

## **MARKETING MANAGEMENT**

### **DIGITAL MARKETING**

Digital Marketing can be understood as a well-targeted, conversion-oriented, quantifiable, and interactive marketing of products or services by utilizing digital innovation to achieve the customers, and transform them into clients in a sustainable fashion.

- Today's time of Internet has opened the gateway of tremendous digital marketing opportunities for businesses.
- By utilizing different channels of digital marketing, businesses cannot just share their product and services online.
- Additionally they can gain clients for their business, entice them and can convert them to boost their business profits.
- The speed and straightforwardness with which the digital media transmits data and support a business is astonishing.
- Examples of digital marketing include things like websites, social media mentions, YouTube videos, and banner ads.
- Specifically, digital marketing is similar to traditional advertising, but using digital devices.
- However, digital marketing is considered a form of inbound marketing and its goal is for people to find you.

### **TYPES OF DIGITAL MARKETING**

1. Search Engine Marketing
2. Subject or Content Marketing
3. Influencer Marketing
4. Search Engine Optimization
5. Email Marketing

#### **1. Search Engine Marketing**

Search engine marketing is the concept with which you can purchase or acquire advertisement and publicity space that occurs on a user SERP.

#### **2. Subject or Content Marketing**

Content marketing is all about a simple practice and the concept of delivering a quality piece of content to your users to generate or create sales and leads.

### **3. INFLUENCER MARKETING**

Influencer marketing targets and uses those individuals or people who have the extensive online reach and hold or group contemplated experts by your target market to drive customer's trade and sales.

### **4. SEARCH ENGINE OPTIMIZATION**

Search engine optimization refers to the method through which the online visibility of your products and services increases in none paid search engines.

### **5. EMAIL MARKETING**

- Email marketing enables you to update your email subscribers on a daily purpose about your firm.
- These fasters a relationship unlike any other type of digital marketing your email updates provide importance to your customers or clients.
- The best email marketing crusades implicate a list of subscribers earned by the content and not paid by the company.

### **ADVANTAGES OF DIGITAL MARKETING**

#### **Wider Reach:**

1. Digital marketing helps improve awareness about products and services through an online platform to reach a wide base of customers across the world.
2. This strategy allows even the start-up companies to have equal access to the customers while competing with big enterprises in the traditional market.

#### **Brand Development:**

1. It is necessary to establish a brand image for the product or services through the marketing campaign so that customers consider it a reliable and trusted name.
2. Digital marketing helps to build the brand in various ways of direct campaigning and personalized approach.

#### **Personalization:**

1. The strategy of digital marketing is more effective because of its ability to interact with prospects and get feedback.
2. Bringing the audience closer and approaching them with the product that meets their requirement, helps to create brand loyalty and reputation.
3. Digital marketing provides a platform for personalized marketing by designing specialized content for customers.
4. The purpose is to make customers feel that the brand is addressing their individual needs.

**Accessibility:**

1. Marketing methods using digital platforms provide the opportunity for both sellers and buyers to get easy access with the flexibility of time and location.
2. The potential customers get an experience of a virtual shop with information about services and availability of product range.
3. The customers can leave reviews and recommendations that guide the organizations to plan their marketing strategies accordingly to respond to customer requirements more effectively.

**Better Engagement:**

1. Digital marketing allows the brand to create better awareness among the customers and get recognition from more people.
2. A suitable promotional strategy using blogs, social media content, and promotional offers allow the brand to get a hold of the customer's attention and build credibility.

**Lower Cost:**

1. The popularity of digital marketing is attributed to its cost-effective way of handling business activities.
2. The cost involved in digital marketing is much less in comparison to traditional marketing campaigns.
3. The digital marketing methodology is easier to implement with a limited budget and infrastructure which is beneficial especially for small businesses.

**DISADVANTAGES OF DIGITAL MARKETING****Skills Requirement:**

1. There is a need of gathering the right knowledge and expertise on the digital platform to carry out the marketing activities successfully.
2. With regular advancements in technology, it is essential to remain updated on tools, platforms, and methods to quickly respond to any changes.

