

## **NCERT Solutions Class 12**

### **Business Studies : Business Finance and Marketing**

#### **Chapter 11 - Marketing**

**Very short answers :** Solutions of Questions on Page Number : **357**

**Question 1: Explain the advantages of branding to marketers of goods and services.**

**Solution :**

Branding implies giving a unique name, sign, symbol or term for the identification of a product. The following are the advantages of branding to the marketers.

- i) Branding enables a firm to distinguish its product from the product of other firms.
- ii) It facilitates advertising of the product. Only when a product is given a brand, it can be advertised and thereby, attract customers. A product with a generic name cannot be advertised.
- iii) Through good branding manufacturers can create loyalty and habituality for their product. Thereby, the firm can benefit from this and charge a different price for its product.
- iv) It helps in establishing the base if a new product is to be launched. This is because if a new product is launched under a good and established brand, it is expected to get a good boost and benefit from reputation of the brand.

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**Question 2: List the characteristics of a good brand name.**

**Solution :**

A good brand name consists of the following characteristics.

- i) The name should be short and easy to spell, pronounce and remember. For example, Ponds, Rin.
  - ii) A brand should suggest the benefits or qualities of the product and also suit its functions. For example, Boost, Fair & Lovely.
  - iii) The name should be unique as well as adaptable to packaging and labelling requirements. It should also be adaptable to different mediums of advertising and languages.
  - iv) A brand name should be versatile and should be able to adapt to the new products if introduced under the brand.
  - v) It must be distinctive and capable of being legally protected.
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**Question 3: What is the societal concept of marketing?**

**Solution :**

According to the societal concept of marketing the organisations must identify the needs of the market and the target consumers and deliver the desired results in an efficient manner. The

organisation should identify not just the immediate needs of the market rather should also aim at long-term wellbeing of the consumers. Thus, besides customer satisfaction, organisations should also aim at ecological, ethical and social aspects such pollution, scarcity of resources, etc.

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**Question 4: List the characteristics of convenience products.**

**Solution :**

Convenience products refer to those products that are purchased frequently, immediately and with minimum time and effort.

The following are the characteristics of a convenience product.

- i) Such products are easily available at convenient places with minimum time and effort wastage.
  - ii) Convenience products are consumed frequently and have a continuous demand. Generally the essential commodities come under the category of convenience products.
  - iii) They are available in small units and low and standardised prices.
  - iv) The competition in the market for such products is high. Thereby, heavy advertising is required for these products.
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**Question 5:**

**Enlist the advantages of packaging of a consumer product.**

**Solution :**

Packaging refers to the process of developing and designing the container for a product. A good packaging has the following advantages.

- i) It enables **differentiation and identification** of a product from other products.
  - ii) It acts as a **promotional tool**. Use of colours, pictures, symbols in packaging helps in attracting the customers.
  - iii) Appropriate packaging contributes to the **convenience in handling** the product.
  - iv) It helps in **protecting the quality** of the product from any kind of damage. It helps in avoiding any kind of spoilage, breakage, etc. particularly at the time of storage and transportation.
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**Question 6:**

**What are the limitations of advertising as a promotional tool? Enlist.**

**Solution :**

The following are the limitations of advertising as a promotional tool.

- i) It lacks personal form of communication and thereby is **less forceful**.
  - ii) **Evaluation** regarding the effectiveness of the advertisement is **very difficult** to conduct.
  - iii) Advertisements come in standardised form and **cannot be molded** as per the requirements of different consumer groups.
  - iv) **Effectiveness of advertising is low** as there can be numerous advertisement.
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**Question 7:**

**List five shopping products purchased by you or your family during the last few months.**

**Solution :**

Shopping products purchased are the following.

- i) Clothes
  - ii) Jewelry
  - iii) Television
  - iv) Shoes
  - v) Home furniture
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**Short answers:** Solutions of Questions on Page Number : **357**

**Question 1:**

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

**Solution :**

Marketing refers to the process wherein the buyers and sellers interact with each other for purchase and sale of goods and services. Earlier, marketing had different approaches with respect to its definition. It was sometimes described as a post- production process that involves purchasing of the final products and sometimes, as a pre-production process that involves merchandising (designing) of the product. In reality, marketing is a much wider concept than this. It consists of all those activities that are involved in the process of exchange of the goods and services between producers and consumers. These activities are basically the functions performed under marketing. It involves planning, designing the product, packaging and labelling of the product, standardising, branding, warehousing, transportation, advertising, pricing and distribution. It also includes activities that are performed even after the sale of product such as, maintaining customer relations and collecting feedback. Thus, marketing plays an important role in the process of exchange of goods and services.

