

---

**SCOPE**

Marketing is enveloping trend in modern competitive world as it contributes greatly for the productivity of firms. Marketing includes advertising, promotions, public relations, and sales. It is the procedure of introducing and promoting the product or service into the market and enhancing sales from the buying public.

**OBJECTIVE:**

- To provide basic knowledge of concepts, principles, tools and techniques of marketing.

**UNIT-I**

**Introduction:** Nature, Scope and Importance of Marketing; Evolution of Marketing; Selling vs Marketing; Marketing mix, Marketing Environment: Concept, Importance, and Components (Economic, Demographic, Technological, Natural, Socio- Cultural and Legal).

**UNIT-II**

**Consumer Behaviour:** Nature and Importance, Consumer Buying Decision Process; Factors influencing Consumer Buying Behaviour. **Market segmentation:** Concept, Importance and Bases; Target market selection; Positioning concept, Importance and Bases; Product differentiation vs. Market Segmentation.

**UNIT-III**

**Product: Concept and importance, Product classifications;** Concept of product mix; Branding, Packaging and Labeling; Product-Support Services; Product life -Cycle; New Product Development Process; Consumer adoption process

**UNIT-IV**

**Pricing:** Significance. Factors affecting price of a product. Pricing policies and strategies. **Distribution Channels and Physical Distribution:** Channels of distribution -meaning and importance; Types of distribution channels; Functions of middle man; Factors affecting choice of distribution channel; Wholesaling and retailing; Types of Retailers; e-tailing, Physical Distribution.

## UNIT-V

**Promotion:** Nature and importance of promotion; Communication process; Types of promotion: advertising, personal selling, public relations & sales promotion, and their distinctive characteristics; Promotion mix and factors affecting promotion mix decisions;

**Recent developments in marketing:** Social Marketing, online marketing, direct marketing, services marketing, green marketing, Rural marketing; Consumerism

### Suggested Readings:

#### Text Book:

1. Philip Kotler. (2003). *Marketing Management*. New Delhi: Prentice Hall of India Pvt. Ltd

#### Reference Books :

1. Michael, J. Etzel, Bruce J. Walker, William J Stanton and Ajay Pandit. *Principles of Marketing* [13<sup>th</sup> edition]. New Delhi, Pearson Education.
2. CB Gupta and Dr. Rajan Nair (2014). *Marketing Management*. New Delhi, Sultan Chand & Sons.
3. William D. Perreault, and McCarthy, E. Jerome (2005), *Basic Marketing*. New Delhi, .Pearson Education
4. Neeru Kapoor (2005). *Principles of Marketing*. New Delhi: Prentice Hall of India Pvt. Ltd
5. Rajendra Maheshwari (2010) *Principles of Marketing* [2nd Edition]. New Delhi, International Book House.



## KARPAGAM ACADEMY OF HIGHER EDUCATION

*(Deemed to be University Established Under Section 3 of UGC Act 1956)*

Coimbatore – 641 021.

### LECTURE PLAN DEPARTMENT OF COMMERCE

STAFF NAME: Dr.S.Venkatachalam

SUBJECT NAME: PRINCIPLES OF MARKETING

SEMESTER: V

SUB.CODE:17CCU501B

CLASS: III B.Com(CA)

#### UNIT-1

S. No.	LECTURE DURATION (Periods)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	Introduction to Marketing	T1: p. 4 - 19
2.	1	Nature, Scope and importance of Marketing	T1: p. 03- 05
3.	1	Evolution of marketing	T1: p. 20 - 22
4.	1	Selling VS Marketing	T1: p. 22 - 26
5.	1	Marketing mix	R1:p.3.1-3.16
6.	1	Marketing Environment <ul style="list-style-type: none"> <li>➤ Importance</li> <li>➤ Concepts</li> </ul>	T1: p. 42 - 46
7.	1	Components of Marketing Environment	T1: p. 16 - 19
8.	1	Components of Marketing Environment	-
9.	1	Recapitulation and discussion of important questions	-
		<b>Total no. of hours planned for unit-1</b>	<b>9 Hours</b>



**UNIT-2**

<b>S. No.</b>	<b>LECTURE DURATION (Periods)</b>	<b>TOPICS TO BE COVERED</b>	<b>SUPPORT MATERIALS</b>
1.	1	Consumer behaviour ➤ Meaning, importance ➤ Nature	T1: p. 40 - 49
2.	1	Consumer buying decision process	R1:P.5.1 – 5.4
3.	1	Factors influencing the Consumer buying decision process	R1:P.5.9
4.	1	Market segmentation ➤ concepts	T1: p. 213 - 238
5.	1	Market segmentation- Importance and bases	T1:p.213-238
6.	1	Target market selection	W2
7.	1	Positioning ➤ Concepts ➤ Importance and bases	T1: p. 375 - 399
8.	1	Product differentiation and market segmentation	T1: p. 399 -422
9.	1	Recapitulation and discussion of important questions	-
		<b>Total no. of hours planned for unit-2</b>	<b>9 Hours</b>

**UNIT-3**

<b>S. No.</b>	<b>LECTURE DURATION (Periods)</b>	<b>TOPICS TO BE COVERED</b>	<b>SUPPORT MATERIALS</b>
1.	1	Introduction about product	T1: p. 67 -69
2.	1	Concepts, importance and product class	W1
3.	1	Branding, labeling	T1: p. 75
4.	1	packaging	T1:p.76
5.	1	Product supply services	T1: p. 96 -102
6.	1	Product life cycle	T1: p. 80-81
7.	1	new product development	R1:p.8.1-8.17
8.	1	Consumer adoption process	T1: p. 70 – 79
9.	1	Recapitulation and discussion of important questions	-
		<b>Total no. of hours planned for unit-3</b>	<b>9 Hours</b>

**UNIT-4**

<b>S. No.</b>	<b>LECTURE DURATION (Periods)</b>	<b>TOPICS TO BE COVERED</b>	<b>SUPPORT MATERIALS</b>
1.	1	Introduction and factors affecting price of the product	R1:p.9.5
2.	1	Pricing policies and strategies	R1: p. 9.10 – 9.14
3.	1	Channel distribution ➤ Meaning ➤ Importance	R1: p. 11.1 –11.5
4.	1	Types of distribution channel	R1: p. 11.6
5.	1	Function of middleman	R1: p. 11.13
6.	1	factors affecting choice of distribution channel	R1:p.11.9
7.	1	Wholesaler and retailer, types of retailer	R1: p. 11.15,13.1,13.2
8.	1	e-tailing and physical distribution	T1: p. 92 – 95
9.	1	Recapitulation and discussion of important questions	-
		<b>Total no. of hours planned for unit-4</b>	<b>9 Hours</b>

**UNIT-5**

<b>S.No</b>	<b>LECTURE DURATION (Periods)</b>	<b>TOPICS TO BE COVERED</b>	<b>SUPPORT MATERIALS</b>
1	1	Pricing <ul style="list-style-type: none"> <li>➤ Nature</li> <li>➤ Importance</li> </ul> Communication process	R1: p. 9.3,9.4
2	1	Types of promotion <ul style="list-style-type: none"> <li>➤ Advertising</li> <li>➤ personal selling</li> </ul>	T1: p. 178 -179
3	1	Public relation and sales promotion	T1: p. 180-181
4	1	Characteristics of promotion	W1
5	1	Promotion mix and factors affecting promotion mix decisions	R1: p.10.6
6	1	Recent developments in marketing <ul style="list-style-type: none"> <li>➤ Social marketing</li> <li>➤ Online marketing</li> <li>➤ Direct marketing</li> </ul>	R1: p. 16.1-16.3,16.7
7	1	<ul style="list-style-type: none"> <li>➤ Service marketing</li> <li>➤ Green marketing</li> <li>➤ Rural marketing</li> </ul>	R1: p.16.24,16.18,14.1-14.4
8	1	Consumerism	R1: p. 15.1-15.6
9	1	Recapitulation and discussion of important questions	-
10	1	<b>Revision :</b> Discussion of ESE question papers	-
11	1	Discussion of ESE question papers	-
12	1	Discussion of ESE question papers	-
		<b>Total no. of hours planned for unit-5 &amp; Question Paper Discussion</b>	<b>12 hours</b>

**SUPPORT MATERIALS****Text Book:**

T1-Philip Kotler , (2014), Marketing Management, [14<sup>th</sup> Edition] New Delhi; Prentice Hall of India Pvt.Ltd.

**Reference Book:**

R1- Gupta.C.B, Principles of Marketing, [2<sup>nd</sup> edition], Sultan Chand & sons.

**Website Reference:**

W1 : [www.yourarticlelibrary.com](http://www.yourarticlelibrary.com)



**UNIT-I SYLLABUS**

**Introduction:** nature, scope and importance of Marketing; Evolution of Marketing; Selling vs Marketing; Marketing mix, Marketing Environment: Concept, Importance, and Components (Economic, Demographic, Technological, Natural, Socio-Cultural and legal).

**INTRODUCTION**

**1.NATURE, SCOPE AND IMPORTANCE OF MARKETING:**

**Nature:**

**1. Marketing is an Economic Function**

Marketing embraces all the business activities involved in getting goods and services , from the hands of producers into the hands of final consumers. The business steps through which goods progress on their way to final consumers is the concern of marketing.

**2. Marketing is a Legal Process by which Ownership Transfers**

In the process of marketing the ownership of goods transfers from seller to the purchaser or from producer to the end user.

**3. Marketing is a System of Interacting Business Activities**

Marketing is that process through which a business enterprise, institution, or organisation interacts with the customers and stakeholders with the objective to earn profit, satisfy customers, and manage relationship. It is the performance of business activities that direct the flow of goods and services from producer to consumer or user.

**4. Marketing is a Managerial function**

According to managerial or systems approach – “Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market.”

According to this approach the emphasis is on how the individual organisation processes marketing and develops the strategic dimensions of marketing activities.

**5. Marketing is a social process**

Marketing is the delivery of a standard of living to society. According to Cunningham and Cunningham (1981) societal marketing performs three essential functions: -

1. Knowing and understanding the consumer's changing needs and wants;
2. Efficiently and effectively managing the supply and demand of products and services; and
3. Efficient provision of distribution and payment processing systems.

**6. Marketing is a philosophy based on consumer orientation and satisfaction**

**7. Marketing had dual objectives – profit making and consumer satisfaction**

**Scope:**

**1. Study of Consumer Wants and Needs**

Goods are produced to satisfy consumer wants. Therefore, study is done to identify consumer needs and wants. These needs and wants motivates consumer to purchase.

**2. Study of Consumer behavior**

Marketers performs study of consumer behavior. Analysis of buyer behavior helps marketer in market segmentation and targeting.

**3. Production planning and development**

Product planning and development starts with the generation of product idea and ends with the product development and commercialization. Product planning includes everything from branding and packaging to product line expansion and contraction.

**4. Pricing Policies**

Marketer has to determine pricing policies for their products. Pricing policies differs form product to product. It depends on the level of competition, product life cycle, marketing goals and objectives, etc.

**5. Distribution**

Study of distribution channel is important in marketing. For maximum sales and profit goods are required to be distributed to the maximum consumers at minimum cost.

**6. Promotion**

Promotion includes personal selling, sales promotion, and advertising. Right promotion mix is crucial in accomplishment of marketing goals.

**7. Consumer Satisfaction:** The product or service offered must satisfy consumer.  
Consumer satisfaction is the major objective of marketing.

**8. Marketing Control**

Marketing audit is done to control the marketing activities.

**Importance:**

**(1) Marketing Helps in Transfer, Exchange and Movement of Goods:**

Marketing is very helpful in transfer, exchange and movement of goods. Goods and services are made available to customers through various intermediaries viz., wholesalers and retailers etc. Marketing is helpful to both producers and consumers

**(2) Marketing is Helpful in Raising and Maintaining the Standard of Living of The Community.**

Marketing is above all the giving of a standard of living to the community. Paul Mazur states, “Marketing is the delivery of standard of living”. Professor Malcolm McNair has further added that “Marketing is the creation and delivery of standard of living to the society”.

By making available the uninterrupted supply of goods and services to consumers at a reasonable price, marketing has played an important role in raising and maintaining living standards of the community. Community comprises of three classes of people i.e., rich, middle and poor. Everything which is used by these different classes of people is supplied by marketing. In the modern times, with the emergence of latest marketing techniques even the poorer sections of society have attained a reasonable level of living standard. This is basically due to large scale production and lesser prices of commodities and services. Marketing has in fact, revolutionized and modernized the living standard of people in modern times.

**(3) Marketing Creates Employment:**

Marketing is complex mechanism involving many people in one form or the other. The major marketing functions are buying, selling, financing, transport, warehousing, risk bearing and standardization, etc. In each such function different activities are performed by a large number of individuals and bodies.

Thus, marketing gives employment to many people. It is estimated that about 40% of total population is directly or indirectly dependent upon marketing. In the modern era of large scale production and industrialization, role of marketing has widened.

This enlarged role of marketing has created many employment opportunities for people. Converse, Huegy and Mitchell have rightly pointed out that “In order to have continuous production, there must be continuous marketing, only then employment can be sustained and high level of business activity can be continued”.

#### **(4) Marketing as a Source of Income and Revenue:**

The performance of marketing function is all important, because it is the only way through which the concern could generate revenue or income and bring in profits. Buskirk has pointed out that, “Any activity connected with obtaining income is a marketing action. It is all too easy for the accountant, engineer, etc., to operate under the broad assumption that the Company will realise many dollars in total sales volume.

However, someone must actually go into the market place and obtain dollars from society in order to sustain the activities of the company, because without these funds the organisation will perish.”

Marketing does provide many opportunities to earn profits in the process of buying and selling the goods, by creating time, place and possession utilities. This income and profit are reinvested in the concern, thereby earning more profits in future. Marketing should be given the greatest importance, since the very survival of the firm depends on the effectiveness of the marketing function.

#### **(5) Marketing Acts as a Basis for Making Decisions:**

A businessman is confronted with many problems in the form of what, how, when, how much and for whom to produce? In the past problems was less on account of local markets. There was a direct link between producer and consumer.

In modern times marketing has become a very complex and tedious task. Marketing has emerged as new specialised activity along with production.

As a result, producers are depending largely on the mechanism of marketing, to decide what

to produce and sell. With the help of marketing techniques, a producer can regulate his production accordingly.

#### **(6) Marketing Acts as a Source of New Ideas:**

The concept of marketing is a dynamic concept. It has changed altogether with the passage of time. Such changes have far reaching effects on production and distribution. With the rapid change in tastes and preference of people, marketing has to come up with the same.

Marketing as an instrument of measurement, gives scope for understanding this new demand pattern and thereby produce and make available the goods accordingly.

#### **(7) Marketing Is Helpful In Development Of An Economy:**

Adam Smith has remarked that “nothing happens in our country until somebody sells something”. Marketing is the kingpin that sets the economy revolving. The marketing organisation, more scientifically organised, makes the economy strong and stable, the lesser the stress on the marketing function, the weaker will be the economy

## **2. EVOLUTION OF MARKETING:**

**Under the marketing management philosophy, we shall study the following five concepts:**

- (1) Production Concept
- (2) Product Concept
- (3) Selling Concept
- (4) Marketing Concept
- (5) Societal Marketing Concept

### **1. Production Concept**

Those companies who believe in this philosophy think that if the goods/services are cheap and they can be made available at many places, there cannot be any problem regarding sale. Keeping in mind the same philosophy these companies put in all their marketing efforts in reducing the cost of production and strengthening their distribution system. In order to reduce the cost of production and to bring it down to the minimum level, these companies indulge in large scale production.

This helps them in effecting the economics of the large scale production. Consequently, the cost of production per unit is reduced. The utility of this philosophy is apparent only when demand

exceeds supply. Its greatest drawback is that it is not always necessary that the customer every time purchases the cheap and easily available goods or services.

## **2. Product Concept**

Those companies who believe in this philosophy are of the opinion that if the quality of goods or services is of good standard, the customers can be easily attracted. The basis of this thinking is that the customers get attracted towards the products of good quality. On the basis of this philosophy or idea these companies direct their marketing efforts to increasing the quality of their product.

It is a firm belief of the followers of the product concept that the customers get attracted to the products of good quality. This is not the absolute truth because it is not the only basis of buying goods. The customers do take care of the price of the products, its availability, etc. A good quality product and high price can upset the budget of a customer. Therefore, it can be said that only the quality of the product is not the only way to the success of marketing.

## **3. Selling Concept**

Those companies who believe in this concept think that leaving alone the customers will not help. Instead there is a need to attract the customers towards them. They think that goods are not bought but they have to be sold. The basis of this thinking is that the customers can be attracted. Keeping in view this concept these companies concentrate their marketing efforts towards educating and attracting the customers. In such a case their main thinking is 'selling what you have'.

This concept offers the idea that by repeated efforts one can sell anything to the customers. This may be right for some time, but you cannot do it for a long-time. If you succeed in enticing the customer once, he cannot be won over every time. On the contrary, he will work for damaging your reputation. Therefore, it can be asserted that this philosophy offers only a short-term advantage and is not for long-term gains.

## **4. Marketing Concept**

Those companies who believe in this concept are of the opinion that success can be achieved only through consumer satisfaction. The basis of this thinking is that only those goods/service should be made available which the consumers want or desire and not the things which you can do. In other words, they do not sell what they can make but they make what they can sell. Keeping in mind this idea, these companies direct their marketing efforts to achieve consumer satisfaction. In short, it can



be said that it is a modern concept and by adopting it profit can be earned on a long-term basis. The drawback of this concept is that no attention is paid to social welfare.

### **5. Societal Marketing Concept**

This concept stresses not only the customer satisfaction but also gives importance to Consumer Welfare/Societal Welfare. This concept is almost a step further than the marketing concept. Under this concept, it is believed that mere satisfaction of the consumers would not help and the welfare of the whole society has to be kept in mind.

For example, if a company produces a vehicle which consumes less petrol but spreads pollution, it will result in only consumer satisfaction and not the social welfare. Primarily two elements are included under social welfare-high-level of human life and pollution free atmosphere. Therefore, the companies believing in this concept direct all their marketing efforts towards the achievement of consumer satisfaction and social welfare. In short, it can be said that this is the latest concept of marketing. The companies adopting this concept can achieve long-term profit.

### **3. SELLING VS MARKETING:**

#### **SELLING:**

Sales is activity related to selling or the amount of goods or services sold in a given time period. The seller or the provider of the goods or services completes a sale in response to an acquisition, appropriation, requisition or a direct interaction with the buyer at the point of sale. There is a passing of title of the item, and the settlement of a price, in which agreement is reached on a price for which transfer of ownership of the item will occur.

#### **MARKETING:**

The action or business of promoting and selling products or services, including market research and advertising.

#### **Comparison between Marketing and Selling:**

	Marketing	Selling
--	-----------	---------

**KARPAGAM ACADEMY OF HIGHER EDUCATION**

CLASS: III B.Com CA

COURSE NAME: PRINCIPLES OF MARKETING

COURSE CODE: 16CCU501B

UNIT: I

BATCH-2017-2020

Concept	It is a strategy based on a mix of activities that are aimed at increasing the sales.	It is the strategy of meeting the needs in an opportunistic, individual method, driven by human interaction.
Focus	<ul style="list-style-type: none"><li>• It targets the construction of a brand identity, needs of the consumers and how to reach to the consumers.</li><li>• It starts with the buyers and focuses constantly on the buyer's needs.</li></ul>	<ul style="list-style-type: none"><li>• It is the final act of buying goods or products by the consumers through a point sale.</li><li>• It starts with the seller and is focused with the seller's needs.</li></ul>
Efforts	It makes an effort such that the customers actually want to buy the products in their own interest.	The company makes the product first and then figures a way to sell and make profit.
Business	A customer satisfying process.	Actual sales of goods.
Cost	The consumers determine the price; the price determines the cost.	Cost determines the price.
Sales	Customer satisfaction is the primary motive.	Sales is the primary motive.
Orientation	External market orientation.	Internal market orientation.
Perspective	It takes an outside-in perspective.	It takes an inside-in perspective.
Structure	It is an organizational structure.	It is a functional structure.

Job	The main job is to find the right products for the customers.	The main job is to find the customers for the products.
Mindset	The mindset is "Satisfy the customers".	The mindset is "Hook the customers".
Strategy	It has a 'pull' strategy.	It has a 'push' strategy.
beginning	It begins much before production of goods and services.	It comes after production and ends with delivery and collection of payment.

#### **4. MARKETING MIX:**

The marketing mix is one of the most famous marketing terms. The marketing mix is the tactical or operational part of a marketing plan. The marketing mix is also called the 4Ps and the 7Ps. The 4Ps are price, place, product and promotion. The services marketing mix is also called the 7Ps and includes the addition of process, people and physical evidence.

The marketing mix is . . . The set of controllable tactical marketing tools – product, price, place, and promotion – that the firm blends to produce the response it wants in the target market.

#### **The Marketing Mix**

##### **i. Place**

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

Place is also known as channel, distribution, or intermediary. It is the mechanism through which goods and/or services are moved from the manufacturer/ service provider to the user or consumer.

Place is defined as the "direct or indirect channels to market, geographical distribution, territorial coverage, retail outlet, market location, catalogues, inventory, logistics and order fulfilment".

Place refers either to the physical location where a business carries out business or the distribution channels used to reach markets. Place may refer to a retail outlet, but increasingly refers to virtual stores such as "a mail order catalogue, a telephone call centre or a website.

**ii.Product**

Product means the goods-and-services combination the company offers to the target market.

For many a product is simply the tangible, physical item that we buy or sell. You can also think of the product as intangible i.e. a service.

In order to actively explore the nature of a product further, let's consider it as three different products – the CORE product, the ACTUAL product, and finally the AUGMENTED product.

The Product Life Cycle (PLC) is based upon the biological life cycle. For example, a seed is planted (introduction); it begins to sprout (growth); it shoots out leaves and puts down roots as it becomes an adult (maturity); after a long period as an adult the plant begins to shrink and die out (decline).

The Customer Life Cycle (CLC) has obvious similarities with the Product Life Cycle (PLC). However, CLC focuses upon the creation and delivery of lifetime value to the customer i.e. looks at the products or services that customers NEED throughout their lives.

Product refers to what the business offers for sale and may include products or services. Product decisions include the "quality, features, benefits, style, design, branding, packaging, services, warranties, guarantees, life cycles, investments and returns"

**iii.Promotion**

Promotion includes all of the activities marketers undertake to inform consumers about their products and to encourage potential customers to buy these products.

Promotion includes all of the tools available to the marketer for marketing communication. As with Neil H. Borden's marketing mix, marketing communications has its own promotions mix. Whilst there is no absolute agreement on the specific content of a marketing communications mix, there are many promotions elements that are often included such as sales, advertising, sales promotion, public relations, direct marketing, online communications and personal selling. Promotion refers to "the marketing communication used to make the offer known to potential customers and persuade them to investigate it further". Promotion elements include "advertising, public relations, direct selling and sales promotions.

**iv. Physical Evidence**

The environment in which the service is delivered, and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service.

Physical Evidence is the material part of a service. Strictly speaking there are no physical attributes to a service, so a consumer tends to rely on material cues. There are many examples of physical evidence, including some of the following buildings, equipment, signs and logos, annual accounts and business reports, brochures, your website, and even your business cards.

Physical evidence refers to the non-human elements of the service encounter, including equipment, furniture and facilities. It may also refer to the more abstract components of the environment in which the service encounter occurs including interior design, colour schemes and layout. Some aspects of physical evidence provide lasting proof that the service has occurred, such as souvenirs, mementos, invoices and other livery of artifacts. Physical evidence is important to customers because the tangible goods are evidence that the seller has (or has not) provided what the customer was expecting.

#### **v. People**

(People are) All human actors who play a part in service delivery and thus influence the buyers' perceptions; namely, the firm's personnel, the customer, and other customers in the service environment.

People are the most important element of any service or experience. Services tend to be produced and consumed at the same moment, and aspects of the customer experience are altered to meet the individual needs of the person consuming it. People are essential in the marketing of any product or service. Personnel stand for the service. In the professional, financial or hospitality service industry, people are not producers, but rather the products themselves. When people are the product, they impact public perception of an organization as much as any tangible consumer goods. From a marketing management perspective, it is important to ensure that employees represent the company in alignment with broader messaging strategies. This is easier to ensure when people feel as though they have been treated fairly and earn wages sufficient to support their daily lives.

#### **vi. Process**

Process is The actual procedures, mechanisms, and flow of activities by which the service is delivered – this service delivery and operating systems.

There are a number of perceptions of the concept of process within the business and marketing literature. Some see processes as a means to achieve an outcome, for example – to achieve a 30%

market share a company implements a marketing planning process. However, in reality it is more about the customer interface between the business and consumer and how they deal with each other in a series of steps in stages, i.e. throughout the process

Process refers a "the set of activities that results in delivery of the product benefits". A process could be a sequential order of tasks that an employee undertakes as a part of their job. It can represent sequential steps taken by a number of various employees while attempting to complete a task. Some people are responsible for managing multiple processes at once. For example, a restaurant manager should monitor the performance of employees, ensuring that processes are followed. They are also expected to supervise while customers are promptly greeted, seated, fed, and led out so that the next customer can begin this process.

#### **vii. Price**

The money which a buyer pays for a product is called as price of the product. The price of a product is indirectly proportional to its availability in the market. Lesser its availability, more would be its price and vice a versa.

Retail stores which stock unique products (not available at any other store) quote a higher price from the buyers.

### **5. MARKETING ENVIRONMENT:**

Marketing activities are influenced by several factors inside and outside a business firm. These factors or forces influencing marketing decision-making are collectively called marketing environment. It comprises all those forces which have an impact on market and marketing efforts of the enterprise. According to Philip Kotler, marketing environment refers to "external factors and forces that affect the company's ability to develop and maintain successful transactions and relationships with its target customers".

The marketing programme of a firm is influenced and shaped by a firm's inwardly need to begin its business planning by looking outwardly at what its customers require, rather than inwardly at what it would prefer to produce. The firm must be aware of what is going on in its marketing environment and appreciate how change in its environment can lead to changing patterns of demand for its products.

It also needs to assess marketing opportunities and threats present in the surroundings. An



environment can be defined as everything which surrounds and impinges on a system. Systems of many kinds have environments with which they interact. Marketing can be seen as a system which must respond to environmental change.

The marketing environment is made up of:

1. Micro-environment and
2. Macro-environment.

### **1. Micro-environment:**

The micro-environment of the company consists of various forces in its immediate environment that affect its ability to operate effectively in its chosen markets.

This includes the following:

- (a) The company
- (b) Company's Suppliers
- (c) Marketing Intermediaries
- (d) Customers
- (e) Competitors
- (f) Public

### **The Company:**

In designing marketing plans, marketing management takes other company groups into account – Finance, Research and Development, Purchasing, Manufacturing, Accounting, Top Management etc. Marketing manager must also work closely with other company departments. Finance is concerned with funds and using funds to carry out the marketing plans. The R&D Department focuses on designing safe and attractive product. Purchasing Department is concerned with supplies of materials whereas manufacturing is responsible for producing the desired quality and quantity of products. Accounts department has to measure revenues and costs to help marketing know-how. Together, all of these departments have impact on the marketing plans and action.

Internal Environment (Within the Co.):

The marketing management, in formulating plans, takes the other groups into account:

1. Top Management
2. Finance

3. R&D

6. Sales Promotion

7. Advertisement etc.

Environmental forces are dynamic and any change in them brings uncertainties, threats and opportunities for the marketers. Changes in the environmental forces can be monitored through environmental scanning, that is, observation of secondary sources such as business, trade and Government, and environmental analysis, that is, interpretation of the information gathered through environmental scanning.

Marketers try to predict what may happen in the future with the help of tools like marketing research and marketing information or marketing intelligence system, and continue to modify their marketing efforts and build future marketing strategies. The company should think about the consumer and work in harmony to provide customer value and satisfaction.

### **Company's Suppliers:**

Suppliers provide the resources needed by the company to product its goods and services. They are important links in the company's overall customer "value delivery system". Supplier developments can seriously affect marketing. Marketing managers must watch supply availability – supply shortages or delays, labour strikes and other events can cost sales in the short run and damage customer satisfaction in the long run. Marketing Managers also monitor the price trends of their key inputs. Rising supply costs may force price increases that can harm the company's sales volume.

In business-to-business marketing, one company's supplier is likely to be another company's customer and it is important to understand how suppliers, manufacturers and intermediaries work together to create value. Buyers and sellers are increasingly co-operating in their dealings with each other, rather than bargaining each transaction in a confrontational manner in order to make supply chain management most effective and value-added products are sold to the target markets.

### **Marketing Intermediaries:**

Intermediaries or distribution channel members often provide a valuable link between an organization and its customers. Large-scale manufacturing firms usually find it difficult to deal

with each one of their final customers individually in the target markets. So they chose intermediaries to sell their products.

Marketing intermediaries include resellers, physical distribution firms, marketing service agencies, and financial intermediaries. They help the company to promote, sell, and distribute its goods to final buyers. Resellers are distribution channel firms that help the company to find customers for goods. These include whole-sellers and retailers who buy and resell merchandise. Selecting and working with resellers is not easy. These organizations frequently have enough power to dictate terms or even shut the manufacturer out of large markets.

**Physical distribution:**

Firms help the company to stock and move goods from their points of origin to their destinations. Working with warehouse and transportation firms, a company must determine the best ways to store and ship goods, and safety marketing services agencies are the marketing research firms, advertising agencies, media firms, and marketing consulting firms that help the company target and promote its products to the right markets.

When the company decides to use one of these agencies, it must choose carefully because those firms vary in creativity, quality, service and price. Financial intermediaries include banks, credit companies, insurance companies, and other businesses that help finance transactions or insure against the risks associated with the buying and selling of goods. Most firms and customers depend on financial intermediaries to finance their transactions.

**Customers:**

Consumer markets consists of individuals and households that they buy goods and services for personal consumption. Business markets buy goods and services for further processing or for use in their production process, whereas reseller markets buy goods and services to resell at a profit. Government markets are made up of government agencies that buy goods and services to produce public services or transfer the goods and services to others who need them. Finally, international markets consist of the buyers in other countries, including consumers, producers, resellers and governments. Each market type has special characteristics that call for careful study by the seller.

**Competitors:**

No single competitive marketing strategy is best for all companies. The company's marketing

system is surrounded and affected by a host of competitors. Each firm should consider its own size and industry position compared to those of its competitors. These competitors have to be identified, monitored and outmanouvered to gain and maintain customer loyalty.

Industry and competition constitute a major component of the micro-environment. Development of marketing plans and strategy is based on knowledge about competitors' activities. Competitive advantage also depends on understanding the status, strength and weakness of competitors in the market.

Large firms with dominant positions in an industry can use certain strategies that smaller firms cannot afford. But being large is not enough. There are winning strategies for large firms, but there are also losing ones. And small firms can develop strategies that give them better rate of return than large firms enjoy.

**Public:**

General public do take interest in the business undertaking. The company has a duty to satisfy the people at large along with competitors and the consumers. A public is defined as "any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives.

ublic relations is certainly a broad marketing operation which must be fully taken care of Goodwill, favourable reactions, donations and hidden potential fixture buyers are a few of the responses which a company expects from the public. Kotler in this regard has viewed that "companies must put their primary energy into effectively managing their relationships with their customers, distributors, and the suppliers, their overall success will be affected by how other publics in the society view their activity. Companies would be wise to spend time monitoring all their publics understanding their needs and opinions and dealing with them constructively".

**Macro Environment:**

The macro-environment consists of broader forces that not only affect the company and the industry, but also other factors in the micro-environment

The components of a macro-environment are:

- (a) Demographic Environment
- (b) Economic Environment

- (c) Physical Environment
- (d) Technological Environment
- (e) Political Environment
- (f) Legal Environment
- (g) Social and Cultural Environment

## **6.COMPONENTS:**

### **A. Demographic Environment:**

Demography is the study of population characteristics that are used to describe consumers. Demographics tell marketers who are the current and potential customers, where are they, how many are likely to buy and what the market is selling. Demography is the study of human populations in terms of size, density, location, age, sex, race, occupation and other statistics.