**Time-consuming:**

1. We need to plan and implement various tasks related to optimization of online advertising and creating suitable content for promotions that can take up a lot of time.
2. It's also important to regularly track the results and modify strategies accordingly to ensure a return on investment It can be a challenge to establish

**High competition:**

1. A wider reach to the global audience with digital marketing also requires building capabilities to face global competition It can be a challenge to establish the brand

against more competitors and to grab attention among the many digital channels campaigning in real-time.

### **Complaints and feedback:**

1. The digital platforms allow for feedback or criticism by anyone about your product or services that can be visible to your audience through social media networks and review channels.
2. Any negative review can create an adverse impact on some part of your customers unless you have a strong foothold through brand loyalty and efficient customer service.
3. There is a challenge to maintain the brand reputation by responding to negative feedback effectively.

### **Security and Privacy Issues:**

1. The more use of online platforms demands better security and website protection .
2. For a digital marketer, securing and safeguarding the network connections by using firewalls and good antivirus is always desirable.
3. The legal formalities for protecting and using customer data in digital marketing strategies need to be completed to avoid any complaints on data breaches.

## **SELECTION OF DISTRIBUTION CHANNEL**

- ❖ The selection of distribution of channel is based on the type of product that is produced.
- ❖ A distribution channel is the network of individuals and organizations involved in getting a product or service from the producer to the customer.
- ❖ Distribution channels are also known as marketing channels or marketing distribution channels.
- ❖ A distribution channel represents a chain of business or intermediaries through which the final buyer purchases a goods or services.
- ❖ Distribution channels include wholesaler, retailer, distributors, and the internet.
- ❖ In a direct distribution channel, the manufacturer sells directly to the consumer.

## **IMPORTANT CHANNELS OF DISTRIBUTION**

- Selling through middlemen
- Selling Direct to Customers

## **Selling Through Middlemen**

### **1. Distribution through an agency that stands between the Manufacturer and wholesalers.**

- In this channel, there are brokers, manufacturers: agents, commission merchants and export merchants.
- Usually the manufacturers, uses this channel when he cannot afford to invest the amount required to develop a sales force of his own.

### **2. Selling to Wholesalers, who sell to retailers.**

- Selling to wholesalers is often referred to as the 'Traditional Channel'.
- The term wholesalers are used to denote very specific function of buying in large quantities, receiving and storing, selling in smaller quantities to a large number of Retail buyers.
- The real wholesaler is always an merchant middlemen.
- From the point of view of manufactures, however, an overdependence upon the Wholesalers causes him to lose contact with Retail dealers.

### **3. Selling direct to retailers or dealers:**

- This is a short trade channel where manufacturer simultaneously assume the functions of the broker and Wholesalers.
- The acts as a broker in the sense that he will have to find out bulk buyers.
- As a wholesaler, he performs the marketing functions together with breaking-the-bulk function. For this the manufacturer requires as efficient sales force.
- This channel and its origin in the idea of eliminating wholesalers from the channel of distribution.
- It's pointed out that this channel is currently receiving increased attention especially after the creation of Super Markets, Departmental Stores, etc. But this channels is available only when:
  - a) The manufacturer has financial resources to take up marketing functions.
  - b) There is large-scale production.
  - c) The product is normally bought by customers in larger quantities,
  - d) There is 'full-line' of goods, and
  - e) The demand for the goods is constant.

### **1. Consumer Products:**

#### **a) Producers – Consumer:**

- ✓ This is the shortest and simplest channel where no middlemen is involved.

- ✓ The producer effects house-to-house selling with the help of his own salesmen or through mail order system of retailing.

**b) Producer – Retailer - Consumer:**

- ✓ Where the merchandise require elaborate outlets and are sold in bulk, this channel would be suitable.
- ✓ Perishable products and the products which are of everyday use require such an arrangement.

**c) Producer – Wholesalers – Retailer – Consumer:**

- ✓ This is the most traditional channel for many of the consumer goods.
- ✓ In areas where the size of the retailing institutions is small and widespread, a wholesaler is essential coordinate the retailers.

**d) Producers – Agent - Retailer – Consumer:**

- ✓ In place of wholesalers the producer may have his own exclusive agents.
- ✓ This is mainly to achieve more control over the distribution channel.
- ✓ Hardware, sports goods, etc. are the merchandise dealt in through this channel.
- ✓ Branded products are more suitable for this channel.

