NJR/KS/18/6744

Master of Business Administration (M.B.A.) Semester—II (C.B.C.S.) Examination

MARKETING MANAGEMENT

Compulsory Paper—3

Time : [Three Hours] [Maximum Marks : 80]

Note :— (1) **All** questions are compulsory.
(2) All questions carry equal marks.

1. (A) Define Marketing. Discuss the marketing mix for a service organisation.

OR

(B) Write a note on Product Life Cycle. "Marketing strategies vary according to product life cycle."

2. (A) Explain the functions and types of distribution channel.

OR

(B) Discuss the pricing policies and strategies adopted by FMCG companies.

3. (A) Define Advertising. What are the advantages of Advertising ? Explain the various methods of evaluating Advertising effectiveness.

OR

(B) What do you mean by Sales Promotion ? Discuss the various tools and techniques of Sales Promotion.

4. (A) Discuss the importance and process of Marketing Research.

OR

(C) Explain the concept of marketing of services with suitable examples.

5. Write short notes on :

(A) Marketing Environment

(B) New Product Development

(C) Media Selection

(D) Legal aspects of Marketing.

Q.1. (A) Define Marketing. Discuss the marketing mix for a service organisation.

What Is Marketing?
Marketing refers to activities undertaken by a company to promote the buying or selling of a product or service. Marketing includes the advertising, selling and delivering of products to consumers or other businesses.

Professionals who work in a corporation's marketing and promotion departments seek to get the attention of key potential audiences through advertising. Promotions are targeted to certain audiences and may involve celebrity endorsements, catchy phrases or slogans, memorable packaging or graphic designs and overall media exposure.

Understanding Marketing
Marketing as a discipline involves all the actions a company undertakes to draw in customers and maintain relationships with them. Networking with potential or past clients is part of the work too, including writing thank you emails, playing golf with a prospective client, returning calls and emails quickly and meeting with clients for coffee or a meal.

At its most basic, marketing seeks to match a company's products and services to customers who want access to those products. The matching of product to customer ultimately ensures profitability.

[Important: Marketing refers to any activities undertaken by a company to promote the buying or selling of a service].

A business that offers a set of services to customers, whether it is in hospitality, travel, healthcare or professional services like a lawyer, engineer, architect etc., is part of the service industry and offers its skills and technology to the end-users or other businesses. If the business directly interacts with the consumer, then it falls under the business-to-consumer (B2C) service category; whereas, if the business offers its services to other businesses, it falls under the business-to-business (B2B) services. Whatever the kind of services your business offers, you need a marketing plan to promote it and create the right service marketing mix to communicate your offerings to your audience. **This course can help you get started on creating a marketing plan for your business**.

While product marketing involves tangible goods that can be seen, heard, felt, smelt or tasted by the consumers, service marketing highlights on performance, process, customer value and benefits to the end-users. So, whether you are a service executive in a large firm or the owner of a small services company, it is imperative for you to understand the various aspects of service marketing and creating the right mix of promotional tools and methods. We will be touching upon these various factors and more in our discussion here.

What is Service Marketing Mix?

The service marketing mix is a combination of the different elements of services marketing that companies use to communicate their organizational and brand message to customers. The mix consists of the seven P's i.e. Product, Pricing, Place, Promotion, People, Process and Physical Evidence. The service marketing mix, also known as the extended marketing mix, treats the service that the business offers just as it would treat a product. While the first four P's are involved in product marketing too, the remaining three P's focus mainly on service delivery and enhancing customer satisfaction. **For an in-depth knowledge on extended marketing principles, take this course on Service Sector marketing.**

Elements of Service Marketing Mix

1. **Product** – Unlike a product, a service is intangible and cannot be measured in terms of look, feel and other qualities present in a commodity. However, it can be customized to suit the user requirements and give a personal touch. However, the service product is heterogeneous and perishable in nature just like a normal product and needs to be designed with the utmost care to increase customer satisfaction. **Master positioning your B2B services with this course**.
2. **Pricing** – The pricing strategy for services is difficult to achieve unlike in products, wherein the final price depends on the raw materials, cost of production and distribution etc. However, in service pricing, you cannot measure the cost of the services you offer that easily. For example, in the education industry, how would you set the price of the quality of education imparted? Or if you are in the food and hospitality industry, how would you charge the customers for the care shown by the host or hostess, the ambience in the restaurant or the fine taste of your delicacies? Therefore, pricing plays a crucial role in the services marketing mix for your business. **Learn how to price your service with confidence in this course.**
3. **Place** – The place where you choose to conduct your service business can make or break your organizational growth. You need to understand how visible your setup would be to potential customers and how frequently it would be visited by consumers. For example, would you set up a fast-food centre near a college or office hub, where students and professionals can quickly grab a bite or next to a big restaurant in a classy neighbourhood?

4. **Promotion** – The service industry usually has stiff competition across different verticals and your business would need a lot of promotions to pass on the right message to potential customers. While advertising, online and direct marketing are the best ways to promote your service you need to have a good mix of communication channels to address a larger audience.
5. **People** – Your business is not just built on your goals, company vision and principles but also depends heavily on your employees. It is the people who work for you who are responsible in creating happy and returning customers. People in your organization are the epicentre of the quality of your services and need to have the best of talents to gain customer loyalty and trust.
6. **Process** – How efficiently your services are delivered to the customer is an important aspect of your service blueprint and you need to emphasize on setting up a process for doing so. You need to ask yourself "Do I want to have a process in place that is quick, reliable and easy to monitor or one that is sluggish but necessarily passes through several layers of hierarchy?" In today's competitive world, companies are always in the race to deliver services quickly, efficiently and with the highest quality.
7. **Physical Evidence** – While offering your services, you can either do it without adding a personal touch or by differentiating your offerings by adding an element of delight to the customer. For example, would you prefer to visit a bookstore that only has a stack of books with a cashier nearby or one that also has a place to sit, where you can browse through the book you are interested in and enjoy the light music in the backdrop while you make a choice? The ambience of a bookstore or restaurant, the music, the friendly face of your travel host etc. are all part of the physical evidence of a service and they are an important element of the service marketing mix.

The services sector has various kinds of businesses catering to the needs of individual consumers or bigger enterprises and larger businesses. Whatever industry domain you conduct your business in ensure to create the right service marketing mix for better customer satisfaction. **This in-depth course can help you map out the proper marketing mix for your company**.

Q1.(B) Write a note on Product Life Cycle. "Marketing strategies vary according to product life cycle." Justify.

The Product Life Cycle

Every product goes through the various life cycle phases of introduction, growth, maturity and decline.

LEARNING OBJECTIVES

Discuss the rationale behind the marketing concept of product life cycles

KEY TAKEAWAYS

Key Points

- Depending on its current stage in the product life cycle, a product will have different marketing, financing, manufacturing, purchasing and human resource requirements.
- In the market introduction stage (following product development), the product is released on to the market.
- Sales are low and costs are high in the market introduction stage, thus, no profits are made. There is little to no competition and demand must be created through heavy promotion.

Key Terms

- **decline stage**: when a product is not predicted to continue to be successful or upgraded
- **product life cycle**: The process wherein a product is introduced to a market, grows in popularity, and is then removed as demand drops gradually to zero.
- **maturity stage**: when a product is no longer in the growth stage, but not yet in the decline stage

Product Life Cycle: Overview

The product life cycle (PLC) describes the life of a product in the market with respect to business/commercial costs and sales measures. It proceeds through multiple phases, involves many professional disciplines and requires a multitude of skills, tools and processes.

This is not to say that product lives cannot be extended – there are many good examples of this – but rather, each product has a ‘natural’ life through which it is expected to pass.

The stages of the product life cycle are:

- Introduction
- Growth
- Maturity
- Decline

PLC management makes these three assumptions:

1. Products have a limited life and, thus, every product has a life cycle.
2. Product sales pass through distinct stages, each of which poses different challenges, problems and opportunities to its parent company.
3. Products will have different marketing, financing, manufacturing, purchasing and human resource requirements at the various stages of its life cycle.

The product life cycle begins with the introduction stage (see). Just because a product successfully completes the launch stage and starts its life cycle, the company cannot take its success for granted.

PRODUCT DEVELOPMENT					PRODUCT LIFE CYCLE			
Idea evaluation	Technical and market assessment	Product design and prototype	Product testing	Commercial start-up	Market introduction	Growth and competitive turbulence	Maturity	Decline

Product Development and Product Life Cycle: The Product Life Cycle follows directly after new product development.

A company must succeed at both developing new products and managing them in the face of changing tastes, technologies and competition. A good product manager should find new products to replace those that are in the declining stage of their life cycles; learning how to manage products optimally as they move from one stage to the next.

Product Lifecycle Management Stage 1: Market Introduction

This stage is characterized by a low growth rate of sales as the product is newly launched and consumers may not know much about it. Traditionally, a company usually incurs losses rather than profits during this phase. Especially if the product is new on the market, users may not be aware of its true potential, necessitating widespread information and advertising campaigns through various media.

However, this stage also offers its share of opportunities. For example, there may be less competition. In some instances, a monopoly may be created if the product proves very effective and is in great demand.

Characteristics of the introduction stage are:

- High costs due to initial marketing, advertising, distribution and so on.
- Sales volumes are low, increasing slowly
- There may be little to no competition
- Demand must be created through promotion and awareness campaigns
- Customers must be prompted to try the product.

- Little or no profit is made owing to high costs and low sales volumes

Growth

During the growth stage, the public becomes more aware of the product; as sales and revenues start to increase, profits begin to accrue.

LEARNING OBJECTIVES

Identify the conditions that exist when a product is in stage 2, growth of the Product Life Cycle

KEY TAKEAWAYS

Key Points

- Initial distribution is expanded as popularity increases, leading to increases in promotion as well.
- The company often looks at introduction improvements and innovations so as to cement their position in this stage, and discourage competitors from having any success in copying the product and selling substitutes.
- Increased competition in this stage may lead to falling prices as the company competes with others to gain and keep hold of market share.