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**Question 2:**

**Distinguish between the product concept and production concept of marketing.**

**Solution :**

<b>Basis of Difference</b>	<b>Product Concept</b>	<b>Production Concept</b>
Belief	It was believed that consumers favoured, superior quality products and thereby, profits can be maximised by increasing the quality of the product.	It was believed that consumers favoured readily available and affordable products and thereby profits can be maximised by increasing the volume of production.
Focus of the business	Focus was on improving the quality of the product, adding new features, etc.	Focus was on enhancing the quantity of product ion and reducing the average cost of production
Odology	Emphasis on improving the features and quality of product.	Emphasis on improving the production efficiency of the business.

**Question 3:**  
**Product is a bundle of utilities? Do you agree? Comment.**

**Solution :**

When a customer decides to buy a product, his/her main focus lies on the utility which he/she receives while consuming it. A customer seeks different types of satisfaction from the product. Benefits derived from a product can be of three types- functional benefits, psychological benefits and social benefits. For instance, when a consumer purchases a car, it provides him functional utility as a means of transport. Besides, he also receives a psychological benefit in the form of pride and self-esteem that he has bought a car. Along with it comes the social benefit in the form of acceptance by the peers. Thus, a product is said to be a bundle of utilities and a buyer while buying a product values all such kinds of utilities.

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**Question 4:**  
**What are industrial products? How are they different from consumer products? Explain.**

**Solution :**

Industrial products refer to those products that are used as inputs for the production of other goods. Such goods are not meant for final consumption rather they are used as raw material and inputs by the manufacturers for the production of consumer goods. For example, machines, tools etc. are industrial products. As against this, consumer products refer to those products that are used by the ultimate customers for their personal consumption purposes. For example, toothpaste, edible oil, furniture, etc. are consumer goods. The following points highlight the difference between industrial products and consumer products.

<b>Basis of Difference</b>	<b>Industrial Products</b>	<b>Consumer Products</b>
Number of Customers	The number of customers is limited. For instance, oil seeds (industrial product) are used mostly by the producers of mustard oil.	The number of customers is higher. For instance, mustard oil (consumer product) is consumed by many people.
Channel of Distribution	Such products require shorter channels of distribution such as direct selling or one level channel.	Such products require comparatively longer channels before they reach the final consumer. However, channel of distribution for perishable consumer products is small.
Location	Industrial products remain concentrated only in those areas where the industries producing these goods are located.	Consumer products readily and conveniently available.
Demand	Demand for industrial product is a derived demand based on the demand for consumer products.	Demand of consumer product is not a derived demand rather sets the basis for demand for industrial products.

Role of Technical Features in Decision Making	Technical features play an important role while purchasing these products	Such products do not involve any technical complexities in manufacturing. Thereby, technical features does not have much role in the decision making while purchasing.
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**Question 5:**

**Distinguish between convenience product and shopping product.**

**Solution :**

<b>Basis of Difference</b>	<b>Convenience Product</b>	<b>Shopping Product</b>
Demand	Convenience products have a continuous and frequent demand.	Shopping products have a relatively less frequent demand.
Nature of Products	Essential commodities come under the category of convenience goods.	Generally, such goods are durable in nature
Unit of Purchase and Price	These products are available in small units and have low unit price. Thereby, such products have low profit margin.	These products usually come in bigger u d have high unit prices. Thereby, the pro gin is also high.
Nature of Purchase	Such products are brought impulsively without devoting much time and effort.	Such products are not brought impulsive the consumer devotes considerable time ort to compare the price, quality, etc. of duct.
Example	Ice-Creams, medicines, newspaper, Stationary items	Jewelry, furniture, clothes, etc.

**Question 6:**

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

**Solution :**

Generally, a product is referred to as a tangible asset which has physical attributes. For example, we regard a motorbike or a laptop as a product. However, in marketing a product relates not just to physical or tangible attributes but also to certain intangible attributes. That is, a consumers' decision to purchase a product is based not just on its tangible attributes but also on certain other intangible attributes. In other words, a consumer purchases a product not just for its functional utility but for other factors as well such as brand name, reputation, social satisfaction, etc. For example, when a person purchases a laptop, along with the physical attributes and functional utility regarding the model, size, features, etc. he also looks for intangible attributes such as guarantee, brand, etc. Hence, product is a mixture of tangible and intangible attributes.

**Question 7:**

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

**Solution :**

In the marketing process, labelling plays an important role in packaging of the product. Labelling

basically provides the information about the product in the form of a tag (in cases of local unbranded products such as rice, wheat, etc.) or graphics (such as a lady applying cream on face for a face-cream).

There are various functions performed by labelling which are as follows.

***i) Description of Use and Contents***

The main function performed by labelling is to provide the description about the product regarding its use, application, cautions, content, etc. For example, on the bottle of a shampoo, the contents are written, along with the cautions such as keep away from children below the age of 10. Similarly, on food products such as maggi cuppa mania, a picture of noodles is there describing its appearance. Along with this, the ingredients and procedure of making it is also stated.