Marketers are keenly interested in studying the demography ethnic mix, educational level and standard of living of different cities, regions and nations because changes in demographic characteristics have a bearing on the way people live, spend their money and consume.

For example, one of the demographic characteristic is the size of family. With the number of small families increasing in India, the demand for smaller houses and household items has increased significantly. Similarly, the number of children in a family has reduced significantly over the years. So, per child spending in a family has increased significantly.

According to the World Health Organisation, young people in the age group of 10-24 years comprise 33% of the population and 42% of our population consists of age group, 0-24 years. Teen-agers in the age group below 19 years comprise 23%. The senior citizen age group above 65 years comprise only 8% of total population. About 58% of the working population is engaged in agricultural activities, with highest, that is 78% in Bihar and Chattisgarh and lowest 22% in Kerala.

Since human population consists of different kinds of people with different tastes and preferences, they cannot be satisfied with any one of the products. Moreover, they need to be divided in homogeneous groups with similar wants and demands. For this we need to understand the demographic variables which are traditionally used by marketers, to segment the markets.

Income:

Income determines purchasing power and status. Higher the income, higher is the purchasing power. Though education and occupation shapes one's tastes and preferences, income provides the means to acquire that.

**Life-style:**

It is the pattern of living expressed through their activities, interests and opinion. Life-style is affected by other factors of demography as well. Life-style affects a lot on the purchase decision and brand preferences.

**Sex:**

Gender has always remained a very important factor for distinction. There are many companies which produce products and services separately for male and female.

**Education:**

Education implies the status. Education also determines the income and occupation. With increase in education, the information is wider with the customers and hence their purchase decision process is also different. So the marketers group people on the basis of education.

**Social Class:**

It is defined as the hierarchical division of the society into relatively distinct and homogeneous groups whose members have similar attitudes, values and lifestyle.

**Occupation:**

This is very strongly associated with income and education. The type of work one does and the tastes of individuals influence one's values, life-style etc. Media preferences, hobbies and shopping patterns are also influenced by occupational class.

**Age:**

Demographic variables help in distinguishing buyers, that is, people having homogenous needs according to their specific wants, preferences and usages. For instance, teenagers usually have similar needs. Therefore, marketers develop products to target specific age groups.

The youth are being targeted through advertisements and promotional campaigns, stores are being designed with 'youthful' features, youth events are being sponsored, and even new technology is developed with their tastes in mind.



The age groups that attract the attention of marketers can be classified as:

**(i) Infants:**

The population of India is growing at an alarming rate. The rate of infant deaths has declined considerably due to the advancement in medicine. Although infants are consumers of products, their parents are the decision makers. The size of a family is decreasing and the average income of family is increasing.

**(ii) School going teens:**

In this segment, there is a great demand for school uniforms, bags, shoes, books, stationary, confectioneries, food, albums, bicycles and other similar products.

**(iii) Young Adults:**

Marketers target the young adults in the age group 18-30 years with products like motorbikes, music systems, clothes, sports cars etc. Two-wheeler manufacturers in India target this segment of people. In the last five years, various companies like, Bajaj, Hero-Honda, Kinetic, TVS etc. have introduced a large number of models to attract young adults.

**(iv) Adults (35-45):**

Consumers, in this age group, are more health conscious and look for stability and financial independence. The industries that are benefited by them are: Pharmaceuticals, personal products, fitness products, gym equipment's, cars, home appliances, consumer durables, banks, insurance companies, etc. Marketers push products specifically designed for this age group.

**(v) Senior Citizens:**

This consumer group boosts the demand for health care services, select skin care products, financial planning etc.

**(vi) Women:**

Women constitute nearly 50% of India's population. They are actively taking up professions. This shift in their role has generated a greater demand for childcare and convenience products that save time in cooking, cleaning and shopping.

Marketers are trying to come up with products that are easier to handle, less heavy, convenient to use etc. The change in the role of women is paving the way for a change in the role of men. Advertisements portray men cleaning, cooking and caring for their children, which was unthinkable in the past.

**B. Economic Environment:**

Economic environment is the most significant component of the marketing environment. It affects the success of a business organisation as well as its survival. The economic policy of the Government, needless to say, has a very great impact on business. Some categories of business are favourably affected by the Government policy, some adversely affected while some others remain unaffected. The economic system is a very important determinant of the scope of private business and is therefore a very important external constraint on business.

The economical environmental forces can be studied under the following categories:

**(i) General Economic Conditions:**

General Economic Conditions in a country are influenced by various factors. They are:

1. Agricultural trends
2. Industrial output trends
3. Per capita income trends
4. Pattern of income distribution
5. Pattern of savings and expenditures
6. Price levels
7. Employment trends
8. Impact of Government policy
9. Economic systems.

**(ii) Industrial Conditions:**

Economic environment of a country is influenced by the prevalent industrial conditions as well as industrial policies of a country.

A marketer needs to pay attention to the following aspects:

1. Market growth
2. Demand patterns of the industry
3. Its stage in product life cycle.

**(iii) Supply sources for production:**

Supply sources required for production determines inputs which are available required for production.

They are:

1. Land
2. Labour
3. Capital
4. Machinery and equipment etc.

Economic environment describes the overall economic situation in a country and helps in analysis GNP per capita rate of economic growth, inflation rate, unemployment problems etc.

### **C. Technological Environment:**

The technological environment is the most dramatic force now facing our destiny. Technological discoveries and developments create opportunities and threats in the market. The marketer should watch the trends in technology. The biggest impact that the society has been undergoing in the last few years is the technological advancement, product changes and its effects on consumers.

Technology has brought innumerable changes in human lives, be it in the field of science, medicine, entertainment, communication, and travel or office equipment. Name any field, and one can see changes in product or efficiency and faster services.

One of the most dramatic forces shaping people's lives in technology. Technology has released such wonders as penicillin, open-heart surgery and birth control pill. It has released such horrors as the hydrogen bomb, nerve gas, and the sub-machine gun. Every new technology is a force for "creative destruction". Transistors hurt the vacuum tube industry, xerography hurt the carbon paper business, autos hurt the railroads, and television hurt the newspapers.

Instead of moving into the new technologies, many old industries fought or ignored them and their business declined. Yet it is the essence of market capitalism to be dynamic and tolerate the creative destructiveness of technology as the price of progress.

Technology essentially refers to our level of knowledge about 'how things are done'. That is understanding this aspect of the marketing environment is much more than simply being familiar with the latest hi-tech innovations. Technology affects not only the type of products available but also the ways in which people organize their lives and the ways in which goods and services can be marketed.

Computer-aided design (CAD) and computer-aided manufacturer (CAM) have shortened the time required for new products to reach the market and increased the variety of products that can be produced cost effectively. The benefits of CAD/CAM are clearly evident in the car industry. Mass production is in standardized models. Computer systems have also contributed substantially to the growth of various forms of direct marketing such as direct mail, direct response marketing etc.

**D. Legal Environment:**

Marketing decisions are strongly affected by laws pertaining to competition, price-setting, distribution arrangement, advertising etc. It is necessary for a marketer to understand the legal environment of the country and the jurisdiction of its courts.

The following laws affected business in India:

1. Indian Contract Act 1872
2. Factories Act 1948
3. Minimum Wages Act 1948
4. Essential Commodities Act 1955
5. Securities Contracts Regulation Act 1956 (SEBI Act)
6. The Companies Act 1956
7. Trade and Merchandise Act 1958
8. Monopolies and Restrictive Trade Practice Act 1969
9. The water (Prevention and Control of Pollution) Act 1974
10. The Air (Prevention and Control of Pollution) Act 1981
11. Sick Industrial Companies (Special Provisions) Act 1985
12. Environment Protection Act 1986
13. Consumer Protection Act 1986
14. Securities and Exchange Board of India Act 1992
15. Different Taxation Laws.

**E. Social and Cultural Environment:**

Socio-cultural forces refer to the attitudes, beliefs, norms, values, lifestyles of individuals in a society. These forces can change the market dynamics and marketers can face both opportunities

and threats from them. Some of the important factors and influences operating in the social environment are the buying and consumption habits of people, their languages, beliefs and values, customs and traditions, tastes and preferences, education and all factors that affect the business.

Understanding consumer needs is central to any marketing activity and those needs will often be heavily influenced by social and cultural factors. These cover a range of values, beliefs, attitudes and customs which characterize societies or social groups. Changes in lifestyle of people affect the marketing environment.

As health problems in people have increased because of significant changes in their lifestyle, they have become concerned about their food. They prefer to eat low fat, low or no cholesterol food. This is especially true for people above 40 years. To a great extent, social forces determine what customers buy, how they buy, where they buy, when they buy, and how they use the products.

In India, social environment is continuously changing. One of the most profound social changes in recent years is the large number of women entering the job market. They have also created or greatly expended the demand for a wide range of products and services necessitated by their absence from the home. There is a lot of change in quality-of-lifestyles and people are willing to have many durable consumer goods like TV., fridge, washing machines etc. even when they cannot afford them because of their availability on hire-purchase or installment basis.

Culture influences every aspect of marketing. Marketing decisions are based on recognition of needs and wants of the customer, a function of customer perceptions. These help in understanding of lifestyles and behaviour patterns as they have grown in the society's culture in which the individual has been groomed. Thus a person's perspective is generated, groomed and conditioned by culture.

Marketing environment can also be classified as:

- (i) Controllable Forces and
- (ii) Uncontrollable Forces.

**(i) Controllable forces:**

Controllable forces consist of marketing policies and marketing strategies. Marketing policies are framed by the firm depending on its marketing philosophy. The top management is responsible for framing broad policies. Marketing strategies are developed by middle level management.

Internal forces are inherent to the firm and can be controlled by the management. Marketing mix elements are the tools often used to harmonize the internal variables with that of external variables. The controllable factors are well within the grip of the firm and comparably easy to adjust them to suit the changes.

These factors are combined into what we have referred to earlier as Marketing Mix. For instance, if the price appears to be on the higher side a decision to reduce it for a short term or even a long term is possible and could be implemented as quickly as possible. Off-season prices or discounts are examples in this connection.

**(ii) Uncontrollable forces:**

Various elements called uncontrollable variables affect an organization and its marketing efforts. It is now recognized by all that even a well-conceived marketing plan may fail if adversely influenced by uncontrollable factors. The offering of the firm and the impact of the uncontrollable environment interact to determine the firm's level of success or failure in reaching its objectives.

The external forces are divided into micro-environment and macro-environment. The micro-environment consists of the suppliers, marketing intermediaries, customers etc. while the macro-environment consists of the demography, socio-cultural, political, economic, technical, legal environments etc.



**POSSIBLE QUESTIONS:**

**PART A ( 20 \* 1 = 20):**

ONLINE EXAM

**PART B ( 5 \* 2 = 10):**

1. Define marketing.
2. What is marketing mix?
3. What are the components of marketing?
4. Mention the elements of marketing.
5. What is the nature of marketing?
6. What is the scope of marketing?
7. Define technological environment.
8. Define selling.
9. What is marketing environment?

**PART C ( 5 \* 6 = 30):**

1. Explain the nature, scope of marketing.
2. Write in detail about the evolution of marketing.
3. Explain the concept of marketing mix.
4. Write in detail about marketing environment
5. Write the importance of marketing.
6. Differentiate selling and marketing.
7. Write in detail about components of marketing.

**UNIT-II**  
**SYLLABUS**

**Consumer Behaviour:** nature and importance, consumer buying decision process; Factors influencing consumer buying behavior. Market segmentation: concept, importance and bases; Target Market selection; Positioning concept, importance and bases; product differentiation vs market segmentation.

**CONSUMER BEHAVIOUR:**

**1. Nature and importance of consumer behavior:**

**NATURE:**

- Systematic process
- Influenced by various forces
- Different for different consumers
- Different for different products

**IMPORTANCE:**

1. To understand Buying Behaviour of consumers
2. To create and retain customers through online stores
3. To Understand the factors influencing Consumer's buying Behaviour
4. To understand the consumer's decision to dispose a product or services
5. To increase the knowledge of sales person influence consumer to buy product
6. To help marketers to sale of product and create focused marketing strategies

**1. To understand Buying Behaviour of consumers**

The study of consumer behaviour helps marketers to recognize and forecast the purchase behaviour of the consumers while they are purchasing a product. The study of consumer behaviour helps the marketers not only to understand what consumer's purchase, but helps to understand why they purchase it (Kumar, 2004). Moreover, other questions like how, where and when they purchase it are also answered. The consumption and the reasons behind disposition of that particular product or services help marketers to be fully aware of the product that is marketed. The consumer behaviour studies also help marketers to understand the post purchase behaviour of the consumers. Thus, the marketers become fully aware about every phase of

consumption process i.e., pre-purchase behaviour, behaviour during purchase and post purchase behaviour. Many studies in the past shows that each consumer behaves differently for a product i.e., they buy the product for different reasons, pays different prices, used the product differently and have different emotional attachments with the product (Solomon, 2009).

## **2. To create and retain customers through online stores**

Professor Theodore Levitt says that consumer behaviour is of most importance to marketers in business studies as the main aim is to create and retain customers (Kumar, 2004). If the consumers are satisfied with the product, he or she will buy the same product again. Therefore, the product should be marketed by marketers in such a way that convince customer to buy the product. Thus, creating customer and the retaining those customers are important. These can be done through understanding and paying close attention towards the consumer's behaviour while making purchase decision or buying a product in market place. Moreover, the information published on the websites largely influence the customer's buying behaviour. Such information on published sources arouse consumer to buy a product or service. Moreover, updating such information will help the consumer to retain to a product or re try the product if the product has dissatisfied them (Solomon, 2009).

## **3. To understand the factors influencing Consumer's buying Behaviour**

It is important for marketers to consider the factors that affect the buying behaviour of consumer before entering the market. There are many factors that can influence the purchase decision of consumers such as social influence, cultural influences, psychological factors and personal factors (Super Professeur, 2011). Understanding these factors helps marketers to market the product on right time to the right consumers. For example, if marketer is marketing a product which is Halal. The marketers first consider all the factors that can influence consumers to buy Halal products, where they can target specific areas where Halal food is more sold.

The marketers need to pay attention to cultural influences such as religion, values and norms of the people or societies targeted and lifestyle of the targeted consumers. The marketers can propose different strategies that convince the targeted consumers to buy marketed products or services.

Moreover, the marketers should be ascertain the factors that influence and affects purchase decision of consumers (Solomon, 2009). If the marketers failed to understand the factors that might influence consumers, they will fail to convince the consumer to purchase that product or

will fail to meet the demands of consumers. Some variables cannot be directly observed (Super Professeur, 2011). In such case, thorough understanding of concepts and theories of consumer behaviour helps marketers to predict the consumer's buying behaviour to a reasonable extent. Thus, understanding consumer's behaviour to buy a product is complex and requires marketers to continuously understand and apply various concepts and theories for successful marketing.

#### **4. To increase the knowledge of sales person influence consumer to buy product**

All the products and services marketed revolve around the behaviour of consumers that how they will respond to them. Effective marketing of a product by sales people may help to deliver right product to right people. Consumer behaviour deals with the knowledge of what the consumers need and want to buy and what goods and services are available to satisfy their needs. Thus, consumer behaviour deals with particularly with the behaviour of people i.e., consumers. It is important for sales person to be fully aware of the customer's requirement so that he or she could clearly communicate the benefits of the product to the customers. Moreover, the sales person by understanding consumer's demand and need for a product can sell goods that are most closely related to their requirement. Besides understanding consumer behaviour, the sales person should also have command over their spoken language. This is because any miscommunication could harm brand reputation. Moreover, if the consumers have more knowledge about the product than the sales person, the sales might fail to meet their targets. Thus, analysing consumer's behaviour and knowledge for effective marketing of products by sales people are important. The sales people must be fully aware of the consumer's behaviour in different situations so that they could help them in meeting their demands and satisfaction (Solomon, 2009).

#### **5. To understand the consumer's decision to dispose a product or services**

Disposal of product involves throwing away of products by the consumers (Solomon, 2009). This behaviour of consumer is very complex and requires more importance by the marketers. Understanding the consumer's behaviour about how and when consumers dispose a product, the marketers or the companies can position themselves so that this behaviour could be limited (Raghavan, 2010).

If the product or services that have failed to deliver required or expected satisfaction by the consumers, the product is disposed by the customers. For this, some marketers track the follow up from the consumers so that they can gauge the reason behind failure of the product.

Moreover, in order to retain customers, some marketers or organizations offer customers with services like exchange of product, money back guarantee etc. Although, these tools are helpful to influence post purchase behaviour of consumers to some extent.

The method of disposition varies transversely from product to product. Some of the factors that lead to consumer's behaviour to dispose a product include psychological characteristics, situational factors or the intrinsic factors of product. The psychological characteristics include attitude, mood, emotion, social class, social conscience, perception etc. The situational factors such as urgency, functional use, fashion change etc. and intrinsic factors such as product style, durability, reliability, adaptability, replacement cost, colour, size etc. can lead to consumer's decision to dispose a product (Rao, 2011).

For example, the personal computers sold previously were largely demanded by consumers. However, due to change in size, advancing technology, affordability, convenience; most people have switched to laptops and mobiles with operating systems have disposed personal computers to a greater extent.

#### **6. To help marketers to optimize sale of product and create focused marketing strategies**

The theories and concepts of Consumer behaviour help marketers to optimize their sales and to create efficient marketing strategies. Moreover, these theories provides marketers with information on the consumer's behaviour to spend money, likely causes that incline them to spend more money on a product, and these two information help to plan strategies that should be practiced by the marketers for successful marketing of a product (Goessl, 2011). Studying different consumer behaviour theories helps to understand the different choices that consumers make to buy a product. There are some factors that need to be carefully analysed by the marketers which help them to increase their sales and develop effective marketing strategies.

#### **These factors are discussed as follows:**

**Consumer's rational behaviour:** It is foremost important for a marketer to understand the situations where consumers behave rationally. Many consumer behaviour theories suggest that the consumers want to get maximum benefit and satisfaction from the product by spending minimum amount of money. This shows that consumers do not spend all their money to buy a product and keeps a certain amount of money as their savings. However, on the other hand, the consumers having limited money spend all their money on purchase of their basic needs such as

shelter, food and clothing. Thus, the marketer must carefully analyse these two situations of consumers before marketing a product or services (WiseGEEK, n.d.).

**Consumer's taste and preferences:** Understanding consumer taste and preferences helps marketers to revamp their product so that they could meet customer satisfaction. These factors may change from time to time. The change in consumer's behaviour affecting by these factors should be carefully monitored. The marketers need carefully understand the consumer's interest in the products by breaking down the targeted consumers into demographics, like age, occupation and location as they contribute investigating information about consumer preferences.

**Price of Products:** Prices of products are a widely discussed factor in consumer behavior theories. The theories suggest that marketers should keep their prices low without affecting the quality to attract consumers. This is because consumers go mostly for products that are of low price but satisfies their demand (Open Learning World, 2011).

**Features of Product:** Increased number of features offered by the product tends to increase the price of products. In such case, consumers go for added features in a product at affordable price. Therefore, the markers design their products in such a way that the product gives maximum value or features to consumers at affordable price (Goessl, 2011)

**Consumer's knowledge about a product:** The marketer must know to what extent the consumers have knowledge about a product. Mostly, consumers select products with which they are familiar with. For example, if the consumers are aware of the health effects of eating high fat food or fast food, marketing of such a product to health conscious consumer will end up in failure.

## **2. CONSUMER BUYING DECISION PROCESS:**

Buying Behavior is the decision processes and acts of people involved in buying and using products. Consumer Buying Behavior refers to the buying behavior of the ultimate consumer. A firm needs to analyze buying behavior for:

Buyers reactions to a firms marketing strategy has a great impact on the firm's success.

The marketing concept stresses that a firm should create a Marketing Mix (MM) that satisfies (gives utility to) customers, therefore need to analyze the what, where, when and how consumers buy. Marketers can better predict how consumers will respond to marketing strategies.

**Stages of the Consumer Buying Process:**

Six Stages to the Consumer Buying Decision Process (For complex decisions). Actual purchasing is only one stage of the process. Not all decision processes lead to a purchase. All consumer decisions do not always include all 6 stages, determined by the degree of complexity. The 6 stages are:

**1 Problem Recognition** (awareness of need)--difference between the desired state and the actual condition. Deficit in assortment of products. Hunger--Food. Hunger stimulates your need to eat Can be stimulated by the marketer through product information--did not know you were deficient? I.E., see a commercial for a new pair of shoes, stimulates your recognition that you need a new pair of shoes.

**2 Information search**

- o Internal search, memory.
- o External search if you need more information. Friends and relatives (word of mouth). Marketer dominated sources; comparison shopping; public sources etc.

A successful information search leaves a buyer with possible alternatives, the evoked set.

Hungry, want to go out and eat, evoked set is

- o chinese food
- o indian food
- o burger king
- o klondike kates etc.

**3 Evaluation of Alternatives**--need to establish criteria for evaluation, features the buyer wants or does not want. Rank/weight alternatives or resume search. May decide that you want to eat something spicy, indian gets highest rank etc.

If not satisfied with your choice then returns to the search phase. Can you think of another restaurant? Look in the yellow pages etc. Information from different sources may be treated differently. Marketers try to influence by "framing" alternatives.

**4 Purchase decision**--Choose buying alternative, includes product, package, store, method of purchase etc.

**5 Purchase**--May differ from decision, time lapse between 4 & 5, product availability.

**6 Post-Purchase Evaluation--outcome:** Satisfaction or Dissatisfaction. Cognitive Dissonance, have you made the right decision. This can be reduced by warranties, after

Sales communication etc. After eating an indian meal, may think that really you wanted a Chinese meal instead.

### **3. FACTORS INFLUENCING THE CONSUMER BUYING DECISION PROCESS:**

A consumer, making a purchase decision will be influenced by the following three factors:

1. Personal
2. Psychological
3. Social

The marketer must be aware of these factors in order to develop an appropriate MM for its target market.

#### **Personal**

Unique to a particular person, Demographic Factors, Sex, Race, Age etc., Who in the family is responsible for the decision making, Young people purchase things for different reasons than older people.

#### **Psychological factors**

Psychological factors include:

##### **Motives**

A motive is an internal energizing force that orients a person's activities toward satisfying a need or achieving a goal.

Actions are effected by a set of motives, not just one. If marketers can identify motives then they can better develop a marketing mix.

#### **MASLOW hierarchy of needs!!**

- Physiological
- o Safety
- o Love and Belonging
- o Esteem
- o Self Actualization

Need to determine what level of the hierarchy the consumers are at to determine what motivates their purchases.

Motives often operate at a subconscious level therefore are difficult to measure.

**Perception:** What do you see?? Perception is the process of selecting, organizing and interpreting information inputs to produce meaning. IE we chose what info we pay attention to, organize it and interpret it.



**COURSE NAME: PRINCIPLES OF MARKETING**

**CLASS: III B.COM CA - 17CCU501B**

**UNIT: II**

**BATCH 2017-2020**

Information inputs are the sensations received through sight, taste, hearing, smell and touch. Selective Exposure-select inputs to be exposed to our awareness. More likely if it is linked to an event, satisfies current needs, intensity of input changes (sharp price drop).

Selective Distortion-Changing/twisting current received information, inconsistent with beliefs. Advertisers that use comparative advertisements (pitching one product against another), have to be very careful that consumers do not distort the facts and perceive that the advertisement was for the competitor. A current example...MCI and AT&T...do you ever get confused?

- **Ability and Knowledge--**

Need to understand individuals capacity to learn. Learning, changes in a person's behavior caused by information and experience. Therefore to change consumers' behavior about your product, need to give them new information re: product...free sample etc.

South Africa...open bottle of wine and pour it!! Also educate american consumers about changes in SA. Need to sell a whole new country.

When making buying decisions, buyers must process information.

Knowledge is the familiarity with the product and expertise.

Inexperience buyers often use prices as an indicator of quality more than those who have knowledge of a product.

Non-alcoholic Beer example: consumers chose the most expensive six-pack, because they assume that the greater price indicates greater quality.

Learning is the process through which a relatively permanent change in behavior results from the consequences of past behavior.

- **Attitudes**

Knowledge and positive and negative feelings about an object or activity-maybe tangible or intangible, living or non- living Drive perceptions

Individual learns attitudes through experience and interaction with other people.

Consumer attitudes toward a firm and its products greatly influence the success or failure of the firm's marketing strategy.

Oldsmobile vs. Lexus, due to consumers attitudes toward Oldsmobile (as discovered by class exercise) need to disassociate Aurora from the Oldsmobile name.

Exxon Valdez-nearly 20,000 credit cards were returned or cut-up after the tragic oil spill.

Honda "You meet the nicest people on a Honda", dispel the unsavory image of a motorbike rider, late 1950s. Changing market of the 1990s, baby boomers aging, Hondas market returning to hard core. To change this they have a new slogan "Come ride with us".

Attitudes and attitude change are influenced by consumers personality and lifestyle.

Consumers screen information that conflicts with their attitudes. Distort information to make it consistent and selectively retain information that reinforces our attitudes. IE brand loyalty.

There is a difference between attitude and intention to buy (ability to buy).

- **Personality**

All the internal traits and behaviors that make a person unique, uniqueness arrives from a person's heredity and personal experience. Examples include:

- o Workaholism
- o Compulsiveness
- o Self confidence
- o Friendliness
- o Adaptability
- o Ambitiousness
- o Dogmatism
- o Authoritarianism
- o Introversion
- o Extroversion
- o Aggressiveness
- o Competitiveness.

Traits effect the way people behave. Marketers try to match the store image to the perceived image of their customers.

There is a weak association between personality and Buying Behavior, this may be due to unreliable measures. Nike ads. Consumers buy products that are consistent with their self concept.

- **Lifestyles--**

Recent US trends in lifestyles are a shift towards personal independence and individualism and a preference for a healthy, natural lifestyle.

Lifestyles are the consistent patterns people follow in their lives.

EXAMPLE healthy foods for a healthy lifestyle. Sun tan not considered fashionable in US until 1920's. Now an assault by the American Academy of Dermatology.

**Social Factors:**

Consumer wants, learning, motives etc. are influenced by opinion leaders, person's family, reference groups, social class and culture.

**Opinion leaders**

Spokespeople etc. Marketers try to attract opinion leaders...they actually use (pay) spokespeople to market their products. Michael Jordon (Nike, McDonalds, Gatorade etc.)

**Roles and Family Influences**

Role things you should do based on the expectations of you from your position within a group. People have many roles. Husband, father, employer/ee. Individuals role are continuing to change therefore marketers must continue to update information.

Family is the most basic group a person belongs to. Marketers must understand:

- o that many family decisions are made by the family unit
- o consumer behavior starts in the family unit
- o family roles and preferences are the model for children's future family (can reject/alter/etc)
- o family buying decisions are a mixture of family interactions and individual decision making
- o family acts an interpreter of social and cultural values for the individual.

The Family life cycle: families go through stages, each stage creates different consumer demands:

- o bachelor stage...most of BUAD301
- o newly married, young, no children...me
- o full nest I, youngest child under 6
- o full nest II, youngest child 6 or over
- o full nest III, older married couples with dependent children
- o empty nest I, older married couples with no children living with them, head in labor force
- o empty nest II, older married couples, no children living at home, head retired
- o solitary survivor, in labor force

- o solitary survivor, retired
- o Modernized life cycle includes divorced and no children.

**4. MARKET SEGMENTATION:**

Market segmentation is a marketing term referring to the aggregating of prospective buyers into groups, or segments, that have common needs and respond similarly to a marketing action. Market segmentation enables companies to target different categories of consumers who perceive the full value of certain products and services differently from one another.

**Steps:**

- 1) Market segmentation (= describing)
- 2) Market targeting (= selecting)
- 3) Market positioning (= image in consumers' minds)

**Requirements for effective segmentation:**

Measurable – size, purchasing power, and profiles can be measured

Accessible – can be effectively reached and served (move in same places?)

Substantial – must be large or profitable enough (people taller than 10 feet not good)

Differentiable – two segments that react the same way are not actually separate segments

Actionable – effective programs can be designed for the segment, i.e. matches company capabilities

**Bases of Market Segmentation**

Segmenting is dividing a group into subgroups according to some set 'basis'. These bases range from age, gender, etc. to psychographic factors like attitude, interest, values, etc.

**Gender**

Gender is one of the most simple yet important bases of market segmentation. The interests, needs and wants of males and females differ at many levels. Thus, marketers focus on different marketing and communication strategies for both. This type of segmentation is usually seen in the case of cosmetics, clothing, and jewellery industry, etc.

**Age group**

Segmenting market according to the age group of the audience is a great strategy for personalized marketing. Most of the products in the market are not universal to be used by all the age groups. Hence, by segmenting the market according to the target age group, marketers create better marketing and communication strategies and get better conversion rates.

### **Income**

Income decides the purchasing power of the target audience. It is also one of the key factors to decide whether to market the product as a need, want or a luxury. Marketers usually segment the market into three different groups considering their income. These are

- ☐ High Income Group
- ☐ Mid Income Group
- ☐ Low Income Group

This division also varies according to the product, its use, and the area the business is operating in.

### **Place**

The place where the target audience lives affect the buying decision the most. A person living in mountains will have less or no demand for ice cream than the person living in a desert.

### **Occupation**

Occupation, just like income, influences the purchase decision of the audience. A need for an entrepreneur might be a luxury for a government sector employee. There are even many products which cater to an audience engaged in a specific occupation.

### **Usage**

Product usage also acts as a segmenting basis. A user can be labelled as heavy, medium or light user of a product. The audience can also be segmented on the basis of their awareness of the product.

### **Lifestyle**

Other than physical factors, marketers also segment the market on the basis of lifestyle. Lifestyle includes subsets like marital status, interests, hobbies, religion, values, and other psychographic factors which affect the decision making of an individual.

## **5. TARGET MARKET SELECTION**

Target market represents a group of individuals who have similar needs, perceptions and interests. They show inclination towards similar brands and respond equally to market fluctuations. Individuals who think on the same lines and have similar preferences form the target audience. Target market includes individuals who have almost similar expectations from the organizations or marketers.

Following are 5 criteria that indicate whether you have selected a viable target market: size, expected growth, competitive position, cost to reach, and compatibility.

1.      Size - how large is this target market? Worth pursuing?
2.      Expected Growth - even if the market is small, it may be profitable if there are indications that it will grow.
3.      Competitive Position - low competition equals attractive market.
4.      Cost to Reach - is this market accessible with our tactics?
5.      Compatibility - how aligned is this market to our goals?

There are three standard approaches to target marketing:

- The first approach is the Single Target Market approach whereby the firm selects one particular market segment and makes every effort to “own” that space.
- The second approach is the Multiple Target Market approach in which the firm selects two or more segments to go after, requiring a separate marketing mix for each.
- The final approach is the Combined Target Market approach and results from combining two or more submarkets into one larger target market, which is managed with a single strategy. Most organizations prefer to adopt a segmentation approach such as the Single or Multiple Target Market strategies. These firms adjust their marketing mix for each target market to ensure that each segment is very satisfied with their offerings. Generally, it is better to target specific segments with an appropriate solution, than to approach combined segments with an “off-the-shelf” solution.

