

# **MARKETING**

## **SHORT ANSWER TYPE QUESTIONS**

**1.** What is marketing? What functions does it play with process of exchange of goods and services? Explain.

**Ans:** Marketing is a total system of business activities designed to plan, price, promote and distribute want satisfying goods and services to present and potential customers.

Marketing is concerned with exchange of goods and services from producer to consumers which involves many activities.

### **(i) Gathering and Analysing Market Information:**

This is done to identify the needs of the customers and take various decisions for the successful marketing of the products and services.

### **(ii) Marketing Planning:**

Another important activity or area of work of a marketer is to develop appropriate marketing plans, so that the marketing objective of the organisation can be achieved.

### **(iii) Product Designing and Development:**

The design of the product contributes to make the product attractive to the target customers.

A good design can improve performance of a product and also give it a competitive advantage in the market.

### **(iv) Standardisation and Grading:**

Standardisation refers to producing goods of predetermined specification which helps in achieving uniformity and consistency in the output which reduces the need for inspection, testing and evaluation of the products.

Grading is the process of classification of products into different groups, on the basis of its features such as quality, size etc. It ensures that goods belong to a particular quality helps in realising higher prices for high quality output.

### **(v) Packaging and Labelling:**

Packaging refers to designing the package for the products. Labelling refers to designing the label to be put on the package. Packaging provides protection to the product and also helps in its promotion. Labelling helps in self service.

**(vi) Branding:**

Brand names help in creating product differentiations i.e., how the product can be distinguished from its competitors.

**(vii) Customer Support Service:**

Marketing management relates to developing customer support service such as after sales services, handling customer complaints. All these aim at provides customer satisfaction which is a key to marketing^success.

**(viii) Pricing of Product:**

Price is an important factor affecting the success or failure of a product in the market. The marketers have to analyse properly the factors determining the price of a product.

**(ix) Promotion:**

Promotion of products and services involves informing the customers about the firm's product, its features etc and persuading them to purchase these products. It includes four method advertising, sales promotion, personal selling and publicity.

**(x) Physical Distribution:**

The important decisions areas under physical distribution include managing inventory, storage, warehousing and transportation of goods from one place to the other.

**(xi) Transportation:**

Transportation involves physical movement of goods from one place to another. A marketer has to perform this function very efficiently keeping in mind the nature of product, cost, location of target market etc.

**(xii) Storage or Warehousing:**

In order to maintain smooth flow of products in the market, there is a need for proper storage of the products. Further, there is a need for storage of adequate stock of goods to protect against

unavoidable delays in delivery or to meet 'out contingencies in the demand. Wholesalers and retailers are playing an important role.

**2. Product is a bundle of utilities. Do you agree? Comment.**

**Ans:** Yes, product is a bundle of utilities, which is purchased because of its capability to provide satisfaction of certain need. A buyer buys a product or service for what it does or service for what it does for her or the benefits it provides. There can be three types of benefits, it provides to a customer (i) functional benefits (ii) psychological benefits and (iii) social benefits, e.g., the purchase of a motorcycle provides functional utility of transportation, but at the same time satisfies the need for prestige and esteem and provides social benefit by the way of acceptance from a group, by riding it.

**3. Products is a mixture of tangible and intangible attributes. Discuss.**

**Ans:** In marketing, product is a mixture of tangible and intangible attributes which are capable of being exchanged for a value, with ability to satisfy customer needs. Beside physical objects, include services, ideas, persons and places in the concept of product. Thus, product may be defined as anything that can be offered in a market to satisfy a want or need. It is offered for attention, acquisition, use or consumption.

**4. Describe the functions of labelling in the marketing of products.**

**Ans:** Label on a product provides detailed information about the product, its contents, methods of use etc. The various functions performed by a label are as follows

**(i) Describe the Product and Specify its Contents:**

One of the most important functions of labels is that it describes the product, its usage, cautions in use etc and specify its contents.