***ii) Identification and Differentiation***

A label helps in easy identification of the product. It helps the consumers to differentiate their favourable products from other products. For example, in a potato chip product, a man eating potato chips is imprinted for identification. A label also provides other valuable information such as name or address of the manufacturer, net weight, maximum retail price, batch number, etc.

***iii) Standardising and Grading***

A label also helps in setting grades for a product. This helps the marketers to classify the product in different categories based on certain specific quality or features. For example, a brand of face-cream comes in different categories such as oily skin, dry skin and normal skin.

***iv) Promotes the Production***

An attractive label helps the marketers in promoting the product as well. It helps in attracting more customers towards the product. For example, for maggi noodles, the label says "Taste bhi, Health bhi". Herein, label plays an important role in highlighting the product and promoting its sale.

***v) Information Required for Law***

Label also provides and mentions the information which are required to be mentioned as per the law. For example, on a packet of tobacco it is written 'chewing tobacco is injurious to health'.

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**Question 8:**

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

**Solution :**

Intermediaries play an important role in the distribution of consumer non-durables. They facilitate the transfer of goods from the place of production to the place where they are consumed.

The following are the different functions performed by the intermediaries in case of non- durables.

i) **Arrangement:** An intermediary receives the supply of goods from various sources. He then sorts these goods into homogeneous groups based on their characteristics such as size, quality, etc.

For instance, an electronic goods seller receives supply of different electronic goods (T.V., washing machine etc.) and then sorts them based on their functions.

ii) **Collection:** An intermediary maintains large stock of the goods so as to ensure easy flow of supply. For instance, the electronic goods seller maintains large stock of each type of the electronic item.

iii) **Allocation and Packing:** This function includes breaking the larger stock into smaller units. For instance, each electronic item as well as their spare parts are packed separately.

iv) **Building Variety:** An intermediary acquires various goods from different sources and assembles them at a single place. Thus, it maintains a variety of goods. He procures the products and then sells them in different combinations as desired by the consumers.

For instance, a television and a video player are preferred together by most of the people. Thus, the retail can sell a combination of both.

v) **Promotion of Product:** They assist in the promotion activities undertaken by the manufacturers. For example, the manufacturers use advertising for the promotion of their product. The intermediaries can aid this process by putting banners and displays. For example, an electronic goods retailer puts up banners for various products highlighting their features.

vi) **Mediation:** Middle men perform the function of setting a deal that can satisfy both the producers and the consumers. They negotiate the price, quality, quantity, etc. for efficient transfer of ownership so as to satisfy the need of both the parties.

vii) **Bearing Risk:** Intermediaries acquire goods from the producers and keep them in their possession till the final sale. In the process they bear the risk of fluctuations in demand, price, spoilage, etc. For example, suppose a retailer acquires large quantities of air conditioners. However, after a few months winter sets in and the demand for air conditioners falls. Thus, the stock remains unsold and retailer would suffer a loss.

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### **Question 9:**

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

#### **Solution :**

One of the important decisions of marketing involves the choice regarding which channel of distribution to opt for. The following factors determine the choice of channels.

#### **i) Product Type**

The choice of channel of distribution is based on the type of the product that is produced. It is important to check whether the product is perishable or non-perishable, whether it is an industrial or a consumer product, whether its unit value is high or low and also, the degree of complexity of the product. For instance, if a good is perishable then short channels should be used rather than the long ones. Similarly, if a product has a low unit value then longer channel are preferred. In a similar manner, consumer products are distributed through long channels while industrial products are distributed through short channels.

#### **ii) Characteristics of the Company**

The two important characteristics of a company that affect the choice of channel are its financial strength and the degree of control that the company wishes to hold on the intermediaries. Shorter channels require greater funds than longer channels and also offer greater control over the members of the channel (intermediaries). Thus, companies that are financially strong or wish to command greater control over the channel of distribution opt for shorter channels of distribution.

#### **iii) Competitive Factors**

The degree of competition and the channels opted by other competitors affect the choice of distribution channel. Depending on its policies a company can adopt a similar channel as adopted by its competitors or opt for a different channel. For example, if competitors of a company opt for sale through retail store, it may also do the same or it can opt a different channel such as direct selling.

#### **iv) Environmental Factors**

Environmental factors such as economic constraints and legal policies play an important role in the choice of channel of distribution. For example, requirement of complex legal formalities at each step of distribution induces the companies to opt for shorter channels.

#### **v) Market Factors**

Various other factors such as size of the market, geographical concentration of buyers, quantity demanded, etc. also affect the choice between the channels. For instance, if potential buyers are concentrated in a small geographical area then, shorter channels are used. As against this, if the buyers are dispersed in a larger area then longer channels of distribution may be used.

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#### **Question 10:**

**Explain briefly the components of physical distribution.**

#### **Solution :**

Physical distribution refers to movement of products from the place of production to the place of consumption.

The following are the components of physical distribution.

