

## **Model Answer – Principles of Marketing (Elective – Marketing)**

### **B. Com. V Sem. AS - 2641**

**Ans 1(i)** Product life cycle is an attempt to recognize distinct stages in the sales history of the product. The life of a product can be divided into six stages introduction, growth, maturity, saturation, decline and obsolescence.

**Ans 1(ii)** Price is a value that will purchase a definite quantity, weight or other measures of goods or services. Ultimate object of every enterprise is to earn maximum profits through maximum sales. For the achievement of this object, it becomes necessary that the price of the product of the enterprise must be determined only after a careful consideration of all the relevant factors.

**Ans 1(iii)** Advertising includes all the activities performed by an enterprise to present the goods and services to the consumers and to motivate them to buy these goods and services.

**Ans 1(iv)** Channels of distribution are the ways through which the goods and services are distributed from manufacturers to the consumers. Wholesalers and retailers are the important channels of distribution for the product.

**Ans 1(v)** Two services provided by retailers to consumers are:

- a. **Facility of Credit:** The retailers provide the facility of credit to their consumers. Consumers are very close to the retailers and the relationship between retailers and consumers is very much personal.
- b. **Near to Consumers:** An important service rendered by retailers to the consumers is that the retailers are very near to the consumers. The consumers do not have to go very far for purchasing the goods of daily need.

**Ans 1(vi)** Old concept of marketing is also known as traditional concept of marketing. It is based on the assumption that whatever is produced by the producer can be easily sold in the market without any problem.

**Ans 1(vii)** A product means all the goods and services, tangible or intangible, of any size or quantity or colour, or packing or price which may be accepted by the consumers to satisfy their need and wants.

**Ans 1(viii)** Consumer products are the products which are made for direct consumption by the consumer. Ex. pen, notebook, soap, toothpaste, car etc.

Industrial products are the products which are used in producing other goods. These goods are not used directly by the consumers. Industrial goods are meant for use in producing consumer goods. Ex. engines of cars, speakers of music systems etc.

**Ans 1(ix)** Obsolescence is the stage of death for a product. In this stage the demand for the product is almost nil and there is no effect of advertisement and sales promotion measures of the enterprise on consumers. At this stage of product life cycle new substitute captures the market and old product is practically out of the market.

**Ans 1(x)** Under skimming the cream pricing policy a very high price is fixed by an industrial enterprise for its products. This policy is adopted in the case of specialty goods only, that too only when a new product of new type is introduced into the market for very first time because the product will not face any competition at this stage and the manufacturer wants to recover the amount of capital invested by him quickly.

**Ans 2. Sales promotion** is one of the seven aspects of the promotional mix. (The other six parts of the promotional mix are advertising, personal selling, direct marketing, publicity/public relations, corporate image and exhibitions.) Media and non-media marketing communication are employed for a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability. Examples include contests, coupons, freebies, loss leaders, point of purchase displays, premiums, prizes, product samples, and rebates

Sales promotions can be directed at either customer, sales staff, or distribution channel members (such as retailers). Sales promotions targeted at the consumer are called consumer sales promotions. Sales promotions targeted at retailers and wholesale are called trade sales promotions. Some sale promotions, particularly ones with unusual methods, are considered gimmicks by many.

Sales promotion includes several communications activities that attempt to provide added value or incentives to consumers, wholesalers, retailers, or other organizational customers to stimulate immediate sales. These efforts can attempt to stimulate product interest, trial, or purchase. Examples of devices used in sales promotion include coupons, samples, premiums, point-of-purchase (POP) displays, contests, rebates, and sweepstakes.

Sales promotion is needed to attract new customers, to hold present customers, to counteract competition, and to take advantage of opportunities that are revealed by market research. It is made up of activities, both outside and inside activities, to enhance company sales. Outside sales promotion activities include advertising, publicity, public relations activities, and special sales events. Inside sales promotion activities includes window displays, product and promotional material display and promotional programs such as premium awards and contests.

