance of rural marketing ? (Unit - V, Q.No. 18)