- i) **Processing of Order:** Processing of order comprises of a number of steps such as placement of order, transmission of the order by the intermediaries to the manufacturer, maintenance of inventory as per the requirement, delivery of goods, etc. As all such processes take time, a physical distribution system should be such that it should ensure speedy and proper order processing. Generally, there exists a direct relationship between speed and accuracy of order processing and customer satisfaction. Fast and accurate order processing results in greater consumer satisfaction.
  - ii) **Transportation of Products:** Transportation of products refers to the physical movement of goods from the place where they are manufactured to the place where they are consumed. To make the goods physically available to the consumers they must be transported from the place of production to the place of consumption.
  - iii) **Warehousing:** Warehousing refers to the process of storing the produced goods before the final act of sale. If a company has a larger number of warehouses, it will be able to readily provide the goods on time at different locations. However, maintaining warehouses involves its own cost. Thus, a company must weigh the relative benefits and costs associated with warehousing and maintain a balance between the two as per the requirement.
  - iv) **Maintenance of Inventory:** The firms maintain inventory so as to ensure timely supply of products. Similar to warehousing, maintenance of inventory also shares a positive relation with customer service. However, maintenance of inventory involves a cost as a huge amount of capital remains tied up in the stock unless it is sold. Thus, the firms must strike a balance between customer service and cost.
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#### **Question 11:**

**Define advertising. What are its main features? Explain.**

#### **Solution :**

Advertising is a technique used for promotion of a product. Through advertising the companies attract customers towards their product and induce them to purchase it. Some of the common modes



of advertising are newspapers, magazines, television, etc. The following are the important features of advertising.

- i) **Cost Involved:** Advertising involves a cost. It is a paid form of promotion. The costs involved in advertising are to be borne by the sponsors.
  - ii) **Impersonal Mode:** Advertising is an impersonal mode of communication. That is, there is no face-to-face interaction between the customer and the advertiser. Thus, it lacks a personal touch and creates a monologue.
  - iii) **Specific Sponsor:** There are always some identified individuals or sponsors who undertake the responsibility of designing it and bearing the cost involved.
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### **Question 12:**

**Discuss the role of 'sales promotion' as an element of promotion mix.**

#### **Solution :**

Sales promotion refers to the incentives that are offered to the buyers so as to encourage them to purchase the product. It included activities such as offering discounts, gifts, free samples, etc. Such activities supplement other promotional activities undertaken by the company such as advertising and direct selling. They increasingly attract the customers and induce them to immediately purchase the product. Such activities are especially useful at the time of launch of a new product. They bring an initial boost to sales. For example, discounts are given in the form of offering the product at a lower price than the listed price. Free gifts are offered in the form of quantity gifts (such as 20% extra or buy 2, get 1 free). Free samples are provided in the form of small packets when launching a new brand. Such incentives are opted by the companies to attract more customers and boost its sales

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**Long answers :** Solutions of Questions on Page Number : 358

### **Question 1:**

**Define marketing. How is it different from selling? Discuss**

#### **Solution :**

Marketing refers to the process wherein the buyers and sellers interact with each other for purchase and sale of goods and services. It comprises of a range of activities such as planning, designing the product, packaging and labelling of the product, pricing and distribution and also after sale services such as maintaining customer relations and collecting feedback. Selling, on the other hand, refers to the promotion activities undertaken for the sale of goods and services. Such promotion activities can be in the form of advertising, publicity, etc. Through the process of selling the product is converted into cash. In this sense, selling can be regarded as a part of marketing.

The following points highlight the difference between marketing and selling.

<b>Basis of Difference</b>	<b>Marketing</b>	<b>Selling</b>
Scope of the Term	Marketing is a wider time and involves a number of activities such as planning, designing, after sale services, etc.	Selling is a narrower term and is confined just to the promotion activities and the transfer of ownership of the product from the seller to the purchaser. Selling is just a part of marketing.
Means of profit Maximisation	Marketing lays emphasis on enhancing customer satisfaction for maximising profits.	Selling lays emphasis on maximising the sales for maximising profits.
Emphasis	All marketing activities emphasise on customer satisfaction	Selling activities emphasise on sale of goods and the transfer of ownership of product from the seller to the purchaser.
Scope of Activities	Marketing activities start before production and continues even after the sale of the product.	Selling activities start only after the production of the product.
Strategies and Efforts	It involves strategies related to production, planning, designing, feedback services, etc.	It involves strategies related just to the promotion and sale of the product.

### **Question 2:**

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

### **Solution :**

Marketing concept of marketing management lays emphasis on customer satisfaction. It believes that customer satisfaction plays a vital role in the success of any organisation. In the long run, any organisation can survive and maximise profits only if it identifies customer needs and effectively works towards fulfilling them. This concept identifies the fact that people purchase a product for satisfaction of a specific need (such as functional need, social need, psychological need, etc.). Any organisation must aim towards identifying such needs and satisfy them in an effective manner. That is, it must take all decisions based on needs and requirements of the customers. An organisation works and sells not according to what it has, but according to what the customer wants. The marketing concept is based on the following points.

i. The efforts of all marketing activities must be directed towards a particular segment of market or group of customers.

