

# **PRINCIPAL OF MARKETING** NOTES

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## **IMPORTANT QUESTION FOR FINAL EXAMINATION**

### **UNIT I**

1. What is meant by marketing? Explain the nature of marketing
2. Explain the functions or scope and classification of marketing.
3. What are the concepts of marketing.
4. What is meant by marketing mix? Explain its features.
5. What are differences between selling concept and marketing concept.
6. Write about the principles of marketing mix.
7. Explain the factors influencing marketing mix.
8. Explain the importance of marketing in Indian context.

### **UNIT II**

1. Explain the scope and significance of consumer behavior.\*\*
2. Explain the theories of consumer behavior.\*\*
3. Explain the importance of market segmentation.
4. What are the steps of market segmentation.\*\*
5. What are the basis of market segmentation.\*\*

### **UNIT III**

1. What are the types of product.\*\*
2. What are the stages of new product development.\*\*
3. Explain the functions and role of packing\*\*
4. What is brand name? Explain its features.\*\*
5. Explain the process of Branding process.\*\*
6. Explain after sales services.

7. Explain Product Life Cycle.\*\*

#### **UNIT IV**

1. What are the factors determining price.\*\*
2. Explain different strategies of price.\*\*
3. Explain the importance of Price.\*\*
4. Discount\*\*
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#### **UNIT V**

1. Explain the role of distribution channels.
2. What are the types if distribution channels.\*\*
3. What are the affecting distribution channel\*\*
4. Who is a retailer? What are his functions.\*\*
5. Explain the functions of Wholesaler.\*\*
6. Explain the classification of distribution channels.\*\*
7. Explain inventory control.\*\*
8. What is order processing\*\*
9. Explain the functions of warehousing\*\*
10. Explain the merits and demerits of advertising media.\*\*
11. Explain the optimum production mix.
12. What are the methods of promotion.

# **PRINCIPLES OF MARKETING**

## **1Q) what is meant by marketing and explain the nature of marketing?**

**Ans:-** Marketing is nothing but all activities, effecting changes in the ownership and positioning of goods. It is concerned with handling and transportation of goods from the point of consumption. It is a concept which is consumed oriented and its aimed at customers satisfaction as a key to satisfy the organizational goals.

**Definition:-** Marketing is a total system of interacting business activities designed to plan, price, promotion and distribute want satisfying products and services to the present and potential consumers.”  
-- **William j stauton**

“Marketing is the creation and delivery of standard of living to the society.”  
-**Malcolm menair**

**Nature of marketing:-** Buyer and seller effect the demand for products in aggregate areas, market includes both the place and region which buyers and sellers are in a free inter course with another.

### **1) Marketing is a customer focus:-**

Market intense to satisfy and delight the customer, the activities of marketing must be directed and focused at the customer marketers can remain in customers mind. As they are provided value for what they spend.

### **2) Marketing must deliver value:-**

Marketer has to track customer needs and deliver the product as per their requirement. The co operate storage must be aimed at delivering greater customer value than competitors.

### **3) Marketing is business:-**

When a customer is the focus of all activities the marketer has not to search customer to see response to his product. Customer group is decided from whom the product is prepared and presented.

### **4) Marketing is surrounded by customer need:-**

Marketing starts with identification of customer needs and requirements’. These are termed into probable features that might satisfy the basic needs

### **5) Marketing is a part of total environment:-**

Total environment mainly defined as the combination of all resources and institutions which are directly related to the production, distribution of goods, services, ideas, places and persons for satisfaction of human needs.

### **6) Marketing systems effect companies strategies:-**

Marketing has its own sub-systems which interact with each other to turn complete marketing system that is responsible to company's marketing strategy.

### **7) Marketing has a discipline:-**

The sub of marketing has emerged out of business which has derived its existence from economic. These are different disciplines of marketing such as consumer behavior, legal aspects marketing research, advertising media, pricing, promotion method etc.

### **8) Marketing creates mutual beneficial relationship:-**

As the customer is the focus of all marketing activities. The strategies of marketing have been shifting to different ways. Marketing is there for everything that results in mutual benefit of the customer.

### **9) Universal function:-**

Marketing has a universal function in the sense that it can be applied to both profit motive and non-profit motive organization.

## **2Q) Explain the Functions or scope of marketing and its classifications?**

The scope of marketing can be understood by the terms of functions that the marketing department performs in most of the business enterprise. Marketing department is a setup under supervision of the marketing manager. The major purpose of their department is to generate revenue for business by selling goods and services to the customer. A number of functions have to be performing in every marketing process. The functions of marketing can be classified as under:

MARKETING		
FUNCTIONS OF EXCHANGE	FUNCTIONS OF PHYSICAL SUPPLY	FACILITATING FUNCTION
<ul style="list-style-type: none"> <li>• BUYING</li> <li>• SELLING</li> <li>• PRICING</li> <li>• ADVERTISING</li> <li>• SALESPROMOTION</li> </ul>	<ul style="list-style-type: none"> <li>• TRANSPORTATION</li> <li>• STORAGE</li> </ul>	<ul style="list-style-type: none"> <li>• FINANCING</li> <li>• RISK TAKING</li> <li>• MARKETING INFORMATION</li> <li>• MARKETING RESEARCH</li> <li>• Standardization</li> <li>• Grading</li> <li>• Packing</li> <li>• Branding</li> </ul>

## 1) Functions of exchange:-

**a) Buying:** - Buying involves planning of purchase search for the seller selecting of goods to be purchased enabling of goods to suit the requirement of the buyer.

**b) Selling:-** Selling functions involves location of the buyer negotiation of the terms of sale, price, quantity, quality. Etc.

**c) Pricing:-** Price is the most important element determining the market share and profitability of the company. The firm has to decide the price of commodity by considering many factors of a price policy of a product such as determining demand, estimating the cost, analyzing, competitor's cost price and selecting pricing method.

**d) Advertising:-** In the aim of advertising is a creation of awareness, interest and finally of purchase of goods and services

**e) Sales promotion:-** Sales promotion stimulate greater purchase after particular product or service by a consumer, consumer sales promotion activities include samples, cash refund offers, prices off, premium, prices, discounts etc...

## 2) Functions on basis of physical supply:-

### A) Transportation:-

Transportation creates place utility its transverse the good from the place of production to the place of consumption. There are various modes of transport ie. Roads, railways, water ways and airways

### **b) Storage:-**

Storage creates time utility, it is necessary because there is time gap between the production and consumption of the goods. During this time gap a warehouse preserves the goods quantitatively.

### **3) Functions on basis of facilitating or services:-**

#### **a) Financing:-**

Although financing is considered to be auxiliary function. Its importance in the present day cannot be estimated finance is the life blood for any industrial or commercial business unit. It is very difficult to carry on smooth functioning of marketing without availability of good finance.

#### **b) Risk taking:-**

It is the primary function of a marketing activity and profit is the reward for taking such risk marketing. Risk can be classified into insurable and non-insurable risks. Risk arising out of theft fire and natural calamities are insurable risk. Non-insurable risk are change in demand, change in consumer preference, increasing competition etc.

#### **c) Marketing information:-**

Marketing information is an essential function as it gives information about the products, demand, supply, price competition etc.

#### **d) Marketing research:-**

It is a systematic gathering, recording and analyzing of data about problems relating to marketing goods and services. It is a generation of primary data analyzing of information and recommendation, implementations of findings.

#### **e) Standardization:-**

It is mental process of setting standard norms criteria for the goods and services. It determines the basis of color, weight, quality, and other special features.

E.g. ISI Mark.

**f) Grading:-**

The word grade and standard are used interchangeably. Grading begins with where standardization ends.

For e.g. AGMARK.

**g) Packing:-**

Packing and packaging are the two side of a coin. Packaging is a part of product planning, it refers to inner wrapping of a product. Packing refers to outer casting, which is used to transport number of units of a product.

**h) Branding:-**

Branding is done on a product or on the package of the product. It is the name , mark, symbol, design or distinctive number of letters given to a product for distinguishing it from other products.

**3Q) what are the concepts of marketing? And explain about them?**

**Ans:-**

There of five concepts of marketing.-

- ❖ Exchange concept
- ❖ Production concept
- ❖ Product concept
- ❖ Sales concept
- ❖ Marketing concept

**1. Exchange concept:-**

The exchange concept of marketing as the name indicates holds that the exchange of the product between the seller and buyer. It is the central idea of marketing, while exchange does form a significant part of marketing. To view marketing as a mere exchange will result in missing out the essence of marketing. Marketing is much broader than exchange. It covers the distribution aspect and price mechanism.

## 2. Production concept:-

According to the product concept marketing is related to in organizations that practice this concept. Production dominates the thinking process they believe that marketing can be managed by managing production. The concept tells the consumer the rule that supports those products that are produced in great volume at a low unit cost. As a result the production concept fails to serve as a right marketing philosophy for an enterprise.

## 3. Product concept:-

Product concept is different from production concept . production concept tells the person to win markets and profits with high volume of production and low cost of production for unit. Product concept assumes that the consumer would go for a product of high quality. The concentrate on product excellence they spend time and money on research and development and bring out new product to the market.

## 4. Selling concept:-

The sales concept maintains that the company has to aggressively promote and push its product to get picked up automatically by the consumers. Heavy advertising. High power, personal setting, large scale, sales promotion, heavy price, discounts and strong publicity and public relations are the normal tools used by the organization that really on this concept.



## 5) Marketing concepts:-

The marketing concept was born out awareness that a business should start with the determination of consumer wants and ends with satisfaction of those wants. The concept puts the consumer at both the beginning and the end of business cycle it stipulates that any business should organized around the marketing function and it should be one of the anticipating, stimulating and meeting consumer requirements. In company practicing this concept all departments will recognize that the actions have a profound impact on the companies ability to create and retain a customer.





#### 4Q) what are the differences between selling concept and marketing concept?

**Ans:** “The aim of marketing is to make selling flawless. The aim is to know and understand the customers. So well that the product or service fix in and sells itself”  
- -- **Peter Drucker**

“Marketing means human activity that takes place in relation to marketers. Selling is only the tip of marketing iceberg.

##### 1) Meaning:-

The selling concept holds that consumers will not buy enough of organization’s products, unless the organization undertakes a substantial selling and promotion efforts.

Marketing concept holds that the key to achieve organizational goals lies in determining the needs of target markets and giving it desired satisfaction more efficiently than the competitors can.

##### 2) Scope:-

Selling concept is a narrow term and includes the functions related to distribution of goods.

Marketing concept is a wider concept which includes selling activities, selling is only a tip of marketing iceberg.

##### 3).orientation:-

Selling concept is a production oriented concept. It concentrates on sellers interest and maximization of sales.

Marketing concept is a consumer oriented concept. It aims at mutual benefit of both the seller and the buyer.

#### **4) Origin:-**

Selling concept came into existence with an advantage of industrialization in European countries.

Marketing concept can be traced back to early 1950's

#### **5) objective-**

The main objective of selling concept is to serve short term benefits through sales maximization.

The main objective of marketing concept is to secure long term benefit through consumer welfare.

#### **6) Marketing research:-**

Marketing research has no role to play under selling concept as it presupposes the existence of enough demand in the market.