**(ii) Identification of the Product or Brand:**

A label helps in identifying the product or brand e.g., we can easily pick our favourite soap from a number of packages only because of its label.

**(iii) Grading of Products:**

Labels help grading the products into different categories. Sometimes, marketers assign different grades to indicate features or quality of the product e.g., different type of tea is sold by some brands under Yellow, Red and Green label categories.

**(iv) Help in Promotion of Products:**

An important function of label is to aid in promotion of the products. A carefully designed label can attract the customer to purchase. So, many labels provide promotional messages, some show discount or other schemes etc.

**(v) Providing Information Required by Law:** Another important function of labelling is to provide information required by law. e.g., the statutory warning on the package of cigarette or pan masala – ‘Smoking is injurious to health’ or ‘Chewing tobacco causes cancer.’

5. Discuss the role of intermediaries in the distribution of consumer non-durable products.

**Ans:** The term channels of distribution refers the facilitate to the movement of goods and services and their title between the point of production and point of consumption, by performing a variety of marketing activities. Following are the functions performed by the channels of distribution

**(i) Accumulation:**

It aims at holding the stock to match between the consumer demand and supply condition, warehousing helps in maintaining continuous flow of goods and services.

**(ii) Promotion:**

The marketing channels also help in promoting the demand for the product by displaying demonstrating and participating in various promotional activities organized by the producers.

**(iii) Negotiating:**

The marketing channels are the intermediaries between the producers and the consumers. They attempt to reach final agreement on price and other terms of the offer, so that transfer of ownership is properly affected.

**(iv) Risk Taking:**

Risk taking is the basic responsibility of the intermediaries. It may arise out of physical deteriorations, changes in price levels, natural calamities, change in fashion etc. These are unavoidable as they hold sufficiently large and variety of inventories till the sale of stock.

**(v) Grading / Sorting:**

Grading is the process whereby they sort the products on the basis of different sizes, qualities, moisture contents and so on. It helps us realising the time value for the product and at the same time ultimate consumer feels satisfied with the uniform quality of the product.

**(vi) Packaging:**

The products are packed in the small tradable lots for the convenience of the consumer.

**(vii) Assembling / Assortment:**

Marketing channels aim at satisfying the needs of the customers. The products desired by the consumer may not be available in the market. They procure such goods from different sources, assemble or assort them as per the requirements of the consumers.

6. Explain the factors determining choice of channels of distribution.

**Ans:** The choice of channels depend on various factors, which are discussed as follows

**(i) Product Related Factors:**

The important product related considerations is deciding the channels. It includes whether the ' product is an industrial product or a consumer product. Industrial product require shorter channel and consumer products require longer channel.

**(ii) Company Characteristics:**

The important company characteristics affecting the choice of channels of distribution include the financial strength of the company and the degree of control it wants to hold on other channel member. Direct selling involves lot of funds to be invested in fixed assets say starting own retail outlets or engaging large number of sales force. Similarly if the management want to have greater control on the channel member, short channels are used but if the management do not want more control over the middlemen, it can go in for longer channel or large number of intermediaries.

**(iii) Competitive Factors:**

The choice of channel is also affected by what the competitor has selected as its channel. Sometimes, firm may decide to go for the same channel and sometimes absolutely opposite.

**(iv) Market Factors:**

Important market factors affecting the choice of channel of distribution include size of market, geographical concentration of potential buyers and quantity purchased.

**(v) Environmental Factors:**

Sometimes environmental factors also helps in deciding the channel of distribution, e.g., in a depressed economy, marketers use shorter channels to distribute their goods in an economical way

7. Explain briefly the components of physical distribution.

**Ans:** The main components of physical distribution are as follows'

**(i) Order Processing:**

If a firm takes more time to process the order, then the consumer remains dissatisfied. Therefore, order processing has to made faster by using information technology.

**(ii) Inventory Control:**

Inventories ensure the availability of the product as and when consumer demand arises. There are various factors which influence a firm decision regarding the level of inventory e.g., degree of accuracy of sales forecast, cost of blocking of the working capital etc.