The organisations must clearly identify the needs and requirements of the target customer.

ii. It should develop such products and services that satisfy the needs of the customers.

iii. It should not just independently work towards customer satisfaction but should also aim at satisfying the customers better than its competitors.

iv. The crux of all efforts of marketing is profit.

Marketing concept helps in effective marketing of goods and services. If all marketing activities are directed towards customer satisfaction, marketing of goods and services would take place in an effective and smooth manner. If decisions of production, pricing, designing, etc. are based on the needs of the customers, selling would not be a problem. For example, if customers want dual sim mobile phones, high pixel camera, GPS, etc. the company produces mobile phones with such features. Similarly, other decisions of the company such as pricing, branding, etc. are also based on the requirements of the customers.

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### Question 3:

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

### Solution :

Marketing mix refers to the set of marketing tools that are used to achieve the various objectives of marketing. In the process of marketing, market offering plays an important role. That is, for effective marketing, an organisation must decide the various features of a product such as its size, quality, location of sale, etc. Such decisions are affected by a large number of factors. Some of them are controllable by the firm. For example, decisions regarding packing, branding, pricing, advertising, etc. are within the control of the firm. However, there are certain non-controllable factors as well that affect the decision making by a firm. For example, government policies, credit policies of the banks are beyond the control of the firm. A firm continuously alters the various controllable factors to achieve the objectives of marketing. Such factors form the pillars of marketing and are known as marketing tools. From the various alternative marketing tools, a firm chooses the best combination to develop a market offering. Such a set of marketing tools used by the firm to achieve the desired objectives of marketing is known as marketing mix.

The following are the elements of marketing mix.



1. **Product:** A product refers to any good or service that offers value and satisfies needs of a customer. For example, a car, toothpaste, soap, services of teacher, etc. are products. In marketing, a product relates not just to the physical product but it also includes the satisfaction of various needs and utilities of the customer. For example, consumption of a product benefits a consumer in the form of satisfaction of consumers' functional needs, social needs and psychological needs. Such benefits also form a part of product. In addition, a product also includes the after sale services such as taking feedbacks, redressing consumer complaints, etc. Important decisions regarding a product relate to its designing, quality, features, labelling, branding and packaging.

2. **Price:** Price refers to the money paid by the customers to obtain a product. Price of a product affects its demand. As the price of a product increases, its demand falls and vice versa. The marketers must analyse properly the various factors that determine the

price and decide a suitable price for the product. For example, the target customers, pricing policy followed by the competitors, objectives of the firm, etc. must be considered while deciding a price. The price set should be such that the customers find it at par with the value of the product. Suitable discounts and incentive schemes must also be decided.

3. **Place:** Besides the product decisions and pricing decisions, a firm must also take decisions regarding the availability of the product to the target customers. A firm must appropriately decide the dealers or intermediaries for the distribution of the goods. Other important decisions comprise of managing the inventory, warehousing, storage and transportation of the goods

4. **Promotion:** Promotion comprises of those activities that communicate customers regarding the availability of a product, its features, qualities, etc. so as to influence the customers to purchase the product. Organisations undertake various promotional activities such as advertising, sales techniques, personal selling, etc. An organisation must carefully decide the medium of promotion, thereby, taking the related actions. For example, the organisation must decide which of the sales techniques such as discounts, free gifts, sale, etc. should be used.

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### Question 5:

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

### Solution :

Price refers to the money paid by the customers to obtain a product and this price affects its demand. Thereby, pricing plays an important role in the marketing of goods. The price charged by a firm for its product affects its revenue and profits as well. In addition to this, pricing also acts as a competitive tool. Firms producing similar substitutable products compete with each other on the basis of price. Thus, the firms must pay due emphasis on proper pricing of their products. The marketers must analyse properly the various factors that determine the price and decide a suitable price for the product.

The following are the factors that affect the determination of the price of a product or a service.

1. **Cost of Product:** Cost of the product plays an important role in determining the price. It comprises of cost involved in production, distribution and sale of the product. Cost of product can be classified into three broad categories, namely, fixed cost, variable cost and semi variable cost. Fixed cost refers to those costs that do not vary with the level of output produced. For example, for the production of a good, a firm incurs cost on the purchase of machinery, land, etc. Such costs are fixed cost. On the other hand, variable cost refers to those costs that vary in direct proportion with the volume of production. That is, as the level of output increases, the variable cost also increases. For example, the cost incurred on labour, raw material, etc. are variable cost. Semi variable cost refers to those costs that vary with the level of output but not in direct proportion. For example, commission paid to intermediaries for the sale of good is a semi-variable cost.

Generally, the firms decide the price of a product such that they are able to cover all their cost. In addition, they also aim at earning some profit over and above the cost incurred by them. Thus, the firms decide upon the price keeping in consideration the cost as well as the profit factor.