### **Selecting market segments**

Target market = set of buyers who share common needs or characteristics that the company decides to serve

#### **1. Market coverage strategies**

A) Undifferentiated marketing = mass marketing

– Focus on what is common in all buyers, appeal to that

– Mass distribution, mass marketing, etc

– Often difficult to compete with focused competitors

B) Differentiated marketing

– Target several segments and design separate offers for each

– Claim – developing a stronger position within several segments creates more total sales than undifferentiated marketing across all segments

C) Concentrated marketing

- Firm goes after a large share of one or a few segments / niches
- Shared marketing mix for all segments
- Attractive when resources are limited

### **Socially Responsible Target Marketing**

- Targeting vulnerable or disadvantaged consumers with controversial or potentially harmful products => consumer outcry
- E.g. aggressive marketing to children
- Cheap beer for black people

- Issue is not who is targeted but how and for what

Industry self regulation – e.g. Children's Advertising Review Unit in US

## **6. POSITIONING FOR COMPETITIVE ADVANTAGE:**

The process of creating an image of a product in the minds of the consumers is called as positioning. Positioning helps to create first impression of brands in the minds of target audience. In simpler words positioning helps in creating a perception of a product or service amongst the consumers.

Example

The brand “Bisleri” stands for purity.

The brand “Ceat Tyre” stands for better grip.

Product position = The way the product is defined by consumers on important attributes

The place the products occupies in the consumers' minds relative to competing products

Consumers simplify their buying process by categorizing => positioning

### **Choosing A Positioning Strategy**

- 1) Identifying a set of possible competitive advantages to build on
- 2) Choosing the right competitive advantages
- 3) Selecting an overall positioning strategy

### **Steps to product Positioning**

Marketers with the positioning process try to create a unique identity of a product amongst the customers.

#### **1. Know your target audience well**

It is essential for the marketers to first identify the target audience and then understand their needs and preferences. Every individual has varied interests, needs and preferences. No two individuals can think on the same lines.

Know what your customers expect out of you.

The products must fulfill the demands of the individuals.

#### **2. Identify the product features**

The marketers themselves must be well aware of the features and benefits of the products. It is rightly said you can't sell something unless and until you yourself are convinced of it.

A marketer selling Nokia phones should himself also use a Nokia handset for the customers to believe him.

#### **3. Unique selling Propositions**

Every product should have USPs; at least some features which are unique. The organizations must create USPs of their brands and effectively communicate the same to the target audience.

The marketers must themselves know what best their product can do.

Find out how the products can be useful to the end-users ?

Why do people use "Anti Dandruff Shampoo?"

Anti Dandruff Shampoos are meant to get rid of dandruff. This is how the product is positioned in the minds of the individuals.

Individuals purchase "Dabur Chyawanprash" "to strengthen their body's internal defense mechanism and fight against germs, infections and stress. That's the image of Dabur Chyawanprash in the minds of consumers.

USP of a Nokia Handset - Better battery backup.

USP of Horlicks Foodles - Healthy snack

Communicate the USPs to the target audience through effective ways of advertising. Use banners, slogans, inserts and hoardings.

Let individuals know what your brand offers for them to decide what is best for them.



**4. Know your competitors**

- ☐ A marketer must be aware of the competitor's offerings. Let the individuals know how your product is better than the competitors?
- ☐ Never underestimate your competitors.
- ☐ Let the target audience know how your product is better than others.
- ☐ The marketers must always strive hard to have an edge over their competitors.

**5. Ways to promote brands**

- ☐ Choose the right theme for the advertisement.
- ☐ Use catchy taglines.
- ☐ The advertisement must not confuse people.
- ☐ The marketer must highlight the benefits of the products.

**6. Maintain the position of the brand**

- ☐ For an effective positioning it is essential for the marketers to continue to live up to the expectations of the end - users.
- ☐ Never compromise on quality.
- ☐ Don't drastically reduce the price of your products.
- ☐ A Mercedes car would not be the same if its price is reduced below a certain level.
- ☐ A Rado watch would lose its charm if its price is equal to a Sonata or a Maxima Watch.

**7. PRODUCT DIFFERENTIATION VS MARKET DIFFERENTIATION:**

**Product differentiation:**

Product differentiation is a marketing process that showcases the differences between products. Differentiation looks to make a product more attractive by contrasting its unique qualities with other competing products. Successful product differentiation creates a competitive advantage for the product's seller, as customers view these products as being unique or superior.

**Examples of Product Differentiation**

Lower costs can relate to the initial purchase price or any operating and upkeep costs associated with the item. For example, if Company X produces a coffee maker with the same features as Company Y, Company X may choose to offer a lower selling price for its coffee maker to differentiate it from the competitor. If the accessories or disposable parts of Company X's offering cost less than Company Y's, that can differentiate between the two products.

When functional aspects of two products are identical, other non-functional features can be highlighted. This can be as simple as a change in design or styling, such as the product's color. At times, the most effective way to make one product stand out from another is with unique advertising. In that regard, it may be possible to differentiate one brand from another when no discernible differences in the products actually exist.

### **Effect of Product Differentiation**

Aside from bringing in consumer interest, product differentiation may increase brand loyalty and even allow for a higher price point. If a product is perceived to be better than a competitors, whether that belief is based on fact or more speculative means, it may encourage consumers to purchase the brand due to its image. Certain images may even allow for a higher selling price if the item is seen as highly desirable.

### **What are some ways to differentiate your products?**

You do not want to be different just for the sake of being different. Instead, consider what matters most to your customers, and let that drive your decisions on how to differentiate your product. Your product differentiation should arise after careful study, and should be part of your larger strategy for the product. With that said, here are some common ways that a product can stand out:

#### **Benefits**

What value can customers expect to gain from using your product compared to others? What problem is the product going to solve? How is it going to make their lives better? For example, yours may be the only brand offering a mobile app that saves actual time from an activity that parents must do (but do not like) every day.

#### **Design**

Does the product have a different design that distinguishes it from the rest? For example, your product is sleek while your competitors' offerings appear clunky or dated. This distinction may help customers connect with your brand. For example, think about the modern design sensibility of the Nest thermostat. Instead of copying the rectangular shape of other thermostats, the company opted for a simple circle with an easy-to-read, color-changing display. This fresh take on an old idea helps the company set their product apart and gain a competitive advantage.

### **Price**

Is your product priced lower or higher than your competitors' products and other products you offer? Your price should reflect the overall value that you are offering in the product. For example, you can justify a higher price if customers recognize that the product offers unsurpassed quality. This is how a luxury brand like Ferrari can command a top asking price for their cars. Ask too low of a price, however, and customers may not see your product as truly valuable.

### **Quality**

Does your product simply work better than your competitors' products? Do you offer some functionality that your competitors do not? Can users expect the product life to last longer than other products? Your product's competitive advantage may indeed prove to be superior construction and dependability.

### **Customer service**

Product may be similar to others in many ways. However, you can differentiate your whole offering — and build your competitive advantage — by assembling a stand-out support team and earning a reputation for being ultra-responsive to customers' needs.

For example, A customer who orders by midnight may receive their package by the next morning. This emphasis on customer service pays off — judging by the fact that 75% of their sales are reportedly from repeat customers.

Remember, the way you differentiate your products should not be an arbitrary decision, or a knee-jerk response to whatever your competitors are doing. Rather, your product differentiation should arise from your higher-level strategy for your product and your business.

### **Types of product differentiation:**

1. **Horizontal:** Goods are different but at the same price some consumers will buy one and some will buy other, it really depends on their preferences. Example: Pepsi y Coca Cola
2. **Vertical:** Goods are different and all consumers would prefer one to the other if they were sold at the same price. Goods are of different qualities. Example: Pentium III y Pentium II, BMW y Fiat.

**POSSIBLE QUESTIONS:**

**PART A ( 20\* 1 = 20):**

ONLINE EXAM

**PART B ( 5 \* 2 = 10):**

1. What is consumer behavior?
2. What is meant by consumer buying decision?
3. Define market segmentation.
4. What are the concepts of market segmentation?
5. Define positioning
6. What is meant by targeting?
7. What are the factors affecting buyer decision?
8. Give the nature of consumer behavior.
9. Mention the importance of consumer behavior.

**PART C ( 5 \* 6 = 30):**

1. Explain the consumer buying decision process.
2. What are the factors influencing the consumer buying decision process?
3. Explain market segmentation.
4. Write about targeting.
5. Write in detail about positioning.
6. Explain target market selection.
7. Differentiate market segmentation and product differentiation.

**UNIT-III**

**SYLLABUS**

**Product:** concept and importance, product classifications; concept of product mix; Branding, packaging and Labeling; Product-Support services; Product life-cycle; New Product Development; Consumer adoption process.

**PRODUCT:**

**Meaning:**

A product may be defined as a bundle of utilities. It consists of various product features and accompanying services. The customer does not buy merely the physical and chemical attributes of a product. A consumer is really buying a product for satisfaction. It can offer him / her expected satisfaction. Therefore, the term 'product' does not mean only the physical product. It also means the total product including brand, package and label, the status of manufacturer and distributor and services offered to the customer in addition to the physical product. Hence, a product is a set of tangible and intangible attributes, including packaging, color, price, quality and brand plus the services and reputation of the seller.

According to Philip Kotler, "A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need."

According to Peter D. Benett, "A product may be an idea, a physical entity or a service. Or any combination of the three. It exists for the purpose of exchange in the satisfaction of individual and organizational objective."

**PRODUCT CONCEPTS:**

- **Physical concept:**

Physical concept is also known as traditional concept which has a physical existence in it. In this concept, physical goods have the physical features like color, name, size, etc. It can be touched, seen and transformed.

## KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.Com CA

COURSE NAME: PRINCIPLES OF MARKETING

COURSE CODE: 17CCU501B

UNIT: III

BATCH 2017-2020

- **Service concept:**

According to this concept, product cannot be seen and touched. It cannot be owned and the ownership cannot be transferred. It cannot be separated from the service providers. Education, hair cutting, consultancy service, etc are the example of service concept.

- **Augmented concept:**

This concept combines tangible and intangible activities. Therefore, the services like warranty, free repair, and maintenance, manual or guides etc. provided to increase the sales are augmented products. For example, while buying a computer, the buyer not only buys the physical computer but also buys the free installation, free repair, and maintenance, packaging, etc.

- **Total product concept:**

This concept combines tangible, intangible and augmented product concept. Presentation of the products filled with a tangible and intangible feature in front of customers to sale the product is known as a total product. This includes physical features, benefits, advantages related with goods, intangible services, etc. For example, if one buys a computer then he/she buys another additional service like free installation, repair, and maintenance, home delivery, etc. with it.

### **PRODUCT CLASSIFICATION:**

According to the traditional classification, the two major categories of goods are: consumer goods and industrial goods. This classification is based on the purpose for which they are primarily used. Typewriters and electric motors are regarded as industrial goods. Soaps and sweets are regarded as consumer goods. This classification does not classify products in water tight compartments. However, classification is necessary for a student of marketing because buying motives differ from buyer to buyer.

#### **Consumer Product:**

Consumer products can be defined as those products which are destined for use by the ultimate consumer for their personal or household use. Such products are directly used by the individual. Ultimate consumers are satisfying non-business and they constitute consumer market. According to American Marketing Association, "Consumer goods are those destined for used by the ultimate consumer or household and in such form that can be used without commercial processing."

Consumer products can be further classified into convenience product, shopping product, specialty products, and unsought products. A brief description of products has been given below:

**i. Convenience Product**

Convenience products are those products which are purchased by the customers without spending their time from the convenient places that, too, from the nearby where they are residing. According to Philip Kotler, “Convenience products are goods that the customers usually purchase frequently, immediately with a minimum effort.” These goods are usually familiar with the customers. Thus, cigarettes, soaps, bulbs, flashlight and low-priced electrical equipment etc. are convenience products. They can be further classified into three categories:

- Staple product
- Impulse product
- Emergency product

**ii. Shopping product**

Shopping products are those products where consumers devote considerable time in making a selection of those before they buy. The consumers want to compare a quality, price, and style in several shops before they buy. According to Philip Kotler, “Shopping goods are the goods that the customers, in the process of selection and purchase, characteristically compare on such bases as suitability, quality, price, and style.” Furniture items, dress materials, shoes, and household appliances are the examples of shopping products.

**iii. Specialty Product**

Specialty products are those products which enjoy a set of special features. Special efforts are made in their purchase. These products possess’ unique characteristics and brand identification which calls for special efforts. According to Melvin T. Coplenad, “Specialty goods are those which have some attraction for the consumers, other than price, which induces him/ her to put in a special effort to visit the store in which they are sold and to make a purchase without shopping.”

**iv. Unsought Product**

Unsought product are those products that do not fall in any of the above categories, but they are important for the customer. The customer might not know the existence of the product or know

but do not think of buying them. Such goods are not normally bought by the customer unless there is a high level of promotion campaign showing the necessity of those products for satisfying their needs.

### **Industrial Products**

Industrial products are those products which are used in producing other goods or rendering services. These are the products that are to be sold to ultimate consumers. The main characteristics of industrial goods are a geographical concentration of the market, a limited number of buyers, a large unit of individual purchase and technical considerations. These goods have a derived demand.

According to American Marketing Association, “Industrial goods which are destined to be sold primarily for use in producing other goods or rendering services as contrasted with goods destined to be sold primarily to the ultimate consumers.”

Industrial goods can be classified into following five categories:

#### **i. Raw materials**

Raw materials are the industrial goods. They have not been processed except for their physical handling. Raw materials may be divided into natural products- minerals and product of the forests and the seas and agricultural products- wheat, cotton, tobacco and animal products such as eggs and raw milk.

#### **ii. Fabricating material & parts**

Fabricating materials and parts are the industrial goods. These goods have undergone manufacturing processes but they need further processing or need to be combined with other materials or parts before they are ready to reach the ultimate consumers.

#### **iii. Equipment**

Equipment are used merely to provide facilities to the manufacturer, as they cannot be part & parcel of finished goods. Unit price and life are less than installations. For example, tools, such as screwdrivers, files set, spanners set, computers, time clock, conveyers, sharpeners, typewriter, etc.



**iv. Installation**

Installations means major industrial equipment's and major machinery in the industry. It can be consumed only after repeated usage due to wear and tear. They are long life orientated and very costly enough. These goods are designed and produced only against the order with a view to meet the special needs of an individual purchaser.

**v. Operating supplies**

Operating supplies mean the goods which are used by the industrial producer with a view to provide facilities for the operation of machine or plant continuously without loss of time, but which will not become a part of the finished product. Operating supplies are the physical items required for running of a manufacturing production or service facility owned by a business.

**PRODUCT MIX:****Meaning of Product Mix**

Product mix or product assortment refers to the number of product lines that an organization offers to its customers. Product line is a group of related products manufactured or marketed by a single company. Such products function in similar manner, sold to the same customer group, sold through the same type of outlets, and fall within a same price range.

Product mix consists of various product lines that an organization offers, an organization may have just one product line in its product mix and it may also have multiple product lines. These product lines may be fairly similar or totally different, for example - Dish washing detergent liquid and Powder are two similar product lines, both are used for cleaning and based on same technology; whereas Deodorants and Laundry are totally different product lines.

An organization's product mix has following four dimensions:-

1. Width,
2. Length,
3. Depth, and
4. Consistency.

**Width**

The width of an organization's product mix pertains to the number of product lines that the organization is offering. For example, Hindustan Uni Lever offers wide width of its home care, Prepared by Dr.S.Venkatachalam, Associate Prof. Department of Management, KAHE

personal care and beverage products. Width of HUL product mix includes Personal wash, Laundry, Skin care, Hair care, Oral care, Deodorants, Tea, and Coffee.

### **Length**

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

### **Depth**

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

### **Consistency**

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

### **Product Mix Decision:**

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

- **Product Line Decision** - Product line managers take product line decisions considering the sales and profit of each items in the line and comparing their product line with the competitors' product lines in the same markets. Marketing managers have to decide the optimal length of the product line by adding new items or dropping existing items from the line.
- **Line Stretching Decision** - Line stretching means lengthening a product line beyond its current range. An organization can stretch its product line downward, upward, or both way.
  1. **Downward Stretching** means adding low-end items in the product line, for example in Indian car market, watching the success of Maruti-Suzuki in small car segment, Toyota and Honda also entered the segment.
  2. **Upward Stretching** means adding high-end items in the product line, for example Maruti-Suzuki initially entered small car segment, but later entered higher end segment.

3. **Two-way Stretching** means stretching the line in both directions if an organisation is in the middle range of the market.

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

### **BRANDING:**

#### **Meaning of brand:**

A name, term, design, symbol, or combination of these elements that identifies a business, product, or service and distinguishes it from its competitors.

#### **Elements of Branding**

A brand X is a name, term, design, symbol, or combination of these elements that identifies a product or service and distinguishes it from its competitors. Brands include elements such as:

- Brand and trade names
- Trade and brand marks, and trade characters

A brand name X, also called a product brand, is a word, group of words, letters, or numbers that represent a product or service.

A trade name X, or corporate brand, identifies and promotes a company or a division of a particular corporation

A brand mark X is a unique symbol, coloring, lettering, or other design element. It is recognizable visually and does not need to be pronounced.

A trade character X is brand mark that has human form or characteristics.

A trademark X is a word, name, symbol, device, or combination of these elements that is given legal protection by the federal government. Trademarks are used to prevent other companies from using a similar element that might be confused with the trademarked one.

The use of brands is important in product planning for several reasons:

- To build product recognition and customer loyalty
- To ensure quality and consistency
- To capitalize on brand exposure

### Types of Brands:

There are three classifications of brands, one for each type of company that brands its products:

- National brands (manufacturers)
- Private distributor brands (wholesalers and retailers)
- Generic brands

**national brands-** Brands that are owned and initiated by national manufacturers or service companies; also known as producer brand.

Hershey • Whirlpool • Ford

**private distributor brands-** Brands that are developed and owned by wholesalers and retailers; also known as private brands, store brands, dealer brands, or private labels.

- Wal-Mart's George • Radio Shack

**Generic brands** -X are products that do not carry a company identity. They are generally sold in supermarkets and discount stores. Companies that manufacture and sell generic brands do not heavily advertise or promote these products, and therefore they can pass on savings to customers.

### Branding Strategies:

Some branding strategies used to meet sales and company objectives are:

- Brand extensions
- Brand licensing
- Mixed branding
- Co-branding

#### Brand Extension

Brand extension X is a branding strategy that uses an existing brand name to promote a new or improved product in a company's product line. This strategy's risk is overextending a product line and diluting the brand with too many products.

#### Brand Licensing

Brand licensing X involves a legal licensing agreement for which the licensing company receives a fee, such as a royalty, in return for allowing another company to use its brand/brand mark/trade character. A legal authorization by a trademarked brand owner to allow another

company (the licensee) to use its brand, brand mark, or trade character for a fee.

**Mixed Brands:**

Some manufacturers and retailers use a mixed brand X strategy to sell products. They offer a combination of manufacturer, private distributor, and generic brands. For example, a manufacturer of a national brand might agree to make a product for sale under another company's brand. mixed-brand Selling a combination of manufacturer, private distributor, and generic brands.

**Co-Branding**

A co-branding X strategy combines one or more brands in the manufacture of a product or in the delivery of a service. It can also happen when two or more retailers share the same location.

**PACKAGING:**

Packaging is the activity of designing and producing the container or wrapper for the product. It is an important and effective sales tool for encouraging the consumers for buying. It is powerful medium for sales promotion. It must perform all the basic function such as protection, ease of handling and storage, convenience in usage etc. and should not be deceptive and convey any deceptive message. It is the best method for attracting the consumers for buying the products.

According to W.J.Stanton, "Packaging may be defined as the general group of activities in product planning which helps in value designing and producing the container or wrapper for a product."

According to Pride and Farell, "Packaging involves the development of container and a graphic design for a product."

**Functions of Packaging:**

Packaging should serve the following basic functions:

- **Protects the contents:**

The basic function of packaging is to protect the contents from damage, dust, dirt, leakage, pilferage, evaporation, watering, contamination and so on. Packaging helps in the protection of the contents of the products. Seasonal fluctuations in demand may be smoothed out through

packaging. Packaging helps to protect the contents of all the available products.

- **Provides product density:**

Packaging helps to provide product density. It implies selecting such package materials, design, and shape that helps to use the limited space in the best way. It improves relations with common carriers, permits better use of space in storage and usage and increases the grace and poise of arrangement.

- **Act as promotional tool:**

Good packaging can sell the product more easily and quickly as it works as a promotional tool. As a promotional tool, it does self-advertising, displaying, publishing and acts as an advertising medium. It is the package, size, design, color combinations and graphics that decide its ability to attract the valuable attention of customers or the prospects.

- **Provides user convenience:**

Packaging helps to provide the user convenience. The good packaging does this in a greater degree. As a result, the marketing functions of the transportation, storage, and handling are performed with ease and without wastage. Consumers are greatly assisted so long as the product is in usage. Neat packaging has brought a home reduction in inventory costs, packaging costs, space and time costs.

- **Facilitates product identification:**

Packaging helps to facilitate the identification of the product. This process of product differentiation is furthered by effective product identifiers; one is branding and another is packaging. The product package identifies the product no matter where you see it, under what circumstances you see it, or when you see it. A package is product's personality, its reality. Product identification goes easy with distinguished packaging as it adds to its personality or image.

- **Allows easy product mix:**

Product mix relates to the product lines and an assortment of sizes, colors, measures, grades, package types etc. offered by the selling house. Change in product mix can be possible as packaging helps to influence weight, size, and dimensions of the product. Packaging helps to allow the product mix easily for the consumers.

**Importance of Packaging:**

- **Creation of demand:**

Packaging plays an important role in the creation of demand by attracting the consumers. The customers become known with the product through advertising. It helps to increase the demand of the customers.

- **Protection of the product:**

Packaging helps to protect the product from heat, light, moisture, evaporation, dust etc. during its long passage from the factory to the target customers. It protects the products from breakage, leakage spoilage etc.

- **Transportation:**

Packaging facilitates transportation of products from one place to another. It ensures easy transportation and better handling of products in transit.

- **Guidelines to customers:**

Packaging helps as a guideline for the customers. From the informative literature regarding the quality and use of the product, the customers get the guidelines. The customers are ensured about the quality of the products.

- **Better storage:**

Packaging acts as a better storage of the products. Goods with good packages can be stored in the retail shop also in lesser price.

- **Facilitates for carrying:**

Packaging plays an important role in carrying the goods in transit and from one place to another. It is made in different sizes and it facilitates provisions for easy and open carrying.

- **Identification of product differentiation:**

Packaging helps to identify the product differentiation easily. It ensures the individuality of the products and one product can be easily differentiated with each other products in the market. The customers can easily identify their product of choice at the time of purchase. This helps the customers to prevent substitution of goods by other customers.

**Economy:**

Packaging helps to reduce the cost of marketing the goods by reducing losses from damages. As packaging is helpful for sales promotion, so it helps to attain economy in the cost structure of the producers and marketers.

**Types of packaging:**

There are various types of packaging some of them are as follow:

- **Consumer packaging:**

Consumer packaging is one which holds the required volume of a product for ultimate consumption. It is the means of buying household. In other words, the consumer has the option to purchase the pack size which he/she considers adequate for the consumption of his/ her family over a length of time.

- **Transit packaging:**

Transit packaging is another type of packaging. It is either for the industrial consumer's use. The consumer package itself very often requires an outside package in which it is sometimes referred to a bulk package or an outer container.

- **Industrial packaging:**

An industrial packaging can either describe a bulk package or the package for durable consumer goods. These are the basic package types although many subdivisions can be listed which can be broadly listed under these basic headings.

- **Dual use packaging:**

A dual packaging is one which has a secondary usefulness after its contents have been consumed. The examples of dual use packaging are Drinking glasses, boxes of jewelry, waste baskets, refrigerator dishes, etc.

**Features of good packaging:**

A good package indicates individuality of a product in a dramatic and easily recognizable way.

The features of good packaging can be briefly shown below:



## KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.Com CA

COURSE NAME: PRINCIPLES OF MARKETING

COURSE CODE: 17CCU501B

UNIT: III

BATCH 2017-2020

- **Convenience:**

Convenience is one of the good features of packaging. The packaging provides size options and it facilitates provisions for the easy open of the products. The package should neither be heavy in weight nor large in size.

- **Security:**

The packaging provides security of the products and it protects the products from dust, light, spoilage, damage, evaporation, etc. It ensures the preservation of the quality and quantity of the products.

- **Status or prestige:**

Packaging creates confidence among the customers and it creates status and prestige of the products. It helps in the increment of status and prestige to the consumers. The product is also known by its packaging.

- **Adaptability:**

The package should of moderate size so that it can be kept in proper place. It should be adapted in all the places. Adaptability is very essential in packaging.

- **Dependability:**

The packaging should be dependable. Dependability indicates the positive idea of a customer about the manufacturing of the product. It is very important to have dependability in the products.

- **Handsome design:**

The packaging should have a handsome design. The handsome design attracts the customers to buy the products. To get touch with the taste and fashion of the customers, a constant renewal of design is required. It is very necessary to design the products for making the consumers attracted towards it.

### **LABELLING:**

- Labelling is another significant means of product identification like branding and packaging. Labelling is the act of attaching or tagging labels. A label can be anything – a piece of paper, printed statement, imprinted metal, leather which is either a part of a package or attached to it, indicating a value of contents of a price of product name and place of producers or

such useful information to be beneficial to the user. Thus, a label is an informative tag, wrapper or seal attached to a product or product's package.

- Labelling gives necessary information to the customers about the products. The customers can get knowledge about the quality and features of the product without tasting the product. They can recognize standard and grade of the product. Label provides information about the price, quantity, quality etc. of the product, due to which the customers buy the product without doubt and hesitation. They compare the product with the same nature products of other firms on the basis of the information provided on the label.

- Label becomes helpful to sellers to sell out the product. It protects the customers from malpractices of the middlemen. Labelling is very important element affecting sales and distribution process of a product, which provides clear information about the grade, quantity, price, brand name, features etc. to the customers. In some countries, many products, including food and pharmaceuticals, are required by law to contain certain labels such as listing ingredients, nutritional information, or usage warning information. Labels are attached to the product package to provide information such as a manufacturer of the product, date of manufacture, date of expiry, its ingredients, how to use the product, and its handling.

- Many types of symbols for package labeling are nationally and internationally standardized. For consumer packaging, symbols exist for product certifications, trademarks, and proof of purchase. Some requirements and symbols exist to communicate aspects of consumer use and safety. For example, the estimated sign notes conformance to EU weights and measures accuracy regulations. Examples of environmental and recycling symbols include the recycling symbol, the resin identification code, and the "green dot."

According to Mason and Rath, "Label is an information tag, wrapper or seal attached to a product or product's package."

According to W.J. Stanton, "Label is the part of a product that carries verbal information about the producer or seller."

From the above definitions, labelling consists of printed information pertaining to the product appearing on or with the package.

In some countries, many products, including food and pharmaceuticals, are required by law to

contain certain labels such as ingredients, nutritional information, or usage warning information. (FDA). For example, a law label is a legally required tag or label on new items describing the fabric and filling regulating the United States mattress, upholstery, and stuffed article industry. The purpose of the law label is to inform the consumer of the hidden contents, or "filling materials" inside bedding & furniture products. Laws requiring these tags were passed in the United States to inform consumers as to whether the stuffed article they were buying contained new or recycled materials. The recycling logo needed to be displayed on the label. The Fair Packaging and Labelling Act (FPLA) is a law that applies to labels on many consumer products that state the products identity, the company that manufactures it, and the net quantity of contents.

**Types of Labelling:**

Label may be classified into following types:

- **Brand label:**

A brand label is a brand alone applied to the product or to the package. The example of the brand label are some clothes "Vimal and Raymond" or soaps carry the brand "OK", Lux. MAUR, JUNELI, etc.

- **Grade label:**

A grade label identifies the quality of a product by a letter, number or words. For instance, grapes may be labeled as A, B, or C and corn and wheat may be labeled as number 1 and number 2. Some stores grade their products as good, better and best.

- **Descriptive label:**

The descriptive label means placing on the label details such as component part of the products, chemical analysis, weight, size use of artificial color, the percentage of wool, thread count, age, use of product, directions for its use etc. It can also be used on products impossible or difficult to grades, such as clothing, furniture, and mechanical goods. It gives instructions for washing, use, and care.

- **Informative label:**

The informative label is a term which is used for labels. It carries a large amount of information. It is distinguished from descriptive labelling in the sense that it contains fuller instruction on the

use and care of the product. Such labels may contain recipes, instructions for clearing and other information of similar nature.

**Functions of Labelling:**

The following are the functions of labelling:

- **Identifies the product:**

Labelling identifies the product or brand easily. It prevents substitution of competitive product. For example, Wai -Wai noodles or Horlicks are identified by label even by uneducated people.

- **Grading:**

Labelling is helpful in grading the product according to quality and features. A package of fruits and vegetables can be the example of grading.

- **Description:**

Labelling helps to describe the product, its size, quality, quantity, and method of use. For example, a label used in medicine.

- **Product promotion:**

Labelling plays the significant role in the promotion of the product. The graphic designs of the label attract the customers to buy the product. For example, information about free or extra product published on a label like a free brush for the purchase of Close up, free Dabur honey for the purchase of Dabur Chyawanprash.

- **Protect the consumer:**

Labeling protects the consumer from adulteration. For example information about ingredients and date of manufacture and expiry published in a label like food items, medicine, cosmetics, etc.

- **Makes product attractive:**

Labelling helps in promotion of the product through attractive designing. The product looks very attractive when it is labelled. It is the source of attraction to the consumers too.

**Important functions of labelling:**

There is various function of labelling. Instead of them some of the important function of labelling are as follow:

- **Describe the Product and Specify its Contents:**

A label helps to provide complete information regarding the product. It mainly includes ingredients of the product, its usage, and caution in use, cares to be taken while using it, date of manufacturing, batch number, etc.

- **Identification of the Product or Brand:**

Labelling helps to identify particular product among many. It makes easier to find out the product. For example, you as a consumer want to select CINTHOL SOAP. The task of finding the desired soap from a heap of various branded soaps becomes easier with the help of labeling.

- **Grading of Product:**

Labelling helps in the grading of the product too. When a product has different qualities, labeling helps to find out which pack contains what type of quality. For example, Hindustan Unilever Ltd. manufactures three types of tea and to differentiate each type of tea, the company uses Green, Red, and Yellow coloured labels.

- **Help in Promotion of Products:**

Labelling helps in the promotion of the products too. The fourth function of labelling is to promote sales. Sometimes a consumer gets encouraged to buy a product simply due to an attractive label. Nowadays, labelling is used as effective sales promoting tool.

- **Providing information required by Law:**

Labelling helps to provide statutory warning required by law. To put 'smoking is injurious to health' on the package of cigarette and 'Chewing Tobacco is Injurious to Health' on the package of Pan Masala are the examples of statutory warning. Similarly, in a case of hazardous or poisonous products, appropriate statutory warning need to be put on the label. It provides important information of the product applied in the law.

### **PRODUCT-SUPPORT SERVICES:**

Product support services refer to labor-based services for hardware or software, which can be performed by the manufacturer of the product or parties other than the vendor that created the product. These services can be provided by several types of vendors, typically including hardware OEMs, such as Dell, HP, EMC or IBM; and software publishers, such as Microsoft, Oracle or SAP. Formal channel partners of hardware and software vendors also provide support services.

Product support services are also delivered by additional independent service providers and third-party support providers. An independent service provider delivers a broad range of services for hardware and/or software products (such as consulting or support), and may have an alliance with the product manufacturer but not as a primary means to its service business. A third-party support provider primarily delivers break/fix technical support for hardware and/or software products and is not typically aligned with the product manufacturer but may have a relationship in certain specific exceptional cases.

PSS offers a wide variety of support options, with varying prices. Options include assistance with:

- Basic usage
- "Break-fix" support
- Security patch installation
- Onsite and offsite consulting

PSS also gives feedback to Microsoft development groups for use in the development of future products or product features. The Windows 2000 recovery console, for instance, was developed in large part to address difficulty that PSS agents had when attempting to assist customers with non-functional Windows NT installations. Additionally, PSS identifies major issues with products, and works with the responsible product teams in order to create "hotfixes" for these issues, and/or make sure that the issues are addressed in service packs or future product versions. It is a type of Call Center.