**(iii) Warehousing:**

It refers to the storage of goods from the time of production to the time of consumption. Warehousing is important as it creates time utility.

**(iv) Transportation:**

It creates place utility. It refers to the carrying of raw materials or finished goods from one place to another. The most important thing to be kept in mind is that the value addition by transportation should be greater than the cost of transportation

8. Define advertising, what are its main features? Explain.

**Ans:** Advertising is defined as the impersonal form of communication which is paid form by the marketer to promote some goods or services. It is commonly use as the promotional tool of the company. The important features of advertising are as follows

(i) Paid Form Advertising is a paid form of communication which means the sponsor has to bear the cost of communication with the prospects.

(ii) Impersonality There is no direct face to face contact between the prospect and advertiser. It is therefore, referred as the impersonal method of promotion.

(iii) Identified Sponsor Advertising is undertaken by some identified individual or company, who makes the advertising efforts and also bears the cost of it.

9. Discuss the role of 'Sales Promotion' as an element of promotion mix.

**Ans:** Sales promotion includes those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as display, shows and exhibitions, demonstrations and various non-current selling efforts not in the ordinary routine. The main objectives of sales promotion activities are

(i) Creation of demand for the product.

(ii) Educating the consumers about new products or new uses of the old product.

(iii) Building the brand loyalty for the product among the consumers.

### **LONG ANSWER TYPE QUESTIONS**

1. What is the marketing concept? How does it help in the effective marketing of goods and services?

**Ans:** Orientation of marketing implies that focus on the satisfaction of customers need, is the key to the success of any organisation in the market. All the decisions in the firm are taken from the point of view of the customers, e.g., What product will be produced, with what features and at what price shall it be sold or where shall it be made available for sale will depend on what do the customer wants.

Marketing concept helps in effective marketing of goods and services by using the following

(i) Identification of market or customer who are chosen as the target of

(ii) Understanding needs and wants of customers in the target market.

(iii) Development of products or services for satisfying needs of the target market.

(iv) Satisfying needs of target market better than the competitors.

(v) Doing all this at a profit.

**2.** What is marketing mix? What are its main elements? Explain.

**Ans:** Marketing mix refers to the combination of four basic elements known as four P's — Product, Price, Promotion and Place.

**(i) Product Mix:**

Product mix basically concerns with the features related to a product e.g., range, quality, size, labelling, packaging, branding etc. All products must satisfy consumer needs and expectations. It aims at providing good quality products at fair prices.

**(ii) Price Mix:**

It includes decisions relating to price determination, discounts and allowances credit terms. It covers pricing objectives and pricing policies. Price should cover not only cost of production and selling expenses but also a reasonable profit margin. The price policy adopted by the enterprise should not only be cost based but also demand based and competition based.

**(iii) Place Mix:**

Place mix links the seller and buyer. The choice of channels of distribution and transport are the two major issues here. There are various factors which help in deciding the channel e.g., the time and the place, where the goods have to reach or transportation. It is the nature of goods, place of destination, cost and availability etc.

**(iv) Promotion Mix:**

It refers to all marketing activities to increase the volume of sales of the product of an enterprise. It consists of means of marketing communication with a view to informing and persuading the prospective buyers to buy a certain product. It includes advertising, personal selling, publicity and sales promotion.

**3.** How does branding help in creating product differentiation? Does it help in marketing of goods and services? Explain.

**Ans:** Branding helps a firm in distinguishing its products from that of its competitors. This helps the firm to secure and control the market for its products. If products were sold by generic names, it would be very difficult for the marketers to distinguish their products from its competitors. Thus, most marketers give a name to their product, which helps in identifying and distinguishing their



products from their competitors product. This process of giving a name or a sign or a symbol etc to a product is called Branding.