Marketing research plays an important role under marketing concept as it centers around the concept of consumer satisfaction.

#### **7) Approach:-**

The basic approach of selling concept is to sale "what u can make".

The basic approach of marketing is to make "what you can sale".

**8) Social responsibility:-** Selling concept does not lay any emphasis on social responsibility of the business.

There is a close link of marketing with social responsibility of business.

**9) Applicability:-** Selling concept is applicable in the countries where there is sellers market.

Marketing concept is more popular in developed countries where there is buyers market.

## 10) Principle:-

The basic principle of selling concept is “caveat emptor” {let the buyer be aware}

The basic principle of marketing concept is “caveat vendor” {let the seller be aware}.

## 5Q) What is meant by marketing mix and its features?

**Ans:**

### Meaning:-

Marketing mix refers to one of the major concepts in modern marketing according to Philip Kotler “marketing mix is a set of controllable marketing variables that the firm blends to produce the response it wants in the target market”.

It is the combination of four controllable variables which constitutes the company's marketing system. The four controllable variables are

- ❖ The product
- ❖ The price structure
- ❖ The promotional activities
- ❖ The distribution system

These elements are interrelated and interdependent since decisions in one area usually affect actions in other areas.

### Features of marketing mix:

#### 1) Combination of four controllable variables:

Marketing mix is the combination of four variable inputs namely product, price, and promotion that constitute the core of an organization's marketing system.

#### 2) Interrelation of variables:

The four P's of marketing mix are interrelated and interdependent as the decision of one area automatically depends upon the other.

#### 3) Managerial activity:

Marketing mix is a managerial activity ie. It is the responsibility of the marketing manager to combine. The four ingredients in the right proportion as to achieve optimum results.

**4) Dynamic concept:-**

Marketing mix is a dynamic concept as the need of constant as per the changes taking place in the marketing environment.

**5) Consumer orientation:-**

All marketing activities are directed towards consumer satisfaction therefore marketing mix variables need to be flexible to adopt the needs expectation, purchasing power and buying behavior of the consumer.

**6) Target oriented:**

It is one of the important components of marketing mix centers around the consumer and his welfare.

**7) Universal approach:**

Marketing is a universal concept. It is applicable to not only business organizational but also to non-business and non-profit organizations.

**8) Creative activity:-**

Determination of right marketing mix is a creative process. The imagination, intelligence and creativity to prepare a perfect blend of four variables to provide maximum satisfaction to the consumers and returns to the organization.

**6Q) Write about the principles of marketing mix?**

**Ans:-**

**Definition:-** “Marketing mix refers to one of the major concepts in modern marketing according to Philip Kotler “marketing mix is a set of controllable marketing variables that the firm blends to produce the response it wants in the target market”.

The principle ingredients of marketing mix are:-

- 1) **Product mix:-** product is the starting point of all marketing activities. The product mix has the following dimensions:-
  - a) Product innovation and invention.
  - b) Product features ie, shape, size, weight, design, color, quality, standard etc..
  - c) Product planning and development.
  - d) Product range and mix

- e) Packing and labeling of product.
- f) Brand name and trade mark. After sales service and warranty.

2) **Price mix:-** price in decision is important from the point of view of the producer, consumer and seller. The product mix has the following dimension:-

- a) Pricing policies
- b) Cost of production and profit margin
- c) Determination of per unit price.
- d) Discount, rebates and level of margins.
- e) Credit policy
- f) Term delivery and payment
- g) Installment and higher purchase.

3) **Promotion mix:-** promotion means communication with customers to stimulate them to buy goods. The nature of promotion mix is determined by the marketing environment. there are various dimensions of promotion mix are:-

- a) Advertising and publicity
- b) Personal selling techniques
- c) Sales promotion measures
- d) Public relation techniques
- e) Display of goods for sales promotion
- f) Trade fare and exhibitions
- g) After sales services

4) **Place mix:-** place mix is also known as distribution mix. It is concerned with making the goods available to the customers at the places through a chain of marketing channels such as whole sellers, retailers middlemen and agents . the place mix has the following directions:-

- a) Type of intermediaries.
- b) Different marketing channels
- c) Physical distribution system
- d) Inventory control
- e) Areas to be covered
- f) Channel remuneration and incentives
- g) Dealer relations.

## 7Q) Explain the Factors influencing marketing mix?

### **Ans:- Definition:-**

“Marketing mix refers to one of the major concepts in modern marketing according to Philip Kotler “marketing mix is a set of controllable marketing variables that the firm blends to produce the response it wants in the target market”. There are two factors influencing marketing mix:-

#### **a) Market factors influencing marketing:-**

- 1) **Consumer:-** The behavior of consumer with respect to needs, taste and preference affects the demand of the product.
- 2) **Competition:-** competitive environment created by the size, strength and number of competitors, demand, supply, relationship price and non-price factors, technological, commercial and social factors.
- 3) **Distribution system:-** the behavior and attitude of various distribution agencies that is wholesaler, retailer, customers, distributors, and transport system largely affects the marketing mix.
- 4) **Government:-** Govt exercises control over various marketing activities by means of legislations in relation to product pricing, quality, packaging, restrictive trade practices, measures and advertising.
- 5) **Economic factors:-** marketers must consider the various economic indicators such as gross domestic product, inflation rates, saving ratio, market demand, recession etc. while deciding marketing.
- 6) **Political factors:-** marketers also need to consider the changing political environment in the country and abroad because political changes directly affect the firms, marketing mix decisions.
- 7) **Social and cultural factors:-** the attitudes and perception for social background, the cultural activities directly or indirectly affect the marketing mix of an organization.

- 8) **Technological factors:-** technological developments have improved the production process and quality of products marketers need to consider all such developments while formulating marketing mix.

**b) Marketing factors that influencing marketing mix:-**

- 1) **Product planning:-**Product is the most significant component of marketing mix product planning is an act of making out and supervising the search , screening, development and commercial finding out a new product modification of existing lines and discontinuation of unproductive and uneconomical ventures.
- 2) **Brand policy:-**A brand is a term name, symbol or design or combination of them which is intend to identify the goods or services of the seller or a group of seller.
- 3) **Packaging policy:-** The roll of packaging has increased widely in modern competitive world. Due to the advancement in packing technology and introduction of new methods of packaging
- 4) **Distribution channel:-**A marketer must select an appropriate distribution channels considering the nature of the product its value frequency of purchase and expense of its consumers.
- 5) **Advertisement policy:-** Advertisement place an important role in informing persuading and educating the present and potential consumers.
- 6) **Special sales consumer's policy:-**Apart from personal selling and general advertising policy a marketing manager should also provide for special sales promotion to increase the sales.
- 7) **Physical distribution:-**all the above factors create demand but creation of demand is not sufficient. Goods and services must be supplied to the consumers as per the demand for this purpose. A marketing manager needs to decide the physical distribution policy which includes transportation and warehousing.

## 8Q) Explain the Importance of marketing in Indian context? And its elements of services?

**Ans:-** India is agrarian economy. It is not well developed in the manufacturing sector. It has a good note in the global arena due to service sector. Service economy is now considered the golden key to India's further.

### Advantages to Indian economy:-

- i. India has a definite resource advantage to meet the growing global opportunity in the service sector.
- ii. The rise of new economy has given outsourcing to the employment channels.
- iii. India's comparatively has well educated in diverse fields and that the specific class of professional is also well versed in the language the world speaks that is English.
- iv. For domestic economy too opening of service sector is advantageous as it absorbs the teeming millions reducing the possibility of educating and unemployed with limited options in agriculture and manufacturing sectors of the economy.

### Elements of Services:-

- i. Services as we know are done for one to another for consideration with giving ownership.
- ii. Service can be broadly classified into 3 types:-
  - ❖ Value added service oriented.
  - ❖ Pure service oriented.
  - ❖ Derived service oriented.
- iii. The service industry differs from the manufacturing industry in several ways.
- iv. Service industry always focuses on people and adopts the strategy of retention being interactive in its process.
- v. The manufacturing industry being non-interactive has to transact as its main objective is different from relationships.

**Service marketing:-** Under the four p's of marketing where a product is tangible, standardized and storable. The service class is totally opposite in nature in promotion. A product remains buyer focused whereas a service remains user focused, where the outcome doesn't attribute its benefit to the service marketing being more individualized becomes to that extent more difficult to accomplish.

The nature of demand and competition is the compelling reason for this transformation. The purchasing power of Indian middle class is going on higher and so the awareness of the rights of a buyer and user is also going high. This has been made possible by high exposure to the prevailing influences brought about by global media.



Other factors which have been affecting the phenomenon of excellence are raising the importance of service industry and high technological elements are being used by the modern industry. The entrepreneur ethics must improve the leadership to have a vision in the change in structure and he should be well prepared to sustain these organizational changes in such away that they are a life to coexists rather than compete.

The corporate is to be a living organization which is based on society corporative rather than seeking competition advantage as a person should not crave for customer recovery but has integrated relationship management.

Marketing is a very important aspect in business since it contributes greatly, largely, the success of organization .Production and distribution largely depends on marketing .Many people think sales and marketing are basically the same . These two concepts are different in many aspects. Marketing covers advertisement, promotion public relation and sales.

### **Marketing promotes public awareness to the public:-**

No business can be a success without effective marketing. If you are to start a company the only means to be made known is to advertise and promote your business may be spending on advertising and promotional programs but the important thing is that the product and the company information is influencing to the public to buy the public. A company must invest in marketing so that it can be discovered to many people at large .If an expense is to be considered there are cost effective marketing techniques a company can encourage its advertisement pay per click ads and posters.

### **Marketing helps boost product sales:-**

Apart from public awareness about a company's product and services. marketing helps to increase the sales and revenue growth , the more the growth here are seen more of your advertisement the more they will be interested to buy a product. If your company aims to increase the sales percentage and double the production. The marketing department must be able to come up with an effective marketing and strategic plans.

### **Marketing builds company's reputation:-**

In order conquer the general market, the marketers aim to increase a brand name reorganization or product recall. This is a technique for the consumers to easily associate the brand name with the images, logo, or captions that they hear and see in the advertisement.

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**KNOWLEDGE IS POWER**

## UNIT - II

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### 1. Explain the scope and significance of consumer behavior.

ANS:- Behaviour is a mirrors in which everyone shows his or her image. Behaviour is the process of responding to stimuli. Consumer behavior is to do with the activities of individual in obtaining and using the good and services. It encompasses the decision making process that proceeds and determines.

Definitions;

“ The process whereby individual decide whether what, when, where how and from whom to purchase goods and services” - Professor Watter, C G and Professor Paul G W

“The mental and emotional process and the physical activities of people who purchase and use goods and services to satisfy needs and wants” ---Professor Bearden and Associates

#### Significance of consumer behavior:

The consumer is the focus of marketing efforts. The modern concept spells out the real significance of buyer. Behaviour the course of operating the concept. Spell out the modern marketing management tries to solve the basic problem of consumer in the area consumption. Solving such consumption problems, consumer needs a thorough understanding such problems, it involves a effort to understand the very buying process and all the efforts influencing it. Further consumer behavior is dynamic.