2. **Demand for the Product:** While determining the price, a firm must also consider the demand for its product. Herein, the elasticity of demand plays an important role. Elasticity of demand refers to the proportionate change in demand due to a given proportionate change in price. If due to small proportionate change in price, the demand changes by a larger proportion, the demand is said to be elastic. That is, demand is said to be elastic, if a small rise (or, fall) in price leads to a relatively large fall (or, rise) in price. In this case, the firm cannot charge a higher price as it would lead to a large fall in the demand. On the other hand, demand is said to be inelastic, if a change in price does not

affect the demand much. In this case, the firm has the privilege of charging a higher price, as even at a higher price, the demand would not fall much. Thus, price for goods having elastic demand is generally lower than price for goods having inelastic demand.

3. ***Degree of Competition in the Market:*** Generally, higher the competition in the market, the lower is the price that a firm can charge for its product. This is because in case of high competition, if a firm attempts to charge a high price, it would lose its

customers to the competitors. On the other hand, if a firm faces very little competition for its product then it has the freedom of charging a higher price.

4. ***Government Regulations:*** At times to protect the interest of public at large, the government intervenes in the determination of price. For example, in case of essential commodities, the government can declare a maximum price that can be charged.

5. ***Objectives of Pricing:*** Every firm has various pricing objectives which it considers while deciding a price. The following are some of the objectives of pricing.

i. ***Profit Maximisation:*** Every firm aims at profit maximisation. However, if the firm aims at maximising profits only in the short run, then it may decide to charge a higher price and increase its revenue. On the other hand, if the firm aims to maximise profit in the long run, it would charge a lower price so as to acquire a greater share of the market and benefit from larger sales.

ii. ***Acquiring Market Share:*** If a firm desires to capture a greater market share, it would charge a lower price so as to attract a greater number of customers towards its product.

iii. ***Surviving Competition:*** In face of high competition, a firm would keep the price for its product lower. This is because if it charges a higher price, it would lose its customers to the competitors.

iv. ***Focus on Quality:*** If the firm emphasis on enhancing the quality of the product, it charges a higher price to cover the additional cost incurred.

6. ***Method of Marketing:*** Methods of marketing used by the firm such as distribution, advertisement, customer services, branding, etc. also affect the determination of prices. For example, if the firm uses intense advertising for the promotion of the product, then it would charge a higher price.

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#### **Question 6:**

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

#### **Solution :**

Channels of distribution refer to the individuals, institutions, agents who facilitate the process of distribution. As the potential consumers of a product are spread over a larger geographical area, it becomes difficult for the producers or the manufacturers to directly contact the customers for the sale of their products. Here, channels of distribution play an important role. They facilitate the transfer of goods from the place of production to the place where they are consumed. For example, for a manufacturer of sugar in Punjab, it would be difficult to contact the customers in other parts of the country. To ease the process, it would sell its product to whole sellers who in turn would sell it to the retailers. The retailers then finally sell the product to the customers. In addition, channels of distribution also reduce the efforts of the consumers by offering various goods and services at a convenient single location. For example, at a retail store a customer can get a wide variety of goods.

Thus, channels of distribution refer to the set of individuals, agents and institution that facilitate the exchange or transfer of goods and services from the producer to the consumer.

The following are the functions of channels of distribution.

1. **Arrangement:** An intermediary receives the supply of goods from various sources. However, the goods received differ in terms of size, quality and features. The intermediary arranges or sorts these goods into homogeneous groups based on their characteristics.
  2. **Collection:** A middle men accumulates and maintains large stock of the goods so as to ensure a continuous and smooth flow of supply.
  3. **Allocation and Packing:** A middle men breaks the whole lot of goods into small, marketable units. It repacks the goods into convenient packets.
  4. **Building Variety:** An intermediary acquires various goods from different sources and assembles them at a single place. Thus, it maintains a variety of goods. For example, a grocer maintains a wide variety of products for sale.
  5. **Promotion of Product:** They assist in the promotion activities undertaken by the manufacturers. For example, the manufacturers use advertising for the promotion of their product. The intermediaries can aid this process by putting banners and displays.
  6. **Mediation:** On one hand, the middle men interact with the producers and on the other hand, with the customers. Thus, they form a link between the producers and the customers. They negotiate on matters related to price, quality, etc. and work towards satisfying the needs of both the parties.
  7. **Bearing Risk:** Intermediaries acquire goods from the producers and keep them in their possession till the final sale. In the process they bear the risk of fluctuations in demand, price, spoilage, etc. For example, suppose a retailer acquires large quantities of sugar. However, after a period of time, the price of sugar rises which reduces its demand. Thereby, the retailer may lose out as the stock remains unsold.
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#### **Question 7:**

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

#### **Solution :**

Once the good are produced, packaged, promoted, branded and priced they must be made available to the consumers. That is, they must be moved from the place where they are produced to the place where they would be consumed. This physical movement of products from the place of production to the place of consumption is known as physical distribution of products. It involves the following four major activities.