**4.** What are the factors affecting determination of the price of a product or service? Explain.

**Ans:** There are number of factors which affect the fixation of the price of a product. Some of the important factors in this regard are discussed as below

**(i) Product Cost:**

The cost sets the minimum level or the floor price at which the product may be sold. There are broadly three types of cost—fixed costs, variable costs and semi variable cost. Total cost is the sum of all these three. Generally, all firms try to cover all their costs, atleast in the long run. In addition, they aim at earning a margin of profit over and above the costs.

**(ii) The Utility and Demand:**

The utility provided by the product and the intensity of demand of the buyer sets the upper limit of price, which a buyer would be prepared to pay. Infact the price must reflect the interest of both the parties to the transaction — the buyer and the seller. The buyer may be ready to pay up to the point, where the utility from the product is atleast equal to the sacrifice made in terms of the price paid. The seller would, however, try to cover the costs. According to the law of demand, consumers generally purchase more units at a low price than at a high price.

**(iii) The Extent of Competition in the Market:**

The price is also affected by the nature and degree of competition. The price will tend to reach the upper limit in case there is less degree of competition while under free competition, the price will tend to be set at the lowest level.

**(iv) Government and Legal Regulations:**

In order to protect the interest of public against unfair practices in the field of price fixing, Government can intervene and regulate the price of commodities. Government can declare a product as essential product and regulate its price.

**(v) Pricing Objectives:**

Pricing objectives are another important factor affecting the fixation of the price of a product or a service. Apart from price maximisation, the pricing objectives of a firm may include.

**(a) Obtaining Market Share Leadership:**

If a firm objective is to obtain larger share of the market, it will keep the price of its products at lower level, so that greater number of people are attracted to purchase the products.

**(b) Surviving in a Competitive Market:**

If a firm is facing difficulties surviving in the market because of intense competition or introduction of a more efficient substitute by a competitor.

**(c) Attaining Product Quality Leadership:**

In this case, normally higher prices are charged to cover high quality and high cost of R & D (Research and Development).

**(vi) Marketing Methods used Price Fixation:**

Price is also affected by other elements of marketing such as distribution system, quality of salesmen employed, quality and amount of advertising, sales promotion efforts, the type of packaging, product differentiation, credit facility and customer service provided.

**5.** What do you mean by 'Channels of distribution'? What functions do they play in the distribution of goods and services? Explain.

**Ans:** People, institutions, merchants and functionaries, who take part in the distribution of goods and services are called 'Channels of Distribution'. Channels of distribution are set of firms and individuals that take title or assist in transferring title, to particular goods or services as it moves from the producers to the consumers. Channels of distribution smoothen the flow of goods by creating possession, place and time utilities. They facilitate movement of goods by overcoming various barriers The important function performed by middlemen are

(i) **Sorting:** Middlemen procure supplies of goods from a variety of sources, which is often not of the same quality, nature and size. These goods are sorted into homogeneous groups on the basis of the size or quality.

(ii) **Accumulation:** This function involves accumulation of goods into larger homogeneous stock, which help in maintaining continuous flow of supply.

(iii) **Allocation:** Allocation involves breaking homogeneous stock into smaller, marketable lots to sell them to different types of buyers.

(iv) **Assorting:** Middlemen build assortment of products for resale. There is usually a difference between the product lines made by manufacturers and the assortment or combinations desired by the users. Middlemen produce variety of goods from different sources and delivers them in combinations, desired by customers.

(v) **Product Promotion:** Middlemen also participate in some sales promotion activities, such as demonstration, special display, contests etc. to increase the sale of products.

(vi) **Negotiation:** Channels operate with manufacturers on the one hand and customer on the other. They negotiate the price, quality, guarantee and other related matters with customers, so that transfer of ownership is properly affected.

(vii) **Risk Taking:** In the process of distribution of goods, the merchant middlemen take title of the goods and thereby assume risks on account of price and demand fluctuations, spoilage, destinations etc.

6. Explain the major activities involved in the physical distribution of products.

**Ans:** Physical distribution covers all the activities required to physically move goods from manufacturer to the customers. Important activities involved in the physical distribution include transportation, warehousing, material handling and inventory control.