Is this dynamic nature that makes it more important making market manager to study, analyse and interpret the ever. Consumer behavior . So that he can monitor such study the purpose of making sound decision in respect of the four of the marketing.

It is consumer predisposition whether positive or negative makes or mars the profit position of a given product. The buyer behavior takes us to roots of why consumer behavior has gone more complicated in the light of increasing of government in consumer needs, expectations and aspirations with problems is must to exploit, naking opportunities meeting the challenges to be set along with opportunity.

### .2 Explain the theories of consumer behavior.

Ans: Broadly one can classify BUYER BEHAVIOUR MODELS into four broad categories namely Economic, Learning Psychoanalytical and sociological.

For the benefit of beginners, an attempt is made to present these broad buying behavior models with the possible radifications.

1. The economic Model: According to this economic model of buying behavior, the buyer is a rational animal and his buying decisions are totally governed by the concept of utility. Stated briefly if he has certain amount of purchasing power, a set

of needs to be met and a set of products to choose from he will allocate the amount over the set of products in a very rational manner with a very clear intention of maximizing the utility of the benefits he going to derive.

Economic model fails to give satisfactory explanation of how consumer behave. The model tries to

explain as how a consumer ought to behave rather than how he behaves.

2. All theories of buyer behavior have been basically based on a learning model, namely, stimulation response is popularly as S R model.

Learning as noted earlier refers to a change in the behavior which occurs as a result of practice. It is a

change in the behavior than results from previous experience and behavior in similar situations. Learning is the product of reasoning, thinking, information, process and of course perception. Therefore, behavior is deeply affected by the learning experiences of the buyers.

Pavlovian stimulus or learning model or buyer behavior is widely accepted. He says that buyer behavior is capable of being manipulated by human drives, stimuli and responses if the buyer. Learning process involves three steps namely;

Drive: a strong internal stimulus which impels action.

Cues: determine when the buyer will respond

Response: is the final stage which is needed to fulfill the drive or need which was acting as a strong stimulus.

3. The psycho analytical model:-- The psycho analytical model draws from Freudian psychology. According to this model the individual consumer has a complex set of deep seated motives which drive him towards certain buying decisions. The buyer has a private world with all his hidden fears, suppressed desires and totally subjective longings. His buying action can be influenced by appealing to these desires and longings.

According to Mr Freud human personality has three parts namely.

1. The "ID" the source of all mental energy which drives one to an action.
2. The "super ego" the internal representation of what is socially approved --- one's conscience.
3. The "ego" the conscious director of 'ID' impulses for findings satisfaction in socially acceptable manner.

4 Sociological model:-- According to the sociological model, the individual buyer behavior is influenced by society- by intimate groups as well as social classes. That is his buying decisions are not totally determined by the concept of utility. That is his buying decisions are governed by social compulsions. As a part of sociological model- two important variations can be considered namely, one that of Nicosia and another Howard Sheth.

The marketing scholars have tried to build buyers-behavior models purely from stand point view of marketing man. Here Francesco Nicosia model of 1966 and Howard sheth model of 1969 are of this category. These models are systems models where human being is analyzed as a system with stimuli as an input and behavior as an output.

### **3 Explain the importance of market segmentation.**

#### 4. Explain the steps of market segmentation.

##### STEPS OF SEGMENTATION PROCESS

	Description
1. Needs-Based Segmentation similar needs  particular	Group customers into segments based on  and benefits sought by customer in solving a  consumption problem.
2. Segment Identification which  behaviors make  (actionable).	For each needs-based segment, determine  Demographics, lifestyles, and usage  the segment distinct and identifiable
3. Segment Attractiveness criteria  intensity, and  attractiveness	Using predetermined segment attractiveness  (such as market growth, competitive  Market access), determine the overall  of each segment
4. Segment Profitability	Determine segment profitability.
5. Segment Positioning proposition” and  that	For each segment, create a “value  product-price positioning strategy based on  segment’s unique customer needs and

characteristics.

6. Segment “Acid Test”  
attractiveness

Create “Segment storyboards” to test the

Of each segment’s positioning strategy.

7. Marketing-Mix Strategy  
include all

Expand segment positioning strategy to

promotion,

aspects of the marketing mix: product, price,

and place.

### 5. What are the basis of market segmentation.

Market segmentation dividing the heterogeneous market into homogeneous sub-units. Heterogeneous means mass marketing, which refers to people as a people. Homogeneous means dividing the market into different sub-units according to the tastes and preferences of consumers.

#### BASES FOR MARKET SEGMENTATION:

The major segmentation variables:

1. Geographic segmentation: It calls for dividing the market into different geographical units such as nations, states, regions, cities or neighbourhoods. The company can operate in all but pay attention to local varieties, many companies can use mapping software to show the geographic locations of their customers. In this segmentation the marketers divide metro or non-metro markets.
2. Demographic segmentation : The next commonly used basis for market segmentation is demographic characteristics of the market factors like age, education, family size etc., are used to segment the market.
  - a. Age and life cycle stage:- The assumption is that people in the same age group will behave in an identical manner. Based on this factor, one can have the:
    - Infants markets [newly born upto 1 year]
    - Child markets [ 1 year – 12 years]
    - Teen markets [ 13 years – 19 years]
    - Youth markets [ 20 years—35 years]
    - Middle age markets [ 36 years –50 years]
    - Elders or senior market [ 50 years and above]
  - b. Income:- The next commonly used variable is income with increase in income, the customer starts buying branded products and so called luxuries like air travel, cooking ranges etc., One of the research findings is that expenditure on food and other basic amenities as a percent of total expenditure declines as consumer income increases.

- c. Gender:- The male is different from female market. Hence, gender is used for segmenting the market for different products. Some products like textiles are exclusively made for each of the segments, there are other products which are exclusively made or marketed to one gender.

A cosmetic firm will have to take a decision whether it wants to manufacture or market cosmetics for

women only or women or for both.

- d. Occupation:- The Occupation of the consumer is also an important variable in segmenting the market. Whether a person is self-employed or full time work or part time and his or her position in an enterprise, affects his or her consumption.

On the basis of consumption, one may find segments like professionals, traders, businessmen, teachers, university's professors, sales personnel and self-employed people, housewives etc.,

- e. Education:- The education profile of the customer will also affect his or preferences and level of awareness. Based on education, the Indian market can be segmented as illiterates, high school education and secondary or universities educated persons.

- f. Attitude:- Five attitude groups can be found in market

- Enthusiastic
- Positive
- Positive
- Indifferent
- Negative
- Hostile

### Market-segmentation procedure

How can we identify market segments? One approach would be to classify consumers demographically. A bank, for example, may decide to group its customers by wealth, annual income, and age. Suppose it distinguishes five wealth classes, seven income classes, and six age classes. This alone would create 210 market segments ( $5 \times 7 \times 6$ ). The real question, however, is whether the customers in any one segment really have the same needs, attitudes, and preferences. Probably not!

This has led market researchers to advocate a *needs-based market segmentation approach*. Roger Best proposed the seven-step approach shown in table 10.1 (on p. 286).

Market segmentation must be done periodically because segments change. At one time the personal computer industry segmented its products purely on speed and power. Later, PC marketers recognized an emerging "Soho" market, named for "small office and home office." Mail-order companies such as Dell and Gateway appealed to this market's requirement for high performance coupled with low price and user friendliness. Shortly thereafter, PC makers began to see SOHO as

comprised of smaller segments. “Small-office needs might be very different from home-office needs,” says one Dell executive.

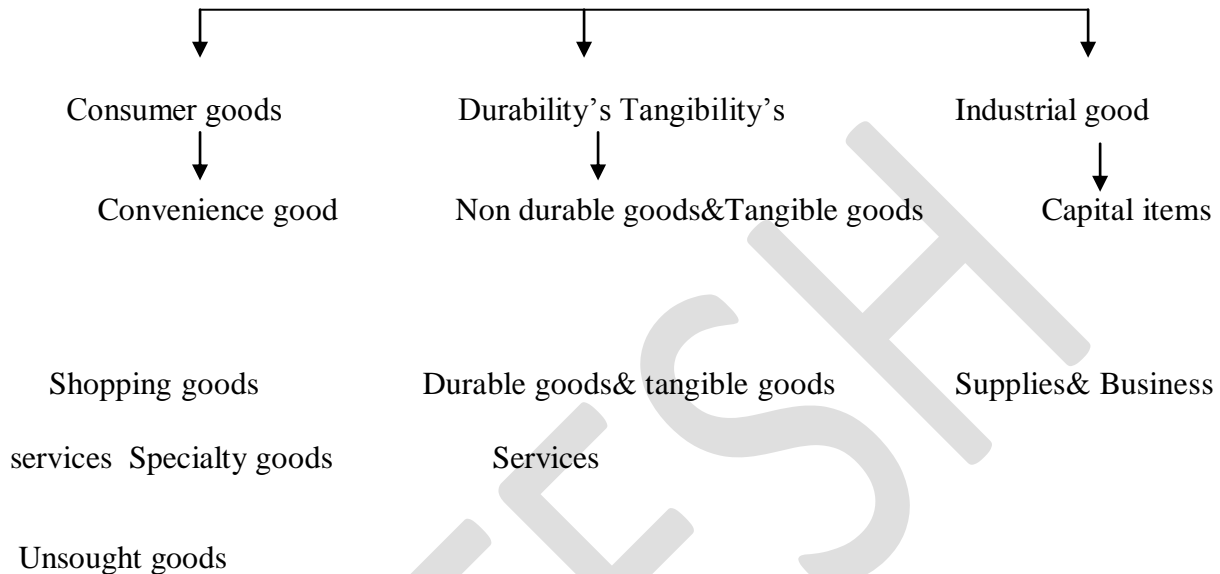
One way to discover new segments is to investigate the hierarchy of attributes consumers examine in choosing a brand. This process is called **market partitioning**. Years ago, most car buyers first decided on the manufacturer and then on one of its car divisions (*brand-dominant hierarchy*). A buyer might favor General Motors cars and, within this set, Pontiac. Today, many buyers decide first on the nation from which they want to buy set, Pontiac. Today, many buyers decide first on the nation from which they want to buy a car (*brand-dominant hierarchy*). Buyers may first decide they want to buy a Japanese car, then Toyota, and then the Corolla model of Toyota. Companies must monitor potential shifts in the consumers’ hierarchy of adjust to changing priorities.

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## UNIT - III

### 1Q. What are the types of products?

**Ans.** Types of products



### **CONSUMER GOODS:**

The consumer goods are classified on the basis of shopping habits. Consumer good are on product which are purchased by the consumers for self use.

#### **A. CONVENIENCE GOODS:**

Convenience goods are close goods the customer usually purchased frequently, immediately and with the minimum effort. Convenience goods can be further divided into staples and impulse.

Staples are goods which consumers purchase on regular basis. A buyer might routinely purchase impulse goods are purchased without any planning or such effort.

Ex: soaps, tobacco products.

**B. SHOPPING GOODS:** These goods are the goods that the customer in the process of selection and purchase compares on such basis as suitability, quality, price and style. These goods are further divided into homogenous, shopping goods, and heterogeneous shopping goods. Homogeneous shopping goods are similar in quality but different in price.