**e) Producer – Agent – Wholesaler – Retailer – Consumer:**

- ✓ This is only an extension of the above described channel and is needed when elaborate distribution arrangement of required.

**2. Agricultural products (Farm Products):**

- ✓ The diversity in distribution channels among agricultural products is due to the fact that the agricultural output is partly used as industrial raw materials and partly as consumer goods.
- ✓ Collection of raw produce from numerous farms is a prerequisite of manufacturing and hence the short channel from producer to the processor is attended to by a large number of middlemen.
- ✓ The agricultural products that are consumer goods, such as fresh fruits and vegetables move through the hands of food brokers or produce wholesalers.
- ✓ In some cases, direct sale is made by producer to consumer, as for example, at roadside stands.
- ✓ Large grocery shops often buy directly from the farmer or producer.
- ✓ Thus, one of the chief characteristic features of the distribution of agricultural products is the presence of a large number of brokers and agents.
- ✓ The direct sale is very meagre.

- ✓ The presence and involvement of cooperative societies in the channel as peculiar to agricultural products.
- ✓ Another notable feature is that these channels are not at all permanent.
- ✓ They may vary from product to product and even from one season to another.

### **3. Industrial Products:**

- ✓ In contrast to the marketing of consumer goods, the channels of distribution for industrial

or business goods are relatively short.

- ✓ They also show more or less fixed patterns.
- ✓ Naturally, therefore, the channels are less complicated.
- ✓ Industrial goods are generally bought in large quantities by the industrial user directly from the source of supply.
- ✓ Large orders, often of bulky goods, may require direct negotiation without the services of middlemen.
- ✓ Moreover, the technical nature of many products requires direct instruction and information from the manufacturers on the properties and uses of such products.
- ✓ In contrast to the distribution of consumer goods, retailing is eliminated, few middlemen are used, and the marketing process is comparatively simple.

### **Major channels recognized in industrial marketing are:**

#### **a) Producer – Industrial – User:**

- ✓ This is the most commonly used channel in the distribution of industrial goods.
- ✓ manufacturers of machinery prefer to adopt this channel to avoid unnecessary expenditure such as transport insurance, etc.,

#### **b) Producer – Industrial – Distributor – User:**

- ✓ This channel is used in the distribution of necessary equipments which are frequently required by users.
- ✓ The users cannot always approach the manufacturer for their requirements.
- ✓ As such, industrial distributors arranged on an area wise basis become inevitable.

#### **c) Producer – Agent – User:**

- ✓ Small – size manufacturer who do not have their own marketing departments find it convenient to have agents at different selling points.
- ✓ This arrangement is considered good for introducing new products.

**d) Producer – Agent – Industrial – Distributor – User:**

- ✓ It is a combination of the above two channels adopted to suit varying condition on the basis of geographical factors.

**e) e – Marketing:**

- ✓ e – Marketing means buying and selling through electronic means.

It offers the following benefits:

- ✓ Customers can have instant access to information about competitive products and their prices.
- ✓ They can order from anywhere and at any time without going to a store. There will be convenience in shopping.
- ✓ Customers do not have to face salesmen and their pressure.
- ✓ Sellers can make quick adjustments in their offerings to suit changing market conditions.
- ✓ Marketers can talk with customers and learn much from them. it permits relationship building.

**f) Canned Food:**

- ✓ This is consumer product and requires extensive distribution.
- ✓ Therefore, retailers are necessary for country – wide distribution.

However, the producer may supplement this channel by using telemarketing.

**g) Bicycles:**

- ✓ Producer – Retailer – Consumer is the popular channel used for distribution of bicycles.
- ✓ This helps to ensure wide distribution and reduce costs of distribution.
- ✓ In some cases wholesaler may also be necessary.

**h) Pens:**

- ✓ Both direct (telemarketing, mail order, etc.) and indirect channels can be used for this product.
- ✓ The services of both wholesaler and retailer are used for this low unit value, and mass consumption items.

**i) Fertilities:**

- ✓ This product is generally distributed through wholesaler and retailers.
- ✓ Wherever appropriate the manufacturer may open his retail outlets.