Key Terms

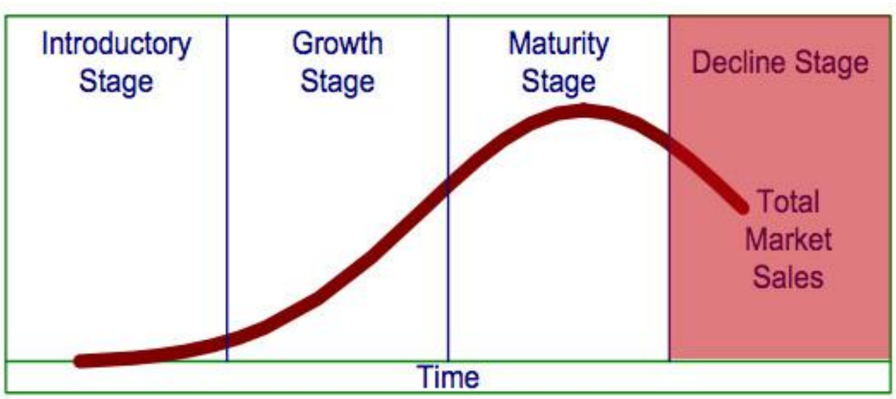
- **growth stage**: The stage of the product life cycle where product sales, revenues and profits begin to grow as the product becomes more popular and accepted in the market.

The stages of the product life cycle are:

- Introduction
- Growth
- Maturity
- Decline

Product Lifecycle Management Stage 2: Growth

The growth stage is the period during which the product eventually and increasingly gains acceptance among consumers, the industry, and the wider general public. During this stage, the product or the innovation becomes accepted in the market, and as a result sales and revenues start to increase. Profits begin to be generated, though the break even point is likely to remain unbreached for a significant time–even until the next stage, depending on the cost and revenue structures.



Growth Stage: The graph shows the growth stage in the overall product life cycle.

Initial distribution is expanded further as demand starts to rise. Promotion is increased beyond the initially high levels, and word-of-mouth advertising leads to more and more potential customers hearing about the product, trying it out, and–if the company is lucky–choosing to use the product regularly. Repeat orders from initial buyers are also obtained.

If a monopoly was initially created, then it still exists in this stage. Because of this, the manufacturing company can look at ways to introduce new features, alterations, or other types of innovation to the product according to feedback from consumers and from the market in general. This would be done in order to maintain growth in sales and ensure that interest in the product continues to grow and not stagnate, thus maintaining the growth stage. In fact, the growth stage is seen as the best time to introduce product innovations, as it creates a positive image of the product and diminishes the presence of competitors who will be attempting to copy or improve the product, and present their own products as a substitute.

Features of the growth stage:

- Costs reduced due to economies of scale: as production and distribution are ramped up, economies of scale kick in and reduce the per unit costs.
- Sales volume increases significantly: as the product increases in popularity, sales volumes increase.
- Profitability begins to rise: revenues begin to exceed costs, creating profit for the company
- Public awareness increases: through increased promotion, visibility and word of mouth, public awareness grows.
- Competition begins to increase with a few new players in establishing market
- Increased competition leads to price decreases: price wars may erupt, technology may get cheaper, or other factors can ultimately lead to falling prices.

Maturity

During the maturity stage, sales will peak as the product reaches market saturation, and competition will grow increasingly fierce.

LEARNING OBJECTIVES

Identify the market conditions of a product in stage 3, maturity of the product life cycle.

KEY TAKEAWAYS

Key Points

- As the company will attempt to prolong the maturity phase as long as possible, it will likely introduce alterations and innovations to the product to keep customers interested and stay a step ahead of the competition.
- Advances in technology and changes in consumer taste and demand may also add to the slowing down of sales growth of the product during this phase.
- Prices tend to drop in this phase due to lower costs as well as a high level of competition, and so industrial profits will fall as well.

Key Terms

- **maturity**: The stage in the product life cycle where sales growth ultimately peaks, then slows as the product reaches widespread acceptance, and competition is fierce.
- **market saturation**: A situation in which a product has become distributed within a market to the fullest possible extent, leaving demand for the product at a minimum. The actual level of saturation can depend on consumer purchasing power, competition, prices, and technology.

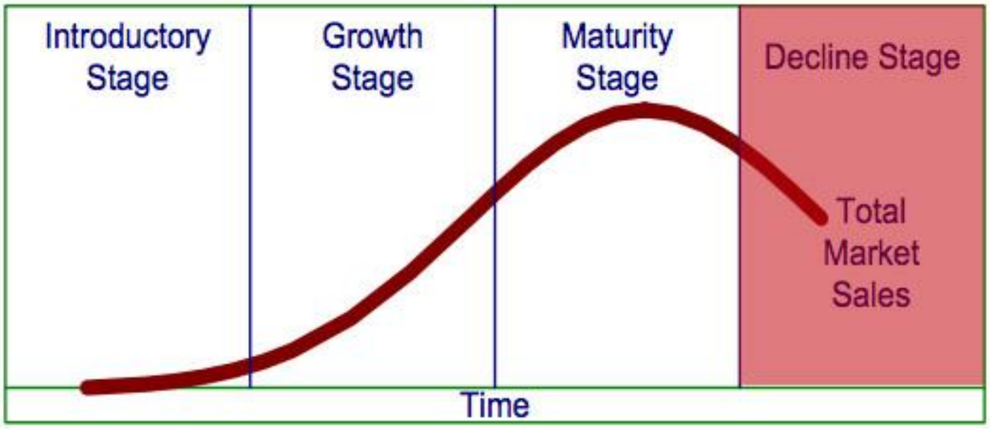
The stages of the product life cycle are:

- Introduction
- Growth
- Maturity

- Decline

Product Lifecycle Management Stage 3: Maturity

The maturity stage follows the growth stage in the product's life cycle (see).



Maturity Stage: The maturity stage of the product life cycle shows that sales will eventually peak and then slow down.

During this stage, sales growth has started to slow down, and the product has already reached widespread acceptance in the market, in relative terms. Ultimately, during this stage, sales will peak. The company will want to prolong this phase so as to avoid decline, and this desire leads to new innovation and features in order to continue to compete with the competition which, by now, has become very established, advanced and fierce. Competitors ' products will begin to cut deeply into the company's market position and market share. However, despite this, sales continue to grow in the early part of the maturity phase. But, these sales will peak and ultimately decline, as the graph shows.

Demand for the product ultimately decreases due to competition and market saturation, as well as new technologies and changes in consumer tastes. Actions the company takes may include:

- Improving specific features in order to resell the product (for instance, in the case of a car, the manufacturer may include alloy wheels, new colors, sport or hybrid versions, or other changes in order to keep sales going);
- Lowering prices in order to fight off competition;
- Intensifying distribution and promotional efforts;
- Differentiation efforts, in the hope that new customers will start to buy the product.
- Finding a new targeted market.

The stage that lasts the longest in the product life cycle is the Maturity stage. It is at this time that repeat business and purchases take the place of new customer buying. So, during the maturity stage, the following occurs:

- Costs are lowered as a result of production volumes increasing and experience curve effects
- Sales volume peaks and market saturation is reached
- Increase in numbers of competitors entering the market
- Prices tend to drop due to the proliferation of competing products
- Brand differentiation and feature diversification is emphasized to maintain or increase market share
- Industrial profits go down

Decline

During decline, sales growth becomes negative, profits decline, competition remains high, and the product ultimately reaches its 'death'.

LEARNING OBJECTIVES

Identify the characteristics of a product in the decline stage of the product life cycle.

KEY TAKEAWAYS

Key Points

- Sales volume declines as competition becomes too strong for the company in question; as well as the fact that changes in consumer tastes and new technologies also erode sales.
- Maintaining profitability increasingly becomes more about efficiency of production and distribution rather than about increasing sales.
- Usually, product termination is not about the end of the business cycle or the entire product class; rather, it is about the termination of a single product or market entrant that can no longer compete as it has reached the end of its life.

Key Terms

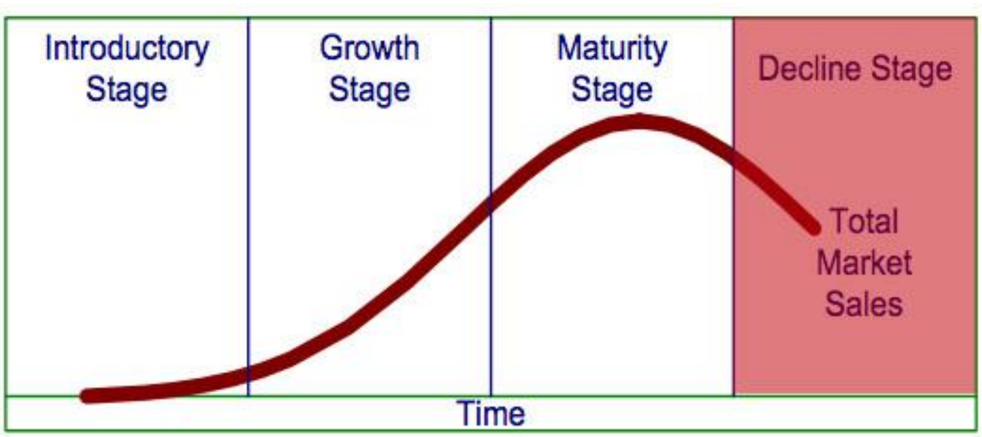
- **decline**: The stage of the product life style where low/negative sales growth, lower profits, and maximum competition occur, forcing the product into decline and 'death'.

The stages of the product life cycle are:

- Introduction
- Growth
- Maturity
- Decline

Product Lifecycle Management Stage 4: Decline

The decline stage of the product life cycle is the one where the product ultimately 'dies' due to the low or negative growth rate in sales (see).



Decline Stage: The decline stage of the product life cycle is the terminal stage where sales drop and production is ultimately halted.

Profitability will fall, eventually to the point where it is no longer profitable to produce, and production will stop. As a number of companies start to dominate the market, it becomes increasingly difficult for the company in question to maintain its level of sales. Consumer tastes also change, as do new technologies which may make the product become ultimately obsolete (as in the case of CDs and DVDs, and now Blu-Ray).