### **PRODUCT LIFE CYCLE:**

#### **Definition:**

Product life cycle (PLC) is the cycle through which every product goes through from introduction to withdrawal or eventual demise.

The stages are:

#### **Introduction:**

When the product is brought into the market. In this stage, there's heavy marketing activity, product promotion and the product is put into limited outlets in a few channels for distribution. Sales take off slowly in this stage. The need is to create awareness, not profits.

**Growth**

The second stage is growth. In this stage, sales take off, the market knows of the product; other companies are attracted, profits begin to come in and market shares stabilize.

**Maturity:**

The third stage is maturity, where sales grow at slowing rates and finally stabilize. In this stage, products get differentiated, price wars and sales promotion become common and a few weaker players exit.

**Decline:**

The fourth stage is decline. Here, sales drop, as consumers may have changed, the product is no longer relevant or useful. Price wars continue, several products are withdrawn and cost control becomes the way out for most products in this stage.

**Significance of PLC:**

PLC analysis, if done properly, can alert a company as to the health of the product in relation to the market it serves. PLC also forces a continuous scan of the market and allows the company to take corrective action faster. But the process is rarely easy.

**NEW PRODUCT DEVELOPMENT PROCESS:**

In order to stay successful in the face of maturing products, companies have to obtain new ones by a carefully executed new product development process. But they face a problem: although they must develop new products, the odds weigh heavily against success. Of thousands of products entering the process, only a handful reach the market. Therefore, it is of crucial importance to understand consumers, markets, and competitors in order to develop products that deliver superior value to customers. In other words, there is no way around a systematic, customer-driven new product development process for finding and growing new products. We will go into the eight major steps in the new product development process.

**1.Idea generation – The New Product Development Process**

The new product development process starts with idea generation. Idea generation refers to the systematic search for new-product ideas. Typically, a company generates hundreds of ideas, maybe even thousands, to find a handful of good ones in the end. Two sources of new ideas can be identified:

- Internal idea sources: the company finds new ideas internally. That means R&D, but also contributions from employees.
- External idea sources: the company finds new ideas externally. This refers to all kinds of external sources, e.g. distributors and suppliers, but also competitors. The most important external source are customers, because the new product development process should focus on creating customer value.

## **2. Idea screening – The New Product Development Process**

The next step in the new product development process is idea screening. Idea screening means nothing else than filtering the ideas to pick out good ones. In other words, all ideas generated are screened to spot good ones and drop poor ones as soon as possible. While the purpose of idea generation was to create a large number of ideas, the purpose of the succeeding stages is to reduce that number. The reason is that product development costs rise greatly in later stages. Therefore, the company would like to go ahead only with those product ideas that will turn into profitable products. Dropping the poor ideas as soon as possible is, consequently, of crucial importance.

## **3. Concept development and Testing – The New Product Development Process**

To go on in the new product development process, attractive ideas must be developed into a product concept. A product concept is a detailed version of the new-product idea stated in meaningful consumer terms. You should distinguish

- ☐ A product idea à an idea for a possible product
- ☐ A product concept à a detailed version of the idea stated in meaningful consumer terms
- ☐ A product image à the way consumers perceive an actual or potential product.

Let's investigate the two parts of this stage in more detail.

### **Concept development**

Imagine a car manufacturer that has developed an all-electric car. The idea has passed the idea screening and must now be developed into a concept. The marketer's task is to develop this new product into alternative product concepts. Then, the company can find out how attractive each concept is to customers and choose the best one. Possible product concepts for this electric car could be:



- ☐ Concept 1: an affordably priced mid-size car designed as a second family car to be used around town for visiting friends and doing shopping.
- ☐ Concept 2: a mid-priced sporty compact car appealing to young singles and couples.
- ☐ Concept 3: a high-end midsize utility vehicle appealing to those who like the space SUVs provide but also want an economical car.

As you can see, these concepts need to be quite precise in order to be meaningful. In the next sub-stage, each concept is tested.

#### Concept testing

New product concepts, such as those given above, need to be tested with groups of target consumers. The concepts can be presented to consumers either symbolically or physically. The question is always: does the particular concept have strong consumer appeal? For some concept tests, a word or picture description might be sufficient. However, to increase the reliability of the test, a more concrete and physical presentation of the product concept may be needed. After exposing the concept to the group of target consumers, they will be asked to answer questions in order to find out the consumer appeal and customer value of each concept.

#### **4. Marketing strategy development – The New Product Development Process**

The next step in the new product development process is the marketing strategy development. When a promising concept has been developed and tested, it is time to design an initial marketing strategy for the new product based on the product concept for introducing this new product to the market.

The marketing strategy statement consists of three parts and should be formulated carefully:

- ☐ A description of the target market, the planned value proposition, and the sales, market share and profit goals for the first few years
- ☐ An outline of the product's planned price, distribution and marketing budget for the first year
- ☐ The planned long-term sales, profit goals and the marketing mix strategy.

#### **5. Business analysis – The New Product Development Process**

Once decided upon a product concept and marketing strategy, management can evaluate the business attractiveness of the proposed new product. The fifth step in the new product

development process involves a review of the sales, costs and profit projections for the new product to find out whether these factors satisfy the company's objectives. If they do, the product can be moved on to the product development stage.

In order to estimate sales, the company could look at the sales history of similar products and conduct market surveys. Then, it should be able to estimate minimum and maximum sales to assess the range of risk. When the sales forecast is prepared, the firm can estimate the expected costs and profits for a product, including marketing, R&D, operations etc. All the sales and costs figures together can eventually be used to analyse the new product's financial attractiveness.

### **6. Product development – The New Product Development Process**

The new product development process goes on with the actual product development. Up to this point, for many new product concepts, there may exist only a word description, a drawing or perhaps a rough prototype. But if the product concept passes the business test, it must be developed into a physical product to ensure that the product idea can be turned into a workable market offering. The problem is, though, that at this stage, R&D and engineering costs cause a huge jump in investment.

The R&D department will develop and test one or more physical versions of the product concept. Developing a successful prototype, however, can take days, weeks, months or even years, depending on the product and prototype methods.

Also, products often undergo tests to make sure they perform safely and effectively. This can be done by the firm itself or outsourced.

In many cases, marketers involve actual customers in product testing. Consumers can evaluate prototypes and work with pre-release products. Their experiences may be very useful in the product development stage.

### **7. Test marketing – The New Product Development Process**

The last stage before commercialization in the new product development process is test marketing. In this stage of the new product development process, the product and its proposed marketing programme are tested in realistic market settings. Therefore, test marketing gives the marketer experience with marketing the product before going to the great expense of full introduction. In fact, it allows the company to test the product and its entire marketing

programme, including targeting and positioning strategy, advertising, distributions, packaging etc. before the full investment is made. The amount of test marketing necessary varies with each new product. Especially when introducing a new product requiring a large investment, when the risks are high, or when the firm is not sure of the product or its marketing programme, a lot of test marketing may be carried out.

### **8. Commercialization**

Test marketing has given management the information needed to make the final decision: launch or do not launch the new product. The final stage in the new product development process is commercialization. Commercialization means nothing else than introducing a new product into the market. At this point, the highest costs are incurred: the company may need to build or rent a manufacturing facility. Large amounts may be spent on advertising, sales promotion and other marketing efforts in the first year.

### **CONSUMER ADOPTION PROCESS:**

The consumer adoption process is constant. Marketing tools may change, the way consumers discover products may change, and consumer behaviours may change, but the 5 stages that make up the consumer adoption process will always remain the same. In my years of business, my days in business school, and my experience at WeLink and AT&T, I have learned about numerous companies and how they market their products. I have witnessed many failures and witness many successes. What is interesting to me is how important it is for businesses to truly understand the 5 stages of the consumer adoption process and the important role this process plays to the success of the business. The 5 stages are: product awareness, product interest, product evaluation, product trial, and product adoption. Companies work hard to create a product, but in order to sustain and succeed in the market, organizations also need to create a process that successfully walks their consumers through the stages of the consumer adoption process.

## **5 Stages to the Consumer Adoption Process**

### **Stage 1 - Product Awareness**

This first stage is about creating awareness that your product is in the market. It is important that your company develops a successful avenue for your consumers to become aware of your product. If consumers do not know your product exists, then it might as well not exist! Create marketing material. These can be one-sheets, video teasers, images, and landing pages. Make these marketing materials easily accessible. Utilizing creativity and wit is a great way to engage consumers in this awareness stage. I recommend creating a strong social presence for said product. In the era of social media, many tools are available in the market that provide companies with the techniques and methods to increase product awareness through social channels – enabling them to reach a large number of customers at a low cost!

#### **Case Example – Movie Teasers and Tesla Model D**

As an example, movie teasers are designed to inform the audience and customers that a movie will be released soon, but it doesn't provide them in-depth information about the movie. Another great example includes Tesla's Model D. Prior to its launch and release, Elon Musk published the below image on his Twitter in order to build momentum and awareness of their upcoming launch. What's amazing about this picture is the way it has been strategically designed to make consumers aware of the product without exposing too much about the product. The viewer is left wanting to learn more.

### **Stage 2 - Product Interest**

In this stage consumers are ready to learn more about your company's product and / or service. Your organization must guide the consumer through the interest stage by providing easily accessible information on your product. Among the methods used in the today's business landscape include a website describing the product, blog posts, tutorial or instructional videos, white papers, and other sources of info that the potential consumer can discover and review.

#### **Case Example – Apple**

Apple utilizes its product launch to provide information and insight into its latest product. With well-designed and organized speech, scripted presentation, and balanced use of technical and

non-technical vocabulary, Apple delivers information eloquently and successfully to broad range of customers. With the information now available in multiple mediums and comprehensible by both technical and non-technical individuals, Apple gains the interest of their potential customers and builds strong momentum of interested buyers.

### **Stage 3 - Product Evaluation**

Prior to purchasing, consumers examine, compare and evaluate the product. Such behavior increases in intensity and need once the item in question is more expensive, sophisticated and complex, or critical. Consumers are searching for information. We are now finding that consumers go online and utilize social media channels to ask other individuals about your product or service. In addition, they find online reviews and recommendations. In order to simplify a customer's search and evaluation of your product, I suggest creating information that outlines the difference between your product and other similar products, or differences within the different products and services you sell. Outline what separates your product from others, and emphasize on strength. Another great system to utilize is the webinar. This platform allow you to communicate with potential customer in depth information about your product and provides time for Q&A.

#### **Case Example – PCMag**

PCMag is a world-renowned website for comparing gadgets and computers. They are notable for their reliable reporting, comprehensive evaluation editorials, and categorization of different gadgets based on their qualities. For example, in order to maintain fairness, PCMag categorizes laptops differently (such as work laptop, ultra-notebooks, ...etc) in order to provide a more reasonable evaluation that fits the needs of the customer. PCMag is a great tool for consumers to evaluate products. Product manufactures can contact PCMag and request to get their products included in the magazine.

### **Stage 4 - Product Trial**

This is the stage where the consumer "kicks the tires". Nothing helps a consumer make a decision about your product more than actually trying your product out! There are many ways this is accomplished. For example, your company can provide your consumer with a free trial or a proof of concept campaign. In this stage it is very important to set the customer expectations

correctly and deliver on said expectations.

Case Example – Costco

Costco is known for their free samples. I have heard that some customers piecemeal an entire lunch just from bouncing around the free sample tables during a visit to a Costco location. This “free sample” approach is very smart. In some cases Costco has seen this strategy increase sales of a product over 1000 percent. There are additional psychological effects from this, which include consumer loyalty and consumer reciprocity. Consumers feel that if they receive something for free they owe something in return.

### **Stage 5 - Product Adoption**

When the consumer enters the product adoption phase, he/she is ready to purchase your company's product. This is the critical stage that businesses need to get their consumers to. When the customer is here, you need to make the payment process simple, intuitive, and pain free. In addition, you need to ensure that the consumer can easily obtain the product. If you make it to and through this last phase successfully, then you can take money to the bank - A job well done! Consumer Adoption Process is for All!

Whether you have a new business or an existing business, a product built for the enterprise or a product built for a consumer; the consumer adoption process is the same. It is important to create a strategy and the necessary tools to successfully take your consumers through these 5 stages. If you can nail this, then you are in business. Last piece of advice; Marketing your product is as important, if not more important, than creating your product.

**KARPAGAM ACADEMY OF HIGHER EDUCATION**

**CLASS: III B.Com CA**

**COURSE NAME: PRINCIPLES OF MARKETING**

**COURSE CODE: 17CCU501B**

**UNIT: III**

**BATCH 2017-2020**

**POSSIBLE QUESTIONS:**

**PART A ( 20\* 1 = 20):**

ONLINE EXAM

**PART B ( 5 \* 2 = 10):**

1. Define product.
2. What is product class?
3. Define product mix.
4. Define branding.
5. What is labeling.
6. Define packaging.
7. What is consumer adoption process?

**PART C ( 5 \* 6 = 30):**

1. Write about the product classification.
2. Explain product mix.
3. What the stages in new product development?
4. Explain branding,
5. Explain about labeling
6. Write about packaging.
7. What are the steps in product life cycle?
8. Explain consumer adoption process.

**KARPAGAM ACADEMY OF HIGHER EDUCATION**

**CLASS: III B.Com CA**

**COURSE NAME: PRINCIPLES OF MARKETING**

**COURSE CODE: 17CCU501B**

**UNIT: III**

**BATCH 2017-2020**

---



**UNIT-IV**

**SYLLABUS**

**Pricing:** Significance, Factors Affecting Price of a Product, Pricing Policies and Strategies – Distribution Channels and Physical Distribution: Channels of Distribution – Meaning and Importance; Types of Distribution Channels; Functions of Middleman; Factors Affecting Choice of Distribution Channel; Wholesaling and Retailing; Types of Retailers; E-Tailing, Physical Distribution.

**PRICING IN MARKETING**

**Definition:**

Pricing is the method of determining the value a producer will get in the exchange of goods and services. Simply, pricing method is used to set the price of producer's offerings relevant to both the producer and the customer.

**Significance Of Pricing:**

How you set your prices can have a host of implications for your business. Not every price you set needs to maximize your margins. Many small businesses use price to compete, change market share or create different revenue scenarios. Understanding how pricing affects your business model, not just your bottom line, will help you better choose price levels.

**Profit Margins:**

The price you set affects your profit margin per unit sold, with higher prices giving you a higher profit per item if you don't lose sales. However, higher prices that lead to lower sales volumes can decrease, or wipe out, your profits, because your overhead costs per unit increase as you sell fewer units.

**Sales Volumes**

One of the most obvious affects pricing will have on your business is an increase or decrease in sales volume. Economists study price elasticity, or the response of consumer purchasing to a price change. Increasing your prices might lower your sales volume only slightly, helping you make up for decreased volume with higher total profits generated by higher margins. Lowering your prices can increase your profits if your sales jump significantly, decreasing your overhead

---

expense per unit. Test the market's response to price increases by changing prices in targeted areas before instituting an across-the-board price increase.

### **Position**

The price you set sends a message to some consumers about your business, product or service, creating a perceived value. This affects your brand, image or position in the marketplace. For example, higher prices tell some consumers that you have higher quality, or you wouldn't be able to charge those prices. Other consumers look for low-priced products and services, believing they'll get the quality they need at a low price. Offering sales, discounts, rebates and closeouts can send the message you can't sell your products or services at your regular price, or tell buyers they have a short-term opportunity to get a bargain.

### **Market Share**

The price you set makes you more or less competitive in the marketplace, affecting your share of the market's volume. Some businesses lower prices temporarily to gain market share from competitors, who can't respond to and meet a price decrease. After consumers have had time to try your product and develop a brand preference or loyalty, you can raise your prices again to a level that won't cause them to leave you. Predatory pricing is the practice of selling a product or service below cost for the specific purpose of taking market share away from a competitor or closing it down, then raising prices on consumers when they have fewer, or no options after that competitor is gone. This is illegal.

### **Loss Leaders**

Some businesses price products or services at or below cost to get customers into their businesses, who then spend more money elsewhere. For example, big-box retailers might buy large quantities of tennis balls, selling them at or below cost to entice affluent tennis players who use many cans of balls during the year into their stores. By placing the low-cost balls at the back of the store, they hope to generate impulse buys as the shopper walks to the sports area and back to the front. Restaurants offer low-margin specials to offer a change-of-pace to regular diners to keep their normal business, or to let regulars bring friends who want upscale dishes at a moderately priced eatery.

## **FACTORS AFFECTING PRICING PRODUCT:**

### **INTERNAL FACTORS AND EXTERNAL FACTORS**

The pricing decisions for a product are affected by internal and external factors.

#### **A. Internal Factors:**

##### **1. Cost:**

While fixing the prices of a product, the firm should consider the cost involved in producing the product. This cost includes both the variable and fixed costs. Thus, while fixing the prices, the firm must be able to recover both the variable and fixed costs.

##### **2. The predetermined objectives:**

While fixing the prices of the product, the marketer should consider the objectives of the firm. For instance, if the objective of a firm is to increase return on investment, then it may charge a higher price, and if the objective is to capture a large market share, then it may charge a lower price.

##### **3. Image of the firm:**

The price of the product may also be determined on the basis of the image of the firm in the market. For instance, HUL and Procter & Gamble can demand a higher price for their brands, as they enjoy goodwill in the market.

##### **4. Product life cycle:**

The stage at which the product is in its product life cycle also affects its price. For instance, during the introductory stage the firm may charge lower price to attract the customers, and during the growth stage, a firm may increase the price.

##### **5. Credit period offered:**

The pricing of the product is also affected by the credit period offered by the company. Longer the credit period, higher may be the price, and shorter the credit period, lower may be the price of the product.

##### **6. Promotional activity:**

The promotional activity undertaken by the firm also determines the price. If the firm incurs heavy advertising and sales promotion costs, then the pricing of the product shall be kept high in order to recover the cost.

**B. External Factors:**

**1. Competition:**

While fixing the price of the product, the firm needs to study the degree of competition in the market. If there is high competition, the prices may be kept low to effectively face the competition, and if competition is low, the prices may be kept high.

**2. Consumers:**

The marketer should consider various consumer factors while fixing the prices. The consumer factors that must be considered includes the price sensitivity of the buyer, purchasing power, and so on.

**3. Government control:**

Government rules and regulation must be considered while fixing the prices. In certain products, government may announce administered prices, and therefore the marketer has to consider such regulation while fixing the prices.

**4. Economic conditions:**

The marketer may also have to consider the economic condition prevailing in the market while fixing the prices. At the time of recession, the consumer may have less money to spend, so the marketer may reduce the prices in order to influence the buying decision of the consumers.

**5. Channel intermediaries:**

The marketer must consider a number of channel intermediaries and their expectations. The longer the chain of intermediaries, the higher would be the prices of the goods.

**PRICING POLICIES AND STRATEGIES:**

**PRICING STRATEGY**

Here are some of the various strategies that businesses implement when setting prices on their products and services.

**1. Pricing at a Premium**

With premium pricing, businesses set costs higher than their competitors. Premium pricing is often most effective in the early days of a product's life cycle, and ideal for small businesses that sell unique goods.

Because customers need to perceive products as being worth the higher price tag, a business must work hard to create a value perception. Along with creating a high-quality product, owners should ensure their marketing efforts, the product's packaging and the store's décor all combine to support the premium price.

## **2. Pricing for Market Penetration**

Penetration strategies aim to attract buyers by offering lower prices on goods and services. While many new companies use this technique to draw attention away from their competition, penetration pricing does tend to result in an initial loss of income for the business.

Over time, however, the increase in awareness can drive profits and help small businesses to stand out from the crowd. In the long run, after sufficiently penetrating a market, companies often wind up raising their prices to better reflect the state of their position within the market.

## **3. Economy Pricing**

Used by a wide range of businesses including generic food suppliers and discount retailers, economy pricing aims to attract the most price-conscious of consumers. With this strategy, businesses minimize the costs associated with marketing and production in order to keep product prices down. As a result, customers can purchase the products they need without frills.

While economy pricing is incredibly effective for large companies like Wal-Mart and Target, the technique can be dangerous for small businesses. Because small businesses lack the sales volume of larger companies, they may struggle to generate a sufficient profit when prices are too low. Still, selectively tailoring discounts to your most loyal customers can be a great way to guarantee their patronage for years to come.

## **4. Price Skimming**

Designed to help businesses maximize sales on new products and services, price skimming involves setting rates high during the introductory phase. The company then lowers prices gradually as competitor goods appear on the market.

One of the benefits of price skimming is that it allows businesses to maximize profits on early adopters before dropping prices to attract more price-sensitive consumers. Not only does price skimming help a small business recoup its development costs, but it also creates an illusion of quality and exclusivity when your item is first introduced to the marketplace.

#### 5. Psychology Pricing

With the economy still limping back to full health, price remains a major concern for American consumers. Psychology pricing refers to techniques that marketers use to encourage customers to respond on emotional levels rather than logical ones.

For example, setting the price of a watch at \$199 is proven to attract more consumers than setting it at \$200, even though the true difference here is quite small. One explanation for this trend is that consumers tend to put more attention on the first number on a price tag than the last. The goal of psychology pricing is to increase demand by creating an illusion of enhanced value for the consumer.

#### 6. Bundle Pricing

With bundle pricing, small businesses sell multiple products for a lower rate than consumers would face if they purchased each item individually. Not only is bundling goods an effective way of moving unsold items that are taking up space in your facility, but it can also increase the value perception in the eyes of your customers, since you're essentially giving them something for free.

Bundle pricing is more effective for companies that sell complimentary products. For example, a restaurant can take advantage of bundle pricing by including dessert with every entrée sold on a particular day of the week. Small businesses should keep in mind that the profits they earn on the higher-value items must make up for the losses they take on the lower-value product.

Pricing strategies are important, but it's also important to not lose sight of the price itself. Here are five things to consider, alongside your strategy, when pricing your products.



### **PRICING POLICIES:**

The following sections explain various ways companies develop pricing policy and strategy. First, cost-based pricing is considered. This is followed by the second topic of value-based pricing. Third, demand-based pricing is addressed followed by competition-based pricing. After this, several strategies for new and established pricing strategies are explained.

### **COST-BASED PRICING**

The traditional pricing policy can be summarized by the formula:

Cost + Fixed profit percentage = Selling price.

Cost-based pricing involves the determination of all fixed and variable costs associated with a product or service. After the total costs attributable to the product or service have been determined, managers add a desired profit margin to each unit such as a 5 or 10 percent markup. The goal of the cost-oriented approach is to cover all costs incurred in producing or delivering products or services and to achieve a targeted level of profit.

By itself, this method is simple and straightforward, requiring only that managers study financial and accounting records to determine prices. This pricing approach does not involve examining the market or considering the competition and other factors that might have an impact on pricing. Cost-oriented pricing also is popular because it is an age-old practice that uses internal information that managers can obtain easily. In addition, a company can defend its prices based on costs, and demonstrate that its prices cover costs plus a markup for profit.

However, critics contend that the cost-oriented strategy fails to provide a company with an effective pricing policy. One problem with the cost-plus strategy is that determining a unit's cost before its price is difficult in many industries because unit costs may vary depending on volume. As a result, many business analysts have criticized this method, arguing that it is no longer appropriate for modern market conditions. Cost-based pricing generally leads to high prices in weak markets and low prices in strong markets, thereby impeding profitability because these prices are the exact opposites of what strategic prices would be if market conditions were taken into consideration.

While managers must consider costs when developing a pricing policy and strategy, costs alone should not determine prices. Many managers of industrial goods and service companies sell their

products and services at incremental cost, and make their substantial profits from their best customers and from short-notice deliveries. When considering costs, managers should ask what costs they can afford to pay, taking into account the prices the market allows, and still allow for a profit on the sale. In addition, managers must consider production costs in order to determine what goods to produce and in what amounts. Nevertheless, pricing generally involves determining what prices customers can afford before determining what amount of products to produce. By bearing in mind the prices they can charge and the costs they can afford to pay, managers can determine whether their costs enable them to compete in the low-cost market, where customers are concerned primarily with price, or whether they must compete in the premium-price market, in which customers are primarily concerned with quality and features.

### **VALUE-BASED PRICING**

Value prices adhere to the thinking that the optimal selling price is a reflection of a product or service's perceived value by customers, not just the company's costs to produce or provide a product or service. The value of a product or service is derived from customer needs, preferences, expectations, and financial resources as well as from competitors' offerings. Consequently, this approach calls for managers to query customers and research the market to determine how much they value a product or service. In addition, managers must compare their products or services with those of their competitors to identify their value advantages and disadvantages.

Yet, value-based pricing is not just creating customer satisfaction or making sales because customer satisfaction may be achieved through discounting alone, a pricing strategy that could also lead to greater sales. However, discounting may not necessarily lead to profitability. Value pricing involves setting prices to increase profitability by tapping into more of a product or service's value attributes. This approach to pricing also depends heavily on strong advertising, especially for new products or services, in order to communicate the value of products or services to customers and to motivate customers to pay more if necessary for the value provided by these products or services.



### **DEMAND-BASED PRICING**

Managers adopting demand-based pricing policies are, like value prices, not fully concerned with costs. Instead, they concentrate on the behavior and characteristics of customers and the quality and characteristics of their products or services. Demand-oriented pricing focuses on the level of demand for a product or service, not on the cost of materials, labor, and so forth.

According to this pricing policy, managers try to determine the amount of products or services they can sell at different prices. Managers need demand schedules in order to determine prices based on demand. Using demand schedules, managers can figure out which production and sales levels would be the most profitable. To determine the most profitable production and sales levels, managers examine production and marketing costs estimates at different sales levels. The prices are determined by considering the cost estimates at different sales levels and expected revenues from sales volumes associated with projected prices.

The success of this strategy depends on the reliability of demand estimates. Hence, the crucial obstacle managers face with this approach is accurately gauging demand, which requires extensive knowledge of the manifold market factors that may have an impact on the number of products sold. Two common options managers have for obtaining accurate estimates are enlisting the help from either sales representatives or market experts. Managers frequently ask sales representatives to estimate increases or decreases in demand stemming from specific increases or decreases in a product or service's price, since sales representatives generally are attuned to market trends and customer demands. Alternatively, managers can seek the assistance of experts such as market researchers or consultants to provide estimates of sales levels at various unit prices.

### **COMPETITION-BASED PRICING**

With a competition-based pricing policy, a company sets its prices by determining what other companies competing in the market charge. A company begins developing competition-based prices by identifying its present competitors. Next, a company assesses its own product or service. After this step, a company sets its prices higher than, lower than, or on par with the competitors based on the advantages and disadvantages of a company's product or service as well as on the expected response by competitors to the set price. This last consideration-the

response of competitors-is an important part of competition-based pricing, especially in markets with only a few competitors. In such a market, if one competitor lowers its price, the others will most likely lower theirs as well.

This pricing policy allows companies to set prices quickly with relatively little effort, since it does not require as accurate market data as the demand pricing. Competitive pricing also makes distributors more receptive to a company's products because they are priced within the range the distributor already handles. Furthermore, this pricing policy enables companies to select from a variety of different pricing strategies to achieve their strategic goals. In other words, companies can choose to mark their prices above, below, or on par with their competitors' prices and thereby influence customer perceptions of their products. For example, if a Company A sets its prices above those of its competitors, the higher price could suggest that Company A's products or services are superior in quality. Harley Davidson used this with great success. Although Harley-Davidson uses many of the same parts suppliers as Honda, Kawasaki, Yamaha, and Honda, they price well above the competitive price of these competitors. Harley's high prices combined with its customer loyalty and mystique help overcome buyer resistance to higher prices. Production efficiencies over the last two decades, however, have made quality among motorcycle producers about equal, but pricing above the market signals quality to buyers, whether or not they get the quality premium they pay for.

### **DISTRIBUTION CHANNELS**

Distribution channels in marketing are one of the classic “4 Ps” (product, promotion, price, placement). They’re a key element in your entire marketing strategy — they help you expand your reach and grow revenue.

B2B and B2C companies can sell through a single distribution channel or through multiple channels that may include:

- Wholesaler/Distributor
- Direct/Internet
- Direct/Catalog
- Direct/Sales Team

**CLASS: III B.COM**

**COURSE NAME: PRINCIPLES OF MARKETING**

**COURSE CODE: 16CMU502A**

**UNIT: IV (PRICING)**

**BATCH 2016-2019**

- 
- Value-Added Reseller (VAR)
  - Consultant
  - Dealer
  - Retail

**Importance of distribution channels:**

- Channels of distribution for a product the route taken by the title to goods they are from the producers to the ultimate consumers.
- It is very important because product in one place while the consumption scattered in many place. So there is big gap between producers and the consumers.
- Channels of distribution can only fill the gap.
- A channel of distribution connects a link between the producers and the consumers.
- The middle man plays an important role in consumer orientation demand. The middlemen are specialist in concentration equalization and dispersion.
- Collects output of various producers.
- Subdivide the products according to the needs of the consumers.
- The success of channels of distribution [COD] is completely depending upon the middlemen as they create time and possession utility.
- The COD helps in making products available at right time in the right place and in the right quality.

**TYPES OF DISTRIBUTION CHANNELS**

Industrial channels tend to be shorter than consumer channels because of small number of ultimate customers, the greater geographical concentration of industrial customers, and greater complexity of the product which require close manufacturer-customer liaison.

Consumer channels are normally longer because a large number of geographically dispersed customers have to be reached. The consumers buy in small quantities. The information needed to arrive at a purchase decision is limited because the products are not very sophisticated.

### **1) Consumer Channels**

Manufacturers may reach out to consumers either directly, i.e. without using distribution channels, or by using one or more distribution channel members.

#### **Manufacturer to Consumer**

Direct marketing includes use of personal selling, direct mail, telephone selling and Internet. Avon cosmetics, Tupperware, Aquaguard and Amazon.com are examples of companies engaged primarily in direct marketing. The company contacts customers directly through salespersons, mail, telephone or Internet and make sales. The products are sent directly to customers by the manufacturers.

This is also called a zero level channel as there are no intermediaries.

#### **Manufacturer to Retailer to Consumer**

Retailers have grown in size. Growth in retailer size means that it has become economic for manufacturers to supply directly to retailers rather than through wholesalers. Supermarket chains and corporate retailers exercise considerable power over manufacturers because of their enormous buying capabilities. Wall-Mart uses its enormous retail sales to pressurize manufacturers to supply products at frequent intervals directly to their store at concessional prices.

This is a one-level channel, with one intermediary, the retailer.

#### **Manufacturer to Wholesaler to Retailer to Consumer**

For small retailers with limited order quantities, the use of wholesalers makes economic sense. Wholesalers buy in bulk from producers and sell smaller quantities to numerous retailers. But large retailers in some markets have the power to buy directly from manufacturers and thus cut out the wholesalers. These big retailers are also able to sell at a cheaper rate to consumers than retailers who buy from the wholesaler. Wholesalers dominate where retail oligopolies are not dominant.

This is a two-level distribution channel.

Manufacturer to Agent to Wholesaler to Retailer to Consumers. Companies use these channels when they enter foreign markets. They delegate the task of selling their product to an agent who

does not take title to the goods. The agent contacts wholesalers and receives commission on sales.

In their quest to reach more customers, companies are increasingly using multiple channels to distribute their products. A company's product may be found in a company-owned store, an exclusive store, a multi-brand store, and a discount store simultaneously. Companies have realized that all customers of a product do not buy from the same retail.

This is a three-level channel.

## **2) Industrial Channels**

Industrial channels are usually shorter than consumer channels. Direct selling is prevalent due to closer relationship between the manufacturer and the customer, as well as due to the nature of the product sold.

### **Manufacturer to Industrial Customers**

This is a common channel for expensive industrial products like heavy equipments and machines. There needs to be close relationship between the manufacturer and the customer because the product affects the operations of the buyer. The seller has to participate in many activities like installation, commissioning, quality control, and maintenance jointly with the buyer.