**Personal selling** is where businesses use people (the “sales force”) to sell the product after meeting face-to-face with the customer.

The sellers promote the product through their attitude, appearance and specialist product knowledge. They aim to inform and encourage the customer to buy, or at least trial the product.

A good example of personal selling is found in department stores on the perfume and cosmetic counters.

A customer can get advice on how to apply the product and can try different products. Products with relatively high prices, or with complex features, are often sold using personal selling. Great examples include cars, office equipment (e.g. photocopiers) and many products that are sold by businesses to other industrial customers.

Point-of-sale merchandising can be said to be a specialist form of personal selling. POS merchandising involves face-to-face contact between sales representatives of producers and the retail trade.

A merchandiser will visit a range of suitable retail premises in his/her area and encourage the retailer to stock products from a range. The visit also provides the opportunity for the merchandiser to check on stock levels and to check whether the product is being displayed optimally.

### **Ans 3. Factors that influence the Choice of Channel of Distribution**

#### 1. Product Considerations:

The nature and type of the product have an important bearing on the choice of distribution channels. The main characteristics of the product in this respect are given below:

##### (a) Unit Value:

Products of low unit value and common use are generally sold through middlemen as they cannot bear the cost of direct selling. Low-priced and high turnover articles like cosmetics, hosiery goods, stationery and small accessory equipment usually flow through a long channel.

On the other hand, expensive consumer goods and industrial products are sold directly by the producers.

##### (b) Perish ability:

Perishable products like vegetables, fruits, milk and eggs have relatively short channels as they cannot withstand repeated handling. Same is true about articles of seasonal nature.

Goods which are subject to frequent changes in fashion and style are generally distributed through short channels as the producer has to maintain close and continuous touch with the market. Durable and non-fashion articles are sold through agents and merchants.

##### (c) Bulk and weight:

Heavy and bulky products are distributed through shorter channels to minimise handling costs. Coal, bricks, stones, etc., are some examples.

(d) Standardisation:

Custom-made and non-standardised products usually pass through short channels due to the need for direct contact between the producer and the consumers. Standardised and mass-made goods can be distributed through middlemen.

(e) Technical nature:

Products requiring demonstration, installation and after sale services are often sold directly the producer appoints sales engineers to sell and service industrial equipment and other products of technical nature.

(f) Product line:

A firm producing a wide range of products may find it economical to set up its own retail outlets. On the other hand, firms with one or two products find it profitable to distribute through wholesalers and retailers.

(g) Age of the product:

A new product needs greater promotional effort and few middlemen may like to handle it. As the product gains acceptance in the market, more middlemen may be employed for its distribution. Channels used for competitive products may also influence the choice of distribution channels.

2. Market considerations:

The nature and type of customers is an important consideration in the choice of a channel of distribution. Following factors relating to the market are particularly significant.

(a) Consumer or industrial market:

The purpose of buying has an important influence on channel. Goods purchased for industrial or commercial use are usually sold directly or through agents.

This is because industrial users buy in a large quantity and the producer can easily establish a direct contact with them. To ultimate consumers, goods are sold normally through middlemen.

(b) Number and location of buyers:

When the number of potential customers is small or the market is geographically located in a limited area, direct selling is easy and economical. In case of large number of customers and widely scattered markets, use of wholesalers and retailers becomes necessary.

(c) Size and frequency of order:

Direct selling is convenient and economical in case of large and infrequent orders. When articles are purchased very frequently and each purchase order is small, middlemen may have to be used.

A manufacturer may use different channels for different types of buyers. He may sell directly to departmental and chain stores and may depend upon wholesalers to sell to small retail stores.

(d) Customer's buying habits:

The amount of time and effort which customers are willing to spend in shopping is an important consideration. Customer expectations like desire for one-stop shopping, need for personal attention, preference for self-service and desire for credit also influence the choice of trade channel.

3. Company considerations:

The nature, size and objectives of the firm play an important role in channel decisions.