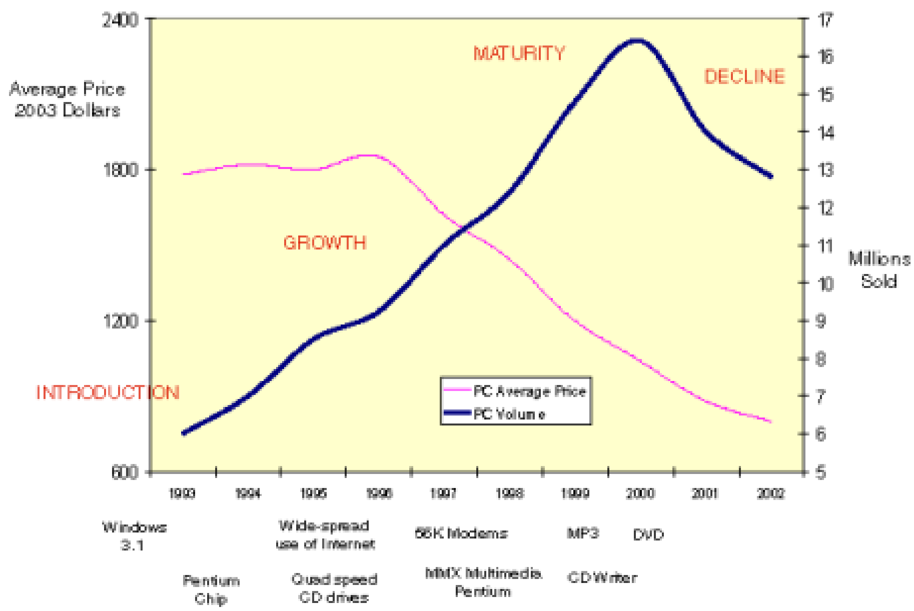
Features of the decline stage include:

- A decline in sales volume as competition becomes severe, and popularity of the product falls;
- A fall in prices and profitability (the latter ultimately moving in the negative zone);
- A counter-optimal cost structure;
- Profit increasingly becomes a challenge of production/distribution efficiency rather than increased sales.

It is important to note that product termination is not usually the end of the business cycle; rather, it is only the end of a single entrant within the larger scope of an on-going business program.

Example: The Personal Computer (PC)

shows the actual sales and price of the personal computer from 1992 to 2002. The PC was state-of-the-art technology in 1992. Only technologically-advanced individuals would buy one at the very steep price of $1800 (and bear in mind, $1800 in 1992 was worth a lot more than it is today). A large number of companies were competing in the field. As the market grew, businesses learned to be more efficient in producing the PC and prices came down. The drop in prices and improvements in technology made PCs more attractive to other consumers. However, the market became saturated after 2000 and went into decline. PCs started to become obsolete as laptops, net books, tablets, and smart phones started to enter the market, shifting the emphasis from power to portability. The PC is still used all over the world, but its popularity has declined dramatically.



Product life cycle of the personal computer: The chart shows the rise and fall of personal computers.

Product Life-Cycle Curve

Product life cycles are a useful guide to lifetime sales and profits, and can help marketers understand what strategies to deploy & when.

LEARNING OBJECTIVES

Discuss characteristics of a product’s life cycle curve

KEY TAKEAWAYS

Key Points

- Different products will have differently shaped product life cycle curves. Products like Coke and Pepsi seem to be in a permanent maturity phase, while fads like the Tamagochi have short maturities as well as steep introduction and decline phases.
- Some products have very unpredictable product life cycles owing to high levels of uncertainty and risk. For these, the product life cycle model is less useful.

- During the early stages of the product life cycle, a product will not be highly profitable. Thus, the maturity stage should be extended as long as possible.

Key Terms

- **fad**: A phenomenon that becomes popular for a very short time; the product life cycle has a steeply-sloped growth stage, a short maturity stage, and a very steep decline.

Understanding Product Life Cycle Curves

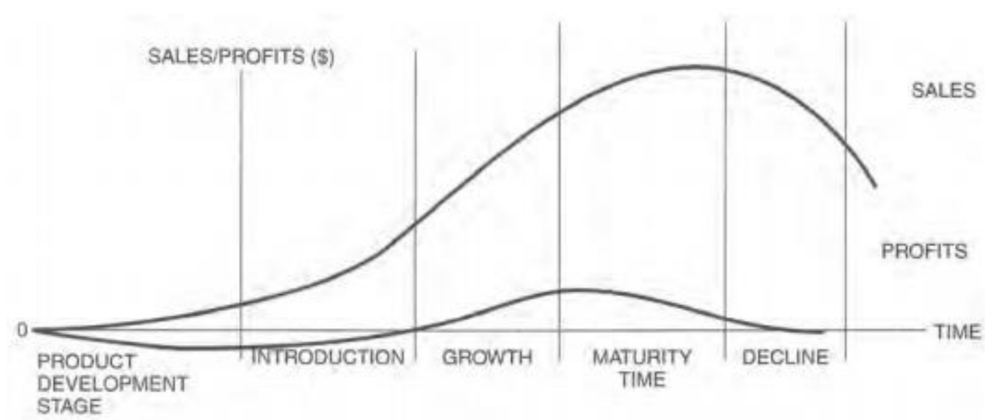
It is important for marketing managers to understand the limitations of the product life cycle model. A rise in sales per se is not necessarily evidence of growth, just as a fall in sales does not typify decline. Some products like Coca Cola and Pepsi may not experience a decline at all.

Differing products possess different product life cycle "shapes. " A fad product develops as a steeply-sloped growth stage, a short maturity stage, and a steeply-sloped decline stage (for instance, the pet rock phase in the 1970s). A product like Coca-Cola and Pepsi experiences growth, but also a constant level of sales over decades. A given product may hold a unique product life cycle shape such that use of typical product life cycle models are useful only as a rough guide for marketing management.

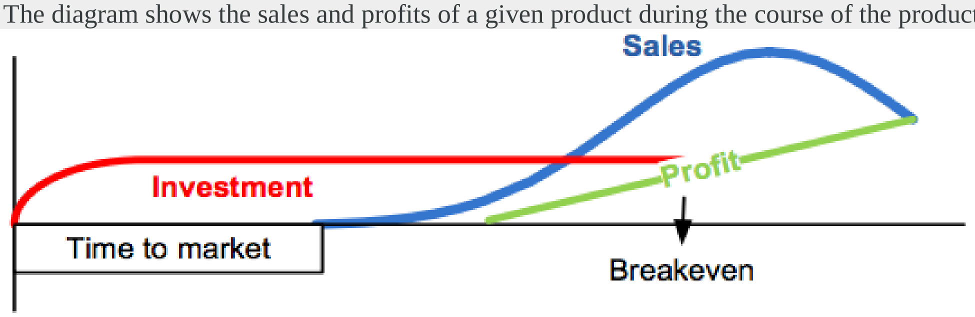
The duration of each product's life cycle stage is unpredictable, making it difficult to detect when maturity or decline has begun. Due to these limitations, strict adherence to the product life cycle model can lead a company to misleading objectives and strategy prescriptions.

Rather, the product life cycle model should be used as a rough guide to predict how sales patterns may play out given competitive and economic conditions. All in all, it is a useful model, but not a certainty.

The two charts and demonstrate the break-even point reached during the product life cycle as well as sales and profits in general. They show that the product does not make much profit during early periods of the life cycle, meaning the maturity stage must be extended to maximise profits.



Sales and Profits: The diagram shows the sales and profits of a given product during the course of the product life cycle.



Break Even: The diagram shows when a product is expected to break even once it is introduced into the market.

Examples

Facebook

Facebook is in the mature phase of the product life cycle. Once it became the norm for everyone to have a Facebook account, the growth stage passed. No new or obsoleting technology is expected to appear soon which would put Facebook out of business. While Facebook competes with other social media sites like Google+ and Twitter, it appears to be holding its own. Thus, we can say that Facebook is comfortably in the maturity stage.

iPod

The iPod touch is currently in the mature phase of the product life cycle. This is because the iPod touch is just an evolution of a product that has been around for long time. Competitors like Microsoft's Zune have just followed Apple's design and technology, while the iPod has evolved over multiple "generations," each adding new features and functionalities. Today, the iPod touch is more than just a music player; it plays videos, runs apps and can be used as an organizer. Such a product may be difficult to classify using the product life cycle model – is it the same old iPod, or an entirely new product?

Impact of the Product Life Cycle on Marketing Strategy

The stage of the life cycle of the product affects how it is marketed.

LEARNING OBJECTIVES

Summarize marketing strategies that apply to product life cycles

KEY TAKEAWAYS

Key Points

- During the introduction stage, the product is promoted to create awareness and develop a market for the product.
- In the growth stage, the firm seeks to build brand preference and increase market share.
- The primary objective during the maturity phase is to defend market share while maximizing profit.
- Firms have several options when deciding how to deal with a product in the decline phase.
- Marketers must take care not to miss opportunities by following strategies based on the product life cycle model too closely.

Key Terms

- **product life cycle**: The process wherein a product is introduced to a market, grows in popularity, and is then removed as demand drops gradually to zero.

Introduction

The stages through which individual products develop over time is called commonly known as the "Product Life Cycle."

Identifying Features	Stages			
	Introduction	Growth	Maturity	Decline
Sales	Low	High	High	Low
Investment Cost	Very High	High(Lower than intro stage)	Low	Low
Competition	Low or no competition	High	Very High	Low
Advertising	Very High	High	High	Low
Profit	Low	High	High	Low

Product Life Cycle Stages: The table shows the product life cycle stages and the different marketing characteristics that accompany and identify them.

The product life cycle is a well-known framework in marketing. Products typically go through four stages:

- Introduction
- Growth
- Maturity
- Decline

After a period of development, the product is introduced or launched into the market. It gains more and more customers as it grows and, eventually, the market stabilizes and the product becomes mature. Then after a period of time, the product is overtaken by development and the introduction of superior competitors, goes into decline, and is eventually withdrawn.