The seller is responsible for many aspects of the operations of the product long after the product is sold. The nature of the product requires a continuing relationship between the seller and the buyer. The large size of the order makes direct selling and distribution economical.

### **Manufacturer to Agent to Industrial Customer**

An industrial goods company can employ the services of an agent who may sell a range of goods from several suppliers on commission basis. This spreads selling costs and is attractive to companies who do not have the money to set up their own sales operation.

The arrangement allows the seller to reach a large number of customers. But there is little control over the agent, who is unlikely to devote the same amount of time and attention as compared to a dedicated sales team.

### **Manufacturer to Distributor to Industrial Customer**

For less expensive, more frequently purchased products, a company may use distributors. The company has both internal and field sales staff. Internal staff deals with customer and distributor generated enquiries and order placing, order follow-up and checking inventory levels.

Outside sales staff are proactive. They find new customers, get product specifications, distribute catalogs and gather market information. They also visit distributors to address their problems and keep them motivated to sell the company's products. Distributors enable customers to buy small quantities locally.

Manufacturer to Agent to Distributor to Industrial Customers

A manufacturer employs an agent rather than a dedicated sales force to serve distributors mainly due to cost considerations. The agent may sell the goods of several suppliers to an industrial distributor, who further sells it to the business user. This type of channel may be required when, for instance, business users require goods rapidly, when an industrial distributor can provide storage facilities.

### 3) Service Channels

Distribution channel for services are usually short, and are either direct or by using an agent. Since stocks are not held, the role of wholesalers, retailers or industrial distributors does not apply.

Service Provider to Consumer or Industrial Customer

Close relationship between service provider and customer means that service supply has to be direct, such as in healthcare. The service provider operates several outlets to reach out to the final consumer or to the industrial buyer. Many service providers, such as banks, retail outlets and service centers, operate via this distribution channel.

Service Provider to Agent to Consumer or Industrial Customer

Agents are used when the service provider is geographically distant from customers and where it is not economical for the provider to establish his own local sales team such as in insurance and travel. Many financial institutions are using this distribution channel to cross-sell their services to customers by using a database of existing or potential customers.

Service Provider via Internet to Consumer or Industrial Customer



Increasingly, services like music, software solutions and financial information are being distributed via the Internet. This distribution channel is successful in case of those products for which the customers' decision to buy is possible via the net. This distribution channel can be adopted wherever the physical presence of the product is either immaterial or matters less for customers.

### MIDDLEMAN IN DISTRIBUTION CHANNELS

Merchant intermediaries are those channels member who take both title to and position of goods from the proceeding member (s) and channel's them to the subsequence. These may classify as follows:

#### Wholesalers :

A merchants wholesalers may be defined as that intermediary who buys goods in bulk from manufactures and sells them largely to subsequent intermediaries participating in the channel, namely, semi-wholesalers and retailers, they buy the goods and sees the same on their own account and risk. They take title of goods and they resale the goods at a profit with commission.

#### Retailers:

A retailer may be defined as that merchant intermediary who buys product from preceding channel members in smaller assorted lots to suit individuals' consumer requirements. Retail in the final middlemen in the channel of distribution as he is going to sell products to houses holds consumers for non- business use.

Retailers are further classified as institutional and non- institutional retailers.

The institutional retailers are:

- Consumer Co- operative stores.
- Fair price shops.
- Departmental stores.
- Chain / multiple stores.
- Mail order houses.
- The non-institutional buyers are:
- Stress sellers.

- Peddlers.
- Hawkers.

### **IMPORTANT FACTORS AFFECTING THE CHOICE OF CHANNELS OF DISTRIBUTION :**

Important factors affecting the choice of channels of distribution by the manufacturer are:

#### **(A) Considerations Related to Product**

When a manufacturer selects some channel of distribution he/she should take care of such factors which are related to the quality and nature of the product. They are as follows:

##### **1. Unit Value of the Product:**

When the product is very costly it is best to use small distribution channel. For example, Industrial Machinery or Gold Ornaments are very costly products that are why for their distribution small distribution channel is used. On the other hand, for less costly products long distribution channel is used.

##### **2. Standardized or Customized Product:**

Standardized products are those for which are pre-determined and there has no scope for alteration. For example: utensils of MILTON. To sell this long distribution channel is used.

On the other hand, customized products are those which are made according to the discretion of the consumer and also there is a scope for alteration, for example; furniture. For such products face-to-face interaction between the manufacturer and the consumer is essential. So for these Direct Sales is a good option.

##### **3. Perishability:**

A manufacturer should choose minimum or no middlemen as channel of distribution for such an item or product which is of highly perishable nature. On the contrary, a long distribution channel can be selected for durable goods.

##### **4. Technical Nature:**

If a product is of a technical nature, then it is better to supply it directly to the consumer. This will help the user to know the necessary technicalities of the product.



**(B) Considerations Related to Market**

Market considerations are given below:

1. Number of Buyers:

If the number of buyer is large then it is better to take the services of middlemen for the distribution of the goods. On the contrary, the distribution should be done by the manufacturer directly if the number of buyers is less.

2. Types of Buyers:

Buyers can be of two types: General Buyers and Industrial Buyers. If the more buyers of the product belong to general category then there can be more middlemen. But in case of industrial buyers there can be less middlemen.

3. Buying Habits:

A manufacturer should take the services of middlemen if his financial position does not permit him to sell goods on credit to those consumers who are in the habit of purchasing goods on credit.

4. Buying Quantity:

It is useful for the manufacturer to rely on the services of middlemen if the goods are bought in smaller quantity.

5. Size of Market:

If the market area of the product is scattered fairly, then the producer must take the help of middlemen.

**(C) Considerations Related to Manufacturer/Company**

Considerations related to manufacturer are given below:

1. Goodwill:

Manufacturer's goodwill also affects the selection of channel of distribution. A manufacturer enjoying good reputation need not depend on the middlemen as he can open his own branches easily.

**2. Desire to control the channel of Distribution:**

A manufacturer's ambition to control the channel of distribution affects its selection. Consumers should be approached directly by such type of manufacturer. For example, electronic goods sector with a motive to control the service levels provided to the customers at the point of sale are resorting to company owned retail counters.

**3. Financial Strength:**

A company which has a strong financial base can evolve its own channels. On the other hand, financially weak companies would have to depend upon middlemen.

**(D) Considerations Related to Government**

Considerations related to the government also affect the selection of channel of distribution. For example, only a license holder can sell medicines in the market according to the law of the government.

In this situation, the manufacturer of medicines should take care that the distribution of his product takes place only through such middlemen who have the relevant license.

**(E) Others**

**1. Cost:**

A manufacturer should select such a channel of distribution which is less costly and also useful from other angles.

**2. Availability:**

Sometimes some other channel of distribution can be selected if the desired one is not available.

**3. Possibilities of Sales:**

Such a channel which has a possibility of large sale should be given weight age.

**WHOLESALE AND RETAILING:**

**Wholesaling**

The selling of merchandise to anyone other than a retail customer. The merchandise may be sold to a retailer, a wholesaler, or to an enterprise that will use it for business, rather than individual, purposes. Wholesaling usually, but not necessarily, involves sales in quantity and at a cost that is significantly lower than the average retail price.

Wholesaling became particularly advantageous after the introduction of mass production and mass marketing techniques in the 19th century. Without wholesale organizations, large manufacturers would have to market their products directly to a great many retailers and/or consumers at high unit costs, and retailers or consumers would have to deal with a large number of manufacturers at great inconvenience.

There are three main categories of wholesalers:

- (1) merchant wholesalers
- (2) manufacturers' sales branches
- (3) merchandise agents and brokers.

The most important are the merchant wholesalers. These independent businesses buy merchandise in large quantities from manufacturers, process and store that merchandise, and redistribute it to retailers and others. Manufacturers' sales branches are businesses established by manufacturers to sell directly to retailers. They tend to be established by large companies which modify their products frequently and to whom rapid, accurate information on sales and suggestions for improvement are especially valuable. Merchandise agents and brokers sell complementary products of several manufacturers. Unlike merchant wholesalers and manufacturers' sales branches they ordinarily do not take title to the merchandise they handle. Rather, they simply arrange for shelf space and the display of merchandise of the manufacturers they represent.

### **Retailing**

The selling of merchandise and certain services to consumers. It ordinarily involves the selling of individual units or small lots to large numbers of customers by a business set up for that specific purpose. In the broadest sense, retailing can be said to have begun the first time one item of value was bartered for another. In the more restricted sense of a specialized full-time commercial activity, retailing began several thousand years ago when peddlers first began hawking their wares and when the first marketplaces were formed.

As with most other business activities, retailing is extremely competitive, and the mortality rate of retail establishments is relatively high. The basic competition is based on price, but, for brick-and-mortar retailers (those that operate within a physical building), this is moderated somewhat by non-price forms of competition such as convenience of location, selection and display of merchandise, attractiveness of the retail establishment itself, and intangible factors such as reputation in the community. Competition for sales has led to a blurring of traditional product lines in retailing, and many establishments offer a much wider variety of merchandise than their basic classification would indicate (e.g., drugstores may carry food, clothing, office supplies, hardware, etc.). Some retailers specialize in merchandise sold in bulk, while others, notably Walmart, created extremely large superstores offering groceries as well as an enormous variety of other goods at discounted prices.

The advent of the Internet and its increasing use for e-commerce in the 1990s resulted in a revolutionary shift in retailing away from brick-and-mortar stores and toward online retailing, in which customers shop for and purchase merchandise through personal computers, mobile phones, or other Internet-connected devices. Many established retailers began selling merchandise online to customers who appreciated the convenience of shopping from their homes, while new wholly online retailers and “e-malls,” led by eBay (an online auction site) and Amazon.com, enjoyed spectacular growth. By the 2010s those trends had led to significant declines in sales at many brick-and-mortar retailers, though a large majority of retail purchases in the United States and elsewhere continued to take place in physical stores.

### **What's the Difference Between Retail and Wholesale?**

Wholesalers sell in large bulk quantities, without worrying about many of the aspects of retailing that consumers expect like visual merchandising. Wholesalers do not want to deal with a large number of end-user customers. Rather, their goal is to sell large quantities to a small number of retailing companies.

It is rare for a wholesaler to sell goods directly to consumers. The exception to that would be membership warehouse clubs like Costco, Sam's and BJ's Wholesale. These members-only retail stores are a hybrid of wholesaling and retailing in that they sell directly to consumers, but they

sell in large quantities, which often allows them to sell at prices that are lower than other retailers that sell in small quantities from impeccably merchandised stores in high-rent shopping districts. The big difference between wholesale and retail is in the price. The retail price is always more than the wholesale price. The reason for this is because the added cost of selling merchandise to end-user customers - labor, rent, advertising, etc. - is factored into the pricing of the merchandise. The wholesaler doesn't have to deal with such expenses, which allows him to sell goods at a lower cost.

### **TYPES OF RETAILERS:**

There are 7 main types of retailers which can be defined by the size of their business and the way they in which they sell their products.

The 7 main types of retailers are;

**1. Department Store** – This type of retailer is often the most complex offering a wide range of products and can appear as a collection of smaller retail stores managed by one company. The department store retailers offer products at various pricing levels. This type of retailer adds high levels of customer service by adding convenience enabling a large variety of products to be purchase from one retailer.

**2. Supermarkets** – Generally this type of retailer concentrates in supplying a range of food and beverage products. However many have now diversified and supply products from the home, fashion and electrical products markets too. Supermarkets have significant buying power and therefore often retail goods at low prices.

**3. Warehouse retailers** – This type of retailer is usually situated in retail or Business Park and where premises rents are lower. This enables this type of retailer to stock, display and retail a large variety of good at very competitive prices.

**4. Speciality Retailers** – Specializing in specific industries or products, this type of retailer is able to offer the customer expert knowledge and a high level of service. They also add value by offering accessories and additional related products at the same outlet.

**5. E-tailer** – This type of retailer enables customers to shop on-line via the internet and buy products which are then delivered. This type of retailer is highly convenient and is able to supply

a wider geographic customer base. E-tailers often have lower rent and overheads so offer very competitive Pricing.

**6. Convenience Retailer** – Usually located in residential areas this type of retailer offers a limited range of products at premium prices due to the added value of convenience.

**7. Discount Retailer** – This type of retailer offers a variety of discounted products. They offer low prices on less fashionable branded products from a range of suppliers by reselling end of line and returned goods at discounted prices.

### **E-RETAILING:**

Electronic retailing is the sale of goods and services through the internet. Electronic retailing, or e-retailing, can include business-to-business (B2B) and business-to-consumer (B2C) sales of products and services, through subscriptions to website content, or through advertising. E-retailing requires businesses to tailor traditional business models to the internet and its users.

#### **BREAKING DOWN 'Electronic Retailing - E-tailing'**

Electronic retailing requires many product and service displays and specifications, giving shoppers a personal feel for the look and quality of the offerings without requiring them to be present in a store.

#### **Characteristics of Successful Electronic Retailing**

Successful e-tailing requires strong branding. Websites must be engaging, easily navigable and regularly updated to meet consumers' changing demands. Products and services need to stand out from competitors' offerings and add value to consumers' lives. In addition, a company's offerings must be competitively priced so consumers do not favor one business over another based on cost alone.

E-retailers need strong distribution efficiency so consumers are not waiting long periods of time for the products or services they purchase. Transparency in business practices is also important so consumers trust and stay loyal to a company. As consumers continue buying from the business, revenue increases.



### **Advantages of Electronic Retailing**

E-tailing helps traditional brick-and-mortar stores reach more consumers worldwide and increase sales. Individual and startup e-tailers may be launched from a single room with one computer and expand rapidly rather than pay for an entire building with expensive overhead.

E-tailers may trace consumers' shopping behavior while gaining valuable insights into their spending habits, which may lead to increased revenue. In addition, customers shop from the comfort of their homes at any time rather than being physically present in the store during specific hours.

Many brick-and-mortar retailers have chosen to expand their offerings online because it saves cost. Automated sales and checkout cut down on the need for personnel and websites cost less than physical stores. It also reduces advertising and marketing expenses as customers can find the stores through search engines or social media.

### **Disadvantages of Electronic Retailing**

However, creating and maintaining an e-tailing website may be expensive. Infrastructure costs for order fulfillment, warehousing goods, dealing with returns and other issues add up quickly. Also, consumers may not trust a company that is not well-established and may not buy from it as frequently as a brick-and-mortar store.

In addition, e-tailing does not provide the emotional shopping experience encouraging consumer spending the way being physically present in stores does. E-tailing does not let consumers hold, smell, feel or try products or services for the sensory support of buying them. It also does not provide the personal service many consumers are accustomed to when shopping.

Consumers may be concerned about providing credit card information online and having their personal details jeopardized. Also, operating with an unproven business model increases the odds of an e-tailer failing. Consumers may have no recourse if the company becomes insolvent and cannot refund product or service payments as requested.

### **The Largest Players**

Amazon is by far the largest online retailer with more than \$94.7 billion in sales in 2016, giving it a massive piece of the pie. The U.S. Commerce Department estimates that consumers spent \$394.9 billion online in 2016, a 15.6% increase from the previous year.

Though strongly overshadowed by Amazon, traditional brick-and-mortar stores such as Apple and Wal-Mart were the next largest. Apple sold \$16.8 billion in merchandise online and Wal-Mart sold \$14.4 billion in the same year. Other e-tailers that operate exclusively online and compete with Amazon include Overstock.com, JD.com and Alibaba.

### **PHYSICAL DISTRIBUTION:**

The planning, implementation, and controlling of the physical flow of material or product from one point to another to meet the customer requirements in the market is known as physical distribution.

### **Importance of Physical Distribution:**

The importance of physical distribution becomes significant when the manufacturers and market are geographically far from each other. The following points highlight the importance of physical distribution –

- Execute physical flow of product from the manufacture to the customers.
- Grant time and place for the product
- Build customer for the product
- Cost reduction
- Fulfill the demand of the product in the market so that business takes place

### **Steps in Designing a Physical Distribution System**

To design a physical distribution system for a product, following steps need to be followed –

- Step 1 – Defining distribution objective and services required for product distribution
- Step 2 – Articulating customer requirement
- Step 3 – Comparing the strategy with market competitors
- Step 4 – Managing the cost of distribution to decrease cost without compromising on the quality of service
- Step 5 – Building physical distribution system that is flexible for implementation of changes, if required

Designing of a physical distribution system involves these steps. It is necessary to consider all steps involved for smooth distribution of goods and services.



**Components of physical distribution:**

**(1) Order Processing:**

A company receives orders from other companies, middlemen, or directly from customers through mail, e-mail, fax, phone, or salesmen. Order processing is an importation component of the distribution system. It is considered as a key to customer service and satisfaction.

Order processing mainly includes:

1. Receiving order
2. Recording order
3. Filing order
4. Executing order or assembling of products for dispatch
5. Credit and collection.

Thus, it concerns with processing the orders quickly, accurately, and efficiently. The time period from the receipt of an order to the date of dispatch of products must be as short as possible. Ideally, the order recycle time should be completed within 8 days. But, the use of computer and computer networks, for speedy and accurate order processing, can save time, money and efforts for the company and increases customer satisfaction. It is often called as electronic data processing that minimizes possibility of error and omission. Every firm should establish the standard order procedure.

The physical distribution must be customer-oriented. It starts with customer order. Note that order processing affects customer service in two ways – reordering time (interval between two orders) and consistency of delivery time (delivering products within the fixed time). Rapid order processing enables a company to attain economy in other areas of physical distribution.

The person in charge of order processing must be careful for following aspects:

1. Assembling product must be exactly as per demand of customers in terms of quantity, quality, features, and price.
2. Execution must be as quick as possible.
3. The dispatch must be in appropriate mode of transportation.
4. Credit discount and other allied benefits must be offered as per policy.

5. Assessing the effectiveness of order processing. That includes feedback and follow-up.

**(2) Warehousing:**

In today's context, production is made in expectation of demand. Therefore, products are to be stored or preserved safely for the future demand. And also, all the production is not sold directly. Warehousing plays an important role for balancing demand and supply. For example, most of the agricultural products are produced seasonally, but have demand throughout the year.

It facilitates both continuous production and continuous marketing of the production. Warehousing service can contribute to customer satisfaction. Be clear that storage and warehousing are not similar terms, though are closely related.

Storage is marketing activity that involves holding and preserving products from the time of their production until their sale. Warehousing embraces storage plus a broad range of functions, such as assembling, breaking the bulk, dispatching as per need of middlemen, sorting/classification, providing market intelligence, preparing product for reshipping, etc. Warehousing involves more activities.

**(3) Transportation:**

Transportation is one of the core components of distribution system. It consists of moving or transferring products from producers to final users. Transportation involves two parties, carriers and shippers. Carriers are those companies that provide transportation facilities to others, such as the Western Railway, Indian Airline, Indian Shipping Companies, and many other private carriers provide transportation services by road, rail, water, air and underground pipes.

Shippers are those organizations and individuals such as manufacturers, middlemen, customers, and others to whom the carriers provide transportation services. For different modes of transportation, various regulatory bodies deal with various issues related to transportation of products. The Central and the State Governments have formulated a lot of Acts or legal provision to regulate transportation activities in the country.

**(4) Organizational Responsibility for Physical Distribution:**

Physical distribution is an important decision in today's marketing management. It involves a wide range of activities. Therefore, an effective coordination of various activities, such as order

processing, warehousing, transportation, inventory control, etc., is indispensable to contribute in overall success of marketing strategies.

The entire range of physical distribution must be systematic and even scientific for effective distribution of products to the ultimate users. For the purpose, the systematic structure of organization should be created to take care of physical distribution activities. Organization of physical distribution must be well-equipped and properly organized to serve the purpose over time.

Type, nature, formation, and activities of organizational structure for physical distribution depend upon various factors like type of business, size of operation, resource availability, management philosophy, and so on.

After proper analysis of various relevant variables, the suitable structure of organization should be created and implemented. There may be practically two alternatives, physical distribution committee or physical distribution department.

#### **(5) Inventory Management:**

Inventory refers to stock of goods meant for the future sales. It can also be said as reservoir of goods held in anticipation of sales. Demand is fluctuating and exact prediction is not possible. So, the primary purpose of holding inventory is to meet market demand continuously.

The firm always maintains adequate stocks of products to meet customer orders immediately. It is considered as a link between ordering and production. Inventory management supports demand creation and consumer satisfaction.

Three types of costs are associated with inventory. The first is, holding costs (carrying costs), which include warehousing and storage costs, costs of capital tied up in inventory, costs of price decline, obsolescence, spoilage, pilferages, and taxes and insurance on inventory.

The Second is, costs of stock out or shortage, which include loss of sales, adverse impact on goodwill, losing customers permanently due to shortage of stocks, and administrative costs. And, the third is, replenishing or reordering costs (order processing costs), such as preparing and placing order; transportation, insurances and wastage during movement; and costs of receiving, inspecting, and handling materials. However, carrying costs and ordering costs are more important, and if they are balanced, the total costs can be effectively reduced.

A company has to decide on total annual need of inventory, ordering size, and level of inventory (called as ordering level) at which new order should be placed. It must determine maximum and minimum quantity that may be needed at any time. The main issues are ordering size – how much to order, and (reordering) ordering level – when to order.

Ordering and carrying costs are important considerations in inventory management. Ordering and carrying costs are adversely related. If more inventory/stock is maintained, carrying costs are high and ordering costs are low.

Quite opposite to it, when low level of inventory is maintained, carrying costs are low, and, due to more frequent order of smaller quantity, ordering costs go high. Therefore, the manager should decide on the optimum order size to reduce total cost of inventory. It is necessary to strike out balance between two types of costs to minimize total costs.

The most popular technique to determine optimum size of order is Economic Ordering Quantity, which can be determined by using following formula:

$$EOQ = \sqrt{2 AO/C}$$

Where,

A = Annual sales

O = Ordering costs

C = Carrying costs

Sometimes, ordering size or level is determined by trial and error or graphical method. The level of inventory at which costs are minimum, is taken as ordering size.

#### (6) Other Components:

In fact, physical distribution consists of a lot of decisions.

Some of minor decisions have been listed below:

- i. Material Management
- ii. Communication
- iii. Sorting and packing
- iv. Customer service, etc.

#### (7) Logistical Coordination or Market Logistics:

To distribute products from the point of production to the point of consumption (consumers) is traditionally called physical distribution. It starts from the factory and reaches the final destinations at the right time, in the right way and form, and at low costs.

Distribution is treated as a separate function of marketing, and the special independent arrangement is made for smooth distribution. Problem of physical distribution is thought of only after products are produced. Thus, physical distribution concerns with systematically distributing products to final users.

It involves all activities necessary (like warehousing, transportation, communicating, insurance, banking, ordering processing, inventory management, and services of channel members) to avail the products conveniently to ultimate users.

Market logistics (often called as supply chain management) is the modern form of physical distribution. Simple distribution is expanded into a broader concept of supply chain management. Supply chain management starts before physical distribution. Logistics means a detailed organisation of large and complex exercise. Here, distribution is not treated as an independent activity but as an integral part of the total business system.

Market logistics or supply chain management is a detailed programme attempting to procure the right inputs (raw materials, components, and capital equipment's); convert them effectively into finished products; and distribute them to the final destinations.

It can help a company identify superior suppliers and help improve its productivity. It leads to low costs and better quality products that ultimately results into better customer satisfaction and/or strengthening the competitive position.

Market logistics system is prepared by considering target market's requirements. Thus, study of target market's requirements, preproduction (production planning), production process, and distribution are integrated to form market logistics system.

Market logistics involves:

- (1) Estimating target markets requirements,
- (2) Procuring necessary inputs for producing the right products,
- (3) Converting inputs into finished products (production process), and
- (4) Systematically distributing the products to ultimate users.

CLASS: III B.COM

COURSE NAME: PRINCIPLES OF MARKETING

COURSE CODE: 16CMU502A

UNIT: IV (PRICING)

BATCH 2016-2019

---

**POSSIBLE QUESTIONS:**

**PART A ( 20\* 1 = 20):**

ONLINE EXAM

**PART B ( 5 \* 2 = 10):**

1. Define Pricing.
2. What are the factors that affects the pricing?
3. Mention few pricing policies.
4. What is distribution channel.
5. Define physical distribution.
6. Write few types of distribution channel.
7. Define retailing,
8. What is wholesaling?
9. Write the pros of e-tailing.
10. What are the types of retailing?

**PART C ( 5 \* 6 = 30):**

1. Explain pricing policies and strategies.
2. What are the factors affecting price of the product?
3. Write about distribution channel and its types.
4. What are the factors affecting choice of distribution channels?
5. Explain retailing.
6. Explain in detail about types of retailing.
7. Write in detail about pricing.

**UNIT-V****SYLLABUS**

**Promotion:** nature and importance of promotion; Communication process; Types of promotion: advertising, personal selling, public relations & sales promotion, and their distinctive characteristics; Promotion mix and factors affecting promotion mix decision; Recent developments in marketing; Social Marketing, online marketing, direct marketing, services marketing, green marketing, Rural marketing; Consumerism.

**PROMOTION:**

Promotion is the process of marketing communication involving information, persuasion, and influence. The promotion has three specific purposes: communicating marketing information to consumers, users, and resale persons. Promotional efforts act as powerful tools of competition providing the cutting edge of its entire marketing program. The promotion has been defined as “the coordinated self-initiated efforts to establish channels of information and persuasion to facilitate or foster the sale of goods or services, or the acceptance of ideas or point of view.” According to Philip Kotler, “Promotion includes all the activities the company undertakes to communicate and promote its products to the target market.”

**NATURE:**

Promotion is a form of communication with an additional element of persuasion to accept ideas, products, services and hence persuasive communication becomes the heart of promotion, the third element of marketing-mix.

Promotion is an important marketing strategy and is the sparkplug of the marketing-mix. Promotion helps people know that the right product at right price is available at the right place. In a competitive market, without promotion, practically no sale is affected. Promotion is the process of marketing communication to inform, persuade, remind and influence consumers in favour of a product or service.

Promotion has following three specific purposes:

- (i) It communicates marketing information to consumers, users and resellers.
- (ii) It persuades and convinces the buyer and influences his/her behavior to take the desired action.



(iii) Promotional efforts act as powerful tools of competition, providing the cutting edge of its entire marketing programme.

### **IMPORTANCE OF PROMOTION:**

The importance of promotion can be briefly shown below:

- Sales of the goods in imperfect market:

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

- Filling the gap between producers and consumers:

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

- Facing intense competition:

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

- Large scales selling:

Promotion helps in the large selling of goods and services. Sales promotion is the result of large-scale production. It can be achieved only by appropriate methods of large scale selling. Large scale selling is possible with the help of promotional activity. Due to the large selling of goods, there will be more chance of promotion of goods. So, it is necessary to sell lot of goods in the market for promotional activities.

- Higher standard of living:

Promotion helps in the rising standard of the people. The promotional activities increase the standard of living by providing the better goods at a lower rate due to large scale production and



selling. It help to increase the standard of living in a good way. People can raise their standard of living with the help of promotional activity. As the promotional activities increases, the standard of living of people also increases. So, the promotional activity has a great role in the increment of a standard of people so that they can live a good and happy life.

- More employment:

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

- Increased trade pressure:

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

- Effective sales support:

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

- Increased speed of product acceptance:

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

**COMMUNICATION PROCESS:**

communications process consist of integrated activities in which the targeted audience is identified and a well coordinated promotional program is prepared to generate the desired response from the audience. Most problems of preferences, image and immediate awareness in the target customers is focused by the marketing communication. But there are certain limitations associated with the concept of communication. These limitations include high cost and short term duration that cannot generate the desired results from the targeted customers.

In recent years Marketing Communication is used by most of marketers as building customer relationship at the stages of pre-selling, selling, utilization, and post utilization. Due to differences in customers, different programs of communications are developed for specific segments & niches.

**ELEMENTS IN COMMUNICATION PROCESS:**

Marketing communications process consist of integrated activities in which the targeted audience is identified and a well coordinated promotional program is prepared to generate the desired response from the audience. Most problems of preferences, image and immediate awareness in the target customers is focused by the marketing communication. But there are certain limitations associated with the concept of communication. These limitations include high cost and short term duration that cannot generate the desired results from the targeted customers.

In recent years Marketing Communication is used by most of marketers as building customer relationship at the stages of pre-selling, selling, utilization, and post utilization. Due to differences in customers, different programs of communications are developed for specific segments & niches.

For Effective Communication, the marketer should know how communication works? Following are the nine elements that are involved in the marketing communication process.

- Sender
- Encoding
- Message
- Media
- Decoding
- Receiver

- Response
- Feedback
- Noise

Each of these is discussed one by one.

1. Sender:

The party or person who is sending the message to the other party or person is the sender.

2. Encoding:

The conversion of thought into the meaningful symbols is called encoding.

3. Message:

The group of symbols transmitted by the sender is called a message.

4. Media:

The channel of communication through which transfers the message from sender to receiver is called media.

5. Decoding:

The conversion of symbols into meaning by the receiver is called decoding.

6. Receiver:

The sent message received by another person or party is called the receiver.

7. Response:

The reaction shown by the receiver before the message is called response.

8. Feed Back:

The portion of the response of the receiver that is sent back to the sender is called feedback.

9. Noise:

The unplanned distortion during the process of communication due to which the receiver understands the wrong meaning of the original message is called noise.

The effective message is that where the process of encoding is matched with the decoding of messages. The message sent should be consisted of words and symbols that are known to the receiver.

### **STEPS IN COMMUNICATION PROCESS**

There are certain steps that should be involved in the effective marketing communication process. The marketing and promotional activities should focus on these steps in order to attract

a huge portion of long run customers. Following are the steps that make communication process effective.

- Identification of the Target audience
- Determination of the communication objectives
- Designing of Message
- Message Content
- Message Structure & Format
- Choosing Media
- Collecting Feedback

### **1. Identification of the Target Audience:**

The first step in the effective marketing communication process is to identify the target audience. These audiences may be potential customers or other people that can influence the decisions of these customers. The audience may include the individuals, groups, general public or special public. The audience has a direct effect on the decisions of the communication, like what to say? How to say? And when to say? Etc.

### **2. Determination of the Communication Objectives:**

In this step the marketing communicator should clear the objectives of the communication process. In most of the situations, the purchase is required by the marketing communicator, but purchase is made after a prominent customer decision making process. The communicators should also understand the standing position of the customer. Generally there are six Stages of Customer Readiness through which a customer pass to make a purchase which are as follow.

- Awareness
- Knowledge
- Liking
- Preference
- Conviction
- Purchase

The target group of the marketing communicator is not much familiar with the new product or its silent features. So the marketing communicator should create the awareness and knowledge of its

new product and features. But this is not the surety to the success; the new product should also provide superior customer value too.

### **3. Designing of the Message:**

In this step the marketing communication, communicator focuses upon the design of the message. Any message that can attract the attention, develop the interest, arousal of desire and stimulate the action is the effectively designed message. This procedure is best known as AIDA model that can make any message effective and potential. Besides this the marketing communicator also decides about the content and structure of the message.

### **4. Message Content:**

In this step of the marketing communication process the content of the message is decided. The theme or an appeal is suggested that can bring the desired response from the audience or receiver. Following are the three appeals that should be used in this regard.

- **Rational appeal:**

The self interest of the audience is focused on the rational appeal in which the benefits availed by the usage of the products or services.

- **Emotional Appeal:**

In this case positive or negative emotions are stimulated to encourage the purchase of the product.

- **Moral Appeal:**

In this situation the morality is included in the message to influence the targeted customers.

### **5. Message Structure & Format:**

In this step the important issues of the message structure together with the message format is analyzed. In marketing communication of a product, it must be decided that the message must include the conclusion or may keep to the audience to get a conclusion from them. Or the message presents either only the strengths of the product or both the strengths and weaknesses. Moreover the format of the message is also focused on which the size and shape use, eye-catching colors, and headlines etc are decided in the most effective manner.

### **6. Choosing Media:**

The channels of communication are decided in this step of a marketing communication process, which may take the following two forms.