(i) **Order Processing:**

In a typical buyer-seller relationship order placement is the first step. Products flow from the manufacturers to customers via channel members while orders flow from customers to manufacturers. Therefore, a good speedy and accurate system of order processing becomes a necessity.

(ii) **Transportation:**

Transportation is the means of carrying goods and raw materials from the point of production to the point of sale. It is one of the major element in the physical distribution of goods. It is important because unless the good are physically made available, the sale can not be completed.

(iii) **Warehousing:**

Warehousing refers to the act of storing and assorting products in order to create time utility in them. The basic purpose of warehousing activities is to arrange placement of goods and provide facilities to store them. The need for warehousing arises because there may be difference between

the time, a product is produced and the time it is required for consumption. Generally, the efficiency of a firm in serving its customers will depend on, where these warehouses are located and where are these to be delivered.

**(iv) Inventory Control:**

A very important decision in respect of inventory is deciding about the level of inventory. Higher the level of inventory, higher will be the level of service to customers but the cost of carrying the inventory will also be high because lot of capital would be tied up in the stock. The decision regarding level of inventory involves prediction about the demand for the product. A correct estimate of the demand helps to hold inventory and cost level down to a minimum. The major factors determining inventory levels include.

- (a) Firm's policy regarding the level of customer service. Higher the level of service, greater will be the need to keep more inventories.
- (b) Degree of accuracy of the sales forecast. In case more accurate estimates are available, the need for keeping very high level of inventory can be minimised.
- (c) Responsiveness of the distribution system i.e., ability of the system to transmit inventory needs back to the factory and get products to the market.
- (d) Cost of inventory, which includes holding cost, such as cost of warehousing, tied up capital etc and the manufacturing cost

**7. 'Expenditure on advertising is a social waste' Do you agree? Discuss.**

**Ans:** The opponents of advertising say that the expenditure on advertising is a social waste as it adds to the cost, multiplies the needs of the people and undermines social values. The proponents, however argue that advertising is very useful as it increases the reach, brings the per unit cost of production down and adds to the growth of the economy.

Following are the points of criticism

**(i) Adds to Cost:**

The opponents of advertising argue that advertising unnecessarily adds to the cost of product, which is ultimately passed on to the buyers in the form of high prices. It is line that advertisement of a product cost lots of money but it helps to increase the demand for the product as large number of potential buyers come to know about the availability of the products, its features etc and are

persuaded to buy it. This increases the demand and therefore the – production. As a result, the per unit cost of production comes down as the total cost is divided by larger number of units.

**(ii) Undermines Social Values:**

Advertising undermines social values and promotes materialism. It breeds discontentment among people as they come to know about new products and feel dissatisfied with their present state of affairs. This criticism is not entirely true. Advertisement in fact helps buyer by informing them about the new products which may be improvement over the existing products.

**(iii) Confuses the Buyers:**

Another criticism against advertisements is that so many products are being advertised which makes similar claims that the buyer gets confused as to which one is true and which one should be relied upon, e.g., there are so many brands of soaps, shampoos, cars, TVs, cell phones etc which are advertised. The supporters of advertisement, however argued that we are all rational human beings who make our decisions for purchase of products on factors, such as price, style, size, etc. Thus the buyers can clear their confusion by analysing the information provided on the advertisements and other sources before taking a decision to purchase a product.

**(iv) Encourages Sale of Inferior Product:**

Advertising does not distinguish between superior and inferior products and persuade people to purchase even the inferior products. The desired level of quality will depend on the economic states and preferences of the target customers. Advertisements sell products of a given quality and the buyers will buy, if it suits their requirements.

**(v) Some Advertisements are in Bad Taste:**

Another criticism against advertising is that some advertisements are in bad taste. They show something which is not approved by some people. Some advertisement spoil the relationship between employer and employee, husband and wife etc. From the above discussion, we have learnt that through advertisements are criticised but still they have their own advantages. It is not a social waste, rather it adds value to the social cause by giving a boost to production and generating employment.