At each stage, marketing strategy varies.

Strategies for the Different Stages of the Product Life Cycle

Introduction

The need for immediate profit is not a pressure. The product is promoted to create awareness and develop a market for the product. The impact on the marketing mix and strategy is as follows:

- Product branding and quality level is established and intellectual property protection, such as patents and trademarks are obtained.
- Pricing may be low penetration to build market share rapidly or high skim pricing to recover development costs.
- Distribution is selective until consumers show acceptance of the product.
- Promotion is aimed at innovators and early adopters. Marketing communications seeks to build product awareness and educate potential consumers about the product.

Growth

Competitors are attracted into the market with very similar offerings. In the growth stage, the firm seeks to build brand preference and increase market share.

- Product quality is maintained and additional features and support services may be added.
- Pricing is maintained as the firm enjoys increasing demand with little competition.
- Distribution channels are added as demand increases and customers accept the product.
- Promotion is aimed at a broader audience.

Maturity

Those products that survive the earlier stages tend to spend longest in this phase. At maturity, the strong growth in sales diminishes. Competition may appear with similar products. The primary objective at this point is to defend market share while maximizing profit.

- Product features may be enhanced to differentiate the product from that of competitors.
- Pricing may be lower because of the new competition.
- Distribution becomes more intensive, and incentives may be offered to encourage preference over competing products.
- Promotion emphasizes product differentiation.

Decline

At this point, there is a downturn in the market. For example, more innovative products are introduced or consumer tastes have changed. There is intense price cutting, and many more products are withdrawn from the market. Profits can be improved by reducing marketing spending and cost cutting.

As sales decline, the firm has several options:

- Maintain the product, possibly rejuvenating it by adding new features and finding new uses.
- Harvest the product–reduce costs and continue to offer it, possibly to a loyal niche segment.
- Discontinue the product, liquidating remaining inventory or selling it to another firm that is willing to continue the product.

By imaginatively repositioning their products, companies can change how customers mentally categorize them. They can rescue products struggling in the maturity phase of their life cycles and get them back to the growth phase. And in some cases, they might be able take their new products forward straight into the growth phase.

The Con of Using Product Life Cycles to Direct Strategies

According to Harvard Business School professor Youngme Moon, though the product life cycle concept has been used successfully over the past 40 years, it has made marketers assume that there is only one trajectory for successful products. By viewing the product life cycle in the same way, marketers pursue similar positioning strategies for products and services during each stage of the life cycle. In the process, they miss out on opportunities to differentiate themselves.

Q.2. (A) Explain the functions and types of distribution channel.

What is a Distribution Channel?

A distribution channel (also called a marketing channel) is the path or route decided by the company to deliver its good or service to the customers. The route can be as short as a direct interaction between the company and the customer or can include several interconnected intermediaries like wholesalers, distributors, retailers, etc.
Hence, a distribution channel can also be referred to as a set of interdependent intermediaries that help make a product available to the end customer.

Functions of Distribution Channels

In order to understand the importance of distribution channels, you need to understand that it doesn't just bridge the gap between the producer of a product and its user.
Distribution channels provide time, place, and ownership utility. They make the product available when, where, and in which quantities the customer wants. But other than these **transactional functions**, marketing channels are also responsible to carry out the following functions:
Logistics and Physical Distribution: Marketing channels are responsible for assembly, storage, sorting, and transportation of goods from manufacturers to customers.
Facilitation: Channels of distribution even provide pre-sale and post-purchase services like financing, maintenance, information dissemination and channel coordination.
Creating Efficiencies: This is done in two ways: bulk breaking and creating assortments. Wholesalers and retailers purchase large quantities of goods from manufacturers but break the bulk by selling few at a time to many other channels or customers. They also offer different types of products at a single place which is a huge benefit to customers as they don't have to visit different retailers for different products.
Sharing Risks: Since most of the channels buy the products beforehand, they also share the risk with the manufacturers and do everything possible to sell it.
Marketing: Distribution channels are also called marketing channels because they are among the core touch points where many marketing strategies are executed. They are in the direct contact with the end customers and help the manufacturers in propagating brand message and product benefits and other benefits to the customers.

Types of Distribution Channels

Channels of distribution can be divided into the direct channel and the indirect channels. Indirect channels can further be divided into one-level, two-level, and three-level channels based on the number of intermediaries between manufacturers and customers.

Direct Channel or Zero-level Channel (Manufacturer to Customer)

Direct selling is one of the oldest forms of selling products. It doesn't involve the inclusion of an intermediary and the manufacturer gets in a direct contact with the customer at the point of sale. Some examples of direct channels are peddling, brand retail stores, taking orders on the company's website, etc. Direct channels are usually used by manufacturers selling perishable goods, expensive goods, and whose target audience is geographically concentrated. For example: Bakers, jewellers, etc.

Indirect Channels (Selling Through Intermediaries)

When a manufacturer involves a middleman/intermediary to sell its product to the end customer, it is said to be using an indirect channel. Indirect channels can be classified into three types:

One-level Channel (Manufacturer to Retailer to Customer)

Retailers buy the product from the manufacturer and then sell it to the customers. One level channel of distribution works best for manufacturers dealing in shopping goods like clothes, shoes, furniture, toys, etc.

Two-Level Channel (Manufacturer to Wholesaler to Retailer to Customer)

Wholesalers buy the bulk from the manufacturers, breaks it down into small packages and sells them to retailers who eventually sell it to the end customers. Goods which are durable, standardised and somewhat inexpensive and whose target audience isn't limited to a confined area use two-level channel of distribution.

Three-Level Channel (Manufacturer to Agent to Wholesaler to Retailer to Customer)

Three level channel of distribution involves an agent besides the wholesaler and retailer who assists in selling goods. These agents come handy when goods need to move quickly into the market soon after the order is placed. They are given the duty to handle the product distribution of a specified area or district in return of a certain percentage commission.

The agents can be categorised into super stockists and carrying and forwarding agents. Both these agents keep the stock on behalf of the company. Super stockists buy the stock from manufacturers and sell them to wholesalers and retailers of their area. Whereas, carrying and forwarding agents work on a commission basis and provide their warehouses and shipment expertise for order processing and last mile deliveries.

Manufacturers opt for three-level marketing channel when the userbase is spread all over the country and the demand of the product is very high.

Dual Distribution

When a manufacturer uses more than one marketing channel simultaneously to reach the end user, he is said to be using the dual distribution strategy. They may open their own showrooms to sell the product directly while at the same time use internet marketplaces and other retailers to attract more customers.

A perfect example of goods sold through dual distribution is smartphones.

Distribution Channels for Services

Unlike tangible goods, services can't be stored. But this doesn't mean that all the services are always delivered using the direct channels.

With the advent of the internet, online marketplaces, the aggregator business model, and the on-demand business model, even services now use intermediaries to reach to the final customers.

The Internet as a Distribution Channel

The internet has revolutionised the way manufacturers deliver goods. Other than the traditional direct and indirect channels, manufacturers now use marketplaces like Amazon (Amazon also provide warehouse services for manufacturers' products) and other intermediaries like aggregators (uber, instacart) to deliver the goods and services. The internet has also resulted in the removal of unnecessary middlemen for products like software which are distributed directly over the internet.

Factors Determining the Choice of Distribution Channels

Selection of the perfect marketing channel is tough. It is among those few strategic decisions which either make or break your company.

Even though direct selling eliminates the intermediary expenses and gives more control in the hands of the manufacturer, it adds up to internal workload and raises the fulfilment costs. Hence these four factors should be considered before deciding whether to opt for the direct or indirect distribution channel.

	SHORT CHANNELS	LONG CHANNELS
MARKET CHARACTERISTICS	BUSINESS USERS GEOGRAPHICALLY CONCENTRATED EXTENSIVE TECHNICAL KNOWLEDFE AND REGULAR SERVICING REQUIRED LARGE ORDERS	CONSUMERS GEOGRAPHICALLY DISPERSED LITTLE TECHNICAL KNOWLEDFE AND REGULAR SERVICING NOT REQUIRED SMALL ORDERS
PRODUCT CHARACTERISTICS	PERISHABLE COMPLEX EXPENSIVE	DURABLE STANDARDIZED INEXPENSIVE
COMPETITION CHARACTERISTICS	COMPETITOR USES THE DIRECT CHANNELS AND THE MANUFACTURER IS SATISFIED WITH ITS PERFORMANCE OR COMPETITOR USES INDIRECT CHANNELS AND THE MANUFACTURER THINKS CHOOSING THIS CHANNEL WOULD BE MORE BENEFICIAL	COMPETITOR USES THE INDIRECT CHANNELS AND THE MANUFACTURER IS SATISFIED WITH ITS PERFORMANCE OR COMPETITOR USES THE DIRECT CHANNEL AND THE MANUFACTURER THINKS CHOOSING THIS CHANNEL WOULD BE MORE BENEFICIAL
COMPANY CHARACTERISTICS	CHANNEL CONTROL IMPORTANT BROAD PRODUCT LINE MANUFACTURER HAS ADEQUATE RESOURCES TO PERFORM CHANNEL FUNCTIONS	CHANNEL CONTROL NOT IMPORTANT LIMITED PRODUCT LINE MANUFACTURER LACKS ADEQUATE RESOURCES TO PERFORM CHANNEL FUNCTIONS

Market Characteristics

This includes the number of customers, their geographical location, buying habits, tastes and capacity and frequency of purchase, etc.

Direct channels suit businesses whose target audience lives in a geographically confined area, who require a direct contact with the manufacturer and are not that frequent in repeating purchases.
In cases of customers being geographically dispersed or residing in a different country, manufacturers are suggested to use the indirect channels.

The buying patterns of the customers also affect the choice of distribution channels. If customers expect to buy all their necessaries in one place, selling through retailers who use product assortment is preferred. If delivery time is not an issue, if the demand isn't that high, the size of orders is large or if there's a concern of piracy among the customers, direct channels are suited.