- Personal:

In this channel of communication two or more persons directly communicate with each other like face to face, through the mail, on the telephone, or through a chat on the internet. Personal Addressing and feedback is allowed in the personal communication.

- Non Personal:

Non personal messages are spread through these channels which also excludes the option of feedback. Such channels include print media, display media, broadcast media, online media etc.

### **7. Collecting Feedback:**

This is the last step of the marketing communication process in which the feedback from the target customers. This can help the marker to alter the promotion program or other marketing activities. For this purpose the buying behavior of targeted customers is analyzed in the light of the new product. Questions may also be asked to the customers to collect their views about the positive and negative aspects of the new product.

### **TYPES OF PROMOTION:**

- **ADVERTISING:**

Advertising is the major components of promotion of products. It is an impersonal mass communication that the sponsor has paid for and in which the sponsor is clearly identified. The most familiar forms of ads are found in the broadcast (TV and radio) and print (newspapers and magazines) media. However, there are many alternatives, from direct mail to billboards and from the telephone directory to a yellow page.

### **CHARACTERISTICS 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, audio-visual, 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.

**8. Advertising as an Art:**

Today's advertising task is much complicated. Message creation and presentation require a good deal of knowledge, creativity, skills, and experience. So, advertising can be said as an art. It is an artful activity.

**9. Element of Truth:**

It is difficult to say that advertising message always reveals the truth. In many cases, exaggerated facts are advertised. However, due to certain legal provisions, the element of truth can be fairly assured. But, there is no guarantee that the claim made in advertisement is

completely true. Most advertisements are erotic, materialistic, misleading, and producer-centered.

10. One-way Communication:

Advertising involves the one-way communication. Message moves from company to customers, from sponsor to audience. Message from consumers to marketer is not possible. Marketer cannot know how far the advertisement has influenced the audience.

- **PERSONAL SELLING:**

Personal selling is the direct presentation of a product to a potential customer by a representative of the organization for selling it. Personal selling takes place face to face or over the phone, and it may be directed to a middleman or a final consumer. It plays the vital role in the promotion of products.

**MAIN CHARACTERISTICS OF PERSONAL SELLING ARE:**

(1) Personal Form:

Under personal selling a personal contact is established between the buyers and the salesman. In other words, both the parties face each other.

(2) Development of Relationship:

Personal selling results in the development of personal relationship between the sales person and the possible buyer. Such a relationship has an important place in sales.

(3) Oral Conversation:

There is oral conversation between the sales person and the buyer regarding the features of the product, i.e., price, colour, shape, design, method of using, etc.

(4) Quick solution of Queries:

The prospective buyer can make inquiries regarding the product. Salesman answers these queries quickly and removes any doubts in the mind of the buyer.

(5) Receipt of Additional Information:

Normally, before introducing its product, a company is aware of the preferences of the probable buyers. Nevertheless, during the course of personal selling, when the sales person is in direct contact with the buyers he/she gathers additional information regarding their tastes and likings.

(6) Real Sale:



Under personal selling, the buyers are not only informed about the product but the goods are actually sold to them.

- **SALES PROMOTION:**

Sales promotion is demand stimulating activity designed to supplement advertising and facilitate personal selling. It is paid for by the sponsor and frequently involves a temporary incentive to encourage a purchase. Many sales promotions are directed at consumers. They are designed to encourage the company's sales force or other members of its distribution channel to sell its product more aggressively. Sales promotion include activities such as contests, trade shows, in-store displays, rebates, samples, premiums, discounts, and coupons.

**SPECIAL CHARACTERISTICS OF SALES PROMOTION ARE LISTED BELOW:**

1. It is a part of market promotion. It involves all the promotional efforts other than advertising, personal selling, and publicity.
2. The primary purpose is to induce customer for immediate buying or dealer effectiveness or both.
3. It is optional. Many companies do not practice it.
4. It is directed for multiple objectives, like to maintain sales during off season, to increase sales, to face competition, to clear stocks, to improve image, to promote new products, etc.
5. It consists of offering, wide variety of tools/incentives.
6. Sales promotion efforts consist of special selling efforts for the specific time period in forms of short-term incentives and schemes undertaken at consumer level, dealer level or at salesmen level.
7. It involves the non-recurrent selling efforts. They are not a part of daily activities. They are not undertaken repeatedly.
8. Sales promotion incentives are imitative. Competitors can easily imitate them.
9. Sales promotion is expensive. It may affect adversely the profitability of company.
10. Excessive use of sale promotion may affect sales and reputation of company adversely.

- **PUBLICITY:**

Publicity is a special form of public relations that involves news stories about an organization or its products. It involves personal or impersonal message that reaches mass audiences through the media. But there are several things to distinguish publicity from advertising: It is not paid for, the

organization that is the subject of publicity has no control over it, and it appears as news and therefore has greater credibility than advertising.

### **CHARACTERISTICS OF PUBLICITY:**

#### **1. Meaning:**

Publicity is not a paid form of mass communication that involves getting favourable response of buyers by placing commercially significant news in mass media. It involves obtaining favourable presentation upon radio, newspapers, television, or stage that is not paid for by the sponsor.

#### **2. Non-paid Form:**

Publicity is not a paid form of communication. It is not directly paid by producer. However, it involves various indirect costs. For example, a firm needs some amount for arranging function, calling press conference, inviting outstanding personalities, decorating of stage, other related costs, etc.

#### **3. Various Media:**

Mostly, publicity can be carried via newspapers, magazines, radio, or television. For example, in case a product is launched by popular personality in a grand function, the mass media like newspapers, television, radio, magazines, etc., will definitely publicize the event.

#### **4. Objectives:**

Sales promotion is undertaken for a wide variety of purposes. They may include promotion of new product, pollution control, special achievements of employees, publicizing new policies, or increase in sales. It is primarily concerns with publishing or highlighting company's activities and products. It is targeted to build company's image. In a long run, it can contribute to increase sales.

#### **5. Control of Producer:**

Company has no control over publicity in terms of message, time, frequency, information, and medium. It comes through mass media like radio, newspapers, television, etc. It is given independently by the third party. It is presented as a news rather than propaganda.

#### **6. Credibility/Social Significance:**

Publicity has high degree of credibility or reliability as it comes from mass media independently. It is given as news for social interest. It has more social significance compared to other means of market promotion.

**7. Part of Public Relations:**

Publicity is a part of broad public relations efforts and activities. Public relations includes improving, establishing, and maintaining direct relations with all publics. Publicity can help improve public relations.

**8. Costs:**

Publicity can be done at much lower cost than advertising. Company needs to spend a little amount to get the event or function publicized.

**9. Effect:**

Publicity message is more likely to be read, viewed, heard, and reacted by audience. It has a high degree of believability as it is given by the third party.

**10. Repetition:**

Frequency or repetition of publicity in mass media depends upon its social significance or the values for news. Mostly, it appears only once.

**• PUBLIC RELATION:**

Public relation encompasses a wide variety of communication effort to contribute to generally favorable attitudes and opinions toward an organization and its products. Unlike most advertising and personal selling, it does not include a specific sales message. The targets of the public relation may be customers, stockholders, a government agency, or a special-interest group. Public relations can take many forms, including newsletters, annual reports, lobbying, and sponsorship of the charitable or civic event.

**FOLLOWING ARE THE KEY CHARACTERISTICS OF PUBLIC RELATIONS:**

**1. Meaning:**

Public relations activities are typically designed to build and maintain a favourable image for an organisation and a favourable relationship with the organization's various "publics." These publics may be customers, stockholders, employees, unions, environmentalist, the government, people in local community or some other groups in society

**2. Important Managerial Function:**

It is an integral part of managerial functions. Many companies operate a special department for the purpose known as public relations department to create and maintain constructive relations

with different interested publics. A manager must take concrete steps to manage successful relations with the key publics.

**3. Publicity and Public Relations:**

It is an extension of publicity. Publicity concerns with getting favourable response from mass media about a company, its products, and its activities while public relations concerns with creating and maintaining constructive relations with various publics over a time.

**4. Wide Range of Activity:**

Public relations includes a lot of activities to build and maintain long-term and positive relations with a large set of interested publics. It involves a number of interactions, such as contacting, inviting, informing, clarifying, responding, interpreting, dealing, transacting, and so forth.

**5. Various Parties:**

Public relations covers a number of publics – formal and informal groups. These publics may be customers, stockholders, employees, unions, environmentalists, the government, people in local community, or some other groups in society. The purpose of public relations is to make these parties build positive attitudes about a company.

**6. Continuous Process:**

Public relations is a continuous process. It starts with inception of business unit and lasts as long as it exists. The firm has to perform public relations activities on a continuous basis. Once the company has established a good image and reputation, such image and positive attitudes may extinguish if they are not monitored or maintained. Similarly, along with expansion of business, it has to build new relations with varied parties at different places.

**7. Management Philosophy:**

It is fundamentally the management attitudes and managerial philosophy to build and maintain good relations with publics. A company formulates policy to establish public relations. This philosophy is based on building healthy relations with various groups for company's interest. Management must know the attitudes of publics toward the company's policy and practice. It considers general interest while taking decisions.

**8. All Level Activity:**

All the officials from the top level to the supervisory level perform public relations activities. It is obvious that officials working at various levels of management can contribute in developing

positive relations with different publics like shareholders, customers, traders, service providers, government, and so on. It is the joint duty of all the employees from top to bottom.

#### 9. Routine Activity:

Note that public relations is a part of routine activities. It is not incidental or occasional. Further, it is not taken as distinct activity, but a part of day-to-day activities. It is treated as part of daily activities like purchase, administration, production, marketing, finance, and likewise.

### **PROMOTION MIX:**

#### **Definition:**

The Promotion Mix refers to the blend of several promotional tools used by the business to create, maintain and increase the demand for goods and services.

fourth element of the 4 P's of Marketing Mix is the promotion; that focuses on creating the awareness and persuading the customers to initiate the purchase. The several tools that facilitate the promotion objective of a firm are collectively known as the Promotion Mix.

The Promotion Mix is the integration of Advertising, Personal Selling, Sales Promotion, Public Relations and Direct Marketing. The marketers need to view the following questions in order to have a balanced blend of these promotional tools.

- What is the most effective way to inform the customers?
- Which marketing methods to be used?
- To whom the promotion efforts be directed?
- What is the marketing budget? How is it to be allocated to the promotional tools?

### **ELEMENTS OF PROMOTION MIX**

1. Advertising: The advertising is any paid form of non-personal presentation and promotion of goods and services by the identified sponsor in the exchange of a fee. Through advertising, the marketer tries to build a pull strategy; wherein the customer is instigated to try the product at least once. The complete information along with the attractive graphics of the product or service can be shown to the customers that grab their attention and influences the purchase decision.

2. Personal Selling: This is one of the traditional forms of promotional tool wherein the salesman interacts with the customer directly by visiting them. It is a face to face interaction between the company representative and the customer with the objective to influence the customer to purchase the product or services.

3. Sales Promotion: The sales promotion is the short term incentives given to the customers to have an increased sale for a given period. Generally, the sales promotion schemes are floated in the market at the time of festivals or the end of the season. Discounts, Coupons, Payback offers, Freebies, etc. are some of the sales promotion schemes. With the sales promotion, the company focuses on the increased short term profits, by attracting both the existing and the new customers.

4. Public Relations: The marketers try to build a favorable image in the market by creating relations with the general public. The companies carry out several public relations campaigns with the objective to have a support of all the people associated with it either directly or indirectly. The public comprises of the customers, employees, suppliers, distributors, shareholders, government and the society as a whole. The publicity is one of the form of public relations that company may use with the intention to bring newsworthy information to the public. E.g. Large Corporate such as Dabur, L&T, Tata Consultancy, Bharti Enterprises, Services, Unitech and PSU's such as Indian Oil, GAIL, and NTPC have joined hands with Government to clean up their surroundings, build toilets and support the swachh Bharat Mission.

5. Direct Marketing: With the intent of technology, companies reach customers directly without any intermediaries or any paid medium. The e-mails, text messages, Fax, are some of the tools of direct marketing. The companies can send the emails and messages to the customers if they need to be informed about the new offerings or the sales promotion schemes. E.g. The Shopperstop send SMS to its members informing about the season end sales and extra benefits to the golden card holders.

Thus, the companies can use any tool of the promotion mix depending on the nature of a product as well as the overall objective of the firm.

**FACTORS INFLUENCING PROMOTION MIX:**

Main factors influencing promotion mix has been briefly discussed as under:

**1. Type of Product:**

Type of product plays an important role in deciding on promotion mix. Product can be categorized in terms of branded products, non-branded products, necessity products, luxury products, new products, etc. All these types of products need different promotional tools. For example, advertising is suitable for the branded and popular products. Personal selling may be fit for non-branded products. Advertising, personal selling, sales promotion and publicity – all four tools – are used for a newly launched product to get a rapid consumer acceptance.

**2. Use of Product:**

Product may be industrial product, consumable and necessity product, or may be luxurious product that affects selection of promotion tools and media. For example, advertising and sales promotion techniques are widely used for consumer goods while personal selling is used for industrial goods.

**3. Complexity of Product:**

Product complexity affects selection of promotional tools. Personal selling is more effective for complex, technical, risky, and newly developed products as they need personal explanation and observation. On the other end, advertising is more suitable for simple and easy-handled products.

**4. Purchase Quantity and Frequency:**

Company should also consider purchase frequency and purchase quantity while deciding on promotion mix. Generally, for frequently purchase product, advertising is used, and for infrequently purchase product, personal selling and sales promotion are preferred. Personal selling and advertising are used for heavy users and light users respectively.

**5. Fund Available for Market Promotion:**

Financial capacity of company is a vital factor affecting promotion mix. Advertising through television, radio, newspapers and magazines is too costly to bear by financially poor companies while personal selling and sales promotion are comparatively cheaper tools. Even, the company may opt for publicity by highlighting certain commercially significant events.



**6. Type of Market:**

Type of market or consumer characteristics determine the form of promotion mix. Education, location, income, personality characteristics, knowledge, bargaining capacity, profession, age, sex, etc., are the important factors that affect company's promotion strategy.

**7. Size of Market:**

Naturally, in case of a limited market, personal selling is more effective. When market is wide with a large number of buyers, advertising is preferable. Place is also an important issue. Type of message, language of message, type of sales promotion tools, etc., depend on geographical areas.

**8. Stage of Product Life Cycle:**

Product passes through four stages of its life cycle. Each stage poses different threats and opportunities. Each stage needs separate marketing strategies. Each of the promotional tools has got different degree of suitability with stages of product life cycle.

**9. Level of Competition:**

Promotional efforts are designed according to type and intensity of competition. All promotional tools are aimed at protecting company's interest against competition. Level of promotional efforts and selection of promotional tools depend on level of competition.

**10. Promotional Objectives:**

It is the prime factor affecting promotional mix. Different objectives can be achieved by using different tools of promotional mix. If company's objective is to inform a large number of buyers, advertising is advisable. If company wants to convince limited consumers, it may go for personal selling. Even, when company wants to influence buyers during specific season or occasion, the sales promotion can be used. Some companies use publicity to create or improve brand image and goodwill in the market.

**11. Other Factors:**

Over and above these factors, there are certain minor factors that affect promotion mix.

These factors may include:

- i. Price of Product
- ii. Type of Marketing Channel
- iii. Degree of Product Differentiation
- iv. Desire for Market Penetration, etc.



The list of factors stated above is not complete. There may be more factors. Promotional strategy should be formulated only after considering the relevant factors. Marketing manager must be aware of these variables. Note that these factors affect different firms in varying degree depending upon its internal and external marketing environment

### **RECENT DEVELOPMENTS IN MARKETING:**

#### **Marketing:**

Identifying the needs of customers and potential customers, providing products/services that satisfy their needs, and developing efficient processes or systems to deliver your product/service to the market when, where, and how consumers want it.

#### **SOCIAL MARKETING:**

Social marketing is an approach used to develop activities aimed at changing or maintaining people's behaviour for the benefit of individuals and society as a whole.

Combining ideas from commercial marketing and the social sciences, social marketing is a proven tool for influencing behaviour in a sustainable and cost-effective way.

It helps you to decide:

- Which people to work with
- What behaviour to influence
- How to go about it
- How to measure it

Social marketing is not the same as social media marketing.

#### **Approach**

Social marketing is a systematic and planned process. It follows six steps

#### **Behaviour**

The goal of social marketing is always to change or maintain how people behave – not what they think or how aware they are about an issue. If your goal is only to increase awareness or knowledge, or change attitudes, you are not doing social marketing.

**Benefits people and society**

This is the value – perceived or actual – as it is defined by the people who are targeted by a social marketing intervention. It is not what is assumed to benefit them by the organisation that is trying to encourage the behaviour change.

Even if you don't take social marketing any further, just considering these four questions will add value to your projects and policies.

1. Do I really understand my target audience and see things from their perspective?
2. Am I clear about what I would like my target audience to do?
3. For my target audience, do the benefits of doing what I would like them to do outweigh the costs or barriers to doing it?
4. Am I using a combination of activities in order to encourage people to achieve the desired action?

**How social marketing helps**

Policy: social marketing helps to ensure policy is based on an understanding of people's lives, making policy goals realistic and achievable. Policy example: water rationing in Jordan.

Strategy: social marketing enables you to target your resources cost-effectively, and select interventions that have the best impact over time. Strategy example: lung disease strategy in England.

Implementation and delivery: social marketing enables you to develop products, services and communications that fit people's needs and motivations. Delivery example: child car seats in Texas.

**RURAL MARKETING:****Definitions:**

'Rural marketing' is similar to simply 'marketing.' Rural marketing differs only in terms of buyers. Here, target market consists of customers living in rural areas. Thus, rural marketing is an application of marketing fundamentals (concepts, principles, processes, theories, etc.) to rural markets.

**FEATURES OF RURAL MARKETING:****1. Large and scattered population:**

According to the 2001 census, 740 million Indians forming 70 per cent of India's population live in rural areas. The rate of increase in rural population is also greater than that of urban population. The rural population is scattered in over 6 lakhs villages. The rural population is highly scattered, but holds a big promise for the marketers.

**2. Higher purchasing capacity:**

Purchasing power of the rural people is on rise. Marketers have realized the potential of rural markets, and thus are expanding their operations in rural India. In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities.

**3. Market growth:**

The rural market is growing steadily over the years. Demand for traditional products such as bicycles, mopeds and agricultural inputs; branded products such as toothpaste, tea, soaps and other FMCGs; and consumer durables such as refrigerators, TV and washing machines has also grown over the years.

**4. Development of infrastructure:**

There is development of infrastructure facilities such as construction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.

**5. Low standard of living:**

The standard of living of rural areas is low and rural consumers have diverse socio-economic backwardness. This is different in different parts of the country. A consumer in a village area has a low standard of living because of low literacy, low per capita income, social backwardness and low savings.

**6. Traditional outlook:**

The rural consumer values old customs and traditions. They do not prefer changes. Gradually, the rural population is changing its demand pattern, and there is demand for branded products in villages.

**7. Marketing mix:**

The urban products cannot be dumped on rural population; separate sets of products are designed for rural consumers to suit the rural demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumers.

**WAYS OF RURAL MARKETING:**

The Rural Marketing is a two-way process, i.e.,

- Urban to Rural: FMCG Goods, Agricultural fertilizers, automobiles, etc. are offered by the urban market to the rural market.
- Rural to Urban: The agricultural supplies viz. Fruits, vegetables, flowers, milk, etc. is offered from the rural market to the urban market.

**STRATEGIES IN RURAL MARKETING:**

The marketers are following the strategy to “Go Rural” because of the following attractions in the rural market:

1. Large Population: Still, the majority of the population in India resides in Villages and therefore, the marketers find more potential in the rural areas and direct their efforts to penetrate the rural market.
2. Increased Income: The income and the purchasing power of the rural people have increased. With the use of modern agricultural equipment and technology, the farmers can produce more and can get better returns for their agricultural produce. The increased income motivates a farmer to improve his livelihood by purchasing a good quality product and thus, the marketer gets an opportunity to enter into the rural market.
3. Competition in Urban Market: There is a lot of competition in the Urban market, where people are well aware of the goods and services and have created a brand loyalty. Therefore, the marketers move to the rural market to escape the intense completion and generate revenues from the untapped areas.
4. Improved Infrastructure facilities: Today, many villages are well connected with the roads and transportation facilities that enables the marketer to access the rural market and promote his goods and services. With the growth in telecom services, the rural people can be reached easily via mobile phones.

5. Saturated Urban Market: Also, the marketers may move to the rural markets, when the urban market has reached the saturation point, the i.e. market is well stuffed with the products, and the consumers are not likely to make a frequent purchase due to the varied options available in the market.

6. Support of Financial Institutions: Several Co-operative banks and public sector banks offer the loan facility to the rural people at low-interest rates. With the loan, the purchasing power of an individual increases, thus resulting in a better standard of living.

7. New Employment Opportunities: The Government is running several employment opportunity programmes, with the intention to engage people in other activities apart from the agriculture occupation. The Integrated Rural Development Programme (IRDP), Jawahar Rozgar Yojana (JRY), Training Rural Youth for self-Employment are the certain programmes, designed to increase the livelihood of rural people.

Due to so much potential in the rural areas, the companies are focussing more on the needs and desires of people living in here and are taking every possible step to stimulate people to buy products and services and improve their livelihood.

### **ONLINE MARKETING:**

Online marketing is a set of tools and methodologies used for promoting products and services through the internet. Online marketing includes a wider range of marketing elements than traditional business marketing due to the extra channels and marketing mechanisms available on the internet.

Online marketing can deliver benefits such as:

- Growth in potential
- Reduced expenses
- Elegant communications
- Better control
- Improved customer service
- Competitive advantage

Online marketing is also known as internet marketing, web marketing, digital marketing and search engine marketing (SEM).

The broad online marketing spectrum varies according to business requirements. Effective online marketing programs leverage consumer data and customer relationship management (CRM) systems. Online marketing connects organizations with qualified potential customers and takes business development to a much higher level than traditional marketing.

Online marketing combines the internet's creative and technical tools, including design, development, sales and advertising, while focusing on the following primary business models:

- E-commerce
- Lead-based websites
- Affiliate marketing
- Local search

**ADVANTAGES:**

Online marketing has several advantages, including:

- Low costs: Large audiences are reachable at a fraction of traditional advertising budgets, allowing businesses to create appealing consumer ads.
- Flexibility and convenience: Consumers may research and purchase products and services at their leisure.
- Analytics: Efficient statistical results are facilitated without extra costs.
- Multiple options: Advertising tools include pay-per-click advertising, email marketing and local search integration (like Google Maps).
- Demographic targeting: Consumers can be demographically targeted much more effectively in an online rather than an offline process.

**LIMITATIONS**

The main limitation of online marketing is the lack of tangibility, which means that consumers are unable to try out, or try on items they might wish to purchase. Generous return policies are the main way to circumvent such buyer apprehension.

Online marketing has outsold traditional advertising in recent years and continues to be a high-growth industry.

**DIRECT MARKETING:**

Direct marketing is a type of advertising campaign that seeks to bring an action in a selected group of consumers (such as an order, visit the store or the website of the mark or a request for information) in response a communication by the marketer. This communication can take many different formats, such as postal mail, telemarketing, point of sale ... One of the most interesting is the direct email marketing.

An essential aspect of direct marketing is that the consumer response is measurable: for example, if you offer a discount for an online store, you should include some kind of cookie or pixel to let you know if the user has made use of the code.

**BENEFITS OF DIRECT MARKETING:**

Direct marketing allows you to promote your product or service directly to your target people most in need and measure results quickly, but there is more. These are some of the benefits the digital direct marketing can bring to your brand:

- Take the segmentation and targeting. One of the great advantages of this type of marketing is that you can reach your specific audience segments with personalized messages. If you want to succeed, you should invest time in research to identify consumers most likely to convert and thus direct your efforts to actions that really work.
- Optimize your marketing budget. Addressing online direct marketing to a specific audience allows you to set realistic goals and improve your sales on a tight budget. If you optimize and properly direct your campaign, you will achieve results with only a small percentage of the cost of traditional advertising.
- Increase your sales with current and former clients. Digital direct marketing lets you communicate with your current customers to keep alive the relationship bringing value, but also back in touch with old customers and generate new sales opportunities.
- Upgrade your loyalty strategies. Direct contact with your customers allows you to customize your promotions, emails and offers to create an instant bond. To maximize results, you can combine your direct marketing methods your loyalty program.
- Create new business opportunities. Direct marketing allows you to adapt to market demands at all times and respond more effectively.



- Tests and analyzes the results. Direct response campaigns give you the opportunity to directly measure your results. Take the opportunity to squeeze the most of your tests and make decisions in real time.

## **TYPES OF DIRECT MARKETING**

### **Direct mail**

Direct mail is posted mail that advertises your business and its products and services. There are several different types of direct mail (e.g. catalogues, postcards, envelope mailers). Direct mail campaigns are usually sent to all postal customers in an area or to all customers on a marketing list. Learn more about direct mail.

### **Telemarketing**

Telemarketing involves contacting potential customers over the phone to sell products or services. It is capable of generating new customer prospects in large volumes and is also a useful tool for following up on direct marketing campaigns. However, a successful telemarketing involves planning and using accurate and well-researched customer data to match customer profiles to product profiles. Find out about telemarketing.

### **Email marketing**

Email marketing is a simple, cost-effective and measurable way of reaching your customers. It can include e-newsletters, promotional emails to generate new leads or offers for existing customers, or ads that can appear in other business's emails. Learn more about email marketing.

### **Text (SMS) marketing**

Text messaging allows businesses to reach individual customers and send messages to large groups of people at a low cost. You could use short message service (SMS) messaging to send customers sales alerts, links to website updates, appointment or delivery reminders, or personalised messaging. Find out about text (SMS) marketing.

### **Social media marketing**

Social media can be used effectively as a marketing tool for business as it gives you the opportunity to interact directly with your customers and regularly share relevant product or service information. Social media platforms also make it very easy for your customers to share your content with their entire network, increasing your reach exponentially. Consider developing a profile for your business that allows you to promote your products and services while also



encouraging customers to provide feedback by leaving comments. Find out about social media marketing.

### **Direct selling**

Direct selling is an effective way to grow a flexible, low-cost business. Direct selling involves an independent salesperson selling products or services directly to customers, often at a customer's home or workplace. Traditional direct selling methods include door-to-door sales, party plans and network marketing. Learn more about direct selling.

## **SERVICE MARKETING**

### **Definition of Service Marketing:**

Service marketing is marketing based on relationship and value. It may be used to market a service or a product. With the increasing prominence of services in the global economy, service marketing has become a subject that needs to be studied separately. Marketing services is different from marketing goods because of the unique characteristics of services namely, intangibility, heterogeneity, perishability and inseparability.

In most countries, services add more economic value than agriculture, raw materials and manufacturing combined. In developed economies, employment is dominated by service jobs and most new job growth comes from services.

Jobs range from high-paid professionals and technicians to minimum-wage positions. Service organizations can be of any size from huge global corporations to local small businesses. Most activities by the government agencies and non-profit organizations involves services.

The American Marketing Association, defines services as activities, benefits, or satisfactions that are offered for sale or provided with sale of goods to the customer, that is, pre-sale and after-sales services. Berry states, 'while a product is an object, devise or physical thing, a service is a deed, performance, or an effort'.

### **FEATURES OF SERVICES:**

#### **1. Intangibility:**

A physical product is visible and concrete. Services are intangible. The service cannot be touched or viewed, so it is difficult for clients to tell in advance what they will be getting. For

example, banks promote the sale of credit cards by emphasizing the conveniences and advantages derived from possessing a credit card.

**2. Inseparability:**

Personal services cannot be separated from the individual. Services are created and consumed simultaneously. The service is being produced at the same time that the client is receiving it; for example, during an online search or a legal consultation. Dentist, musicians, dancers, etc. create and offer services at the same time.

**3. Heterogeneity (or variability):**

Services involve people, and people are all different. There is a strong possibility that the same enquiry would be answered slightly differently by different people (or even by the same person at different times). It is important to minimize the differences in performance (through training, standard setting and quality assurance). The quality of services offered by firms can never be standardized.

**4. Perishability:**

Services have a high degree of perishability. Unused capacity cannot be stored for future use. If services are not used today, it is lost forever. For example, spare seats in an aeroplane cannot be transferred to the next flight. Similarly, empty rooms in five-star hotels and credits not utilized are examples of services leading to economic losses. As services are activities performed for simultaneous consumption, they perish unless consumed.

**5. Changing demand:**

The demand for services has wide fluctuations and may be seasonal. Demand for tourism is seasonal, other services such as demand for public transport, cricket field and golf courses have fluctuations in demand.

**6. Pricing of services:**

Quality of services cannot be standardized. The pricing of services are usually determined on the basis of demand and competition. For example, room rents in tourist spots fluctuate as per demand and season and many of the service providers give off-season discounts.

**7. Direct channel:**

Usually, services are directly provided to the customer. The customer goes directly to the service provider to get services such as bank, hotel, doctor, and so on. A wider market is reached through franchising such as McDonald's and Monginis.

**Problems in Marketing Services:**

1. A service cannot be demonstrated.
2. Sale, production and consumption of services takes place simultaneously.
3. A service cannot be stored. It cannot be produced in anticipation of demand.
4. Services cannot be protected through patents.
5. Services cannot be separated from the service provider.
6. Services are not standardized and are inconsistent.
7. Service providers appointing franchisees may face problems of quality of services.
8. The customer perception of service quality is more directly linked to the morale, motivation and skill of the frontline staff of any service organization.

**GREEN MARKETING:****Meaning**

Here, term 'green' is indicative of purity. Green means pure in quality and fair or just in dealing. For example, green advertising means advertising without adverse impact on society. Green message means matured and neutral facts, free from exaggeration or ambiguity. Green marketing is highly debated topic for lay people to highly professional groups.

Concept of green marketing concerns with protection of ecological environment. Modern marketing has created a lot of problems. Growth in marketing activities resulted into rapid economic growth, mass production with the use of advanced technology, comfortable and luxurious life, style, severe competition, use of unhealthy marketing tactics and techniques to attract customers, exaggeration in advertising, liberalization and globalization, creation of multinational companies, retailing and distribution by giant MNCs, etc., created many problems. Departmental stores, specialty stores, and shopping malls are flooded with useful as well as useless products. These all factors have threatened welfare of people and ecological balance as

well. Particularly, giant factories have become the source of different pollutions. Production, consumption and disposal of many products affect environment adversely.

Impacts or Importance of Green Marketing:

Green marketing affects positively the health of people and the ecological environment. People are aware of pure products and pure methods of producing, using, and disposing the products. It encourages integrated efforts for purity in production and consumption as well.

### **STRATEGIES IN GREEN MARKETING:**

#### **1. Green Design**

Oftentimes, companies resort to greenwashing because their products and services are not green to begin with. A take-out bag with a big recycle symbol on the front may actually be made from virgin, and not recycled, paper. A fuel-efficient car that experts are raving about on social media may contain conflict materials. The most important green marketing strategy is to design products and services that are green to begin with. If a product or service is environmentally-friendly from the ground up, there is no need for greenwashing.

Fuji Xerox's Green Wrap is an example of a product with a green design. Every aspect of Green Wrap—from conceptualization to the product itself—is environmentally-friendly. According to Fuji Xerox Australia's website, Green Wrap is "part of [the company's] overall commitment to the environment and [its] long-term strategy of developing high performance waste-free products within waste-free offices." True to form, Green Wrap is manufactured using sustainable materials and production processes. About 60% of its pulp comes from recycled waste (e.g., milk cartons and used office computer paper). In addition, Green Wrap's pulp is bleached using thiourea dioxide—a chemical that breaks down to urea (a substance used in wastewater treatment).