(a) Market standing:

Well-established companies with good reputation in the market are in a better position to eliminate middlemen than new and less known firms.

(b) Financial resources:

A large firm with sufficient funds can establish its own retail shops to sell directly to consumers. But a small or weak enterprise which cannot invest money in distribution has to depend on middlemen for the marketing of its products.

#### **Ans 4. Medias of Advertisements**

Press

In the United Kingdom, spending is dominated by the national & regional newspapers, the latter taking almost all the classified advertising revenue. The magazines and trade or technical journal markets are about the same size as each other, but are less than half that of the newspaper sectors.

Television

This is normally the most expensive medium, and as such is generally only open to the major advertisers, although some regional contractors offer more affordable packages to their local advertisers. It offers by far the widest coverage, particularly at peak hours (roughly 7.00–10.30 p.m.) and especially of family audiences. Offering sight, sound, movement and colour, it has the greatest impact, especially for those products or services where a 'demonstration' is essential; since it combines the virtues of both the 'story-teller' and the 'demonstrator'. To be effective, these messages must be simple and able to overcome surrounding family life distractions—especially the TV remote.

Radio

Radio advertising has increased greatly in recent years, with the granting of many more licenses. It typically reaches specific audiences at different times of the day—adults at breakfast, housewives during the day, and commuters during rush hours. It can be a cost-effective way of reaching these audiences—especially since production costs are much cheaper than for television, though the lack of visual elements may limit the message. In radio advertising it is important to identify the right timing to reach specific radio listeners. For instance, many people only listen to the radio when they are stuck in traffic, whereas other listeners may only listen in the evenings. The 24-hour availability of radio is helpful to reach a variety of customer sub-segments. In addition, it is a well-established medium to reach rural areas.

### Cinema

Though national audience numbers are down, this may be the most effective medium for extending coverage to younger age groups, since the core audience is 15 to 35.

### Internet/Web Advertising

This rapidly growing marketing force borrows much from the example of press advertising, but the most effective use—adopted by search engines—is interactive.

### Mobile Advertising

Personal mobile phones have become an attractive advertising media to network operators, but are relatively unproven and remain in media buyers' sidelines.

## **Ans 5. Scope of Marketing**

The marketing process performs certain activities as the goods or services move from producer to consumer. Every firm does not perform all these activities or jobs. However, any company that wants to operate its marketing system successfully must carry them out. The following marketing tasks have been recognized for a long time.

1. **Selling:** It is core of marketing. It is concerned with the persuasion of prospective buyers to actually complete the purchase of an article. Selling plays an important part in realizing the ultimate aim of earning profit. Selling is enhanced by means of personal selling, advertising, publicity and sales promotion.

2. **Buying:** It involves what to buy, what quality, how much, from whom, when and at, what price. People in business buy to increase sales or to decrease costs. Purchasing agents are

much influenced by quality, service and price. The products that the retailers buy for resale are determined by the need and preferences of their customers.

3. Transportation: Transport is the physical means whereby goods are moved from the places where they are produced to those they are needed for consumption. Transportation is essential from the procurement of raw materials to the delivery of finished products to the customers places. Marketing relies mainly on railroads, tracks, waterways, pipelines and air transport. The type of transportation is chosen on several consideration such as suitability, speed and cost.

4. Storage: It involves the holding of goods in proper condition from the time they are produced until they are needed by consumers (in case of finished products) or by the production department (in case of raw materials and stores). Storing protects the goods from deterioration and helps in carrying over surplus for feature consumption or use in production. Goods may be stored in various warehouses situated at different places. Storing assumes greater importance when production is seasonal or consumption may be seasonal. Retail firms are called “stores”.

5. Standardization and Grading: The other activities that facilitate marketing are standardization and grading. Standardization means establishment of certain standards or specifications for products based on intrinsic physical qualities of any commodity. This may involved quantity (weight or size) or it may involve quality (colour, shape, appearance, material, taste, sweetness etc). Government may also set some standards e.g., in case of agricultural products. A standard conveys a uniformity of the products.