Heterogeneous shopping goods differ in product features and services that may be more important than price.

Ex. Furniture, clothes, used cars etc.,

### **C. SPECIALITY GOODS:**

It have undue characteristics or brand identification for which a sufficient number of buyers is willing to make a special purchasers effort, specialty goods do not involve.

Ex. Stereo components, Men's suits etc.

### **D. UNSOUGHT GOODS:**

Unsought goods are those the consumer does not know about or does not normally think of buying, like smoke detectors.

Ex. Life insurance, cemetery polts etc.

### **DURABILITIES AND TANGIBILITIES:**

#### **A. NON DURABLE GOODS AND TANGIBLE GOODS:**

Normally consumed in one or few uses, because these goods are consumed. The appropriate strategy is to make them available in many locations.

#### **B. DURABLE GOODS AND TANGIBLE GOODS:**

That normally survive many uses. Durable products are normally more personal selling and service.

### **C. SERVICES:**

Services are tangible, inseparable, variable and perishable products, as a result they normally reduce more quality control, supplier and adaptability

### **INDUSTRIAL GOODS:**

Industrial goods can be classified in terms of how they enter the production. And thir relative cost.

#### **A. CAPITAL ITEMS:**

These are long-lasting goods that facilitate developing manufacture or managing the finished product.

### **SUPPLIER AND BUSINESS SERVICE:**

These are short-lasting goods and services that facilitate developing or managing the finished product.

**Ex.** Maintenance and repair services Business services etc.

## **Q2. What are the stages of new product development?**

**Ans.**     Stages in Development of New Product

At the end of each stage a different question is to be answered to identify whether the development process can go into next stage or not.

**Stage 1:-** Idea Generation:

Is the idea worth consideration?

**Stage 2:-** Idea Screening:

Is the product idea matching with the companies objectives, strategies & resources.

**Stage 3:-** Concept development & Testing:

Can we find a good concept for the product that consumers say they would try?

**Stage 4:-** Marketing strategy development:

Can we find a cost effective & affordable marketing strategy.

**Stage 5:-** Business Analysis:

Will this project meet our profit goals ?

**Stage 6:-** Product Development:-

Hence we developed a technically & commercially sound product.

**Stage 7:-** Market Testing:

Have product sales met expectations.

**Stage 8:-** Commercialization

Are product sales meeting expectations.

### **Marketing Strategy:**

- Cost
- Price
- Promotions
- Reachability

### **1. Idea Generation:**

It is the first stage in the development of a product.

At this stage the organisation intends to collect as many ideas as possible from various sources. The common sources are brainstorming sessions for the employer's invitation of ideas by employees or customers. The only attempt is to try & collect the maximum possible ideas irrespective of whether they are sounding logical or not. The concept behind this stage is every idea is an important idea because what seems impossible today might be reality tomorrow.

### **2. Idea Screening:**

At this stage all the ideas generated in the 1<sup>st</sup> stage are screened properly to check the feasibility (commercial & technical) of the idea. Each idea is checked individually to see whether the idea matches with the company's objectives and can be developed using available resources. At the end of this stage, only one idea is short-listed for the next stage.

### **3. Concept Development & Testing:**

At this stage the company intends to develop the concept of the new product. Up till here the concept is only in the form of an idea. However, at this stage it is checked whether this idea can be practically implemented i.e., can the company really make a product for which customers would like to say 'let me try it'. However, only the development of a concept is not enough; it also needs to be tested whether this product can actually be manufactured or not.

### **4. Marketing Strategy Development:**

Once the concept has been designed and developed, the next stage is to identify the possible market & to plan as to how the product can be sold and made available at maximum possible places. At this stage, the first thing to be done is to check whether there is any market available for the product or not. If there is no existing market for the product, then it needs to be checked whether we can create a market for such a product. Once a market has been identified, we need to make a road map as to how we can sell this product.

### **5. Business Analysis:**

At this stage the product is analysed with reference to business objectives and goals. Every aspect of cost is calculated so as to estimate the estimated amount of profit that can be earned from the product. Here it is checked whether the profits from the product will be able to meet the estimated profit objectives of the business or not. If it is analysed that the product can earn enough profits to meet the company's goals, then it is taken to the next stage or the idea will be dropped.

### **6. Product Development:**

Once it is asure that the product may earn enough profits it is input for development. At this stage the product is developed that is from a concept now it is turned into a real product. Once a product is developed it has to be seen whether we have been able to develop a product which can accepted by the customers. Sometimes a company would develop more than one variety of a product with little differences in each variety. However, only one product is checked for the suitability in market and if the company is satisfied with the product being developed then this product is taken to next stage.

### **7. Market Testing:**

At this stage a small quantity of the product is produced and offered for sale in a small target market. It is very important that the target market is selected very carefully, because a wrong target market might give an incorrect information about the product. At this stage the company tries to check whether they are able to sell the estimated quantity.

### **8. Commercialization:**

If the company is able to sell the estimated units at the market testing stage then they decide to go for the commercialization of the product, i.e; now the product will be produced in large quantity so that it can be available in whole market.

### **Q3.Explain the role and functions of packing.**

**Ans.** We define packaging as all the activities of designing and producing the container for a product . the container is called the package,and it might include up to three levels of material. Old spice aftershave lotion is ina bottle (primary package) that is in a card board box (secondary package) that is in a corrugated box (shipping package) containing 6dozen boxes of old spice.

Well-designed packages can create convenience and promotional value. Various factors have contributed to the growing use of packaging as a marketing tool.

- 1) Self service:- an increasing number of products are sold on a self-service basis. In an average super market,which talks 15,000 items,the typical shopper passes by some 300items per minute. Given that 53% of all purchases are made on impulse,the effective package operates as a “five-second commercial.” The package must perform many of the sales task : attract attention, describe the product features,create consumer confidence,and make a favorable all over impression.
- 2) Consumer affluence :- rising consumer affluence means consumer are willing to pay a little more for the convenience,appearance,dependability , and prestige of better packages.
- 3) Company and brand image :- packages contribute to instant recognition of the company or brand.the Campbell Soup company estimates that the average shopper seas its familiar red-and-white can 76times a year , creating the equivalent of \$26million worth of advertising.

- 4) Innovation opportunity :- innovative packaging can bring large benefits to consumers and profits to producers companies are incorporating unique materials and features such as resealable spouts and openings. Tooth paste pump dispensers have captured 12% of tooth paste market because they are more convenient and less messy. The fragrance industry is continuously developing unique bottle designs.

Developing an effective package requires several decisions. The first is to establish the packaging concept: defining what the package should basically be or do for the particular product. Decision must be made on additional elements-size, shape, material, colour, text and brand mark. Brian Wansink found, for example that a larger package size will increase product usage between 7 and 43%. Colour must be carefully chosen: blue is cool and serene, red is active and lively, yellow is medicinal and weak, pastel colours are feminine and dark colours are masculine. Decisions must also be made on the amount of text, on cellophane or other transparent film, on a plastic or a laminate tray, and so on. Decisions must be made on "tamperproof" devices. The various packaging elements must be harmonized. The packaging elements must also be harmonized. With decisions on pricing, advertising, and other marketing elements.

#### **Q4. Define brand and explain its features?**

**Ans:** This word brand is quite comprehensive, and covers several other narrower terms.

A brand is defined as "a name, term, sign, symbol or special design or some combinations of these elements that is intended to identify the goods or services of one seller or a group of sellers. A brand differentiates these products from those of competitors."

A brand in short is an identifier of the seller or the maker. A brand name consists of words, letters and / or numbers that can be vocalized. A brand mark is the visual representation of the brand like a symbol, design, distinctive colouring or lettering.

A brand is much more complex. Apart from attributes and benefits, it also reflects the following.

- Values :- the values which govern a producer are reflected by the brand thus Tata stands for quality, fair price and so on
- Culture :- a brand represents certain culture for ex- coke is an icon of American culture, while shilpa bindies are typically Indian.
- Personality :- a brand projects a personality. Had the brand been an animal or an object or a person, what would come to our mind? Videocon suggests a lion, MRF suggests a muscle man and Rin suggests a lightning flash. Sometimes a brand may take on the personality of an actual person for ex- Charlie Chaplin and Cherry Blossom.
- User :- the brand suggests its own target audience we know that Garden of Eatin' is for teenagers. We expect a Mercedes to be driven by an executive or a top class business man. These users correspond to the values, culture and personality of the brand. Because of the imagery associated with the brands they actually have the power to enhance or limit a consumer's perceived image of self-image.

#### **CHARACTERISTICS OF A GOOD BRAND NAME :**

A good brand name should possess as many of the following characteristics as possible.

- It should be distinctive: The market is filled with over-worked names and over used symbols . a unique and distinctive symbol is not only easy to remember but also a distinguish feature.”north star” shoes have a distinct name.
- It should be suggestive: A well-chosen name or symbol should be suggestive of quality, or may be associated with superiority or a great personality. The name VIP Classic for travelwares is suggestive of a superior quality for a distinct class of people. Promise is suggestive of an assurance of tooth health.
- It should be appropriate: Many products are surrounded by a certain mystique in the minds of the customers. Carefree is an appropriate brand name of a sanitary towel.
- It should be easy to remember: It should be easy to read, pronounce and spell. Tide, Surf, Gold Spot are examples of such brand names.
- It should be adoptable to new products. Videocon is a good brand name for TVs and VCRs but when it is extended to refrigerators and washing machines, some of the sales appeal is lost. Hotline was a good name for gas stoves, but is definitely not a suitable name for TVs.
- It should be registrable under the Indian laws of Trade Marks and copyrights.

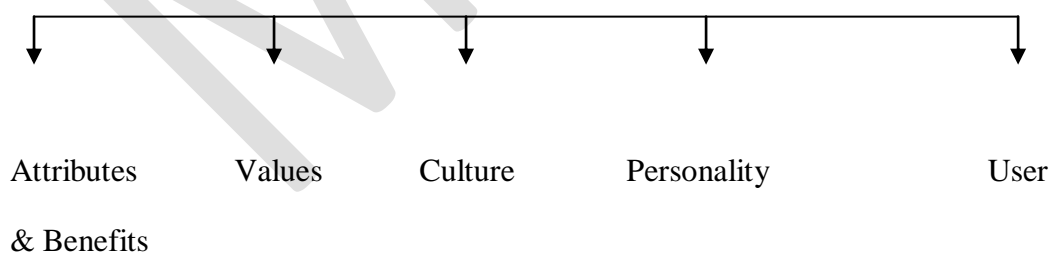
Mostly a company develops several names for a product and makes a choice later after debate and discussion.

#### Q5. Explain branding and branding decision? [branding process]

Ans. Branding is a name given to a product or variety of products. A brand may be a name, term, sign, symbol or design, or a combination of them to identify the a goods and differentiate them from those of competitors developing a branded product requires a great deal of long term investment, especially for advertising, promotion and packaging.

A brand is a complex symbol that can convey up six levels of meaning.

Flow Chart On Branding Process ( Characteristics )



**1. Attributes and Benefits:** A brand brings to mind certain attributes. The attributes that are well- built, well engineered, durable, and high prestige.

Attributes must be translated into functional and emotional benefits.