## **CASE PROBLEM**

**1. Nokia takes four-lane road to consumers.**

NEW DELHI After having grabbed a king size 79% share of the 15,000 crore mobile handset market in India, Nokia India has found a new way of connecting people.

The mobile handset manufacturer has embarked upon a brand new retail strategy that is based on a classification of its consumers into four major groups that separates people in terms of usage, income level and lifestyle.

The classification is based on an extensive survey— the Nokia Segmentation Study —that was carried over two years involving 42,000 consumers from 16 countries. It studied the impact lifestyle choices and attitudes have on the mobile devices consumers buy and how they use them.

The strategy, which was announced globally in June last year, is being unfolded in India now. While the nitty-gritty of the new strategy is still being worked out, it is likely that the company would follow separate marketing strategies for the four different segments. The advertising campaigns could be different for the segments.

Nokia's entire product portfolio has now been re-aligned towards these four groups to address the specific needs of each. The first of these segments Live, aimed a first time users whose basic need is to stay in touch with voice as the main driver, would have basic handsets low on features and price.

"These may be functional phones but the target group for these phones range from SEC C (low socio-economic class) to SEC A1+ (very high socio-economic class) markets", says Nokia India marketing head Devinder Kishore. The second segment Connect looks at more evolved users who look for more functionality and features and connectivity. Accordingly, phones in this segment would have GPRS, camera and music capabilities.

The next two categories, Achieve and Explore, are aimed at high-end users and have Nokia's top-end handsets, e.g., Achieve segment looks at enterprise users who need to have business functionalities in their phones. Nokia's new E-series has been put under this segment with handsets having QWERTY keyboards and full Internet capabilities.

Aimed at high-end lifestyle users, Explore would be the most prominent segment for the company in the coming years. Says Nokia India multimedia business director Vineet Taneja, "This segment would see the most vibrant growth in the coming year. It will look at five different areas— applications, imaging, mobile, TV, music and gaming. We are fast developing (the ecosystem to support these areas."

Nokia acquired music solution and content provider LoudEye and GPS solution provider Gate5. It is all slated to launch its most high-profile handset, which boasts of having a 5 mega pixel camera and GPS capabilities apart from iPod quality music, in February.

Says Taneja, "There is increasing demand for convergence and multiple functionalities in high-end handsets. The N-series will try to address that". Nokia feels that the new platform strategy wherein different handsets are launched under a platform, like the N-Series, will become a status and style statement and drive numbers.

**(I)** Identify the four market segments that Nokia plans to address as per the news report above.

**Ans:** Live, Connect, Achieve and Explore.

**(II)** What is the basis of classification of the market used by the company?

**Ans:** SEC Socio-Economic Class, usage and lifestyle

**(III)** What do you mean by realignment of product portfolio? Illustrate this from the case above.

**Ans:** It means that whatever product Nokia is planning to develop now, it will be according to the needs of the consumers. The four different handsets are Live, Connect, Achieve and Explore, being planned keeping the needs of four different types of users.

**(IV)** Identify the points that can be highlighted in marketing campaigns for each segment.

**Ans:** The points that can be highlighted in marketing campaigns for each segment can be

(i) Latest model (ii) Reasonable price

(iii) Better performance (iv) Advanced technology

(v) Consumer friendly.

**(V)** What are the different considerations in the mind of consumers of each segment while purchasing mobile phones as given in the above case?

**Ans:** Different considerations in the mind of each segment while purchasing mobile phones are

(i) The first of these segments Live, aimed at first time users whose basic need is to stay in touch with voice as the main driver. So, here price of the phone is the main consideration.

(ii) The second segment connect looks at more evolved users who look for more functionality and features and connectivity. So, here the features of the phone as well as an economic price tag are considered.

(iii) The next two categories, Achieve and Explore, are aimed at high-end users. So, here the uniqueness of the handset and its business functionalities are the main points considered by the consumer.