## 2. **Selling Direct to Customers:**

- ✓ This method is most common in industrial marketing where capital goods are marketed.
- ✓ Industrial chemicals, machinery installation, heavy equipment are generally sold on a direct basis.
- ✓ Direct sale is also undertaken in the case of agricultural commodities especially in the case of small production.
- ✓ In the case of other consumer goods, however, direct selling constitutes very small part of total retail selling.

## **NEW PRODUCT PLANNING PROCESS AND PRODUCT LIFE CYCLE**

A product is any thing that can be offered to a market for attention, acquisition, use or consumption and that might satisfy a want or need. Products include more than just tangible goods. It includes physical objects, services, persons, place, organizations, ideas or mixtures of these entities. Products are almost always combinations of the tangible and intangible. The entire package is sometimes referred to as the augmented product. The mix of tangibles and intangibles in the augmented product varies from one product or service to another.

## LEVELS OF THE PRODUCT

- 1) Core Product / Core Benefit: The fundamental service or benefit that the customer is really buying.
- 2) Basic Product: At the same level, the marketer has to turn the core benefit into a basic product.
- 3) Expected Product: A set of attributes and conditions buyers normally expect when they purchase this product.
- 4) Augmented Product: The marketer prepares an augmented product that exceeds customer expectations. Today's competition essentially takes place at the product augmentation level.
- 5) Potential Product: encompasses all the possible augmentations and transformations the product might undergo in the future. Companies search for new ways to satisfy customers and distinguish their offer.

## New Product Development

The new product development is process of eight sequential stages. "New product" includes original products, improved products, modified products and new brands that the firm develops through its own R&D efforts.

### **New products include**

- New-to-the-word products: - New products that create an entirely new market.
- New-product lines: - New products that allow a company to enter an established market for the first time.
- Additions to the existing product lines: - New products that supplement a company's establishment product lines.
- Improvements are to existing products: - New products that provide improved performance or greater perceived value and replace existing products.
- Repositioning: - Existing products that are targeted to new markets of market segments.
- Reductions: - New products that provide similar performance at lower

## REASONS FOR NEW PRODUCT FAILURE

A high level executive pushes a favorite idea in research findings.

- ∑ The idea is good, but the market size is over estimated.
- ∑ The product is not well designed.
- ∑ Development costs are higher than expected.
- ∑ Competitors fight bat harder than expected. ÿ Bases for New Product Development
- ∑ Social and governmental constraints.
- ∑ Costliness of the new-product development process.
- ∑ Capital shortage.
- ∑ Shortened time span to completion.

## NEW PRODUCT DEVELOPMENT PROCESS

1. Idea Generation
2. Screening
3. Concept Development and Testing
4. Marketing Strategy
5. Business Analysis
6. Product Development
7. Market Testing 8. Commercialization

Concept Development: Attractive ideas need to be developed in to finer product If they are to be tested, here a testing distinction can be made between a product idea, a product concept & a product stage. ß Concept Testing: Testing new product concepts with a group of target consumers to find out it the concepts have strong consumer appeal.

Marketing Strategy Development: Designing as initial marketing strategy for a new product based on the product concept. The marketing strategy statements consist of 3 parts. The first art describes the target market, the planned product positioning & the sales, market share & profit goals for the first few years.

The second art of the marketing strategy statement cut-lines the product's planned price; distributor & marketing budget for the first year. The third part of the marketing strategy statement describes the planned long run sales; profit goals & marketing mix strategy

Business Analysis:A review of the sales, costs & profit projection for a new product to find out whether these factors satisfy the company's objectives. After preparing the sales forecast, management can estimate the expected costs & profits for the product, including marketing, R&D, manufacturing, accounting & finance costs, The company then uses the sales & costs figures to analyze the new products financial attractiveness

Product Development: Developing the product concept into a physical product in order to assure that the product idea can be turned into a workable product. ß

Commercialization: Introducing the new product into the market. The company launching a new product must first decide on introduction timing. The company must decide where to launch the new product. Larger companies, however, may quickly introduce new models into several regions or into the full national market. ß

Test Marketing: - The stage of new product development in which the product & marketing program are tested in more realistic market segments. Company tests the product & its entire marketing program – positioning strategy, advertising, distribution, pricing, branding & packaging & budget levels.