**2. Values:** The brand also says something about the producers values, it stands for high performance, safety and prestige.

**3. Culture:** The brand may represent a certain culture which is organized efficiently, high quality.

**4. Personality:** The brand can project a certain personality, it may be a person, animal or object .

**5. User:** The brand suggest the kind of consumer who buys or uses the product.

Companies need to research the position their brand occupies in the customers mind. There are three commonly used research approaches to get a brand meaning.

**(a) Word Associations:** People can be asked what words come to mind when they hear the brand name. Eg. Mc donalds would mention fast food, friendly service, fun and children . They may mention some negative words such as high calories and fatty food.

**(b) Personality the brand:** People can be asked to describe what kind of person or animal they think of when the brand is mentioned. The person delivers a picture of the more human qualities of the brand.

**( c) Laddering up to find the brand essence:** Brand essence relates to the deeper, more abstract goals consumers are trying to satisfy with the brand.

**Q6. Explain after sales services.**

**Q7. Explain product life cycle?**

**Ans.** The plc [ product life cycle] is one of the most frequently encountered concepts in marketing environment . Product life cycle is simply graphic portrayal of the sales history of a product from the time it is introduced to the time when it is withdrawn.

“ An attempt to recognise distinct stages in the sales history of the product”

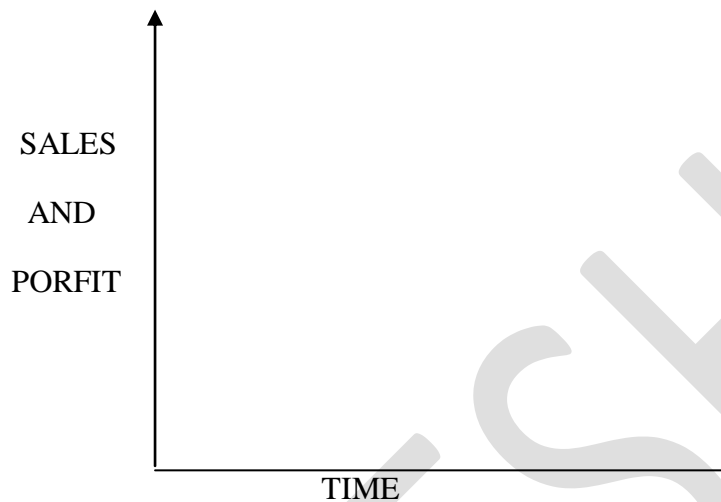
\_ Prof. Philip kotter.

As a concept, It means 3 things:-

- Products moves through the cycle of introduction growth .
- Maturity and decline at different speeds.
- Both sales volumes and unit profits rise correspondingly till the growth stage. However in the period of maturity stage sales volume rises but profit fall.

- The successful product management needs dynamic functional approach to meet the unique situation sales and profitability.

### **PLC CHART:**



### **STAGES OF PRODUCT LIFE CY**

The product aging progress has 4 stages:-

#### **1.Intoduction:-**

Whenever a new product is introduced it has only a proved demand and not the effective demand. That is why sales are how and creeping very slowly. It may be the case with a product like instant coffee, powdered coffee cream.

The first stage of plc is characterized by:-

- Low and slow sales:- The product sales are the lower and move up very slowly the
- Delay in expansion of production capacity .
- Delay in making available the product to consumers due to lack of retail outlets.
- Consumer resistance to change over from the established consumption behavioural patterns.
- Highest promotional expenses:-

During this period of introduction, the promotional expenses bear the highest proportion of sales. It is so because the sales are of smaller volume on one side and high level promotion efforts to create demand on the other.

- Highest product prices:-



The prices charged at the beginning are the highest possible because of

- Lower output and sales absorbing fixed costs.
- Very few competitors or no competitors.
- Sales to higher income groups in a limited area.

## **2. GROWTH:-**

Once the market has accepted the product sales begin to rise the price may remain high to recover some of the development costs with high sales and price profits rise sharply this encourages competition leading to possible product improvements

The basic characteristics of this stage of plc are:-

- Sales rise faster.
- The distribution network retail outlets is built to the needs and
- Production facilities are streamlined to meet the fast moving sales

- **Normal promotional expenses:-**

The promotional expenses reach a normal ratio to sales most of the competitors spend very normal amount on promotion efforts are made to rationalise the existing budget.

- **Product Improvement:**

With the high sales and prices, profit rise sharply and because of this, there is a greater incentive for the companies to enter the market along with product modification they may reduce prices too this makes the migrators to further improve the product and bring down the price.

## **3. Maturity:-**

Eventually market becomes saturated because the house hold demand is satisfied and distribution channels are full sales level off and over capacity in production becomes apparent. The greater the cost of production and the initial investment, the more important it is to maintain

## **4. Decline:-**

In this terminal stage, sooner or later actual sales begin to fall under the impact of new product competition and changing consumer tastes and preferences.

- Rapid fall in sales.
- Further fall in prices.
- No promotional expenses.

## **Q8. What is Trade Mark? What are the advantages of Trade Mark?**

### **Ans. TRADE MARK:-**

In General, a trade mark is defined as any sign, as any combination of sign, inherently capable of distinguish the goods or service of one undertakings.

Trade marks may be on of a combination of words, letters, numerals. They may consist of drawings, symbols, colours used as distinguish features. The owner of the mark may not be involved in the relevant trade and acts purely as a certification authority. The internationally accepted "ISO 9000 quantity standards are an examples of such widely recognized certifications.

**REGISTRATIONS:-** Although registrations of trade mark is not compulsory. It is advisable to apply for registration. Because registration provides a cost effective way to prevent others from registration your trade mark.

### **PROCEDURE FOR OBTAINING TRADE MARK PROTECTION:**

1. The process of obtaining trade mark protection begins with an application for registration of a trade mark to be filed with the appropriate regional trade mark office.
2. The application must contain a clear reproduction of the mark filed for registration including colours, forms, shape etc.
3. The application must also contain a list of goods or services in respect of which the mark is to be used.
4. Finally, the rights applied for cannot be the same as or similar to the rights already granted to another trade mark owner.

### **ADVANTAGES OF TRADE MARK:-**

1. A Trade mark provides protection to the owner of the mark by ensuring the exclusive right to use it to identify goods or services. A trade mark can removed identity on payment of additional fees.
2. Trade Mark law may be used to binder the efforts the unfair competitions who attempt to used similar distinctive signs to market inferior or different products or services.
3. The owner's of the trade marks were rewarded with recognition and financial profits.
4. The system enables the people to product and market goods and services with skill and competence and there by facilitating international trade.

### **CONCLUSION:-**

The Madrid system from the international registration of trade marks was established in 1891; and thanks to this international procedure mechanism, who protect our trade mark in several countries.

## UNIT – IV

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### 1. Explain factors influencing pricing?

**Ans:** 1. internal factors: in pricing has a certain objectives. for example, it seeks to recover its cost of manufacturing and marketing through the price. it also wants its pricing decisions to be consistent with its basic philosophy on pricing in case it has such a philosophy, pricing also has to be consistent with the overall objectives of the firm. The firm may also seek a particular public image through its pricing policies. All these constitute the internal factor that influence pricing. Pricing strategy has also to fit the overall marketing strategy of the firm. In this sense the firm marketing strategy is another internal factor that influences pricing. These all internal factors which affect the pricing are listed below.

- Corporate and marketing objectives of the firm.
- Price elasticity of demand of the product.
- The stage of the product in its life cycle.
- Cost of Manufacturing and Marketing.
- Rate of the product.

### 2. EXTERNAL FACTORS:

In addition to internal factors, any business firm has to encounter a set of external factors while formulating its pricing strategy. In first place, the conditions of the economy have to be reckoned with second is the nature of competition. The purchasing power of the consumer has also to be taken into consideration. Sometimes, the government exercises controls over the price of certain products, all these constitute the external factors that influence the pricing decisions. The following are the external factors:

- Marketing characteristics (related to demand).
- Buyer behaviour in respect of the product.
- Bargaining power of the major customer.
- Bargaining power of major suppliers.
- Government regulation.
- Competitors pricing policy.
- Social considerations

### Q2 . Explain the different strategies of price?

#### **Ans. Pricing Strategies for New Products:**

New products are in the introductory stage of Product Life Cycle (PLC). The company modifies its pricing from stage to stage in the PLC. The first stage viz; the introductory stage, is really challenging.

**Here there is a distinction between:**

- (a) Pricing a genuine product innovation that is, patented; and
- (b) Pricing a product that imitates the existing products.

**Pricing an Innovation:** Patented innovative product when launched offers two pricing options to a company: (1) Market- skimming pricing, and (2) Market penetration pricing.

**Skimming the Market:** Here, a high initial price is set for the new product to 'skim' the market. The American chemical giant Du Pont has followed this strategy by charging the highest possible price for their discoveries- cellophane, nylon and so on. The initial high price is suitable for some segments of the market. Later, other segments of the market are tapped by lowering the price. This strategy enables the company to skim a maximum amount of revenue from the various segments of the market. Polaroid also adopts this strategy by introducing a high- priced camera first, followed by lower- priced versions later to attract new segments. In India, there are many publishers who publish a hard- bound deluxe edition of the book first. Later, they come out with cheaper paperbacks.

Market skimming is relevant when the following conditions prevail:

- (1) Substantial high current demand.
- (2) Small volume is economically viable for production.
- (3) The high initial price will not attract more competitors.
- (4) The high price supports the image of a superior product.

**Penetration of the Market:** Here, a low initial price is set on the new product, hoping to attract a large number of buyers, and win a large market share.

Texas Instruments (TI) in the states have successfully followed this strategy. It sets up large plants. It charges the lowest possible prices and gains a large market share. The costs start falling; and with that it reduces the price even further.

This strategy is relevant under the following conditions:

- (1) There is a price- sensitive market. Lower prices are an incentive to the buyers for market growth.
- (2) Production and distribution costs decline when this experience accumulates.
- (3) Low price is a disincentive for competition.

### **Q3. Explain the importance of price?**

**Ans.** "Price" is defined as the amount we pay for a good or a service or an idea. Price is the only element in the marketing mix of a firm that generates revenue. All other elements generate only cost. Price is a matter of importance to both seller & buyer in the market place. Only when a buyer & a seller agree on price, we can have exchange of goods and services leading to transfer of ownership.

The term “ Price” need not be confused with the term “ Pricing ” is the function determining the product or service or idea value in monetary terms by marketing manager before it is offered to the target consumer for sale.

### **Importance:**

Importance of pricing is spelled out by the following points.

#### **1. Price is the pivot for an economy:-**

Price is the prime mover of the wheels of the economy namely, production, consumption, distribution & exchange price influences consumer purchase decision. It reflects purchasing power of currency. It can determine the general living standards of people. In essence, by and large every facet of our economy life is directly or indirectly governed by pricing.

#### **2. Price Regulates Demand:-**

Price increase or decrease the demand for the product de- marketing strategy can be easily implemented to meet the rising demand for goods & service.

#### **3. Price is the competitive weapon:-**

Price is a very competitive weapon, pricing strategy determines the firms position in the market with respect to competitors. As a marketing weapon, pricing is a big gun. Pricing at any point in the product life cycle should reflect prevailing competitive conditions.