If the customer belongs to the consumer market, longer channels may be used whereas shorter channels are used if he belongs to the industrial market.

Understanding the consumer behaviour is essential to deciding the most effective marketing channel for the business.

Product Characteristics

Product cost, technicality, perishability and whether they are standardised or custom-made play a major role in selecting the channel of distribution for them.

Perishable goods like fruits, vegetables and dairy products can't afford to use longer channels as they may perish during their transit. Manufacturers of these goods often opt for direct or single level channels of distribution. Whereas, non-perishable goods like soaps, toothpastes, etc. require longer channels as they need to reach customers who reside in areas which are geographically diverse.

If the nature of the product is more technical and the customer may require a direct contact with the manufacturer, direct channels are used. Whereas, if the product is fairly easy to use and a direct contact makes no difference to the number of sales, longer channels are used.

The per unit value of the product also decides whether the product is sold through a direct channel or through an indirect channel. If the unit value is high like in the case of jewellery, direct or short channels are used, whereas products like detergents whose unit value is low use longer channels of distribution.

Competition Characteristics

The choice of the marketing channel is also affected by the channel selected by the competitors in the market. Usually, the firms tend to use a similar channel as used by the competitors. But some firms, to stand out and appeal to the consumer, use a different distribution channel than the competitors. For example, when all the smartphones were selling in the retail market, some companies partnered with Amazon and used the scarcity principle to launch their smartphone as Amazon exclusive.

Company Characteristics

Financial strength, management expertise, and the desire for control act as important factors while deciding the route the product will take before being available to the end user.

A company having a large amount of funds and good management expertise (people who have sufficient knowledge and expertise of distribution) can create the distribution channels of its own but a company with low financial stability and management expertise has to rely on third-party distributors.

The companies who want to have a tight control over the distribution prefer direct channels. Whereas, those companies to whom such control doesn't matter or those who are just interested in the sales of their products prefer indirect channels.

Q2(B). Discuss the pricing policies and strategies adopted by FMCG companies.

The simplest way to set price is through uniform pricing. At the profit maximizing uniform price, the incremental margin percentage equals the reciprocal of the absolute value of the price elasticity of demand. The most profitable pricing policy is complete price discrimination, where each unit is priced at the benefit that the unit provides to its buyer. To implement this policy, however, the seller must know each potential buyer's individual demand curve and be able to set different prices for every unit of the product. The next most profitable pricing policy is direct segment discrimination. For this policy, the seller must be able to directly identify the various segments. The third most profitable policy is indirect segment discrimination. This involves structuring a set of choices around some variable to which the various segments are differentially sensitive. Uniform pricing is the least profitable way to set a price. A commonly used basis for direct segment discrimination is location. This exploits a difference between free on board and cost including freight prices. A commonly used method of indirect segment discrimination is bundling. Sellers may apply either pure or mixed bundling.

Definition of 'Pricing Strategies'

Definition: Price is the value that is put to a product or service and is the result of a complex set of calculations, research and understanding and risk taking ability. A pricing strategy takes into account segments, ability to pay, market conditions, competitor actions, trade margins and input costs, amongst others. It is targeted at the defined customers and against competitors.

Description: There are several pricing strategies:

Premium pricing: high price is used as a defining criterion. Such pricing strategies work in segments and industries where a strong competitive advantage exists for the company. Example: Porche in cars and Gillette in blades.

Penetration pricing: price is set artificially low to gain market share quickly. This is done when a new product is being launched. It is understood that prices will be raised once the promotion period is over and market share objectives are achieved. Example: Mobile phone rates in India; housing loans etc.

Economy pricing: no-frills price. Margins are wafer thin; overheads like marketing and advertising costs are very low. Targets the mass market and high market share. Example: Friendly wash detergents; Nirma; local tea producers.

Skimming strategy: high price is charged for a product till such time as competitors allow after which prices can be dropped. The idea is to recover maximum money before the product or segment attracts more competitors who will lower profits for all concerned. Example: the earliest prices for mobile phones, VCRs and other electronic items where a few players ruled attracted lower cost Asian players.

Some of the major strategies adopted by FMCG companies for making their brands outstanding compared to competitions are as follows: (i) Multi-brand Strategy (ii) Product Flanking (iii) Brand Extensions (iv) Building Product Lines (v) New Product Development (vi) Product Life Cycle Strategy (vii) Taking advantages of wide distribution network.

The success of an FMCG depends greatly on its marketing strategy. An FMCG marketer pursues a wide combination of strategies.For instance, when prices are competitive, the company would use an extensive distribution network, design suitable advertising and sales promotion schemes from time to time.

Following are some strategies adopted by FMCG companies for making their brands outstanding compared to competitors:

(i) Multi-brand Strategy:

A company often nurtures a number of brands in the same category. There are various motives for doing this. The main rationale behind this strategy is to capture as much of the market share as possible by trying to cover as many segments as possible, as it is not possible for one brand to cater to the entire market.

Hindustan Lever have introduced many brands like “Dove” in premium segment, “Lifebuoy” for economy segment and “Lux”, “Liril” and “Rexona” in the intervening segment, meaning thereby, the company has not left any segment untouched.

(ii) Product Flanking:

Product flanking refers to the introduction of different combinations of products at different prices, to cover as many market segments as possible. It is basically offering the same product in different sizes and price combinations to tap diverse market opportunities. Shampoos in small sachets, Pan masala in small pouches and premium detergents (Tide, Aeriel etc.) in small pouches are examples of this strategy.

(iii) Brand Extensions:

Hindustan Lever’s Lifebuoy soap’s brand extensions are Lifebuoy Plus, Lifebuoy liquid and Lifebuoy Gold, since these brands have been positioned at different segments. Similarly, Amul butter, Amul ghee, Amul cheese and Amul chocolates are various brand extensions of regular Amul Brand. Companies make brand extensions in the hope that the extensions will be able to ride on the equity of the successful brands.

(iv) Building Product Lines:

Hindustan Lever has added product lines one after another starting from Lifebuoy, Lux, Liril, Dove etc. Similarly, Britannia Industries have related biscuits as differed product lines. Companies add related new product lines to give consumers at the products they would like to buy.

(v) New Product Development:

Proctor and Gamble is shown as the number one company in the world reputed for new products development. Companies that fail to develop new products would expose themselves to great risk and might face stagnation in future.

The existing products are vulnerable to changing consumer needs and tastes, new technologies, shortened product life cycles and increased domestic and foreign competition. A company can develop new products either through R&D in-house or by acquiring other company or both.

(vi) Product Life Cycle Strategy:

An FMCG has short life cycle whereas an industrial product has long PLC. According to PLC, companies plan to develop new products after abandoning the old product which has experienced the decline stage of PLC curve. For example, existing models in products like automobiles, motor cycles, TV sets and watches etc. in India have experienced good demand whenever new option have been offered.

(vii) Taking advantages of wide distribution network:

A very simple way of increasing an FMCG company's market share is by developing a strong distributions network, preferably in terms of more locations. An extensive distribution system can be developed over time, or the company may acquire another company which has an extensive distribution network. Coca-Cola and PepsiCo's wide distribution network systems have made them market leaders.

Q3. (A) Define Advertising. What are the advantages of Advertising ? Explain the various methods of evaluating Advertising effectiveness.

Definition: Advertising is a means of communication with the users of a product or service. Advertisements are messages paid for by those who send them and are intended to inform or influence people who receive them, as defined by the Advertising Association of the UK.

Description: Advertising is always present, though people may not be aware of it. In today's world, advertising uses every possible media to get its message through. It does this via television, print (newspapers, magazines, journals etc), radio, press, internet, direct selling, hoardings, mailers, contests, sponsorships, posters, clothes, events, colours, sounds, visuals and even people (endorsements).

The advertising industry is made of companies that advertise, agencies that create the advertisements, media that carries the ads, and a host of people like copy editors, visualizers, brand managers, researchers, creative heads and designers who take it the last mile to the customer or receiver. A company that needs to advertise itself and/or its products hires an advertising agency. The company briefs the agency on the brand, its imagery, the ideals and values behind it, the target segments and so on. The agencies convert the ideas and concepts to create the visuals, text, layouts and themes to communicate with the user. After approval from the client, the ads go on air, as per the bookings done by the agency's media buying unit.

The major advantages of advertising are: (1) introduces a new product in the market, (2) expansion of the market, (3) increased sales, (4) fights competition, (5) enhances good-will, (6) educates the consumers, (7) elimination of middlemen, (8) better quality products, (9) supports the salesmanship, (10) more employment opportunities, (11) reduction in the prices of newspapers and magazines, (12) higher standard of living!

The benefits derived from advertising are manifold. It is one of the most important components of the marketing process.

This is beneficial to manufacturers, traders, consumers and society as a whole. Advertising offers the following advantages.

(1) Introduces a New Product in the Market:
Advertising plays significant role in the introduction of a new product in the market. It stimulates the people to purchase the product.

(2) Expansion of the Market:
It enables the manufacturer to expand his market. It helps in exploring new markets for the product and retaining the existing markets. It plays a sheet anchor role in widening the marketing for the manufacturer's products even by conveying the customers living at the far flung and remote areas.

(3) Increased Sales:
Advertisement facilitates mass production to goods and increases the volume of sales. In other words, sales can be increased with additional expenditure on advertising with every increase in sale, selling expenses will decrease.

(4) Fights Competition:
Advertising is greatly helpful in meeting the forces of competition prevalent in the market. Continuous advertising is very essential in order to save the product from the clutches of the competitors.

(5) Enhances Good-Will:
Advertising is instrumental in increasing goodwill of the concern. It introduces the manufacturer and his product to the people. Repeated advertising and better quality of products brings more reputation for the manufacturer and enhances goodwill for the concern.

(6) Educates The Consumers:
Advertising is educational and dynamic in nature. It familiarises the customers with the new products and their diverse uses and also educates them about the new uses of existing products.

(7) Elimination of Middlemen:
It aims at establishing a direct link between the manufacturer and the consumer, thereby eliminating the marketing intermediaries. This increases the profits of the manufacturer and the consumer gets the products at lower prices.