#### **2. Green Positioning**

A company should explicitly promote its sustainability performance—and those of its products and services—as a key component of its business activities. Everything a company does should reflect its sustainability values. They cannot claim to be sustainable while engaging in unsustainable business practices such as making employees work under sweatshop conditions. Doing so will ruin the company's credibility with consumers.

The Body Shop exemplifies effective green positioning. On its official website the company identifies its values. They are against animal testing; support community fair trade; activate self-esteem; defend human rights; and protect the planet; and The Body Shop lives up to these values.

- It has never tested any of its products on animals. In fact, The Body Shop is a Leaping Bunny-approved brand . The Leaping Bunny Certification is Cruelty Free International's worldwide gold standard for non-animal tested consumer products.
- The Body Shop products are responsibly sourced. Its Tea Tree Oil is supplied by the Kenya Organic Oil Farmers' Association (KOOFA) . KOOFA is a cooperative composed of 380 small-scale farmers, half of which are women. High rates of AIDS-related mortality in Kenya forces many of the country's women to support their families by themselves. Tea tree farming enables KOOFA's farmers to earn a steady income, which they can use for necessities such as food and potable water.
- The Body Shop's advertisements do not use images that are demeaning to women. In addition, the company's Learning is of Value to Everyone (LOVE) initiative funds training courses, events and health treatments for employees.
- The Body Shop actively raises funds to promote global awareness of issues such as domestic violence and HIV/AIDS . In September 2009, the company launched the Stop Sex Trafficking of Children and Young People campaign , a drive that aims to raise funds and educate consumers regarding sex trafficking of minors. On September 29, 2011, The Body Shop presented 7,044,278 petition signatures to the United Nations Human Rights Council — one of the largest petitions in the UN's history . Its goal was to urge governments to do everything in their power to protect minors from sex trafficking.

### **3. Green Pricing**

A company should highlight how a green product or service can help consumers save key resources. A car company, for instance, can promote its latest vehicle by emphasizing how it is more fuel-efficient compared with other leading car brands. This allows consumers to actively participate in sustainability. They become aware that their choice is about investing in something that will allow them to save money and resources in the future, rather than making a short-term purchase.

Tide Coldwater Clean was advertised as an effective stain remover, as well as a way for consumers to save on their energy bills. On its official website, Tide presented the detergent as a concentrated formula that can help save up to 50% on energy bills by eliminating the need to wash clothes in warm water. Tide added that the amount of energy saved can be used to charge a smartphone for life. Through green pricing, consumers understand that if they buy Tide Coldwater Clean, they will be able to reduce their energy consumption and contribute to sustainability.

#### **4. Green Logistics**

In addition to a product or service being green, its packaging must also be green. Packaging is the first thing that consumers see. Unsustainable packaging has the potential to dissuade consumers from purchasing sustainable products.

In 2013, Amazon announced its Frustration-Free Packaging initiative, a five-year effort that aims to do away with wasteful and hard-to-open packaging materials such as plastic clamshell casings, wire ties and air-bubble wrap. The online retail giant worked with companies like Mattel, Microsoft, Unilever, Fisher-Price and Logitech to develop smaller, easy-to-open, recyclable packaging boxes. Amazon also offers its engineers to its partner companies so that they can make their packaging designs more compliant with the firm's standards. For a partner company to earn Amazon's Frustration-Free Packaging certification, its packaging must be easily opened without having to use a knife or a box cutter, and should be free of wasteful materials.

#### **5. Green Disposal**

An effective green marketing strategy takes into consideration every aspect of a product's life cycle. From production to disposal, everything must be sustainable. Unsustainable disposal practices can be hazardous to both the environment and human health.

In January 2016, Singapore's National Environment Agency (NEA) launched a two-year food waste recycling program at two hawker (cooked food) centers, Ang Mo Kio Blk 628 Market and Tiong Bahru Market. Food waste is a major environmental issue in Singapore; in 2014, the country produced 788,600 tons of food waste, of which only 13% (101,400 tons) was recycled. The rest was either deposited in landfills or incinerated, increasing Singapore's carbon emissions.

The food recycling machine installed at Ang Mo Kio Blk 628 Market can convert one ton of food waste into water within 24 hours. Customized microbes break the food waste down into water, which will then be used to clean the bin center. The food recycling machine installed at Tiong Bahru Market grinds up food waste, combines it with microorganisms and stores the resulting mixture in onsite tanks. Once the tanks are full, they are taken to an offsite facility, where the mixture is converted into a bio-fertilizer to be used for agricultural purposes. NEA expects the program to reduce the two hawker centers' total food waste by up to 80% .

### **CONSUMERISM:**

Consumerism is defined as social force designed to protect consumer interests in the market place by organising consumer pressures on business. Consumerism challenges the very basis of the marketing concept. According to P.F. Druckers, consumerism challenges four important premises of the marketing concept.

- (i) It is assumed that consumers know their needs.
- (ii) It is assumed that business really cares about those needs and knows exactly how to find about them.
- (iii) It is assumed that business does provide useful information that precisely matches product to needs.
- (iv) It is presumed that product and services really fulfill customer expectations as well as business promises.

Consumerism is a protest of consumers against unfair business practices and business industries. It aims to eliminate those unfair marketing practices e.g. misbranding, spurious products, unsafe products, adulteration, fictitious pricing, planned obsolescence, deceptive packaging, false and misleading advertisements, defective warranties, hoarding, profiteering, black-marketing, short weights and measures etc.

Consumerism covers the following areas of consumer dissatisfaction and remedial efforts:

- (i) Removal or reduction of discontent and dissatisfaction generated in the exchange relationships between buyers and sellers in the market.
- (ii) Consumerism has interest in protecting consumers from any organization with which there is an exchange relationship.



(iii) Modern consumerism also takes keen interests in environmental matters affecting the quality of life.

The social demand that marketing deliver a rising standard of living to those who want better and enriched quality of life for all citizens will inspire marketers to make greater progress in enhancing marketing efficiency and honoring ethical and moral values in production and pricing.

### **TYPES OF CONSUMERISM IN MARKETING:**

#### **Routine Purchases**

There are routine purchases people make that require little decision-making. These purchases are made with “programmed behavior” on the part of the consumer. This is because for this type of purchase the buyer puts forth very little effort in searching for the product and making a decision about which product to buy. In addition, typical routine purchases are low-cost items that do not require high involvement on the part of the buyer. Examples of routine purchases are soft drinks and snacks, and basic food items like milk and eggs.

#### **Purchases with a Limited Amount of Decision-Making**

Some products are purchased by the consumer on a regular basis, but only occasionally. The consumer may be familiar with the product category but will conduct research to find out information about an unfamiliar brand. For example, the consumer may have bought many shirts before, but a new product with a different material like wicking material may require a limited amount of information-gathering on the part of the buyer. The consumer will also spend some time investigating an unfamiliar brand.

#### **Purchases with a High Amount of Decision-Making**

There are purchases that the consumer's make that involve a high amount of research and decision-making. These products are generally unfamiliar and expensive, and they may be bought infrequently as well. The buyer experiences a high degree of risk when buying these products, either economically, psychologically or performance-wise. Examples of these major purchases include cars, homes and computer systems.

#### **Impulsive Buying**

The same consumer who spends hours trying to decide which computer to purchase will often buy other types of items without giving them a second thought. This impulse purchases require



no conscious prior planning, and decisions are made on the spot. To find out which items can be impulse buys, look at the items within reach at any checkout counter at a supermarket or department store. These items typically include candy bars, magazines, gum and the like.

**POSSIBLE QUESTIONS:****PART A ( 20\* 1 = 20):**

ONLINE EXAM

**PART B ( 5 \* 2 = 10):**

1. What is promotion?
2. What is communication process?
3. Write the different types of promotion.
4. Define advertising.
5. what is personal selling?
6. Define promotion mix.
7. Define Social marketing.
8. What are advantages of direct marketing?
9. Give few cons of online marketing.
10. What is green marketing?

**PART C ( 5 \* 6 = 30):**

1. Explain promotion and its types.
2. Write in detail about promotion mix.
3. What are the factors affecting promotion mix decisions?
4. What are the recent developments in marketing?
5. Explain consumerism?
6. Give a brief note on green marketing.
7. Explain rural marketing.
8. Write in detail about service marketing.
9. Explain direct marketing.

**KARPAGAM ACADEMY OF HIGHER EDUCATION**  
**(Deemed to be University)**  
**(Established Under section 3 of UGC Act 1956)**  
**Coimbatore – 641021**  
**(For the candidates admitted from 2017 onwards)**  
**B.Com DEGREE EXAMINATION – NOVEMBER, 2019**  
**III B.Com CA**  
**Fifth Semester**  
**PRINCIPLES OF MARKETING(17CCU501B)**

		UNIT 1				
S.NO	QUESTION	A	B	C	D	ANSWER
1	_____ is a basic tool for selling products	advertising	marketing	both a&b	all the above	<b>marketing</b>
2	Nature of marketing include	exchange process	consumer oriented	goal oriented	all the above	<b>all the above</b>
3	marketing creates	sales	increase in profit	employment	none of these	<b>employment</b>
4	Relationship orientation era comes under	nature of marketing	scope of marketing	either a or b	evaluation of marketing	<b>evaluation of marketing</b>
5	_____ turns product into cash	selling	marketing	advertising	evaluating	<b>selling</b>
6	_____ is the marketing tool the firm to pursue the market	marketing mix	product mix	both a&b	all the above	<b>marketing mix</b>
7	there are _____ types of marketing environment	3	2	4	5	<b>2</b>
8	the surroundings in which marketing is performed is called as	advertising	marketing	marketing mix	marketing environment	<b>marketing environment</b>
9	micro environment is also called as	internal	external	mixed	all the above	<b>internal</b>
10	there are _____ types of macro environment	3	5	6	2	<b>2</b>
11	_____ environment works for profit maximization	economic	non- economic	both a&b	none of these	<b>economic</b>
12	_____ is the study of population	economy	demography	photography	all the above	<b>demography</b>
13	elements of demography are	income	lifestyle	gender	all the above	<b>all the above</b>
14	_____ environment is most significant component of marketing environment	economic	non- economic	both a&b	none of these	<b>economic</b>
15	economic environment classified into _____ types	1	2	3	4	<b>3</b>
16	_____ has brought innumerable changes in the society	demography	economic	technology	all the above	<b>technology</b>
17	_____ environment are strongly affected by laws	demography	economic	technology	legal	<b>legal</b>
18	the indian contract act	1875	1889	1872	1990	<b>1872</b>
19	the minimum wages act	1995	1994	1999	1948	<b>1948</b>
20	which concept of marketing is product oriented	old	new	early	all the above	<b>old</b>
21	sub division of marketing is called as	dividing	participation	both a&b	segmentation	<b>segmentation</b>
22	macro environment is also called as	internal	external	mixed	all the above	<b>external</b>
23	marketing environment creates _____ types of forces	1	2	3	4	<b>2</b>
24	_____ types of importance of marketing	1	2	3	7	<b>7</b>
25	The grass root level of any business organization is	planning	organising	both a&b	none of these	<b>planning</b>
26	the _____ concept focuses on the needs of the buyer	advertising	marketing	both a&b	all the above	<b>marketing</b>

27	there are marketing concepts	2	3	4	5	5
28	marketing concept includes	Production Concept.	product concept	selling concept	all the above	<b>all the above</b>
29	how many c's in marketing concept?	4	5	6	3	4
30	_____ you want your marketing to achieve for you and on the outcome.	profit	loss	scale	goal	<b>goal</b>
31	in marketing _____ is the focal point	consumer	producer	seller	none of these	<b>consumer</b>
32	which concept is used for consumer satisfaction	old	new	early	modern	<b>modern</b>
33	goods marketing is result of careful planning and	execution	advertising	marketing mix	all the above	<b>execution</b>
34	_____ is an environment which is control of business	macro	micro	mixed	none of these	<b>micro</b>
35	_____ environment is affecting capacity of business	macro	micro	mixed	none of these	<b>macro</b>
36	macro environment is also called as	political	internal	external	mixed	<b>political</b>
37	micro environment is also called as	political	internal	economical	mixed	<b>economical</b>
38	A marketing goal can be a _____ number,	big	small	moderate	both a&b	<b>big</b>
39	there are _____ components of marketing	1	2	4	5	5
40	components of marketing	Positioning, ...	competitive analysis	marketing strategy	all the above	<b>all the above</b>
41	there are _____ types of marketing environment	1	2	7	8	7
42	marketing environments includes	social	legal	cultural	all the above	<b>all the above</b>
43	there are _____ of nature of marketing	1	2	3	8	8
44	marketing mix includes _____ types	1	2	8	7	7
45	elements of demography are _____ types	1	2	8	7	7
46	evaluation of marketing includes	product	sales	marketing	all the above	<b>all the above</b>
47	_____ concept works to satisfy the customers'	advertising	marketing	both a&b	all the above	<b>marketing</b>
48	_____ is part of marketing	buying	purchasing	both a&b	selling	<b>selling</b>
49	_____ has functional structure	buying	purchasing	both a&b	selling	<b>selling</b>
50	_____ overall Organisational activity	advertising	marketing	both a&b	all the above	<b>marketing</b>
51	_____ The process of exchange of value between Provider (Seller) and Customer (Buyer).	advertising	marketing	both a&b	all the above	<b>marketing</b>
52	sales includes _____ types	2	3	4	5	2
53	the marketing mix has _____ p's	1	2	3	7	7
54	_____ satisfies the customer through product	sales	marketing	advertising	all the above	<b>marketing</b>
55	_____ is producer driven	sales	marketing	advertising	all the above	<b>sale</b>
56	_____ are guiding forces for sales	producers	purchasers	sellers	none of these	<b>producers</b>
57	_____ are important for marketing	consumer	seller	producer	all the above	<b>consumer</b>
58	_____ emphasis on technological advancement	sales	marketing	purchase	none of these	<b>sales</b>
59	_____ environment consists of external part of business	macro	micro	both a&b	none of these	<b>macro</b>
60	_____ environment consists of internal part of business	macro	micro	both a&b	none of these	<b>micro</b>

**KARPAGAM ACADEMY OF HIGHER EDUCATION**  
**(Deemed to be University)**  
**(Established Under section 3 of UGC Act 1956)**  
**Coimbatore – 641021**  
**(For the candidates admitted from 2017 onwards)**  
**B.Com DEGREE EXAMINATION – NOVEMBER, 2019**  
**III B.Com CA**  
**Fifth Semester**

<b>PRINCIPLES OF MARKETING(17CCU501B)</b>						
		<b>UNIT 2</b>				
<b>SNO</b>	<b>QUESTION</b>	<b>OPTION 1</b>	<b>OPTION 2</b>	<b>OPTION 3</b>	<b>OPTION 4</b>	<b>ANSWER</b>
1	According to Maslow's Hierarchy of Needs, the highest order of needs are called:	self-actualization needs.	social needs.	safety needs.	physiological needs.	<b>physiological needs.</b>
2	. _____ is the process by which people select, organize, and interpret information to form a meaningful picture of the world	Readiness	Selectivity	Perception	Motivation	<b>Perception</b>
3	. People can form different perceptions of the same stimulus because of three perceptual processes. These processes are best described as being:	selective attention, selective distortion, and selective retention.	subliminal perception, selective remembrance, selective forgetting.	closure, modeling, and perceptual screening.	needs distortion, wants analysis, and perceptual screening.	<b>selective attention, selective distortion, and selective retention.</b>
4	. Kellye is a loyal Sony user. Her television, DVD player, cassette player, and VCR are all Sony products. When she hears or sees ads for Sony products, she almost always remembers the good points about the brand. In addition, when she hears or sees an ad for a competing product that points out the strengths of its products, she tends to forget these points quickly or does not process them at all. The process that Kellye is going through is best described as being one of:	selective retention.	selective attention.	selective distortion.	stimulus actualization.	<b>selective retention</b>
5	. In 1957, a researcher announced that he had flashed the phrases "Eat popcorn" and "Drink Coca-Cola" on a screen in a movie theater every five seconds for 1/300 <sup>th</sup> of a second. He reported that although viewers did not consciously recognize these messages, they absorbed them subconsciously and bought 58 percent more popcorn and 18 percent more Coke. This process was eventually named:	deceptive advertising.	subliminal advertising.	psychological manipulation.	psychological modeling and transference.	<b>subliminal advertising.</b>
6	. _____ describes changes in an individual's behavior arising from experience.	Modeling	Motivation	Perception	Learning	<b>Learning</b>
7	A _____ is a strong internal stimulus that calls for action.	Drive	cue	response	perception	<b>Drive</b>
8	Jack Lerma has a special relationship with his dog, Chris. Seeing dog toys in a pet store window, hearing of a special price on dog food during a television commercial, or talking with a friend and receiving a recommendation about a kennel are all forms of _____, which may eventually impact Jack's purchasing decisions and responses to the objects he has seen or heard about.	Drives	cues	reinforcements	dyads	<b>cues</b>
9	If a consumer describes a car as being the "most economical car on the market," then this descriptor is a(n):	rule.	attitude.	belief.	cue.	<b>belief.</b>

10	If a consumer tells friends “I like my car more than any other car on the road,” then the consumer has expressed a(n):	rule.	attitude.	belief.	cue.	<b>attitude.</b>
11	_____ puts people into a frame of mind of liking or disliking things, of moving toward or away from them.	A rule	An attitude	A belief	A cue	<b>An attitude</b>
12	Which of the following is <u>NOT</u> one of the five stages of the buyer decision process?	need recognition	brand identification	information search	purchase decision	<b>brand identification</b>
13	. According to the buyer decision process suggested in the text, the first stage is characterized as being one of:	awareness.	information search.	need recognition.	demand formulation.	<b>need recognition.</b>
14	The buying process can be triggered by a(n) _____ when one of the person’s normal needs—hunger, thirst, sex—rises to a level high enough to become a drive.	Awareness	external stimuli	internal stimuli	experiential motivation	<b>internal stimuli</b>
15	The stage in the buyer decision process in which the consumer is aroused to search for more information is called:	information search.	evaluation of alternatives.	search for needs.	perceptual search.	<b>information search.</b>
16	. The consumer can obtain information from any of several sources. If the consumer were to obtain information from handling, examining, or using the product, then the consumer would have obtained the information by using a(n):	personal source.	commercial source.	informative source.	experiential source.	<b>experiential source.</b>
17	How the consumer processes information to arrive at brand choices occurs during which stage of the buyer decision process?	need recognition	information search	evaluation of alternatives	purchase decision	<b>evaluation of alternatives</b>
18	Generally, the consumer’s purchase decision will be to buy the most preferred brand, but two factors can come between the purchase intention and the purchase decision. These two factors are best described as being:	the cost and availability of the product.	the attitude of others and the cost of the product.	the availability of the product and unexpected situational factors.	the attitude of others and unexpected situational factors.	<b>the attitude of others and unexpected situational factors.</b>
19	With respect to postpurchase behavior, the larger the gap between expectations and performance:	the greater likelihood of re-purchase.	the greater the customer’s dissatisfaction.	the less likely the consumer will be influenced by advertising.	the less likely the consumer will need sales confirmation and support	<b>. the greater the customer’s dissatisfaction.</b>
20	Cognitive dissonance occurs in which stage of the buyer decision process model?	need recognition	information search	evaluation of alternatives	postpurchase conflict	<b>postpurchase conflict</b>
21	. A company must always guard against dissatisfying customers. On average, a satisfied customer tells 3 people about a good purchase experience. A dissatisfied customer, however, on average gripes to _____ people.	7	9	11	30	<b>11</b>
22	. The _____ is the mental process through which an individual passes from first hearing about an innovation to final adoption.	adoption process	consumption process	innovation process	new product development process	<b>adoption process</b>
23	. All of the following are part of the adoption process that consumers may go through when considering an innovation <u>EXCEPT</u> :	awareness.	process.	interest.	trial.	<b>process</b>
24	. With respect to adopter categories, the _____ are guided by respect, are the opinion leaders in their communities, and adopt new ideas early but carefully.	Seekers	innovators	early adopters	early majority	<b>early adopters</b>

25	. With respect to adopter categories, the _____ are skeptical and they adopt an innovation only after a majority of people have tried it.	early adopters	early majority	late majority	laggards	<b>late majority</b>
26	. Several characteristics are especially important in influencing an innovation's rate of adoption. _____ is the degree to which the innovation may be tried on a limited basis.	Relative advantage	Synchronization	Compatibility	Divisibility	<b>Divisibility</b>
27	. If a company makes products and services for the purpose of reselling or renting them to others at a profit or for use in the production of other products and services, then the company is selling to the:	business market.	international market.	consumer market.	private sector market.	<b>business market</b>
28	. All of the following are among the primary differences between a business market and a consumer market EXCEPT:	purchase decisions to satisfy needs.	market structure and demand	the nature of the buying unit.	the types of decisions and the decision process involve	<b>purchase decisions to satisfy needs.</b>
29	. The business marketer normally deals with _____ than the consumer marketer does.	far greater but smaller buyers	far greater and larger buyers	far fewer but far larger buyers	far fewer and smaller buyers	<b>far fewer but far larger buyers</b>
30	. When demand comes (as it does in the business market) from the demand for consumer goods, this form of demand is called:	kinked demand	inelastic demand	cyclical demand	derived demand	<b>derived demand</b>
31	. General Motors buys steel because consumers buy cars. If consumer demand for cars drops, so will General Motors' demand for steel. This is an example of the relationships found in:	kinked demand	inelastic demand	cyclical demand	derived demand	<b>derived demand</b>
32	. That business markets have more buyers involved in the purchase decision is evidence of which of the following characteristic differences between business and consumer markets?	market structure and demand	the nature of the buying unit	types of decisions made	type of decision process itself	<b>the nature of the buying unit</b>
33	Purchases in the business market often involve large sums of money, complex technical and economic considerations, and interactions among many people at many levels of the buyer's organization. This is evidence of which of the following characteristic differences between business and consumer markets?	market structure and demand	the nature of the buying unit	types of decisions made and the decision process	type of business classification	<b>types of decisions made and the decision process</b>
34	The place in the business buying behavior model where interpersonal and individual influences might interact is called the:	environment.	response.	stimuli.	buying center.	<b>buying center.</b>
35	In a _____, the buyer reorders something without any modifications.	habitual rebuy	straight rebuy	modified rebuy	new task buy	<b>straight rebuy</b>
36	In a _____, the buyer wants to change something about product specifications, prices, terms, or suppliers.	habitual rebuy	straight rebuy	modified rebuy	new task buy	<b>modified rebuy</b>
37	The "in" suppliers are most likely to get nervous and feel pressure to put their best foot forward in which of the following types of buying situations?	modified rebuy	new task buying	straight rebuy	indirect rebuy	<b>modified rebuy</b>
38	If a firm were to bid to do a "turnkey" operation where they would choose a building site, design a cement factory to build the plant, hire construction crews, assemble materials and equipment to run the new factory, and turn over the finished factory ready to operate to the owners, the bidding firm would be using which of the following?	core process products selling	design products selling	reciprocal selling	systems selling	<b>systems selling</b>
39	The decision-making unit of a buying organization is called its _____: all the individuals and units that participate in the business decision-making process.	buying center	purchasing center	bidding center	demand-supply center buying center	<b>buying center</b>

40	Considering the major influences on business buyer behavior, as shown in a model in the text, under which influence stage would you expect to find the influences of authority, status, empathy, and persuasiveness?	Environmental	organizational	interpersonal	individual	<b>interpersonal</b>
41	The stage of the business buying process where the buyer describes the characteristics and quantity of the needed item is called:	problem recognition.	general need description.	product specification.	proposal solicitation.	<b>general need description</b>
42	If a buying team is asked by the purchasing department to rank the importance of reliability, durability, price, and other attributes of an item, then the team is going through a business buying process stage called:	problem recognition.	general need description.	product specification.	proposal solicitation.	<b>product specification.</b>
43	. _____ is the stage of business buying where an organization decides on and specifies the best technical product characteristics for a needed item.	Problem recognition	General need description	Product specification	Proposal solicitation	<b>Product specification</b>
44	. _____ is an approach to cost reduction in which components are studied carefully to determine if they can be redesigned, standardized, or made by less costly methods of production.	Cost analysis	Order analysis	Product analysis	Value analysis	<b>Value analysis</b>
45	. Reviewing trade directories, doing a computer search, or phoning other companies for recommendations would be methods that an interested buyer might perform in which of the following stages of the business buying process model?	problem recognition	vendor analysis	product specification	supplier search	<b>supplier search</b>
46	Factors such as supplier reputation for repair and servicing capabilities are important criteria for evaluation at which stage in the business buying process?	problem recognition	supplier search	supplier selection	order-routine specification	<b>supplier selection</b>
47	Blanket contracts are typically part of which of the following stages in the business buying process?	general need description	product specification	supplier selection	order-routine specification	<b>order-routine specification</b>
48	The stage of the business buying process in which the buyer writes the final order with the chosen supplier(s), listing the technical specifications, quantity needed, expected time of delivery, return policies, and warranties is called:	general need description.	product specification.	supplier selection.	order-routine specification.	<b>order-routine specification.</b>
49	. The _____ may lead the buyer to continue, modify, or drop the arrangement that has been entered into by the buyer and seller.	performance review	order-routine specification	supplier selection	general need description	<b>performance review</b>
50	Increasingly, business buyers are purchasing all kinds of products and services electronically, either through electronic data interchange links (EDI) or on the Internet. The descriptive term for such purchases, exchanges, and links is:	e-marketing.	e-commerce.	e-procurement.	e-transaction.	<b>e-procurement.</b>
51	E-purchasing by businesses has its drawbacks and problems. More than 80 percent of companies say that _____ is the leading barrier to expanding electronic links with customers and partners.	Security	privacy	cost	lack of correct technology	<b>Security</b>
52	. The _____ needs to identify distinct customer groups.	. Marketer	requirement	satisfaction	expectation	<b>. Marketer</b>
53	The _____ has his needs and wants as well as product preferences	a.Consumer	Producer	Customer	Buyer	<b>Consumer</b>
54	A person's self-concept is also called the _____	self-image.	image.	self-picture.	attitude	<b>self-image.</b>
55	The transmission of a message from a sender to a receiver via a medium of transmission is known as _____.	feedback	stimulation	communication	transfer	<b>communication</b>
56	Which of the following is an example of a formal communications source?	a parent	a friend	a hospital	a doctor	<b>a hospital</b>

57	Professional tennis players may constitute a(n) _____ group for an amateur tennis player who identifies with certain players by imitating their behavior whenever possible despite the fact that the amateur tennis player does not qualify for membership as a professional tennis player because he has neither the skills nor the opportunity to compete professionally.	Comparative	normative	membership	symbolic	<b>normative</b>
58	The _____ is the dominant institution in providing for the welfare of its members and is the major consuming unit.	friendship group	celebrity group	work group	family	<b>work group</b>
59	A husband and wife and one or more children, together with at least one grandparent living within the household, constitutes a(n) _____.	empty nest	married couple	extended family	single-parent family	<b>extended family</b>
60	Which of the following is NOT part of group influence?	Family.	Social class.	Personality.	All the above	<b>Personality.</b>



**KARPAGAM ACADEMY OF HIGHER EDUCATION**  
**(Deemed to be University)**  
**(Established Under section 3 of UGC Act 1956)**  
**Coimbatore – 641021**  
**(For the candidates admitted from 2017 onwards)**  
**B.Com DEGREE EXAMINATION – NOVEMBER, 2019**  
**III B.Com CA Fifth Semester**  
**PRINCIPLES OF MARKETING(17CCU501B)**

		UNIT 3				
S.No	QUESTION	A	B	C	D	ANSWER
1	The optional-feature pricing, captive-product pricing, product-bundling pricing and by-product pricing are considered as the techniques of	product mix pricing	line stretching pricing	line filling pricing	line deepening pricing	<b>product mix pricing</b>
2	The product mix pricing technique through which companies develop product lines for pricing instead of single products is classified as	by-product pricing	optional-feature pricing	product line pricing	Two-part pricing	<b>product line pricing</b>
3	The customers of products or services in product life cycles introductory stage are classified as	innovators	early adopters	middle majority	laggards	<b>innovators</b>
4	The 'stages in the adoption process' involves	awareness	interest	evaluation and trial	all of above	<b>all of above</b>
5	Innovation is key to product life cycle theory because:	Most new products are launched in the US.	Demand for new products initially comes from high-income consumers.	R&D is expensive, and only rich countries can	Products quickly become obsolete.	<b>Demand for new products initially comes from high-income</b>
6	6.Which of the following is not a type of decision usually made during the product development stage?	Branding	Product positioning	Packaging	Product screening	<b>Branding</b>
7	All of the following are different ways a firm can obtain new products, <u>except</u> which one?	By acquiring a whole new company	A firm can obtain a new product through patents	A firm can obtain a new product by licensing someone else's new product	A firm can obtain a new product by using the R&D department of other firms in the	<b>A firm can obtain a new product by using the R&amp;D department of other firms in the same industry.</b>
8	Original products, product improvements, product modifications, and new brands that a firm develops through its own research and development efforts are called:	new products.	concept products.	altered products.	supplemental products.	<b>new products.</b>
9	To create successful new products, a company must understand consumers, markets, & competitors and:	develop a great advertising campaign.	have a strong Web site to push the product.	adopt a push rather than pull promotional concept.	develop products that deliver superior value to consumers.	<b>develop products that deliver superior value to consumers.</b>
10	A _____ is a detailed version of the idea stated in meaningful	Consumer terms.	Product idea Product image	Product concept	Product feature	<b>Product concept</b>

11	If a company wishes to test its positioning strategy, advertising, distribution, pricing, branding and packaging, and budget levels, it can do so during which of the following stages of the new-product development process?	Commercialization	Test marketing	Product development	Concept testing	<b>Test marketing</b>
12	12. Sterilization packaging systems have an impact on:	Instruments	Healthcare acquired infection	Healthcare costs	All of the above	<b>all the above</b>
13	All of the following are accurate descriptions of reasons why new products fail, <u>except</u> which one?	Although the market size was correctly estimated, the product idea itself was not good.	The actual product was not designed as well as it should have been.	The new product was priced too high.	The new product was advertised poorly.	<b>Although the market size was correctly estimated, the product idea itself was not good.</b>
14	_____ is a period of market acceptance and increasing profits.	Product development	Maturity	Growth	Introduction	<b>Growth</b>
15	_____ begins when the company finds and develops a new-product idea. During product development, sales are zero and the company's investment costs mount.	Introduction	Growth	Maturity	Product development	<b>Product development</b>
16	Technological advances, shifts in consumer tastes, and increased competition, all of which reduce demand for a product, are typical of which stage in the PLC?	Decline stage	Introduction stage	Growth stage	Maturity stage	<b>Decline stage</b>
17	Original products, product improvements, product modifications, and new brands that a firm develops through its own research and development efforts are called:	New products.	Concept products.	Altered products.	Supplemental products.	<b>New products.</b>
18	As a product reaches its decline stage of the PLC, management may decide to _____	the product, which means reducing various costs and hoping that sales	hold up.	drop	harvest	<b>harvest</b>
19	The stage in the product life cycle that focuses on using a cost-plus formula and creating product awareness and trial is the:	decline stage.	introduction stage.	growth	maturity stage.	<b>introduction stage.</b>
20	The stage in the product life cycle where the strategic focus is on market penetration and building intensive distribution is the:	decline stage.	introduction stage.	growth	maturity stage	<b>growth</b>
21	Introducing the new product into the market takes place in which stage of the new product development process?	commercialization test	marketing marketing	strategy product	development	<b>commercialization test</b>
22	Looking at the sales history of similar products and surveying market opinion are tools used at which stage in the new-product development process?	concept development and testing	commercialization	business analysis	marketing strategy development	<b>business analysis</b>
23	Presenting new-product ideas to consumers in symbolic or physical ways to measure their reactions occurs during which of the following stages?	idea generation	concept testing	marketing strategy	screening	<b>concept testing</b>
24	A _____ is a detailed version of the idea stated in meaningful consumer terms.	product idea	product image	product concept	product feature	<b>product concept</b>