“Grading means classification of standardized products into certain well-defined classes or groups.” It involves the division of products into clauses made up of unit processing similar characteristics of size and quality. Grading is very important for “raw material” (such as fruits and cerials), mining products” (such as coal, iron-ore and mangenese) and “forest products” (such as timber). Branded consumer products may bear grade levels, – A B C.

6. Financing: It involves the use of capital to meet financial requirements of the agencies dealing with various activities of marketing. The services of providing the credit and money needed to meet the cost of getting merchandise into the hands of the final user is commonly referred to as finance, function in marketing. In marketing, finances are needed for working capital and fixed capital, which may be secured from three sources – onward capital, bank loans and advances, and trade credit (provided by the manufactures to wholesaler and by the wholesaler to the retailers).

7. Risk Taking: Risk means lose due to some unforeseen circumstances in future. Risk-bearing in marketing refers to the financial risk inherent in the ownership of goods held for an

anticipated demand, including the possible losses due to a fall in price and the losses from spoilage, depreciation, obsolescence, fire and floods or any other loss that may occur with the passage of time. From production of goods to its selling stage, many risks are involved due to changes in market conditions, natural causes and human factors. Changes in fashions or interventions also cause risks. Legislative measures of the government may also cause risks.

8. Market Information: The only sound foundation, on which marketing decisions may be based, is correct and timely market information. Right facts and information reduce the aforesaid risks and thereby result in cost reduction. Business firms collect, analyze and interpret facts and information from internal sources, such as records, sales people and findings of the market research department. They also seek facts and information from external sources, such as business publications, government reports and commercial research firms. Retailers need to know about sources of supply and also about customers buying motives and buying habits. Manufacturers need to know about retailers and about advertising media. Firms in both these groups need information about competitors activities and about their markets. Even ultimate consumers need market information about availability of products, their quality standards, their prices, and also about the after-sale service facility. Common sources for consumers are sales people, media advertisements, colleagues etc.

## **Ans 6. Importance of Product Planning**

### Get Everyone's Input

One of the earliest stages of product planning is gathering input about a new product idea. This step is important because it allows you to step back and look at ideas from a number of different groups of people, including your developers, sales team, customer support team, shareholders, management and your customers. All perspectives are important, but pay close attention to customer feedback. You can conduct a survey to ask existing customers about features they want and price they would pay, as well as any other details specific to your product. This also gives everyone involved a chance to weigh in so no one feels like their idea was not acknowledged.

### Evaluate and Refine Ideas

Most of the time, there are a lot of ideas about a new product. Some are conflicting, some are unrealistic and some just miss the mark, so you will need to evaluate and sort through all ideas to find the best. Document and discuss each idea with your product marketing team. If one or more ideas for the product pop up multiple times, chances are that is an idea worth pursuing. It is important to acknowledge all ideas and evaluate which ones are the best, then



refine those ideas to include specific details about a product, such as features. These refined ideas are the initial plan or design for the product.

### Analyze the Market

Another part of product planning is analyzing the market. Specifically, you must look at the latest consumer trends and behavior in your particular industry or market. Pay attention to what similar products are selling best, what features or product details consumers are attracted to, and what they are spending on other similar products. Make note of features or functionality that are missing from similar products but are wanted or needed by your target customers. This information is important because it allows you to make changes to the product before production begins, as well as helping you begin to think about how to successfully market the product to drive sales.

### Establish Time Line

Product planning also helps you establish a time line for the cycle of a new product, from conception to design and production. A time line is important to give you a target launch date. However, be cautious when establishing deadlines; do not be too aggressive, or else you might set your team up for failure.

## **Ans 7. Bases of Market segmentation.**

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

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

### I. GEOGRAPHIC SEGMENTATION :

In geographic segmentation, the market is sub divided on the basis of area.

— Region : Regional segmentation is made because regional differences exist in respect of demand for products. For example, buyers from south India are different from the buyers in north.