(8) Better Quality Products:
Different goods are advertised under different brand names. A branded product assures a standard quality to the consumers. The manufacturer provides quality goods to the consumers and tries to win their confidence in his product.

(9) Supports The Salesmanship:
Advertising greatly facilitates the work of a salesman. The customers are already familiar with the product which the salesman sells. The selling efforts of a salesman are greatly supplemented by advertising. It has been rightly pointed out that “selling and advertising are cup and saucer, hook and eye, or key and lock wards.”

(10) More Employment Opportunities:
Advertising provides and creates more employment opportunities for many talented people like painters, photographers, singers, cartoonists, musicians, models and people working in different advertising agencies.

(11) Reduction in the Prices of Newspapers and Magazines Etc:
Advertising is immensely helpful in reducing the cost of the newspapers and magazines etc. The cost of bringing out a newspaper is largely met by the advertisements published therein.

(12) Higher Standard of Living:
The experience of the advanced nations shows that advertising is greatly responsible for raising the living standards of the people. In the words of Winston Churchil “advertising nourishes the consuming power of men and creates wants for better standard of living.” By bringing to the knowledge of the consumers different variety and better quality products, it has helped a lot in increasing the standard of living in a developing economy like India.

Methods of Measuring Advertising Effectiveness

There may be two types measures of advertising effectiveness namely;

- Direct measures and,
- Indirect measures.

Direct Measures of Advertising Effectiveness

Under direct measures, a relationship between advertising and sales is established. A comparison of sales of two periods or two periods or two markets may be done and the corresponding changes may be noted. The following are some of the methods that are generally used in measuring that advertising effects.

i. Historical Sales Method

Some insights into the effectiveness of past advertising may be obtained by measuring the relationship between the advertising expenditure and the total sales of the product. A multiple regression analysis of advertising expenditure and sales over several time periods may be calculated. It would show how the changes in advertising expenditure have corresponding changes in sales volume. This technique estimates the contribution that advertising has made to explaining in a co relational manner rather than a casual sales, the variation in sales over the time periods covered in the study

ii. Experimental Control

The other measure of advertising effectiveness is the method of experimental control where a casual relationship between advertising and sales is established. This method is quite expensive when related to other advertising effectiveness measures yet it is possible to isolate advertising contribution to sales. Moreover this can be done as a pre-test to aid advertising in choosing between alternative creative designs. Media schedules expenditure levels or some combination of these advertising decision areas. One experimental approach to measuring the sales effectiveness of advertising is test marketing.

- **Before-after with Control Group Design**: This classic design uses several test and control cities in this design two types of cities are selected. Cities in which advertising campaigns are affected may be named as test cities and other cities may be called central cities. First of all, the normal sales level is calculated for both type of cities prior to advertising campaign, and then the advertising campaign is presented to the test cities and not the central cities. The effect of advertising campaign, can then, be measured by subtracting the amount of post campaign figure of sale from the pre campaign sale figures in test cities
- **Multivariable Experimental Designs**: While the experimental design discussed above yields a reasonably accurate estimate of the effects of the advertising on sales, it is not successful in explaining the success or failure of the campaign itself. Multivariable designs Produce these explanations and are, therefore used by some very large firm because of their diagnostic value.The power of this multivariable factorial design is explained by G.H.Brown, former Fords Director of Marketing Research. For any single medium, eight possible geographic areas have been exposed and eight have not been exposed. Thus, in this experimental model it is possible to evaluate how each individual medium behaves alone and in all possible to evaluate how each individual medium behaves alone and in all possible combinations with other media.

Indirect Measures of Advertising Effectiveness

As it is very difficult to measure the direct effect of advertising on company's profits or sales, most firms rely heavily on indirect measures. These measures do not evaluate the effects of advertisements directing on sales or profits but all other factors such as customer awareness or attitude or customer recall of advertising message affect the sales or profits or goals of the business indirectly. Despite the uncertainties about the relationship between the intermediate effects of advertising and the ultimate results, there is no other alternative but to use indirect measures. The most commonly used measures are;

- **Exposure to Advertisement**: In order to be effective, the advertisement must gain exposure. The management is concerned about the number of target audiences who see or hear the organization message set in the advertisement. Without exposure, advertisement is bound to failure. Marketers or advertisers may obtain an idea of exposure generated by the medium by examining its circulation or audience data which reveal the number of copies of the magazine, newspaper or journal sold the number of persons passing the billboards or riding in transit facilities, or the number of persons living in the televiewing or radio listening area, and the number of persons switching on their T.V. and radio sets at various points of time. This number can be estimated by interviewing the numbers of the audience for different media.
- **Attention or Recall of Advertising Message Content**: This is one of the widely used measures of advertising results. Under this measure, a recall of the message content among a specified group or groups or prospective customers is measured within 24 hours of the exposure of the advertisement. Attention value is the chief quality of the advertising copy the advertisements cannot be said to be effective unless they attract the attention of the target consumers. There are two methods for evaluating the attention getting value of the advertisements. One is pre-test and the other is post-test. In a pre-test evaluation, the consumers are asked to indicate the extent to which they recognize or recall the advertisement, they have already seen. This test is conducted in the laboratory setting. Here consumers read, hear or listen to the advertisement and then researchers ask question regarding the advertisement just to test the recall and then evaluate it. In post-test method, the consumers are asked questions about the indication of recognition or recall after the advertisement has been run. These measures assume that customers can recall or recognize what they have viewed or listened to. Various mechanical devices are being used in the western countries which provide indices of attention such as eye-camera etc.
- **Brand Awareness**: The marketers who rely heavily on advertising often appraise its effectiveness by measuring the customer's awareness about the particular product or brand. The assumption of this type of measure is that there is a direct relationship between the advertisements and the awareness. This type of measure is also subject to the same criticisms as is applicable to direct measures of effectiveness (sales measures because awareness is also not the direct result of the advertisements. It is also affected by many other factors. But, for new products, changes in awareness can often be attributed to the influence of advertising.
- **Comprehension**: Consumers generally use advertisements as a means of obtaining information about the product, brand or the manufacturer. They cannot be informed unless they comprehend the message (grasp the message mentally and understand it fully). Various tests for valuating comprehension are available. One is recall tests – an indicator of comprehension because it is evident that consumers recall what they comprehend. Another measure of the variable is to ask questions about subjects how much they have comprehended a message they have recently heard or seen. One may employ somewhat imprecise test of the comprehension of a newspaper and radio advertisement. One may ask typical target consumers from time to time such questions like 'what did you think of our new commercial?' and 'Did it get the message across'? The answers of these questions will provide sufficient insight into advertising decision making.

- **Attitude Change**: Since advertising is considered to be one way of influencing the state of the mind of the audience towards a product, service or organisation, the results are very often measured in terms of attitudes among groups exposed to advertising communication. Several measures are used ranging from asking the questions about willingness to buy the likelihood of buying to the measurement of the extent to which specific attributes (such as modern or new) are associated with a product.
- **Action**: One objective of advertisement may be assumed to be to stimulate action or behavior. The action or intention to take an action may be measured on the intention to buy measuring instrument. Under this type of measure, consumers are asked to respond why they are interested in purchasing the product or brand. One type of action that advertisers attempt to induce is buying behavior. The assumption is that if an increase in sales follows a decrease in advertising expenditure, the change in sales levels are good indicators of the effectiveness of advertising. Logic suggests that measurement of sales is preferable to other measurements.

Thus, these above measures (direct or indirect) are used to evaluate the effectiveness of advertisements. It seems from the analysis of the above **methods of measuring advertising effectiveness** that directly or indirectly changes in sales or profits are taken as the measuring rod of the effectiveness of the advertising.

Q3.(B). What do you mean by Sales Promotion ? Discuss the various tools and techniques of Sales Promotion.

Meaning and Definition:

Sales promotion refers to ‘those marketing activities that stimulate consumer shows and expositions. Purchasing and dealer effectiveness such as displays, demonstration and various non- recurrent selling efforts not in the ordinary routine.” According to A.H.R. Delens: “Sales promotion means any steps that are taken for the purpose of obtaining an increasing sale. Often this term refers specially to selling efforts that are designed to supplement personal selling and advertising and by co-ordination helps them to become more effective.”

In the words of Roger A. Strong, “Sales promotion includes all forms of sponsored communication apart from activities associated with personal selling. It, thus includes trade shows and exhibits, combining, sampling, premiums, trade, allowances, sales and dealer incentives, set of packs, consumer education and demonstration activities, rebates, bonus, packs, point of purchase material and direct mail.”

Objectives of Sales Promotion:

Sales promotion is a vital bridge or a connecting link between personal selling and advertising.

Sales promotion activities are undertaken to achieve the following objectives:

1. To increase sales by publicity through the media which are complementary to press and poster advertising.

2. To disseminate information through salesmen, dealers etc., so as to ensure the product getting into satisfactory use by the ultimate consumers.

3. To stimulate customers to make purchases at the point of purchase.

4. To prompt existing customers to buy more.

5. To introduce new products.

6. To attract new customers.

7. To meet competition from others effectively.

8. To check seasonal decline in the volume of sales.

Importance of Sales Promotion:

The importance of sales promotion has increased tremendously in the modern times. Lakhs of rupees are being spent on sales promotional activities to attract the consumers in our country and also in other countries of the world.

Some large companies have also begun to appoint sales promotion managers to handle miscellaneous promotional tools. All these facts show that the importance of sales promotion activities is increasing at a faster rate.

The aim of any given business is to increase the profits. As everyone knows that high profits result from increased sales, that's why, all businesses engage in some innovative promotion techniques, from time to time, to increase awareness of their products and to boost the sales. These efforts help in building the company's brand value and promote customer loyalty too.

Consumer Oriented Sales Promotion Methods

Price-off Deal

In this technique, the price of the product is lowered for some time. For instance, in bars, there are "happy hours", during which the liquor is sold at a discount rate to the customers.

Loyalty Reward Program

The consumers are given certain points or credits, every time they use the company's product/service. These points can later be redeemed by the customers for rewards or freebies. The "frequent flyer" program started by various airlines is a good example of this method.