#### **4. Price is the Determinants of profitability:-**

Price determines the profitability of firm by influencing the sales revenue. Low price is not always necessary to increase profit. A right price can increase the sales volume and there by profit. The impact of price rise or fall is reflected instantly in the rise or fall of the product profitability.

#### **5. Price is a Decision Input:-**

Pricing is highly risky decision area & mistakes in pricing might reasonably effect the firm, its profits, growth and future.

### **Conclusion:-**

This five points make product pricing as important & major function of marketing manager. Hence, we must have a specialist in pricing as we do have in other function of marketing.

### **Q4. Discounts and Allowances**

All over the world, giving discounts is a trade practice. It is a deduction given by the seller to the buyer from the listed price. He can be even a consumer. Discount acts as an incentive. The deduction on account of discounts in price leads to a reduction in price.

## **Types of Discounts**

There are cash discounts, trade discounts, quantity discounts. These are very common. The other discounts are promotional discounts, seasonal discounts etc.

### **Cash Discounts**

Cash discount is a deduction or concession for cash payment in a given period of time.

### **Trade Discounts**

Also known as functional discounts, these deductions from the listed price are offered to trade channels for marketing functions they supposedly perform.

### **Quantity Discounts**

The objective of this discount is to encourage the buyers to buy a larger quantity by allowing the deductions depending on the size of the purchase – either in rupees or in units.

### **Seasonal Discounts**

To boost up sales during a slack season, this discount is offered to the customers.

## **Explain optimum product mix.**

A product, “ anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need”-Phillip Kotler.

### **Product Levels:**

- **CORE BENEFIT:** The most basic layer, representing the fundamental benefit the consumer is buying.
- **GENERIC PRODUCT:** An improvement in the core product;

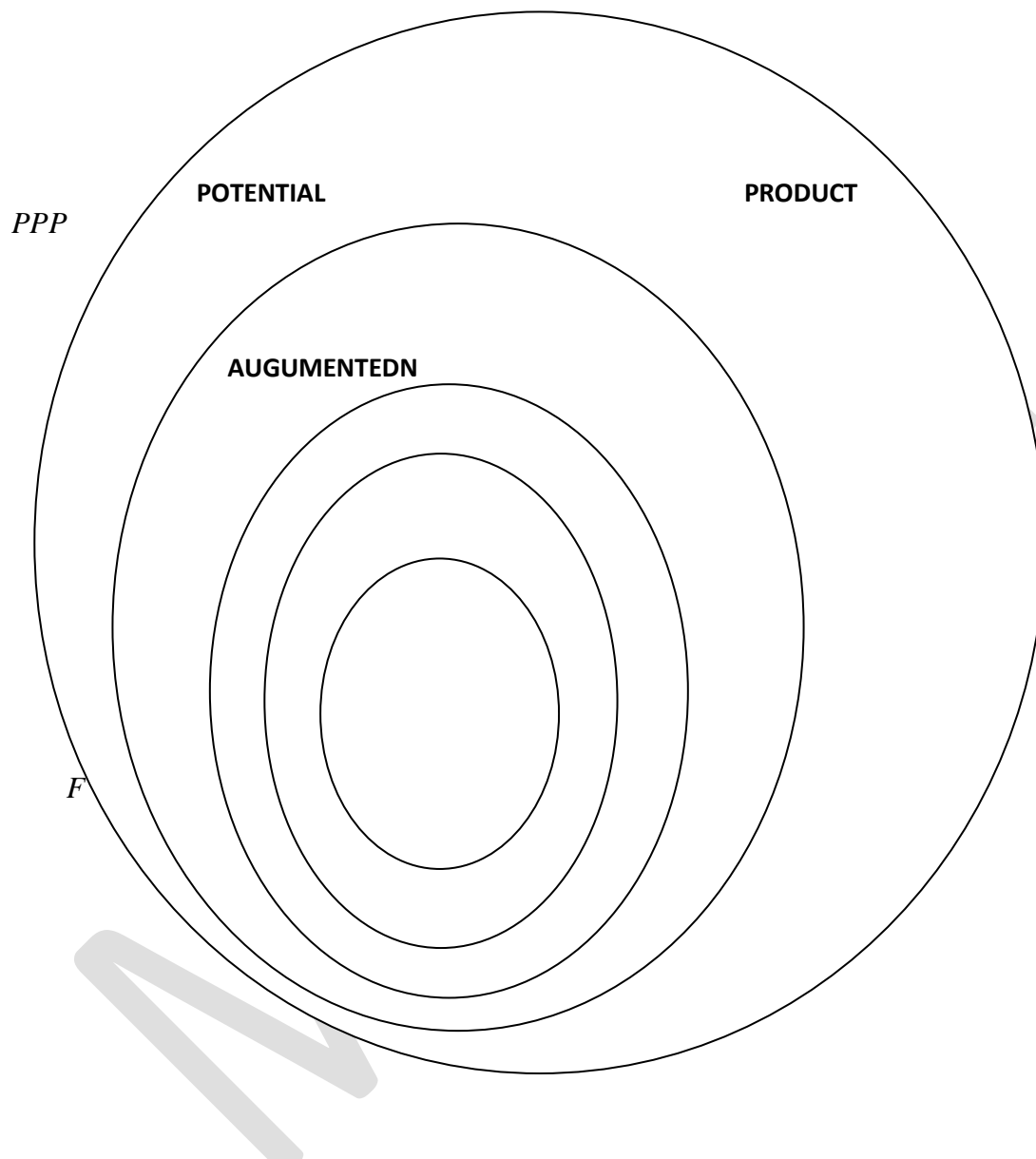
**Example:** A hotel's core benefit is rest and sleep, but its generic version is a civil structure with rooms on hire.

- **DESIRED PRODUCT:** Representing the expectations of the buyers while buying the product.

**EX:** A hotel guest may expect a towel, a welcome drink, cleanliness etc.,

- **AUGMENTED PRODUCT:** It is the level of the product that distinguishes it self from the Competitors offers.
- **POTENTIAL PRODUCT:** It indicates its possible evolution in future. It is an exploration on the part of the marketer to find out new and better ways of satisfying their customers and make their product stand out.

## LEVEL OF A PRODUCT



## PRODUCT MIX STRATEGIES:

The product mex or product assortment is a full list of products by a company. To Illustrate, Videocon's product mix consists of audio products, TV's and VCR's washing machines and home appliances and home appliances like refrigerators, waters purifiers etc., The product mix of company may consist of related products or unrelated products, depending upon how diversified the company is.

Each product mix has widght, depth and consistency. The width of a product mix is given by the different product lines handled by the company. The depth of the product mix is given by

the variants of product items offered in each product line. The consistency of the product mix refers to the affinity of the product in terms of production facilities or marketing or research.

## **VIDEOCON**

### **Product Mix Width**

**TVs    VCRs            Home Appliances    Washing Machines            Audio Products**

#### **Videocon**

Product Mix Depth: Washing Machine

Videocon Semi Automatic 2.5 kg

Videocon Semi Automatic 5 kg

Videocon fully Automatic

Videocon Fuzzy Logic

↓  
Depth

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# UNIT – V

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## 1. EXPLAIN THE ROLE OF DISTRIBUTION CHANNELS.

## 2. WHAT ARE THE TYPES OF DISTRIBUTION

Distribution channels are the methods that companies use to enter the consumer market with their product. While many methods exist, they have changed over the years because of the Internet and global sales.

Related Searches:

- [Channel Sales Strategy](#)
- [Channel of Distribution](#)

### 1. Definition

- A distribution channel is the method a company uses to get its products into the marketplace for consumer use. The traditional channel goes from supplier, manufacturer, distributor, wholesaler and retailer. Two types of distribution channels exist: indirect and direct.

#### Indirect Channel

- The indirect channel is used by companies who do not sell their goods directly to consumers. Suppliers and manufacturers typically use indirect channels because they exist early in the supply chain. Depending on the industry and product, direct distribution channels have become more prevalent because of the Internet.

#### Direct Channel

- A direct distribution channel is where a company sells its products direct to consumers. While direct channels were not popular many years ago, the Internet has greatly increased the use of direct channels. Additionally, companies needing to cut costs may use direct channels to avoid middlemen markups on their products.

#### Indirect Channel Methods

- Distributors, wholesalers and retailers are the primary indirect channels a company may use when selling its products in the marketplace. Companies choose the indirect channel best suited for their product to obtain the best market share; it also allows them to focus on producing their goods.

#### Direct Channel Methods

- Selling agents and Internet sales are two types of direct distribution channels. Selling agents work for the company and market their products directly to consumers through mail order, storefronts or other means. The Internet is an easy distribution channel because of the global availability to consumers.

### 3.what are the affecting distribution channels ?

**Ans:-** A channel of distribution is an organised net-work or a system of agencies and institutions which, in combination, perform all the activities required to link producers with users and users with producers to accomplish the marketing task.

#### **Definitions :-**

“ The structure of intra company organisation units and extra company agents and dealers, wholesale and retail, through which a commodity, product or service is marketed. ”

--- American Marketing Association

“ A set of independent organisations involved in the process of making a product or service available for use or consumption. ”

--- Professor Philip Kotler

#### **The factors governing the choice of channels of Distribution:-**

In a competitive situation, the channel commander---the producer or manufacturer has a choice of alternative marketing channels. The channel commander, exercising his choice, evaluates trade-offs among the channels by considering the various factors. These factors can be classified as to, product-market-institutional and environmental.

Following is the thread-bare analysis of each point having a set of factors their own in each classification.

#### **Product factors:-**

At least four product variables must be weighed while selecting a particular channel of distribution. These are:

1. **Physical nature** :A primary factor to be considered is the physical nature the product. The selected channel must cope up perishability in the product-either physical deterioration or fashion perishability. If the production and consumption of a product are seasonably variable, and channel used must handle the resulting inventory problem. The unit value of the product influences the channel. Generally, if the unit value is low, intensive distribution is suggested; if unit value is high, more selective contribution may be needed. Here, inventory investment and obsolescence as well as consumer service requirements are considered. Finally, if the product is such that small delivery is necessary to many scattered ultimate consumers, the channel selection becomes much more restricted.
2. **Technical nature** : The second of consequence is the technical nature of product. Selection of a marketing channel depends on whether the product is simple or complex. In addition, the ultimate consumer may need advice on product uses.

A complicating element is that of product installation and training the user. On technical products, exclusive dealers may be able to give advice; in other instances, the manufacturers will be forced to sell directly. If the product is not highly technical, massive distribution can be selected to make the production available to the consumers.

3. **The length of product-line** : A product-line consists of a group of products produced either from a production or a marketing stand point. The length of product-line translated to channel selection. A manufacturer with a short product-line is more apt through middlemen than the one who has the full product-line. A decision must be made with respect to using a single channel for the entire line or splitting the product and using multiple channels.
4. **The market position** : A final consideration is the market position of the product. An established product made and promoted by a reputed manufacturer may have a high degree of market acceptance and can be sold easily and readily through various channels. Frequently, new product sells on the reputation of the established brands. Such type of trading may result in larger short-term sales but have greater long-term inherent risks.