1. **Processing of Order:** Processing of order and delivery of goods is the most important component of buyer-seller relationship. Processing of order comprises of a number of steps such as placement of order, transmission of the order by the intermediaries to the manufacturer, maintenance of inventory as per the requirement, delivery of goods, etc. All such processes take time. Physical distribution system should be such that it should ensure speedy and proper order processing. Generally, there exists a direct relationship between speed and accuracy of order processing and customer satisfaction. Fast and accurate order processing provides a consumer greater satisfaction. Thus, a proper system of order processing is of vital importance.
2. **Transportation of Products:** Transportation of products refers to the physical movement of goods from the place where they are manufactured to the place where they are consumed. The potential consumers of a product are spread across a large geographical area. To make the goods physically available to them, they must be transported from the place of production to the place of consumption. Unless the products are physically transported and made available at the place of consumption, sale cannot take place.

3. **Warehousing:** Generally, there is a time lag between the act of production and the act of sale or consumption. This implies that the goods must be properly stored and assorted before the actual sale takes place. This process of storing and assorting the products is known as warehousing. Proper warehousing ensures efficiency in delivery and sale of products which in turn results in greater customer satisfaction. For example, through warehousing a company can maintain stock of products and ensure timely delivery of goods as and when required. However, maintaining warehouses involves its

own cost. Thus, a company must weigh the relative benefits and costs associated with warehousing and maintain a balance between the two as per the requirement.

4. **Maintenance of Inventory:** Inventory implies maintaining a stock of products. The firms maintain inventory so as to ensure timely supply of products. Inventory shares a direct relation with customer service. Maintenance of higher inventory helps a firm in ensuring timely delivery of goods to the customers and thereby, improve customer service. However, maintenance of inventory involves a cost as a huge amount of capital remains tied up in the stock unless it is sold. Thus, the firms must strike a balance between customer service and cost. A firm's decision to maintain inventory is based on several factors such as how well the distribution system responds to the orders and the deliveries, cost involved in holding the inventory, firm's objectives, etc. An appropriate inventory must be decided by the firm keeping in consideration the various costs and benefits involved.

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#### **Question 8:**

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

#### **Solution :**

Expenditure on advertising is often considered as a social waste. Advertising is criticised on the grounds that it unnecessarily adds to the cost of the company, weakens social values and aggravates, builds up consumer needs and desires for multiple products. However, proponents of advertising argue that advertisement through greater sales brings down the cost and aids the process of growth.

The following points help in judging whether advertising can be considered as a waste.

1. **Higher Cost:** Advertisement expenses add to the cost of the company. The companies in turn, pass this increased cost to the consumers in the form of higher prices. However, the supporters of advertisement argue that advertisement in fact brings down the per unit cost of production. This is because through advertisement greater number of customers can be attracted towards the product which in turn implies an increase in the demand for the product. In response to the increased demand, the manufacturers increase production. With increased production the per unit cost of production comes down. Thus, it can be said, that even though advertisement expenses add to the cost, this increase in cost can be compensated through fall in the per unit cost due to increased demand and production.

2. **Weakens Social Values:** One of the major criticisms to advertising is that it weakens social values and instead promotes materialism in the society. Advertisement attracts customers towards new products and induces them to purchase it. With increased knowledge about the availability of new products, the customers feel dissatisfied about

what they currently have. In the process, often they end up buying what they don't even require. However, such a process of discontentment and purchase of new products is never ending and materialism increases.

On the other hand, it is argued that advertisements just inform the buyers about the availability of various products and the final decision to purchase the product rests with the consumer.

Advertisement increases the knowledge of the customers and keeps them informed.

3. ***Creates Confusion:*** It is argued that a large number of advertisements on similar products confuse the customers. For example, advertisements of different hair oil claim for healthy and long hair by the use of their product. With numerous advertisements the consumer gets confused as to the product of which of the brand should be purchased. .

On the contrary, supporters of advertisement do not agree with this criticism and argue that advertisement provided a choice to the consumers. The consumers can make a rational choice for themselves after analysing various factors such as price, style, quality, etc.

4. ***Promotes Inferior Goods:*** It is argued that products of both superior quality as well as inferior quality are advertised. Through advertisement, demand for inferior goods can also be induced. However, such a claim is only partially true. This is because quality is a relative concept. What is inferior to one consumer can be superior to another. Advertisements promote all kinds of products and the consumer purchases them if it suits their requirements.

5. ***Objectionable Advertisements:*** It is said that often advertisement undermine social values and are in bad taste. Sometimes the language, images and the content of the advertisement may not appeal to the society at large. For example, women in men cantered products (such as, shaving creams, deodorants, etc.) are often criticised.

As against this, it is argued that good or bad taste is a subjective phenomenon and varies from person to person. What may be acceptable by one may be offensive for other.