## PRODUCT LIFE CYCLE

Meaning: Products, like people, have a certain length of life, during which they pass through different stages. For some the life cycle may be as short as a month, while for others it may last for quite a sufficiently long period.

Definition : The product life cycle (PLC) is an important concept in marketing that provides insight into a product's competitive dynamics. The PLC is an attempt to recognize distinct stages in the sales history of the product.

## STAGES OF PLC

PLC life begins with its market introduction. Next, it goes through a period during which its market grows rapidly. Ultimately, it reaches marketing maturity, after which its market declines and finally the product dies. It is worth noting that the duration of each stage is different among products. Some take years to pass through the introduction stages.

Introduction stage: During this stage of the product's life cycle, it is put in the market with full-scale production and marketing program. The company is an innovator—may be the whole industry. The entire product may be new or the basic product may be well known but a new feature or accessory is in the introduction stage.

Growth stage: In this stage the product is produced in the sufficient quantity and put in the market without delay. The demand generally continues to outpace supply. The sales and profit curves rise, often at a rapid rate. Competitors enter in the market in large numbers if the profit outlook appears to be very attractive.

Maturity stage: During this stage, sales continue to increase but at a decreasing rate, while the sales curve is leveling off the profits of both the manufacturer and the retailers are starting to decline because of rising expenditure and lowering of prices.

Market decline stage: This stage is characterized by either the products gradual placement by some new innovation or by an evolving change in consumer buying behavior. The buyers do not buy as much as they did before. New and superior products are being introduced to the market many of which meet the consumer's demand and need more closely.

## **DIFFERENT MEDIA OF ADVERTISING**

### **1. Press Advertising or Print Media:**

○ Press advertising i.e., advertising through newspapers, magazines, journals, etc. is commonly used by modern businessmen.

○ It may be noted that advertising is an important source of finance for the press or print media.

○ Because of advertisements, the subscribers get newspapers and periodicals at subsidized rates.



**These  
are:**

Newspapers.

Magazines.

News letters.


Brochures.

### **Newspapers:**


- Newspapers are the most popular forms of print media.
- In our country newspapers are published in English, Hindi and in other regional languages.
- These are the sources of news, opinions and current events.
- The advertiser communicates his message through newspaper, which reaches to crores of people.



## **Advantages:**

- a. Newspapers normally have wide circulation and a single advertisement in the newspaper can quickly reach to a large number of people.
  - b. The cost of advertising is relatively low.
  - c. Generally newspapers are published daily. Thus, the same advertisement can be repeated frequently and remind reader every day.
  - d. The matter of advertisement can be given to newspapers at a very short notice.
  - e. Newspapers are published from different regions and in different lan-guages.
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## **Disadvantages:**

- a. Newspapers have a short life as these are read once and discarded.
  - b. People read newspapers mainly for news and pay casual attention to advertisement.
  - c. Illiterate persons cannot read and thus, newspapers advertising do not benefit them.
  - d. Competitors can quickly react to the prices after seeing the newspapers.
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### **Periodicals:**

- Periodicals are publications which come out regularly but not on a daily basis.
- These may be published on a weekly, fortnightly, monthly, bimonthly, quarterly or even yearly basis.
- For example, India Today, Frontline, Outlook, etc. published regularly in English .Similarly there are also periodicals in Hindi and other regional languages.
- All these periodicals have a large number of readers and thus, advertisements published in them reach a number of people.



### **Advantages:**

- a. Periodicals have a much longer life than newspapers. These are preserved for a long period to be referred in future.
- b. Periodicals have a selected readership and so advertisers can know about their target customers and accordingly selective advertisements are given.

### **Disadvantages:**

- a. Advertising in periodicals is costlier.
- b. Numbers of people to whom the advertisements reach are small in comparison to newspapers.
- c. The advertisement materials are given much in advance; hence last minute change is riot possible. This reduces flexibility.