— Urban / Rural : There are differences in buying behaviour of urban and rural customers. Accordingly, marketing strategies must be designed depending upon their likes, dislikes, moods, preferences, fashions and buying habits.

— Locality : Consumer's buying behaviour is also reflected by the locality within a particular city. For instance, there are differences in terms of buying patterns of people residing at Parel and Parle, within a city like Mumbai.

## II. DEMOGRAPHIC SEGMENTATION :

Demography refers to study about the different aspects of population. Markets can be divided on demographic factors like age, gender, education etc. The various demographic factors are :

- Age : The primary method of analysing markets by age is to divide the total population into age groups and analyse the wants and needs of each group.
- Gender : Marketers devote much attention to male and female differences in purchasing. Today, marketers segment female groups into college girls, working women, housewives, etc. Again, male groups can be further classified.
- Income : Buying patterns depends on income of the consumers. No two individuals or families spend money in exactly the same way. If a researcher knows a person's income, he can predict with some accuracy wants and needs of that person and how those wants are likely to be satisfied.
- Education : Market can be segmented on the basis of education – matriculation or less, under graduates, graduates, post-graduation, etc. Most studies show that the highly educated people spend more than the poorly educated in respect of housing, clothing, recreation, etc.
- Family Size : The consumption patterns of certain products definitely vary with the number of people in the household. Manufacturers of certain products such as ice-cream market family packs.
- Family Life Cycle : The market can be segmented as bachelors, newly married couples, married with grown up children, older married couples, etc. For selling tours and vacations, Life Insurance policies etc., this segmentation is of use.
- Race and Religion : Consumption patterns of certain products differ on the basis of religion and race, such as alcohol and meat products.

## III. SOCIOGRAPHIC SEGMENTATION :

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

- Cultural Influences : The marketer must consider cultural influences while segmenting markets. People in urban areas are influenced to a certain extent by western culture, whereas, many people in villages follow more or less traditional culture. Culture is influenced by our socio-cultural institutions like family, religion, language, education, and so on.
- Influence of Social Class : Buying behaviour is reflected by the influence of social class to which the consumers belong. The social class can be segmented as – lower-lower, middle-lower, upper-lower, lower-middle, middle-middle, upper-middle, lower-upper,

middle-upper and upper-upper. Firms dealing in clothing, home furnishing, automobiles, etc. can design products for specific social class.

— Influence of Reference Groups : A reference group may be defined as a group of people who influence a person's attitudes, values and behaviour. Consumer behaviour is influenced by the small groups to which they belong or aspire to belong. These groups include family, religious groups, a circle of close friends or neighbours, etc. Each group develops its own set of attitudes and beliefs that serve as guidelines for members' behaviour

#### IV. PSYCHOGRAPHIC SEGMENTATION :

It refers to individual aspects like life style and personality.

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

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

**Ans 8.** The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements.

#### **Factors affecting Marketing Mix:**

**Product:** The product is the item that is produced on a scale that befits the organization. This product can be mass-produced and the volume is always a specific number. The product can be a service, and these products are classed as intangible products. Tangible products are those that are physical objects and can range from a simple item such as a chocolate bar, to more expensive, large items such as motor vehicles. The products a company produces should always have some differentiation that separates them from other products on the market.

**Price:** The price is the amount of money that a customer pays for a product. The price can be increased or decreased depending on the popularity of the product. The price will normally be fixed for certain stores that the product is available in.

**Placement:** The placement of the product describes the location that the product is placed in, including the position that the product is located in within individual stores. The product is normally placed in such a place as to be eye catching for the customers.

Promotion: Promotion represents the communications that a company uses to market the product. The promotion itself can be broken down into 4 elements. These are advertising, personal selling, sales, and public relations. All these elements are vital in the promotion of the products of a company. It is essential to promote products to enable the public to be aware that the products exist. This is true of existing products and new products. Common forms of advertising that are used for the promotion of products include television, radio, billboards, cinema, and the Internet.