25	One reason that idea screening is a critical stage in the new-product development process is that:	Product-development costs rise greatly in later stages and the company only wants those products that can succeed.	Competitors can quickly steal ideas so the company wants only those ideas that can be protected with patents.	International competition and markets demand that all ideas be culturally sensitive.	The Federal government carefully monitors each company's idea screening process to make sure no national security matters are at stake.	<b>Product-development costs rise greatly in later stages and the company only wants those products that can succeed.</b>
26	The systematic search for new-product ideas is characteristic of which stage in the newproduct development process?	idea screening	concept development and testing	idea generation	business analysis	<b>idea generation</b>
27	To achieve the marketing objectives for the brand and satisfy the desires of consumers, the _____ and functional components of packaging must be chosen correctly.	characters	logo	aesthetics	brand name	<b>aesthetics</b>
28	_____ involves designing and producing the container or wrapper for a product.	Packaging	Product line	Service Branding	Labelling	<b>Packaging</b>
29	Like New Products wants to improve its packaging after reading customer responses to its customer opinion poll. Which is not a function of packaging?	Its purpose is to contain and protect the product.	It contains the brand mark.	It protects children.	It determines product quality.	<b>It determines product quality.</b>
30	At the very least, the _____ identifies the product or brand. It might also describe several things about the product.	line extension	social marketing	label	specialty product	<b>label</b>
31	Some analysts see _____ as the major enduring asset of a company, outlasting the company's specific products and facilities.	brands	convenience products	specialty products	unsought products	<b>brands</b>
32	Branding assists buyers in numerus ways. Which of the following is not a direct consumer benefit derived from branding	Brand names raise awareness and increase consumer interest.	Brand names increase shopper efficiency.	Brand names convey product quality.	Branding enables suppliers to attract loyal and profitable set of customers.	<b>Branding enables suppliers to attract loyal and profitable set of customers.</b>
33	What elements constitute a brand?	Name, design, style, words or symbols, singly or collectively that distinguish one product from another.	Design, style, or symbols, singly or collectively that distinguish one product from another.	Name, design, style, words or symbols that distinguish one product from another.	Name, words or symbols, singly or collectively that distinguish one product from another.	<b>Name, design, style, words or symbols, singly or collectively that distinguish one product from another.</b>
34	At the introduction stage of the Product Life Cycle (PLC), which of the following are the marketer's two main priorities?	Launch planning and creating shelf space.	Generating awareness and stimulating responses.	Launch planning and generating awareness.	Creating shelf space and generating awareness.	<b>Generating awareness and stimulating responses.</b>

35	Which of the following is not a stage in the product life cycle?	Introduction.	Withdrawal.	Growth.	Maturity.	<b>Withdrawal.</b>
36	Of the following, which statement(s) would not support a market-skimming policy for a new product?	The product's quality and image support their higher prices	Enough buyers want the products at that price	Competitors are not able to undercut the high price	Competitors can enter the market easily	<b>Competitors can enter the market easily</b>
37	Choosing a price based upon its short-term effect on current profit, cash flow, or return on investment reflects which of the following pricing objectives?	current profit maximization	product quality leadership	market share leadership	survival	<b>current profit maximization</b>
38	The three layers of packaging are:	Primary, Secondary & tertiary packaging	Primary, Secondary & shipping packaging	Shipping, inner & outer packaging	None of above	<b>Primary, Secondary &amp; shipping packaging</b>
39	Sales are declining, profits are also declining & competition is increasing. These indicate that the product may be in:	Introduction stage	Decline stage	Growth stage	Maturity stage	<b>Decline stage</b>
40	The term brand equity refers to:	The value attached to the brand	The financial value of a company's brand	It's level of popularity	All of above	<b>all the above</b>
41	Companies can create brand equity for their products by making them _____.	Memorable,	Easily recognizable	Superior in quality	All the above	<b>Easily recognizable</b>
42	A brand name is one of the elements of the:	Discounted product	Core benefit	Augmented product	Actual product	<b>Actual product</b>
43	Identify the commercialization decision which includes decisions regarding locality, region, nationally or even internationally launching the product.	Why to launch the product?	How to launch the product?	Where to launch the product?	When to launch the product?	<b>Where to launch the product?</b>
44	Which of the following is the leak-proof packaging that provides additional protection for the primary container?	Primary packaging	Secondary packaging	Transport packaging	Decorative	<b>Transport packaging</b>
45	Gift baskets are the examples of which one of the following types of packaging?	Decorative	Secondary	Shipping	Primary	<b>Decorative</b>
46	The label on a pack of frozen peas says, 'packed within an hour of picking'. These words are used:	To promote the product	To satisfy legal requirements	To provide information	To fulfill ethical requirement	<b>To provide information</b>
47	Packaging used for the ice creams is an example of which of the following?	Decorative packaging	Transport packaging	Secondary packaging	Primary packaging	<b>Primary packaging</b>
48	Which of the following is a name, term, sign, symbol, design, or a combination of these, that identifies the product or service?	Label	Co-brand	Brand	Product	<b>Brand</b>
49	Which of the following is NOT one of the stages that customers go through in the process of adopting a new product?	Desire	Awareness	Evaluation	Interest	<b>Desire</b>
50	Using one brand name for several related products is known as which of the following?	Family branding	Group branding	Combination branding	Premium branding	<b>Family branding</b>
51	Surf Excel was named to take the benefit of the existing brand value of Surf. This strategy can be classified as _____ strategy.	Brand growth	Brand extension	Branding	Brand level	<b>Brand extension</b>
52	Though “Pizza Huts” are located in posh, air- conditioning premises, they continue to call themselves as “Pizza Huts”. This is to take advantage of	Local sentiment of wanting to eat in huts	Brand value	Brand recognition	Brand extension	<b>Brand recognition</b>
53	A _____ is an elaborated version of the idea expressed in consumer terms.	test brand	product concept	product idea	new idea	<b>product concept</b>

54	Gillette Venus Embrace can best be described as _____, rather than either a repositioning or a new-to-the-world product.	Improvements and revisions of existing products	new product lines additions to existing product lines	cost reductions product	adaptations	<b>Improvements and revisions of existing products</b>
55	NPD stands for:	New Product Department.	National Production Division.	New Product Development.	new production department.	<b>New Product Development.</b>
56	What are the two ways that a company can obtain new products?	new-product development and acquisition	market mix modification and research and development internal development and merger	line extension and brand management	service development and product extension	<b>new-product development and acquisition</b>
57	During which stage of new-product development is management most likely to estimate minimum and maximum sales to assess the range of risk in launching a new product?	marketing strategy development	business analysis test marketing	concept testing	market analysis	<b>business analysis test marketing</b>
58	In the _____ stage of new-product development, products often undergo rigorous tests to make sure that they perform safely and effectively or that consumers will find value in them.	concept development and testing	product development	business analysis idea	generation marketing	<b>product development</b>
59	The major purpose of test marketing is to provide management with the information needed to make a final decision about _____.	whether to launch the new product	which market to compete in how to	develop a market strategy	how long to compete in the market	<b>whether to launch the new product</b>
60	Which of the following costs is most likely associated with the commercialization stage of new-product development?	building or renting a manufacturing facility	paying groups of target consumers for product feedback developing.	a prototype of the product identifying targetmarkets	none of these	<b>none of these</b>
61	Increasing profits will most likely occur at which stage of the PLC?	Introduction	Growth	Maturity	Decline	<b>Growth</b>

**KARPAGAM ACADEMY OF HIGHER EDUCATION**  
**(Deemed to be University)**  
**(Established Under section 3 of UGC Act 1956)**  
**Coimbatore – 641021**  
**(For the candidates admitted from 2017 onwards)**  
**B.Com DEGREE EXAMINATION – NOVEMBER, 2019**  
**III B.Com CA**  
**Fifth Semester**  
**PRINCIPLES OF MARKETING(17CCU501B)**

		<b>UNIT 4</b>				
S.No	QUESTIONS	Option-A	Option-B	Option-C	Option-D	ANSWER
1	The pricing strategy used to set prices of the products that are must be used with the main product is called	optional product pricing	product line pricing	competitive pricing	captive product pricing	<b>captive product pricing</b>
2	The new product pricing strategy through which the companies set lower prices to gain large market share is classified as	optional product pricing	skimming pricing	penetration pricing	captive product pricing	<b>penetration pricing</b>
3	The pricing strategy in which prices are set lower to actual price to trigger short term sales is classified as	promotional pricing	short term pricing	quick pricing	cyclical pricing	<b>promotional pricing</b>
4	The pricing strategy in which company divides location into different sectors and charge same price for each sector is classified as	freight on board origin pricing	zone pricing	basing point pricing	uniform delivered pricing	<b>zone pricing</b>
5	The kind of reduction made to those buyers who buy large volumes of products is classified as	cash discount	seasonal discount	functional discount	quantity discount	<b>quantity discount</b>
6	The pricing issue arise when manufacturer could not force dealers or retailers to charge a specific price is classified as	deceptive pricing	price discrimination	resale price maintenance	fix quantity pricing	<b>resale price maintenance</b>
7	The pricing strategy used to set price of by-products to make the price of main product even more competitive is classified as	by-product pricing	captive product pricing	optional product pricing	Two part pricing	<b>by-product pricing</b>
8	The type of discount made to those buyers who use to buy the products or services that are out of season is classified as	cash discount	seasonal discount	functional discount	quantity discount	<b>seasonal discount</b>
9	The pricing issues across channel levels includes	predatory pricing	deceptive pricing	price fixing	none of the above	<b>deceptive pricing</b>
10	The strategy which set prices in two dimensions such as charging fixed fee with variable usage rate is called	double pricing	optional part pricing	two-part pricing	combine pricing	<b>two-part pricing</b>
11	The pricing technique which considers pricing for customers living in different locations around the world is classified as	cyclical pricing	short term pricing	promotional pricing	geographical pricing	<b>geographical pricing</b>
12	The two broad strategies for new products are	market skimming pricing	market penetration pricing	product line pricing	both a and b	<b>both a and b</b>
13	The kind of allowances that are made to reward dealers for participating in support programs and other advertising campaigns are called	optional product allowances	seasonal allowances	functional allowances	promotional allowances	<b>promotional allowances</b>
14	The pricing strategies related to product mix consists of	product bundle pricing	by-product pricing	captive product pricing	all of above	<b>all of above</b>
15	The price adjustment strategies includes	discount pricing	promotional pricing	dynamic pricing	all of above	<b>all of above</b>
16	The pricing strategy in which seller set any city as base point and charges freight from all customers from that city is classified as	basing point pricing	uniform delivered pricing	freight on board origin pricing	zone pricing	<b>basing point pricing</b>
17	The pricing strategy used to set prices for products that are optional with the main product bought is called	competitive pricing	captive product pricing	optional product pricing	product line pricing	<b>optional product pricing</b>

18	The basing point pricing, uniform delivered pricing, zone pricing and freight absorption pricing are all types of	promotional pricing	geographical pricing	cyclical pricing	short term pricing	<b>geographical pricing</b>
19	The new product pricing strategy through which company makes more profitable sales by selling out fewer units is classified as	optional product pricing	price skimming	price penetration	product line pricing	<b>price skimming</b>
20	If a customer buys a cell phone and buy the Bluetooth hands free later then pricing strategy used in this situation is called	bi-product pricing	optional product pricing	Two way pricing	Two part pricing	<b>optional product pricing</b>
21	The issue arise from pricing when big seller sells below cost to put the new small competitors out of business and capture large market share is classified as	price maintenance	discriminatory pricing	price fixing	predatory pricing	<b>predatory pricing</b>
22	The pricing technique in which the customer pays delivery charges for the shipment from factory to the destined address is classified as	basing point pricing	uniform delivered pricing	freight on board origin pricing	zone pricing	<b>freight on board origin pricing</b>
23	The reduction in prices made on larger purchases is classified as	bargained reduction	discount	allowance	price segment	<b>discount</b>
24	The type of reduction made from list price is classified as	bargained reduction	discount	allowance	price segment	<b>allowance</b>
25	When the captive product pricing is used for services then this pricing strategy is classified as	two-part pricing	combine pricing	double pricing	optional part pricing	<b>two-part pricing</b>
26	The pricing strategy whose steps are setup between different lines of product offered by same organization is called	optional pricing	product line pricing	competitive pricing	captive pricing	<b>product line pricing</b>
27	The prices that buyers keep in their mind and compare the price of given product to other product's prices are called	double way pricing	Two way pricing	reference prices	comparable prices	<b>reference prices</b>
28	The type of cost reduction made for buyers who pay their accounts payable promptly is classified as	cash discount	seasonal discount	functional discount	quantity discount	<b>cash discount</b>
29	The pricing strategy which is used in market penetration strategy is	basing point pricing	freight absorption costing	flexible pricing	uniform pricing	<b>freight absorption costing</b>
30	Considering pricing strategies, the price issue that arise when sellers set prices with opinion from competitors is classified as	price fixing	predatory pricing	price maintenance	discriminatory pricing	<b>price fixing</b>
31	The kind of pricing strategy in which one product or service is sold for two different prices without any differences in cost is classified as	segmented pricing	psychological pricing	promotional pricing	geographical pricing	<b>segmented pricing</b>
32	The pricing strategy for new product through which revenues are collected from segments willing to pay higher prices is classified as	market skimming pricing	market penetration strategy	business line pricing	product line pricing	<b>market skimming pricing</b>
33	The pricing strategy in which prices are adjusted for psychological effect is classified as	segmented pricing	psychological pricing	promotional pricing	geographical pricing	<b>psychological pricing</b>
34	The price adjustments made for volume purchases, payment of bills and off season buying includes	discount and allowances	zone price adjustment	basing point adjustment	geographic adjustment	<b>discount and allowances</b>
35	The geographical pricing technique in which company charges same base price plus same freight without considering location of customer is called	freight on board origin pricing	zone pricing	basing point pricing	uniform delivered pricing	<b>uniform delivered pricing</b>
36	The issues in pricing strategies includes	predatory pricing	price fixing	deceptive pricing	all of above	<b>all of above</b>
37	The geographical pricing strategy in which seller bears whole or portion of freight is classified as	flexible pricing	uniform pricing	basing point pricing	freight absorption costing	<b>freight absorption costing</b>
38	The pricing strategy which combines prices of two or more products in a combo pack is classified as	segmented pricing	discount pricing	allowance pricing	product bundle pricing	<b>product bundle pricing</b>

39	The kind of pricing strategy which allow sellers to continuously adjust prices according to needs and characteristics of customers is classified as	fake pricing	termed pricing	dynamic pricing	international pricing	<b>dynamic pricing</b>
40	The pricing issues within channel levels includes	price maintenance	predatory pricing	price discrimination	deceptive pricing	<b>predatory pricing</b>
41	The pricing technique used by sellers while selling individual products in bundles is	optional-feature pricing	pure bundling pricing	mixed bundling pricing	pure bundling pricing	<b>mixed bundling pricing</b>
42	The pricing technique in which variable fee is charged with a fixed fee are classified as	product line pricing	Two-part pricing	by-product pricing	optional-feature pricing	<b>Two-part pricing</b>
43	The pricing technique is used by sellers that offer their products in the bundles only is classified as	pure bundling pricing	mix bundling pricing	Two-part bundle pricing	optional-feature pricing	<b>pure bundling pricing</b>
44	The method of managing advertising budget at a certain percentage of sales price per unit or forecasted sales of products is classified as	percentage of sales method	affordable method	competitive parity method	objective and task method	<b>percentage of sales method</b>
45	The price adjustment strategies includes	discount pricing	promotional pricing	dynamic pricing	all of above	<b>all of above</b>
46	Labeling, packaging are associated with:	Price mix	Product mix	Place mix	Promotion mix	<b>B.Product mix</b>
47	_____ set(s) the floor for the price that the company can charge for its product.	Supply	Demand	Costs	Nonprofit factors	<b>Costs</b>
48	Companies facing the challenge of setting prices for the first time can choose between two broad strategies: market-penetration pricing and _____.	Market-level pricing	Market-competitive pricing	Market-skimming pricing	Market-price lining	<b>Market-skimming pricing</b>
49	In the maturity phase of the PLC, a marketing manager should consider:	dropping the product and moving on to the next product winner. .	modifying the market,	expanding R &	pricing to penetrate the market.	<b>B.modifying the market, product, and B.marketing mix</b>
50	Which of the following is NOT a price adjustment strategy?	Segmented pricing	Promotional pricing	Free samples	Geographical pricing	<b>Free samples</b>
51	When Pepsi came out with Pepsi Blue and priced it at half price to attract buyers they were using, Pepsi was using _____.	Market-skimming pricing	Market-penetration pricing	New-product pricing	Discount pricing	<b>B.Market-penetration pricing</b>
52	Differentiation in pricing for various geographical customer	Price skimming	Psychological pricing	Pricing variations	Geographical pricing	<b>Geographical pricing</b>
53	Choosing a price based upon its short-term effect on current profit, cash flow, or return on investment reflects which of the following pricing objectives?	current profit maximization	product quality leaders	market share leadership	survival	<b>current profit maximization</b>
54	Pricing to cover variable costs and some fixed costs, as in the case of some automobile distributorships that sell below total costs, is typical of which of the following pricing objectives?	current profit maximization	product quality leaders	market share leadership	survival	<b>survival</b>
55	Which of the following is not a price adjustment strategy?	Seasonal pricing	segmented pricing	Free samples	Geographical pricing	<b>Free samples</b>



56	Which of the following statements about break-even analysis is true?	It is a technique marketers use to examine the relationship between supply and demand	It is a technique used to	It is calculated using variable costs, the unit price, and fixed costs	It determines the amount of retained earnings a company will have during an accounting period	<b>B.It is a technique used to calculate fixed costs</b>
57	Big Mike's Health Food Store sells nutritional energy-producing foods. The price of the products sold varies according to individual customer accounts and situations. For example, long-time customers receive discounts. This strategy is an example of _____.	Cost-plus pricing	Penetration pricing	Dynamic pricing	Everyday low pricing	<b>Dynamic pricing</b>
58	Which of the following is not an effective action that a company can take to combat a competitor's price cut on a product?	Launch a low-price "fighter brand"	Improve quality and inc	Raise perceived value	Improve quality and decrease price	<b>Improve quality and decrease price</b>
59	Company building its pricing strategy around the experience curve would be most likely to ---	Engage in break-even pricing	Engage in value-added	Price its products high	Price its products low	<b>Price its products low</b>
60	Low-interest financing and longer warranties are both examples of _____.	Allowances	Promotional pricing	Discounts	Segmented pricing	<b>Promotional pricing</b>

**KARPAGAM ACADEMY OF HIGHER EDUCATION****(Deemed to be University)****(Established Under section 3 of UGC Act 1956)****Coimbatore – 641021****(For the candidates admitted from 2017 onwards)****B.Com DEGREE EXAMINATION – NOVEMBER, 2019****III B.Com CA****Fifth Semester****PRINCIPLES OF MARKETING (17CCU501B)**

		UNIT 5				
S.NO	QUESTION	OPTION 1	OPTION2	OPTION3	OPTION4	ANSWERS
1	Marketing is process which aims at _____	Production	Profit making	Satisfaction of consumer needs	Selling production	Satisfaction of consumer needs
2	The promotion "P" of marketing is also known as _____	Cost	Distribution	Marketing coomunication	Product Differentiation	Marketing coomunication
3	The term Marketing Myopia was written by _____	Philip Kotler	Royal Dutch Shell	Theodore Levitt	Henry Ford	Theodore Levitt
4	Direct marketing refers to a communication between the _____	Firm and suppliers	Public relations	Sales promotion	Tele-marketing	Tele-marketing
5	A sales promotion which a manufacturer provides to a wholesaler is an example of _____	An intermediary promotion	A new-product promotion	A trade promotion	All of the above	A trade promotion
6	Which of the following is NOT an advantage of a retailer promotion?	Increase store loyalty	Gain more shelf space	Increase frequency of purchase	All of the above	Gain more shelf space
7	On-pack coupons are an examples of:	Self-liquidating sales promotions	Money-based salespromotions	Increase frequency promotions	All of the above	Increase frequency promotions
8	What does BOGOFF stand for _____	Buy One Get One For free	Bought on Good Offers	Beginning of Great Offers	All of the above	Buy One Get One For free
9	On-pack coupons are an examples of:	Trade promotions	Retailer promotions	Manufacturer's promotions	suppliers promotions	Manufacturer's promotions
10	A promotion which invites cutomer to pay a small amount of money together with some proof of purchase, is called _____	A self-liquidating	A loyalty scheme	A retailers promotion	None of these	A self-liquidating promotions
11	A free gift attached to the outside of a pack is called _____	On-pack promotion	Gift pack promotion	In-pack promotion	All of these	On-pack promotion
12	A display in the retail outlet is called :	Retailer promotion	Point-of-sale display	In-stroe promotion	All of these	Point-of-sale display
13	The plan that show time,date and frequency of an advertisement is	Media plan	Media schedule	Media purchasing	Media space	Media schedule
14	Series of advertisement message that share a single idea or theme is	Advertisement campaign	Advertisement group	Advertisement cluser	Advertisement series	Advertisement campaign
15	Point of purchase Ads are also known as _____	In-store Advertising	Built-in Advertising	Green Advertising	Stock Advertising	In-store Advertising
16	The combination of media used for advertising in a target market is	Media mix	Market-Media Match	Media purchasing	Media Option	Media mix
17	Selection of most appropriate cost-effective medium in advertisement is	Media Buying	Media schedule	Media purchasing	Media Selection	Media Selection

18	Direct mail advertising sends message through _____	Audio	Video	Mail	None of these	<b>Mail</b>
19	Which of the following is more of personal medium of advertisement?	Internet Advertisement	Broadcast Media	Direct MailAdvertising	Print Media	<b>Direct MailAdvertising</b>
20	Independent organization of creative people for advertisement and promotional tools are called _____	Advertisement Makers	Advertisement creator	Advertisement cluser	Advertisement Agency	<b>Advertisement Agency</b>
21	The concept of marketing mix was developed by:	N.H Borden	Philp katter	Stanton	Anderson	<b>N.H Borden</b>
22	_____ the from of human needs take as shaped by culture and individual personality	Wants	Demands	Needs	Social needs	<b>Social needs</b>
23	_____ is want for specific backed by on ability to pay	Demands	Needs	Wants	Cutomers	<b>Demands</b>
24	This of the following is not a type of marketing concept	The production concept	The selling concept	The societal marketing concept	The supplier concept	<b>The supplier concept</b>
25	Today marketing must be understand in a new sense that can be characterized as _____	Get there first with the most	Management of youth Demands	Satisfaction of customer needs	Telling and selling	<b>Satisfaction of customer needs</b>
26	The key customer markets consist of _____	Government markets	Business market	consumer needs	All of above	<b>All of above</b>
27	_____ buy products or _____ use product	Consumer and Customer	Customer and Consumer	Buyers and Selling	Buyers and Customers	<b>Customer and Consumer</b>
28	_____ is the acquisition of goods and services by the seller on industrial user for the purpose of resaler	Selling	Assembling	Buying	Transportation	<b>Assembling</b>
29	_____ reflects the sum of perceived tangible and intangible benefits and costs to customers	Customer satisfaction	Customer volue	customer needs	None of these	<b>Customer volue</b>
30	_____ testing before launching a product is known as	Acid test	Market test	Concept testing	Test marketing	<b>Test marketing</b>
31	A _____ is an elaborated version of the idea expressed in consumer terms	New idea	Product concept	Product idea	Test brand	<b>Product concept</b>
32	Executives, manufacturing, employees and salespeople are all examples	Core, members of innovation management systems	External sources, for newProduct concept	Internal sources for new-product ideas	Research and develop	<b>Internal sources for</b>
33	SST stands for _____	Stable service technology	Social service technology	Smart service technology	Self service technology	<b>Self service technology</b>
34	Select name of the country having maximum percent of GDP attributed to services	United States	China	Germany	India	<b>China</b>
35	Which of the following is not an element of physical evidence	Employee dress	Employee training	Equipment	facility design	<b>Employee training</b>
36	Changing customers different prices for essentially the same services is	Price discrimination	Supply and demand	Complementary	Substitutes	<b>Price discrimination</b>
37	The mental energy spend by customers to acquire service is referred to as _____	Images cost	Money-based sales	Energy costs	Psychic cost	<b>Energy costs</b>
38	When should Competitor intelligence should be gathered?	Once a year	Twice a year	Continuously	When competition is	<b>Continuously</b>
39	Total customer values consists of all of the following components except	Product values	Images values	Service values	Personal values	<b>Personal values</b>

40	The major purpose of test marketing is to provide management with the information needed to make a final decision about _____.	whether to launch the new product	which market to compete in how to	develop a market strategy	how long to compete in the market	<b>whether to launch the new product</b>
41	This 'P' is the desired behaviour you are asking audience to do and the associated benefits tangible assets behaviour change	Product	Price	Place	Promotion	<b>Product</b>
42	This "P" comprises the communication messages, materials, channels, and activities that will effectively reach your audience	Product	Price	Place	Promotion	<b>Promotion</b>
43	The six phases are social marketing include	Needs assessment	Market research	Market strategy	Planning the intervention	<b>Market research</b>
44	A social marketing consultant's function of managing a social marketing program can include	Plan marketing initiative	Segment audiences	Evaluate outcome and impact	All of the above	<b>All of the above</b>
45	Green marketing messages and consumers is ----- intentions:	purchase	sales	buyer	seller	<b>purchase</b>
46	Participants with higher environmental affect showed greater purchase intention when exposed to the pure ----- advertisement;	environmental	social	green marketing	science	<b>environmental</b>
47	who teaches consumer behaviour and research methods, and has served as Dean of the Faculty of Business and Head of the School of Management at UTAS.	martin	thomas	hendry	smith	<b>martin</b>
48	A key part of her job and focus in marketing is the alignment of messaging and	positioning	learning	watching	shoiwing	<b>positioning</b>
49	extension is a national priority and support from the industry and other organizations----	Agricultural	industry	econimic	commerce	<b>Agricultural</b>
50	What Are The Infrastructural Facilities In Rural India?	1. Transport and connectivity.	Post offices	Network	all of the above	<b>all of the above</b>
51	What Are The Pricing Strategies Followed By Consumer Goods Companies?	Selecting the pricing objectives	Determining the consumers' demand	Estimating costs	all of the above	<b>all of the above</b>
52	For many companies, specific goals are a godsend since----- is still a bit of an uncertainty	social media marketing	green ,marketing	direct marketing	online marketing	<b>social media marketing</b>
53	How many leads are generated from visitors referred from the company blog posts created as part of this plan?	Outcome	income	both	none of this	<b>Outcome</b>
54	Mention any one object of branding	To motivate the people	Buying and	TV advertising.	none of this	<b>people to purchase</b>
55	What is personal selling	persuade	buyer	both	none of this	<b>both</b>
56	What is branding?	product or service	price	purchase	sales	<b>product or service</b>
57	Write any one essential quality of a good advertisement	15.Attention value,	educational value	both	none of this	<b>both</b>
58	marketing consumerism is how many types	4	5	6	7	<b>4</b>
59	phenomenon that empowers the buyers and consumers. Its effects are visible in the laws, regulations and also the marketing practices.	social	science	environment	economic	<b>social</b>
60	___-also ensures that the consumers are provided with the correct information about the products	consumerism	mechanism	socialism	none of this	<b>consumerism</b>

**KARPAGAM ACADEMY OF HIGHER EDUCATION****(Deemed to be University)****Established Under section 3 of UGC Act 1956****Coimbatore – 641021****(For the candidates admitted from 2017 onwards)****CONTINUOUS INTERNAL ASSESSMENT –I, July – 2019****B.COM (COMPUTER APPLICATIONS)****FIFTH SEMESTER****PRINCIPLES OF MARKETING****Date:****Session:****Time: 2 Hours****Maximum Marks: 50****PART – A (20 X 1 = 20 Marks)****Answer All the Questions**

1. Marketing creates\_\_\_\_\_.  
A) Sales                      B) Increase in Profit                      C) Employment                      D) Price.
2. Relationship orientation era comes under  
A) Nature of Marketing    B) Scope of Marketing                      C) Selling                      D) Evaluation of Marketing
3. \_\_\_\_\_ turns product into cash  
A) Selling                      B) Marketing                      C) Advertising                      D) Evaluating.
4. \_\_\_\_\_ is the marketing tool the firm to pursue the market  
A) Marketing Mix    B) Product Mix                      C) Sales Mix                      D) The Surroundings in Which
5. The Minimum Wages Act\_\_\_\_\_.  
A) 1995                      B)1994                      C)1999                      D)1948
6. \_\_\_\_\_ has brought innumerable changes in the society  
A) Demography                      B) Economic                      C) Technology                      D) Place
7. Which concept of marketing is product oriented  
A) Old                      B) New                      C) Early                      D) Present
8. Sub- division of marketing is called as\_\_\_\_\_  
A) Dividing                      B) Partition                      C) Area                      D) Segmentation
9. Macro environment is also called as\_\_\_\_\_  
A) Internal                      B) External                      C) Mixed                      D) Market
10. All marketing strategy is built on STP: STP Means, segmentation, targeting, and\_\_\_\_\_.  
A) Positioning                      B) Product                      C) Planning                      D) Promotion.
11. In marketing\_\_\_\_\_ is the focal point  
A) Consumer                      B) Producer                      C) Seller                      D) Dealer



**KARPAGAM ACADEMY OF HIGHER EDUCATION**  
(Deemed to be University)  
Established Under section 3 of UGC Act 1956  
Coimbatore – 641021  
(For the candidates admitted from 2017 onwards)

**CONTINUOUS INTERNAL ASSESSMENT –II, August – 2019**

**B.COM (COMPUTER APPLICATIONS)**  
**FIFTH SEMESTER**  
**PRINCIPLES OF MARKETING**

**Date:**  
**Session:**

**Time: 2 Hours**  
**Maximum Marks: 50**

**PART – A (20 X 1 = 20 Marks)**  
**Answer All the Questions**

1. A \_\_\_\_\_ is a strong internal stimulus that calls for action
  - a. Drive
  - b. Cue
  - c. Response
  - d. Perception
2. \_\_\_\_\_ describes changes in an individual's behavior arising from experience.
  - a. Modeling
  - b. Motivation
  - c. Perception
  - d. Learning.
3. \_\_\_\_\_ puts people into a frame of mind of liking or disliking things, of moving toward or away from them.
  - a. A rule
  - b. An attitude
  - c. A belief
  - d. A cue
4. Which of the following is NOT one of the five stages of the buyer decision process?
  - a. Need recognition
  - b. Brand identification
  - c. Information search
  - d. Purchase decision.
5. The \_\_\_\_\_ needs to identify distinct customer groups.
  - a. Marketer
  - b. Requirement
  - c. Satisfaction
  - d. Expectation
6. A person's self-concept is also called the
  - a. Self-image.
  - b. Image.
  - c. Self-picture.
  - d. Attitude.
7. The transmission of a message from a sender to a receiver via a medium of transmission is known as \_\_\_\_\_.
  - a. A parent
  - b. A friend
  - c. A doctor
  - d. A hospital
8. The \_\_\_\_\_ is the dominant institution in providing for the welfare of its members and is the major consuming unit.
  - a. Friendship group
  - b. Celebrity group
  - c. Work group
  - d. Family.





**PART – B (3 X 2 = 6 Marks)**

**Answer All the Questions**

- 21. What is Perception?
- 22. Define Product.
- 23. How do you define Brand?

**PART – C (3 X 8 = 24 Marks)**

**Answer All the Questions**

- 24. a). Describe the Bases of Market Segmentation

**(OR)**

- b). Explain the types of Products.

- 25. a) Elucidate the Functions of Packaging

**(OR)**

- b). Explain the Features of good Packaging.

- 26. a). Explicate the Functions of Labelling.

**(OR)**

- b). Describe the Product Life Cycle.