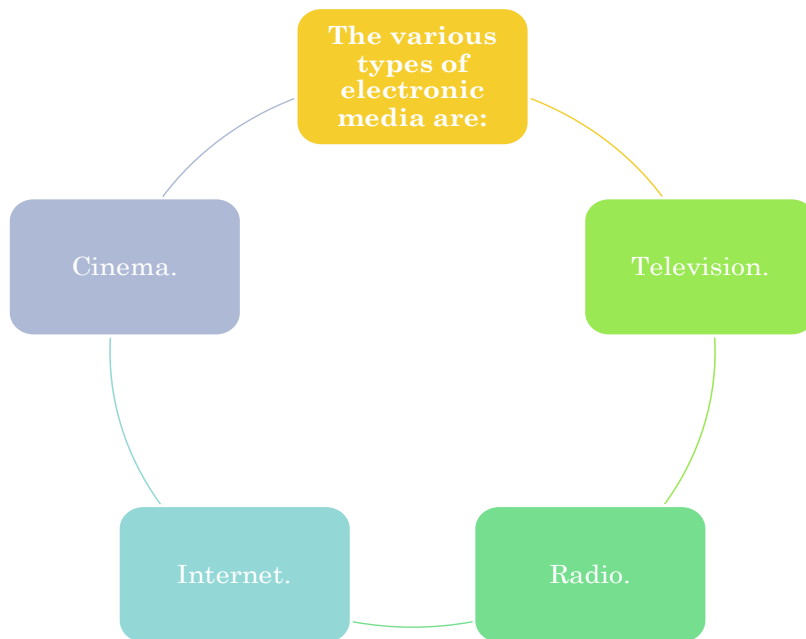


### **Brochures:**

Brochures give detailed information about the product. These are mainly distributed at events or even at the main outlet when a consumer needs to read in detail about the product.

### **Electronic Media:**

This is a very popular form of advertising in the modern day marketing.



### **Television:**

- With rapid growth of information technology and electronic media, television has topped the list among the media of advertising.
- TV has the most effective impact as it appeals to both eye and the ear. Products can be shown, their uses can be demonstrated and their utilities can be told over television.
- Advertisements are shown in TV during short breaks.

### **Advantages:**

- a. It is most effective as it has an audio-visual impact.
- b. With catchy slogans, song and dance sequences, famous personalities exhibiting products, TV advertising has a lasting impact.

- c. With varieties of channels and programs advertisers have a lot of choice to select the channel and time to advertise.
- d. With regional channels coming up any person even illiterates can watch the advertisements and understood it by seeing and hearing.

### **Disadvantages:**

- a. TV advertisements are usually expensive to prepare as well as to telecast,
- b. With almost every manufacturer trying to communicate their message through TV advertising the impact among the viewers is also reducing. Now-a-days people are switching on channels whenever there is a commercial break.

### **Radio:**

- Radio advertising is the strongest medium of advertising.
- Everybody listens to the radio.
- Some use it on home all day and the others use it while driving.
- More and more companies are choosing radio advertising because it is cost effective.
- In radio there are short breaks during transmission of any programme which is filled by advertisements of products and services.

### **Advantages:**

- a. It is more effective as people hear it on a regular basis.
- b. It is also useful to illiterate people.
- c. There are places where newspapers reading may not be possible, but one can hear radio.

### **Disadvantages:**

- a. A regular listener may remember what he has heard. But, occasional listeners tend to forget what they have heard in radio.
- b. The message that any advertisement wants to communicate may not be proper as there is no chance to hear it again immediately.
- c. In comparison to television, radio is less effective as it lacks visual impact.

### **iii. Internet:**

Internet is the latest method of communication and gathering information. With the help of internet one can have information from all over the world within a fraction of second. One can go to the website of any manufacturer or service provider and gather information.

**Advantages:**

- a. Information from all over the world is made available at the doorsteps.
- b. Users can see the advertisement at their own time and as per their require-ment.

**Disadvantages:**

- a. It is not accessible without a computer.
- b. It is not very suitable for general public.
- c. It is not suitable for illiterate people

## KINDS OF PRICING POLICY

▪Pricing policy are more specific that the objectives and deal with a situations in the foreseeable future that generally recur. The correctness any pricing policy depends on such variables as managerial philosophy, competitive conditions, and the firm's marketing and pricing objectives.