#### **Q4. Who is a retailer? What are his functions.**

**Ans:-** Retailer is one whose business is to sell to consumers a wide variety of goods that are assembled at his premises as per the needs of final users. The term 'retail' signifies sale for final consumption rather than for resale or for further processing. A retailer is the last link between the final user and the wholesaler or the manufacturers.

**“ Retailing includes all activities directly related to the sale of goods and services to the ultimate consumers for personal or non-business use ”**

#### **-Professor William Staton**

Thus, retailer is that merchant intermediary who buys goods from preceding channel members in small assorted lots and sells them in the lot requirements of final users.

At this point, it is worth noting the distinction between a 'wholesaler' and a retailer. **First**, wholesaler primarily sells to the dealers or industrial users whereas retailer to the final consumers mostly the house-holds. **Secondly**, goods sold by wholesalers are meant either for resale or for further processing while the goods sold to retailers are meant for final consumption. **Thirdly**, the goods moving from wholesalers to the retailers are still in the pipe-line while goods sold by the retailers are moved out of channel. It is so because, the wholesaler connects wholesalers, retailers, and quantities than retailers and the prices charged by the wholesalers are lower than of retailers. **Fifthly**, wholesaler generally specialises in one or a few products of same line while retailer in wide variety of products of many manufacturers. **Sixthly**, wholesaler works on reasonably low but quick returns while retailer works margin over a relatively large period.

### **Functions of Retailers:-**

Retailers as the last link in the chain of distribution, performs good many functions of marketing. Of all these following are the most significant ones.

- 1. Buying and assembling :** Retailer has to assemble products form different manufacturers and wholesalers as he has to keep wide variety of stock of products market the varied and small requirements of large number of customers. This assembling possible through the prices of buying. Buying is a continuous process involving selection and the most economical and dependable sources of supply.
- 2. Warehousing :** Retailer is a safety value releasing the goods in quantities different varieties and price ranges according to the consumer needs. Warehousing has possible holding the stocks to match between the consumer demand and the wholesalers or manufacturer supply conditions. It is possible to have adequate and interrupted supply of goods.
- 3. Selling :** The final aim is to sell products so bought and held by him. Retailer is rightly called as the buying agent of consumers. He is the means to dispose the goods to the consumers for producers and wholesalers and collect the sales revenue for them. Successful retailing needs good deal of salesmanship tactics.
- 4. Risk-Shouldering :** Risk shouldering is the basic responsibility of a retailer arising out of physical deteriorations and changes in prices. These are unavoidable as he holds sufficient and variety of inventories from the time they are bought till they are sold to the consumers. The risk of loss is seen in the number of forms such as natural calamities – fire, food, cyclone, earthquake, spoilage and deterioration due to changes in the weather and fashion and so on.
- 5. Grading and Packing :** Retailers undertake secondary or second round grading and packing activities left by the manufacturers and wholesalers. Classification of goods into different graders and lots is common. As he sells in loose packs and very odd lots, packing assumes a particular importance. Such packing can be highly standardised or can be as per the individual requirements.
- 6. Financing :** In the whole scheme of marketing, the contribution of retailers is really worth emphasizing in so far as consumer financing is concerned. His financing consists of credit granted on liberal terms to the consumers, investment made in large variety of stocks, the expenses of holding stock, salaries and wages of watch and ward staff and other trade expenses.
- 7. Advertising :** Retailers are the best agents to advertise the products, services and ideas. In collaboration with wholesalers and manufacturers retailers do undertake shop display, distribution of sales literature, introduction of new products in a convincing way as he recommends what is 'right' or 'wrong' to a particular customer.

8. **Supply of market information :** Retailers really enjoy enviable position so far collecting information from the horse's mouth. As being in closed and constant touch with consumers, he clearly keenly observes, studies the consumers behaviour, changes in the tastes and fashions and therefore, demand. This collected information was passed on to the wholesalers and the manufacturers for their perusal and necessary prediction for future adjustment and success.

#### **Q.5 Explain the functions of Wholesaler.**

**Ans:-** Wholesale trader is one who sells to other middlemen, institutions and individuals a fairly large quantities. According to **American Management Association**, wholesalers sell to retailers or other merchants and/or individual, institutional and casual users but they do not sell in significant amounts to ultimate consumers". Wholesale trade is to do with marketing and selling merchandise to retailers, wholesalers or to individuals – commercial and professional or other institutional contrast to household consumers, to individuals for personal use.

#### **Functions of wholesalers**

Wholesale traders perform a number of functions in the process of selling the goods. Of them the most important ones are :

1. **Assembling and Buying :** Assembling implies the collection of small lot of agricultural production for economic bulk buying; it also means bringing together different manufacturers producing same line of goods. 'Buying' comprises of selection of manufacturers and placing orders on them and making purchases in cases of seasonal products.
2. **Warehousing :** Warehousing or storing is closely related to the function of storing. As there is always a gap between the time periods of production and consumption, the goods are to be held and preserved. This involves capital lock-up  
This warehousing by wholesalers relieves both the producers and the retailers problems of storage.
3. **Transporting :** In the processes of assembling and warehousing and resale, do undertake transportation of goods from producers to their warehouses to the retailers. What is important is that this transportation is done on economic lines, either through their own fleet or through hired common carriers.
4. **Financing :** Wholesalers undertake marketing financing. They grant credit terms to retailers on one hand and reduce the financial burden of the by taking early delivery of stocks from them. The very fact that the creditors grant credit is as good as reducing the credit quota of manufacturers to wholesalers.

5. **Risk Bearing :** Risks are inherent in business which are to be borne and wholesalers bear the risks of loss of change in prices, of damage, deterioration, pilferage, theft, fire and the like of the goods held in storage. They also of non or under payment by the retailers. Risk shouldering is the part done.
6. **Grading, packing and packaging :** Grading is another function of wholesalers they sort-out the stocks in terms of differing sizes, qualities, moisture contents bulk-breaking is done with a view to meet the small lot requirements of manufacturers. In fact, they repack for the consumers as per the orders of the retailers.
7. **Dispersing and selling :** The goods assembled and held in stock are meant pricing and selling. It is the retailers who buy from the wholesalers. Similarly, do have their own sales-army moving to retailers for collection order.
8. **Providing market information :** Wholesalers are the vital link between producers and manufacturers. They provide relevant and up-to-date information to retailers affecting their trade interests; so also they reciprocate the same to manufacturers as to whatever retailers feed them on changing market conditions useful wholesalers.
- 9.

**Q6.** Explain the classification of distribution channels.

**Ans:-** The trade channels are classified into conventional and non-conventional and integrated with further ramifications.

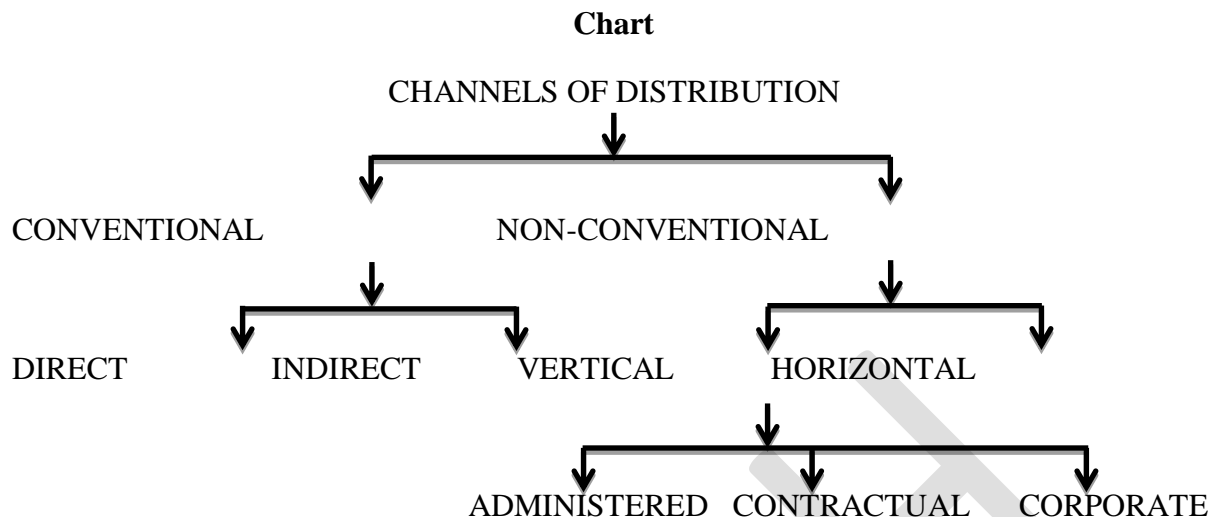
**Conventional channels :**

Conventional or individualistic channels are the fragmented net-works wherein manufacturers and the consumers are loosely linked by intermediaries in the process change. These intermediaries perform the usual conventional marketing functions.

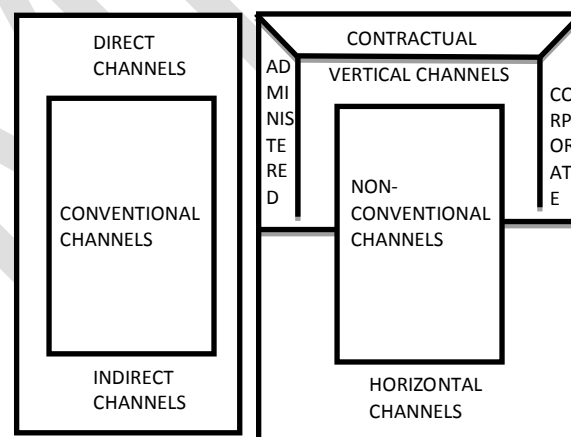
**The conventional channel alternatives can be :**

1. Manufacturer to consumer.
2. Manufacturer to retailer to consumer.
3. Manufacturer to wholesaler to retailer to consumer
4. Manufacturer to wholesaler to consumer and
5. Manufacturer to agents to wholesaler to retailer to consumer.

Non-integrated or conventional channels take two shapes namely, direct and indirect.



A **‘direct’** channel is one which is the shortest wherein the company chooses directly to the consumer without engaging any intermediary. It is commonly in case of mail-order sales, sales by travelling salesmen and multiple shops. On other hand, **‘indirect’** channel is one which employs the services of intermediaries buying the goods to the consumers. As a result, in direct channel, there is immediate change in the title of goods from manufacturers to consumers while in case of indirect channels, it gets delayed as the intermediaries go on increasing



These direct and indirect channel options will be more clear with the practical illustrations are given below.

1. **Manufacturer to consumer :** This channel choice is the shortest and simplest, as it is direct where goods move directly from producers to consumers. That is, no



intermediary is involved. This is the channel choice opted by manufacturers industrial and consumer durable goods. The sales are affected through the company sales-force. Take the case of vacuum cleaner, water cooler, oil engines, generator sets. Same is the case with bakery products through they are consumer non-durable.