Trade-ins

Trade-in involves lowering the price for consumers in exchange for old goods. Computer companies, automobile companies and golf equipment manufacturers are usually the ones who make use of such promotional methods. For instance, a computer manufacturer will take an old computer from the customer and offer him some sort of discount on the purchase of a new one. These old goods are later sold by the manufacturer to make up for the low price offered to the consumer.

Price Pack Deal

The consumers are given something "extra" at the same price. For instance, on 1000 ml shampoo pack, 200 ml extra is given free i.e. at the same price.

Demonstrations

Product demonstrations are organized by many a manufacturers, to teach the customers how to use the product. These demonstrations can be organized in person or through videos. Sometimes, celebrities may be invited to such demonstrations, in order to ensure that maximum potential customers attend the event.

Coupons

Coupons are one of the best promotion techniques for inducing trial for the company's products. Free coupons are generally included in the print advertisements. Consumers can carry these coupons and avail discount on buying the company's product or service, by showing it to the retailers while making a purchase. These days mobile coupons are becoming very popular too.

Contests

Contests like writing slogans, poems etc. about the company's products are often used by corporates to promote their offerings amongst the potential buyers. The participants are judged by a panel and thereafter, the winner gets prizes like a free product or sometimes visit to a foreign country, etc.

Samples

Free samples are often given by product manufacturers to entice the potential consumers to try out the company's products. Usually, samples are given on the purchase of company's other products.

Event Sponsorship

Companies sponsor a popular event, like a football match or a rock concert. The attendees are already in a positive mood at such events. When they see the brand flashed all over the event venue, it invokes positivity towards the brand too, thus resulting in high sales.

Rebates

Some companies offer rebates or money back to customers, in case they do not like the product. Rebates work really well when the company is introducing a new product in the market and wants the potential customers to give it a try.

Online Interactive Promotion Game

Internet is fast catching up with other medias to promote a company's products. These days, corporates have come up with many creative and interesting interactive computer games, which build brand loyalty and induce sales.

As you can see, corporates today leave no stone unturned, to increase their consumer base. From time to time, they come up with some really creative strategies, to boost their sales and to keep competitors in check!

Q.4.(A) Discuss the importance and process of Marketing Research.

Marketing Research: Meaning, Definition and Objectives– Explained!

Meaning:

It is very important to understand at the outset that the, modern concept of marketing revolves around the customer. Satisfaction of customer is the main aim of marketing. For achieving this goal, marketing research is undertaken.

In fact, marketing management is nothing but marketing research. With the expansion of business, marketing management becomes complex. It has to rely heavily on marketing research for solving problems in the field of marketing.

"Marketing research is the careful and objective study of product design, markets, and such transfer activities as physical distribution and warehousing, advertising and sales management." —Clark and Clark

"Marketing research is the inclusive term which embraces all research activities carried on for the management of marketing work, the gathering, recording and analysing of all facts about problems relating to the transfer and sale of goods and services from producer to consumer." —Harry Hapner

From the above definitions, it is clear that marketing research is concerned with tackling the problems emerging from the beginning to the final stage of marketing process.

The origin and development of marketing research was started in England. In 1911, Prof. Arthur Bowie used the method of random sampling and published a paper entitled "Working Class Households." Afterwards, it was developed by a German Prof. Whilhelm Vershofen, who is known as the father of market research.

Marketing research techniques and methods are being increasingly adopted by all the countries of the world whether developed, developing or underdeveloped. In America, marketing research is conducted by many companies on a very high scale.

Marketing Research V/S Market Research:

Marketing research is a broader term including market research. Marketing research is concerned with all the major functions of marketing. Market research is primarily concerned with knowing the capacity of the market to absorb a particular product. Marketing research is not only concerned with the jurisdiction of the market but also covers nature of the market, product analysis, sales analysis, time, place and media of advertising, personal selling and marketing intermediaries and their relationships etc.

Marketing Research:

Marketing research serves the purpose of 'intelligence wing of the marketing management. Its scope is very broad as compared to market- research. It is concerned with collection of market information systematically and impartially, analysis and evaluation of relevant data and use such data for the benefit of the organisation.

It is a careful and objective study of various areas of marketing activities. What, when, where and how to sell the end product and the services are four questions to which the marketing research wing provides an answer.

Thus, market research and marketing research are different from each other. Market research is a narrow concept whereas marketing research is a broad one and its scope is much wider.

It includes nature of the market, product analysis, sales analysis, time, place and media of advertising, personal selling, pricing, sales organisation, packaging, brand names, etc.

Objectives of Marketing Research:

Marketing research is undertaken for attaining the following objectives:

(1) To Provide Basis For Proper Planning:

Marketing and sales forecast research provides sound basis for the formulation of all marketing plans, policies, programmes and procedures.

(2) To Reduce Marketing Costs:

Marketing research provides ways and means to reduce marketing costs like selling, advertisement and distribution etc.

(3) To Find Out New Markets for The Product:

Marketing research aims at exploring new markets for the product and maintaining the existing ones.

(4) To Determine Proper Price Policy:

Marketing research is considered helpful in the formulation of proper price policy with regard to the products.

(5) To Study in Detail Likes and Dislikes of the Consumers:

Marketing research tries to find out what the consumers, (the men and women who constitute the market) think and want. It keeps us in touch with the consumers, minds and to study their likes and dislikes.

(6) To Know The Market Competition:

Marketing research also aims at knowing the quantum of competition prevalent in the market about the product in question. The company may need reliable information about competitor's moves and strategies which are of immense significance for further planning.

(7) To Study The External Forces and Their Impact:

Marketing research provides valuable information by studying the impact of external forces on the organisation. External forces may include conditions developing in foreign markets, govt, policies and regulations, consumer incomes and spending habits, new products entering in the market and their impact on the company's products.

Prof. Gilies has rightly pointed out that, "The basic objective of marketing research is to supply management with information which will lead to a fuller understanding of the distribution habits and attitudes of present and potential buyers and users, and their reactions to products, packing, selling and advertising methods".

Various definitions of marketing research are given below:

"The systematic gathering, recording and analysis of data about problems relating to the marketing of goods and services" — The American Marketing Association.

"The systematic objective and exhaustive research for and study of the facts relevant to any problem in the field of marketing." —Richard Crisp

Need and Importance of Marketing Research!

The most important task of a marketer is to get the right product at the right place with the right price to the right person. Besides, it was also necessary to go back and find whether consumer is getting optimum satisfaction, so that consumer remains loyal. These aspects made it imperative for the marketers to conduct marketing research.

The following points explain the need for and importance of marketing research:

1. Identifying problem and opportunities in the market:

It helps in identifying new market opportunities for existing and new products. It provides information on market share, nature of competition, customer satisfaction levels, sales performances and channel of distribution. This helps the firms is solving problems.

2. Formulating market strategies:

Today, markets are no more local. They have become global. Manufactures find it difficult to contact customers and control distribution channels. Competition is equally severe. The consumer needs are difficult to predict. Market segmentation is a complicated task in such wide markets. The marketing intelligence provided through marketing research not only helps in framing but also in implementing the market strategies.

3. Determining consumer needs and wants:

Marketing has become customer-centric. However, large-scale production needs intermediaries for mass distribution. Due to prevalence of multi channels of distribution, there is an information gap. Marketing research helps in collecting information on consumers from structured distribution research and helps in making marketing customer oriented.

4. For effective communication mix:

In an era of micro- rather than mass-marketing, communication plays a vital role. Marketing research uses promotional research to study media mix, advertising effectiveness and integrated communication tools. Research on such aspects will help in promoting effectively a company's product in the market.

5. Improving selling activities:

Marketing research is used to analyse and evaluate performances of a company within a market. It also studies effectiveness of a sales force. It helps in identifying sales territories. Such information helps the companies in identifying areas of shortcoming in sales. It also examines alternative methods for distribution of goods.

6. For sales forecasting:

The most challenging task for any production manager is to keep optimum levels of inventory. However, production is undertaken in anticipation of demand. Therefore, scientific forecast of sales is required. Marketing research helps in sales forecasting by using market share method, sales force estimate method and jury method. This can also help in fixing sales quotas and marketing plans.

7. To revitalize brands:

Marketing research is used to study and find out the existing brand position. It finds out the recall value of brands. It explores the possibilities of brand extension or prospects of changing existing brand names. The main purpose of marketing is to create brand loyalty. Marketing research helps in developing techniques to popularize and retain brand loyalty.

8. To facilitate smooth introduction of new products:

Marketing research helps in testing the new products in one or two markets on a small scale. This helps in finding out consumer response to new product and develop a suitable marketing mix. It reveals the problems of the customers regarding new products. Thus, it controls the risk involved in introducing a new product.

9. Determine export potentials:

The development in transport and communication has helped in globalization and digitalization of world trade. This has helped in boosting the growth of international markets. Marketing research helps in conducting market survey for export. It. collects information on marketing environment prevailing in a country. By collecting data on consumers from different countries, it indicates export potentials.

10. Managerial decision-making:

Marketing research plays a vital role in the decision-making processes by supplying relevant, up-to-date and accurate data to the decision-makers. Managers need up-to-date information to access customer needs and wants, market situation, technological change and extent of competition.

Q4.(C). Explain the concept of marketing of services with suitable examples.

Introduction

The world economy nowadays is increasingly characterized as a service economy. This is primarily due to the increasing importance and share of the service sector in the economies of most developed and developing countries. In fact, the growth of the service sector has long been considered as indicative of a country’s economic progress.

Economic history tells us that all developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy.

This shift has also brought about a change in the definition of goods and services themselves. No longer are goods considered separate from services. Rather, services now increasingly represent an integral part of the product and this interconnectedness of goods and services is represented on a goods-services continuum.

Definition and characteristics of Services

The American Marketing Association defines services as - “Activities, benefits and satisfactions which are offered for sale or are provided in connection with the sale of goods.”