**Kinds of pricing policy classified under:**

1. Cost-oriented pricing
2. Demand -oriented pricing
3. Competition oriented pricing
4. Skimming pricing and
5. Penetrating pricing

## 1.COST ORIENTED PRICING

- ❖ It is also known as cost plus pricing. This pricing method assures that no product is sold at a loss, since the price covers the full cost incurred.
- ❖ Costs furnish a good point from which the computation of price could begin
- ❖ But the criticism against this policy is that it overlooks competition and market demand.
- ❖ Cost-plus policies are often used by retail traders and in manufacturing industries where the production is non-standardised.

- ❖ The method of pricing here is based on simple arithmetic, adding a fixed percentage to unit of cost.
- ❖ The retail price of a particular item might be the manufacturer cost plus his gross margin plus the wholesaler's gross margin. This method known as margin method.
- ❖ Another common method used under cost- oriented pricing is known as target pricing.
- ❖ Manufacturers these days use Break –even analysis for deciding cost-plus pricing.

## **2. DEMAND-ORIENTED PRICING POLICY**

- ❖ This method of pricing, the demand is the pivotal factor. price is fixed by simply adjusting it to the market conditions.
- ❖ A High price is charged when or where the demand is intense, and a low price is charged when the demand is low.
- ❖ Price discrimination is usually adopted under such market situations.

## **3. COMPETITION- ORIENTED POLICY:**

- Most companies set prices after a careful consideration of the competitive price structure.
- One important feature of this method is that there cannot be any rigid relation between the price of a product and the firm's own cost or demand.
- Its own cost or demand may change but the firm maintains its price.



#### 4. SKIMMING PRICING

- This is also termed as “Skim-the-Cream-Pricing”
- It involves setting a very high price for a new product initially and to reduce the price gradually as competitors enter the market.
- It is remarked, launching a new product with high price is an efficient device for breaking up the market into segments that differ in price elasticity of demand.
- The initial high price serves to skim the cream of the market, that is relatively insensitive to price.
- The method starts with a high price and moves the price downward by steps until the right price is reached.
- A self or automatically administered price.

#### 5. PENETRATING PRICING

- This method is opposite to the skimming method outlined above.
- The skimming price policy is most convenient and profitable in the case of new products.
- This can be done only by adopting a low price in the initial period or till such time the product is family accepted by customers.

**Pricing is most common and is desirable under the following conditions:**

1. when sales volume of the product is very sensitive to price.
2. when a large volume of sales is to be effected.

- 3. When the product faces a threat from competitors.
- 4. When stability of price is required.

- One important consideration in the choice between Skimming and penetration price policies is Fundamentally based on the ease and the speed with which the competitors can bring substitute Products.
- Low starting prices sacrifice short-run profits for long-run profits and therefore, discourage potential Competitors.
- The recently introduced “dhara” brand oil by NDDDB proves this point.

#### **PRICING OF NEW PRODUCTS;**

- Pricing a new product is an art. It is one of the most Important and puzzling marketing problems faced by a Firm.
- Pricing is important in two ways,
  - It affects the quantity of the products to be sold.
  - It determines the amount of the revenue of a firm.
- New products, when introduced, appeal to many as Novel items.
- The price factor which may be ignored initially would become important when the product becomes An ordinary one because of being constantly used.

Three guidelines are to be adopted:

1. Making the product accepted.
2. Maintaining the market
3. Retaining the profits.

There are two options available for a new product:

Skimming and penetration pricing.

Skimming method could be used.

A strategy of high prices coupled with large promotional expenditure in the initial stages has proved successful in a number of cases.

skimming pricing following reasons:

1. Initial sales would be less.
2. Helps to take the cream of market through high prices.

3. As Pointed out people may like to own a new product even at a higher cost.

4. Helps to develop demand as the price is gradually reduced .

5. High sales volume on account of higher price.

- It should be noted that high initial prices may also prevent quick sales.
- The second option is to adopt penetration pricing.
- A comparative analysis of those two pricing systems reveals that both these methods are not free from errors.
- In case of new products, pricing has to be made with little knowledge of demand, cost and competition.
- The new product has also to bear the cost of promotion or creating a market.

## QUESTION BANK

### 1. Define marketing mix and explain about 4ps.

According to Philip Kotler, marketing mix defined as “the set of controllable marketing variables that the firm blends to produce the response it wants in the target market.”