2. **Manufacturer to retailer to consumer :** Between the producers and the consumers, this is a channel has one intermediary namely, retailer. This the most common channel in case of consumer durables such as textiles, shoes, readymade garments and so on. In case of textiles, most of the mills have their own retail outlets all over the country. In case of shoes, Bata, carona and Flex have their own retail outlets throughout length and breadth of the country.
3. **Manufacturer to wholesaler to retailer to consumers :** This channel option has two intermediaries namely, wholesaler and retailer interposed between the producers and the consumers. This is the most popular form and is used by both small and big companies alike. The companies producing consumer non-durable items use this where the wholesalers stock the production in different parts of nation or a region and from there, the products are supplied in smaller quantities to the retailers and who in turn, sell to the consumers.
4. **Manufacturer to wholesaler to consumer ::** This channel option by passes the last link namely, retailers. Therefore goods move from producers to wholesalers and back to consumers directly without having recourse to retailers. This is the most acceptable practice when the consumers are not individual buyers but are institutional buyers such as hospitals, schools, colleges, government agencies, public enterprises, business houses, religious institutions, sports clubs and like. However, the scope of this channel is limited to the number of institutional buyers. Though it is used in most of those companies manufacturing consumer durable goods it can be also used to increase of consumer non-durables
5. **Manufacturer to agent to wholesaler to retailer to consumer :** It is the longest indirect channel option that a company has. The channel has the services agents and middlemen only next to producers who in turn, sell to wholesalers and the wholesalers to retailers and back to final users by the retailers. These agent-middlemen may be commission agents, export merchants who manage the affairs of the manufacturer who wants to concentrate totally on production. This is literally done by companies with multiple product portfolio and producing consumer durables on large scale enjoying national and international market.

#### **Q.7 Explain inventory control.**

Physical distribution management surrounds the inventory and its management inventory implies the stock of goods held over a period of time for meeting the consumer needs both business and final. Inventory acts as a link between the order of customers and the production or the procurement cycle of the firm. For manufacture the inventories are made up of raw materials and parts, stocks of partly manufactured products and finished goods. In case of distribution and retailers, it is mostly the finished stock meant for the final consumption. Inventory accumulation is expensive, yet its availability is essential to the consumer for their satisfaction.



### **Goals of inventory management:-**

inventory management strives to pursue two basic goals namely:

- Providing adequate level of consumer services and
- Minimizing the firms investment in inventory.

**1. Providing adequate level of consumer services:-** Marketers have learnt that the consumer satisfaction hinges on prompt, dependable and adequate distribution, delivery difficulties lead to influence both price and availability of products to the needy consumer. Customers easily become disenchanted and turn to competitors if they come to know that the firm running out of stock, being out of stock of finished products can, therefore be a costly affair.

One 'lost sale' can mean the permanent loss of not only that customer but large number of customers who are influenced by the behavior of the 'lost customer'. Stock maintenance is a matter of inventory control that keeps customer satisfied with the minimum stock.

**2. Minimizing the firms investment in inventory:-** One may have a strong feeling that in order to not to run out of stock of each item we must hold sufficient stock of the whole assortments. However, maintaining an inventory large enough to fill nearly at oracles from stock on hand can be exorbitantly expensive. According to one expert mr.J.F.Magee, raising the number of order filled from stock by just a few percentage points may require almost doubling of inventor. However there is no hard and fast rule governing % of orders that should be filled from stock because a well known principle of inventory management states that usually about 20% of the products a company carries account for the majority of sales; those products with largest sale should always be available so that nearly 100% of the population orders can be filled from the stock; less important products need not be.

**Inventory control:-** To achieve the described goals of inventory management, the distribution mangers are to be determine the quantitative and qualitative control techniques, the most relevant techniques employed are setting of stock levels.

**Determining the economic order quantity:-** Economic order quantity is that quantity to be ordered at a time that is most economized. It is that size of an order of an item to be placed in inventory procuring costs and inventory carrying costs are equated or where they are least. Economic order quantity is reorder quantity of standard quantity to be ordered to replenish the stock. In simple words, it is that amount of stock that costs the least to keep on hand in order to meet the average level of demand.

No. of orders	Procurement costs	Stock carrying costs	Total cost
1.	100	1600	1700
2.	200	800	1000

4.	400	400	800
8.	800	200	1000
16.	1600	100	1700
20	2000	80	2080

**Exercising control by importance and exception:-** A technique exists called ABC Analysis CIE Technique for identifying those items with biggest sales pay off. According to this technique, the items of sales volume in descending order and classed into three categories, 'A', 'B' and 'C', for control purpose.

**Table of ABC Analysis:-**

<u>Item no</u>	<u>Sales</u>	<u>% of sales</u>	<u>% of items</u>	<u>Class of item</u>
1.	50000	51	20	'A'
2.	40000			
3.	35000			
4.	20000	41	30	'B'
5.	15000			
6.	9000			
7.	4000	09	50	'C'
8.	1000			
9.	700			
10.	300			
<b>Total10</b>	<b>175000</b>	<b>100</b>	<b>100</b>	<b>3</b>

It can be ready by the above table that 20% of items account for 51% of sales and 30% of account for 40 % of sales and 50% of items, 95 of sales. In the light of this, the stocking pattern shall be A class items are going to be stocked always in case of 'B' category items, slightly lesser stocks can be held and minimum stock shall held in case of 'C' class items. This means that stock control follows the rule of "management by exception".

**Keeping track of inventory:-** Knowing how fast or how slow a stock is moving is important in determining as to, how much inventory to be kept on hand. There can be

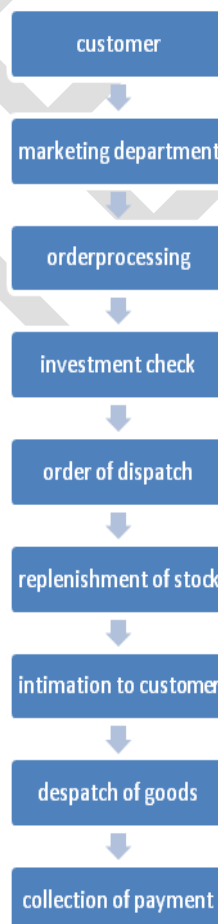
two possible ways to do so, one is calculating inventory turnover ratio and another is perpetual inventory taking inventory refers to the number of times that the normal amount of inventory carried by the firm is sold in a year.

The firm should have a recording system called perpetual inventory that gives up to date information of new arrivals of items, item discounted the physical stock on any day. Physical stock taking along with daily records will indicate only the movement of the items but also possible shoplifting, wastage and the like.

### **Q7 What is order processing**

physical distribution sets in motion with a customer order processing includes the activities of receiving, recording, filling and assembling and order for shipment. Each customer expects that the order placed by him should be implemented without inordinate delay one hand that the goods dispatched match perfectly to his order specifications. This implies quality control that ensure the upright execution of orders, that is why, marketers and distribution managers are much concerned about the order cycle time and effort is made to keep it rigged.

#### **Communication of order..... verbal or written**



An order cycle is the period between the time of the placement of an order by the customer to the time of the arrival of the goods at his destination. This cycle as made up of the transmission of the order, document. Processing in the department and

shipment of the goods. Here, document processing is the routine activity which is standardized.

Since order processing involves series of logical steps from receiving orders to the dispatch, there should be a standard procedure for receiving the orders, handling the orders, granting of credit, invoicing, dispatching, collecting the bills and post dispatch adjustments.

As these are time consuming the tedious activities, full advantage of electronic data processing is to be taken to guarantee accurate and timely service. The order processing procedure followed in a firm have dual impact on consumer service level namely its affects:-

- 1-order time that Is the time interval between two orders of a customer, and
- 2- the consistency and uniformity of delivering time i.e regular and dependable deliveries.

### **Q9 Explain the functions of warehousing.**

- **Storage:-** Ware houses take the responsibility of storing goods in order and in safe custody. This enables the supply of goods at points of time when they are needed.
- **Risk bearing:-** ware house keeper takes over all risks incidental to storage of goods. He becomes responsible for any loss, damages, theft etc..
- **Financing:-** Ware houses also facilitate financing. The receipt issued by ware houses can be used as a collateral security for obtaining bank loans.
- **Price stabilization:-** Ware houses helps in stabilization of prices by ensuring study of goods as per demand.
- **Ancillary services:-** Ware houses render a number of ancillary services. They under take functions of sorting, packaging, labeling, loading and delivering goods to consumers.

#### ➤ **Kinds of ware houses:-**

- **Field ware housing:-**field ware houses are those, which are managed by a public ware housing agency in the premises of a factory or company which meets the facility for borrowing from a bank against the certification of goods in storage or in process by an independent professional ware house man.
- **Bonded ware housing:-** Bonded ware house are owned and operated by part trusts where importers store goods till customs due are paid or goods are reshipped to other destinations with out being brought into the country.
- **Cold storage:-** Cold storage facilities are provided for perishable against payment of storage for the space utilized by different parties. These ware houses provide facility of refrigeration.
- **General merchandise ware houses:-** This are probably the most common type of ware houses. Any type of commodity may be stored in this ware houses.

- **Public ware houses:-** With regard to ownership, public warehouses are those which are owned and operated by the public institution or other persons and open for use by anybody at a charge, who can confirm to certain rules and regulations.
- **Private warehouse:-** This is also with regard to ownership, which are owned and operated by the company itself under exclusively used by it.
- **Duty paid public ware house:-** These warehouses are maintained either by dock authorities or by port trust authorities at part after payment of customs duty goods can be withdrawn from bonded warehouse and may store the goods in this warehouse depending on his requirement.

#### **Q10 Explain the merits and demerits of advertising media.**

Advertising as a means of communication has numerous advantages. The merits of advertising can be summarized below:

1. **Mass Reach-** Advertising is a communication medium which can reach a wide range of people over a broad geographical region. For example- advertising via a daily newspaper reaches millions of people all over the country.
2. **Boosting customer contentment and confidence-** It creates a sense of assurance amidst potential customers as they are contented and comforted about the quality of the product and thus feel more relaxed.
3. **Expressiveness-** As because of the progress of graphic designing, art and computer skills, advertisement has changed into one of the most aggressive weapon of communication. A simple product can look attractive with all the special effects and modern computer skills.
4. **Economy-** Advertising by far is the most economic medium of communication for creating mass awareness. As a result of its wide reach, the total advertising cost gets stretched over several communication links recognized. This ultimately lowers per unit cost for advertising.

#### **Demerits of Advertising**

Though advertising has many advantages, it also has several disadvantages. The demerits of advertising as a medium of communication are listed below:

**1. Less Forceful-** Being an impersonal medium of communication, it is less forceful when compared to personal selling. Advertising is a common message and you are not compelled to pay attention to the message conveyed.

**2. Lack of feedback-** It is not possible to study the efficiency of advertising message as it is not possible to gather immediate and precise feedback of the message communicated.

**3. Inflexibility-** Advertising is not very flexible because of non-standardization and is not custom made to meet the necessities of the various groups of customers.

**4. Low effectiveness-** Because of the growth in volume of advertising is becoming impossible to make advertising message heard by the prospective group of consumers. This ultimately influences the efficiency of advertising.

Even though advertising has many disadvantages the merits of advertising outweighs the disadvantages and thus forms an important element for a successful marketing of a product. Thus advertising is no doubt a powerful medium of communication without which no product can be marketed successfully.

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