The defining characteristics of a service are:

Intangibility: Services are intangible and do not have a physical existence. Hence services cannot be touched, held, tasted or smelt. This is most defining feature of a service and that which primarily differentiates it from a product. Also, it poses a unique challenge to those engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.

1. **Heterogeneity/Variability:** Given the very nature of services, each service offering is unique and cannot be exactly repeated even by the same service provider. While products can be mass produced and be homogenous the same is not true of services. eg: All burgers of a particular flavor at McDonalds are almost identical. However, the same is not true of the service rendered by the same counter staff consecutively to two customers.
2. **Perishability:** Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer. eg: A customer dissatisfied with the services of a barber cannot return the service of the haircut that was rendered to him. At the most he may decide not to visit that particular barber in the future.
3. **Inseparability/Simultaneity of production and consumption:** This refers to the fact that services are generated and consumed within the same time frame. Eg: a haircut is delivered to and consumed by a customer simultaneously unlike, say, a takeaway burger which the customer may consume even after a few hours of purchase. Moreover, it is very difficult to separate a service from the service provider. Eg: the barber is necessarily a part of the service of a haircut that he is delivering to his customer.

Types of Services

1. **Core Services:** A service that is the primary purpose of the transaction. Eg: a haircut or the services of lawyer or teacher.
2. **Supplementary Services:** Services that are rendered as a corollary to the sale of a tangible product. Eg: Home delivery options offered by restaurants above a minimum bill value.

Difference between Goods and Services

Given below are the fundamental differences between physical goods and services:

Goods	**Services**
A physical commodity	A process or activity
Tangible	Intangible
Homogenous	Heterogeneous
Production and distribution are separation from their consumption	Production, distribution and consumption are simultaneous processes
Can be stored	Cannot be stored
Transfer of ownership is possible	Transfer of ownership is not possible

Services Marketing - Definition and its Importance

Stated simply, Services Marketing refers to the marketing of services as against tangible products.

As already discussed, services are inherently intangible, are consumed simultaneously at the time of their production, cannot be stored, saved or resold once they have been used and service offerings are unique and cannot be exactly repeated even by the same service provider.

Marketing of services is a relatively new phenomenon in the domain of marketing, having gained in importance as a discipline only towards the end of the 20th century.

Services marketing first came to the fore in the 1980's when the debate started on whether marketing of services was significantly different from that of products so as to be classified as a separate discipline. Prior to this, services were considered just an aid to the production and marketing of goods and hence were not deemed as having separate relevance of their own.

The 1980's however saw a shift in this thinking. As the service sector started to grow in importance and emerged as a significant employer and contributor to the GDP, academics and marketing practitioners began to look at the marketing of services in a new light. Empirical research was conducted which brought to light the specific distinguishing characteristics of services.

By the mid 1990's, Services Marketing was firmly entrenched as a significant sub discipline of marketing with its own empirical research and data and growing significance in the increasingly service sector dominated economies of the new millennium. New areas of study opened up in the field and were the subject of extensive empirical research giving rise to concepts such as - the product-service spectrum, relationship marketing, franchising of services, customer retention etc.

Importance of Marketing of Services

Given the intangibility of services, marketing them becomes a particularly challenging and yet extremely important task.

- **A key differentiator:** Due to the increasing homogeneity in product offerings, the attendant services provided are emerging as a key differentiator in the mind of the consumers. Eg: In case of two fast food chains serving a similar product (Pizza Hut and Domino's), more than the product it is the service quality that distinguishes the two brands from each other. Hence, marketers can leverage on the service offering to differentiate themselves from the competition and attract consumers.

- **Importance of relationships:** Relationships are a key factor when it comes to the marketing of services. Since the product is intangible, a large part of the customers' buying decision will depend on the degree to which he trusts the seller. Hence, the need to listen to the needs of the customer and fulfill them through the appropriate service offering and build a long lasting relationship which would lead to repeat sales and positive word of mouth.
- **Customer Retention:** Given today's highly competitive scenario where multiple providers are vying for a limited pool of customers, retaining customers is even more important than attracting new ones. Since services are usually generated and consumed at the same time, they actually involve the customer in service delivery process by taking into consideration his requirements and feedback. Thus they offer greater scope for customization according to customer requirements thus offering increased satisfaction leading to higher customer retention.

The 7 P's of Services Marketing

The first four elements in the services marketing mix are the same as those in the traditional marketing mix. However, given the unique nature of services, the implications of these are slightly different in case of services.

1. **Product:** In case of services, the 'product' is intangible, heterogeneous and perishable. Moreover, its production and consumption are inseparable. Hence, there is scope for customizing the offering as per customer requirements and the actual customer encounter therefore assumes particular significance. However, too much customization would compromise the standard delivery of the service and adversely affect its quality. Hence particular care has to be taken in designing the service offering.
2. **Pricing:** Pricing of services is tougher than pricing of goods. While the latter can be priced easily by taking into account the raw material costs, in case of services attendant costs - such as labor and overhead costs - also need to be factored in. Thus a restaurant not only has to charge for the cost of the food served but also has to calculate a price for the ambience provided. The final price for the service is then arrived at by including a mark up for an adequate profit margin.
3. **Place:** Since service delivery is concurrent with its production and cannot be stored or transported, the location of the service product assumes importance. Service providers have to give special thought to where the service would be provided. Thus, a fine dine restaurant is better located in a busy, upscale market as against on the outskirts of a city. Similarly, a holiday resort is better situated in the countryside away from the rush and noise of a city.
4. **Promotion:** Since a service offering can be easily replicated promotion becomes crucial in differentiating a service offering in the mind of the consumer. Thus, service providers offering identical services such as airlines or banks and insurance companies invest heavily in advertising their services. This is crucial in attracting customers in a segment where the services providers have nearly identical offerings.

We now look at the 3 new elements of the services marketing mix - people, process and physical evidence - which are unique to the marketing of services.

5. **People:** People are a defining factor in a service delivery process, since a service is inseparable from the person providing it. Thus, a restaurant is known as much for its food as for the service provided by its staff. The same is true of banks and department stores. Consequently, customer service training for staff has become a top priority for many organizations today.
6. **Process:** The process of service delivery is crucial since it ensures that the same standard of service is repeatedly delivered to the customers. Therefore, most companies have a service blue print which provides the details of the service delivery process, often going down to even defining the service script and the greeting phrases to be used by the service staff.
7. **Physical Evidence:** Since services are intangible in nature most service providers strive to incorporate certain tangible elements into their offering to enhance customer experience. Thus, there are hair salons that have well designed waiting areas often with magazines and plush sofas for patrons to read and relax while they await their turn. Similarly, restaurants invest heavily in their interior design and decorations to offer a tangible and unique experience to their guests.

Q5. Write short notes on :

(A) Marketing Environment

(B) New Product Development

(C) Media Selection

(D) Legal aspects of Marketing.

(1) Marketing Environment

Marketing Environment is the combination of external and internal factors and forces which affect the company's ability to establish a relationship and serve its customers.

The marketing environment of a business consists of an internal and an external environment. The internal environment is company specific and includes owners, workers, machines, materials etc. The external environment is further divided into two components: micro & macro. The micro or the task environment is also specific to the business but external. It consists of factors engaged in producing, distributing, and promoting the offering. The macro or the broad environment includes larger societal forces which affect society as a whole. The broad environment is made up of six components: demographic, economic, physical, technological, political-legal, and social-cultural environment.

"A company's marketing environment consists of the actors and forces outside of marketing that affect marketing management ability to build and maintain successful relationships with target customers". – Philip Kotler

(2) New Product Development

Process of developing a new product or service for the market. This type of development is considered the preliminary step in product or service development and involves a number of steps that must be completed before the product can be introduced to the market. New product development may be done to develop an item to compete with a particular product/service or may be done to improve an already established product. New product development is essential to any business that must keep up with market trends and changes.

(3) Media Selection

Advertising media selection is the process of choosing the most efficient media for an advertising campaign. To evaluate media efficiency, planners consider a range of factors including: the required coverage and number of exposures in a target audience; the relative cost of the media advertising and the media environment. Media planning may also involve buying media space. Media planners require an intricate understanding of the strengths and weaknesses of each of the main media options. The media industry is dynamic - new advertising media options are constantly emerging. Digital and social media are changing the way that consumers use media and are also influencing how consumers acquire product information.

(4) Legal aspects of Marketing.

Marketing is an essential function of most all businesses; as the saying goes, nothing happens until something is sold. As with any other profession, knowledge of legal rights and responsibilities that affect a given area is fundamental to success, and the lack of that that understanding can be dangerous. Marketing a product or service typically involves exposure of a message to a large number of people in an attempt to persuade their behavior in a particular manner. That wide and public exposure increases the chances that injury may occur to a member of the target audience. Aside from deliberate wrongful acts, a marketer may inadvertently violate the law with potentially severe consequences. A marketer may embroil their company in an expensive lawsuit, do significant damage to their professional reputation, and damage their company's profits and market position. There is also the possibility that such problems end in a prison sentence. Accordingly, marketers would be wise to keep informed of the legal implications of marketing activities. In the current digital age, it is especially important for marketers to be aware of legal developments because the field of marketing changes quickly in response to consumer needs and new technology. While ignorance of the law may cause many difficulties, knowledge and use of certain laws can provide a significant advantage to the marketer of products in the form of intellectual property rights.

(A) The law that can affect any given attempt to market any given product would be a large undertaking. In truth, comprehensive coverage of any area of law is generally reserved for the writers of multi-volume legal treatises. Those treatises are not read cover to cover but are used as research materials to resolve a particular legal problem as they arise. Moreover, many legal problems include issues from several categories of law. Such is the case with marketing. Marketing a product may raise potential issues in the law of contracts, torts (e.g. defamation, products liability), intellectual property rights, advertising and labeling, broadcasting, licensing and merchandising, promotions and incentives, lobbying and online marketing rules. Understanding that the law often imposes many requirements from several areas and issued by different governmental organizations is critical. Here we will take a closer look at two areas of the law that are generally applicable to nearly all marketers; federal regulation through the Federal Trade Commission (FTC) and federal intellectual property law.