Thus, it can be said that expenditure on advertisement though draws criticism, but the objections are not entirely true. While on one hand, they can be misused and have their own cons but on the other hand one cannot deny the benefits derived from advertisement.

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### **Question 9:**

**Distinguish between advertising and personal selling.**

**Solution :**

Advertising is an impersonal, paid form of communication used by the marketers for the promotion of goods and services. On the other hand, personal selling involves direct communication of the seller with the potential customers. That is, it involves direct face to face communication of the sellers with the customers for the purpose of sale of the product. The following points highlight the difference between advertising and personal selling.

<b>Basis of Difference</b>	<b>Advertising</b>	<b>Personal Selling</b>
Personal v/s Impersonal	It is an impersonal form of communication w here the seller communicates with customers through various medium such as television, newspapers, etc.	It is a personal form of communication w here the seller directly interacts with the potential customers.
Reach	Advertising has a broader reach as the advertisement reaches a large number people	It has a narrower reach as only a few people can be contacted directly.



	simultaneously.	
Flexibility	It is inflexible as advertisements are standardized and cannot be adjusted as per the requirements of different customers.	It is flexible as the seller can adjust the message as per the requirements of different customers.
Target Group	It is more suitable where marketing is to be done to a large number of consumers. For example, advertising is suitable if, marketing is to be done for ultimate customers.	It is more suitable when marketing is to be done for a few selected consumers. For example, if marketing is to be done for intermediaries and retailers, personal selling is more useful.
Cost Involved	As advertising reaches the masses simultaneously, the cost per person is low.	Personal selling is relatively costly.
Time Involved	Advertising reaches a large number of people simultaneously. Thus, it can cover the entire market in a short period of time.	As through personal selling only a few people can be contacted, it takes a lot of time and effort to cover the entire market.
Customer Feedback	Through advertising, feedbacks and reactions of the customers cannot be judged.	As the seller directly contacts the customers, he gets feedback from the customers and judges their reactions.
Medium of Communication	It involves communication through mass media such as television, newspapers, radio, etc.	It is personal communication through salespersons.
Objective	The basic objective of advertising is to create interest of the customers towards the product.	The basic objective of personal selling is to create awareness about the product and induce decision making.

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### Application based questions

**(i) As marketing manager of a big hotel located at an important tourist destination, what societal concerns would be faced by you and what steps would you plan to take care of these concerns? Discuss.**

**Solution:**

According to the societal concept of marketing the organisations must identify the needs of the market and the target consumers and deliver the desired results in an efficient manner. The organisation should identify not just the immediate needs of the market rather should also aim at long-term wellbeing of the consumers. Thus, besides customer satisfaction, organisations should also aim at ecological, ethical and social aspects such pollution, scarcity of resources, etc

- Rain water harvesting
- Solar Geyser used
- Recycling the waste
- Proper drainage
- CNG based vehicles to be used.

**(ii) Suppose you are the marketing vice president of an insurance company, planning to design a new mediclaim policy for senior citizens. What information would you like to collect to perform this task and how will you collect such information? Discuss.**

**Solution:**

Information to be collected:

- Age of senior citizen
- Income
- Medical details
- Working or non-working

**(iii) What shopping products have been purchased by you/your family in the last six months. Make a list and specify what factors influenced the purchase of each of these products.**

**Solution:**

- Washing Machine: Brand, Price, Features, Warranty
- Dress Material: Price, Fashion
- Cot Bed: Price, quality, comfort, design
- Sandal: Price, brand, size, material

**(iv) What information is generally placed on the package of a food product. Design a label for one of the food products of your choice.**

**Solution:**

- Name of Product
- Brand
- Price
- Manufacturing date and expiry date
- Weight
- Ingredients used
- Direction to use
- FPO mark
- Preservatives used

**(v) For buyers of consumer durable products, what ‘customer care services’ would you plan as a manager of a firm marketing new brand of motorcycle. Discuss.**

**Solution:**

- Monthly Installment
- Exchange offer
- Free servicing
- Warranty

**Case Problem**

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

**NEW DELHI:** After having grabbed a king-size 79% share of the Rs 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 socioeconomic 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. For example, 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.

## Questions

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

**Solution:**

Live, Connect, Achieve, Explore

**2. What is the basis of classification of the market used by the company?**

**Solution:**

SEC Socio-Economic Class, Usage and lifestyle

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

**Solution:**

Realignment of product portfolio means portfolio with respect to the needs are developed. The four-different handset is planned according to the needs of different customers.

**4. Identify the points that can be highlighted in marketing campaigns for each segment.**

**Solution:**

- Price
- Model
- Performance
- Technology
- Consumer friendly

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

**Solution:**

- First Segment: First Time mobile users. Here Price is main consideration.
- Second Segment: User who consider feature and functionality. Here Features and price both are main consideration
- Third Segment: High end users. Here uniqueness and its functionalities are main consideration