**Product:** A product is a bundle of utilities consisting of various product features and accompanying services.

**Price:** Price is the amount of money paid or payable to acquire a product and its accompanying services.

**Promotion:** Promotion compasses all the tools in the marketing mix whose major role is persuasive communications.

**Place:** Place refers to the arrangements for the smooth flow of goods and services from the producers to the consumers. It covers channels of distribution.

### 2. What are the essential features/characteristics of product?

The features of product are given below in detail:-

#### 1) Tangible Attributes

A product should have the characteristics of tangibility i.e. it may be touched, seen and its physical presence may felt.

#### 2) Intangible Attributes

A product may be intangible in the form of a service like repairing, banking or insurance services.

#### 3) Associated Attributes

Product may have certain peripheral attributes to facilitate its identification and acceptance by buyers such as brand, package, warranty, credit facility and after sale services etc.

#### 4) Product Life Cycle

Every product would have its own life cycle. The product life cycle has five stages viz., Introduction, Growth, Maturity and Decline.

#### 5) Exchange Value

All products should have an exchange value and should be capable of being exchanged between buyer and seller for a mutually agreed or acceptable consideration.

## **6) Consumer Satisfaction**

Product should have the ability to satisfy consumers. It may be real or psychological. That is when a woman buys a Lakme lipstick she not only buys a chemical compound having some tangible features but also buys beauty.

## **3. What are the types of consumer goods?**

Consumer goods refer to “goods designed for use by the ultimate consumers or household and in such form that they can be used without commercial processing.” In short, goods that are produced for final consumption are called consumer goods. Consumer goods can be further divided into:-

- a) Convenience Goods:** Goods that are frequently purchased by consumers with minimum of efforts are called consumer goods. For example, biscuit, newspaper, food items, drugs etc.
- b) Shopping Goods:** Shopping goods are those that are bought by the customer only after careful comparison is made regarding quality, price, stability etc. For examples, furniture, fans, dress materials etc.
- c) Specialty Goods:** Specialty goods are having unique characteristics and for brand identification for which a significant group of buyers are habitually willing to make special purchasing effort. For example, cars.
- d) Unsought Goods:** Unsought goods are those the consumer does not know about the product or does not normally think of buying. For example, life insurance, encyclopedia etc.

## **4. State the salient features of branding.**

### **1) Simple and easy to pronounce**

Brand name should be understood and pronounced by all kinds of customers. Brand name is easily pronounceable by any person speaking any language.

### **2) Easy to recognize and remember**

Brand name or symbol should be easy to remember and recognize. Short and simple brand name can be easily recognized when seen and remember for long.

### **3) New and attractive**

The selected brand name should be new and unique and has not been used by any other companies. It should be attractive so that a large number of customers are attracted. Such brand names should be also memorable.

#### **4) Legally Safe**

Before selecting and using any brand name, it should be confirmed whether or not any other companies have already used the selected brand name. If the selected brand name has been already registered and is being used by any other firm or company, such brand name cannot get registered in the company's register's office. As a result it cannot be legally safe.

#### **5) Should reflect the nature of product**

A good brand name should be able to reflect the nature of product. Such brand name can make the consumers remember the use of the products. "Quick", "Nescafe" etc.

#### **6) Suggestive**

Brand name should be suggestive. It should be such that when heard the name of the product the consumers can understand its utility.

### **5. What are the functions of marketing channel?**

Distributors are concerned with number of key functions and are:-

1) Research: It is concerned with gathering of information necessary for planning and facilitating exchange.

2) Promotion: It is concerned with development and dissemination of persuasive communications about the offer.

3) Contact: It is concerned with searching out and communicating with the prospective buyers.

4) Matching: It is concerned with shaping and fitting the offer to the buyer's requirements like grading, assembling and packaging.

5) Negotiation: Here the attempt is to reach final agreement on price and other terms of the offer so that transfer of ownership or possession can be affected.

6) Physical Distribution: It is concerned with transporting and storing of the goods.

7) Financing: It is concerned with acquisition and dispersal of funds to cover the costs of the channel work.

8) Risk-taking: It is concerned with making assumption of risks in connection with carrying out the channel work.

### **6. Discuss the importance of promotion.**

Company promotions play many roles in marketing, designed to produce certain desired effects.

### **1) Increase brand awareness**

Promotion such as television, radio and magazine advertising increase brand awareness. More people tend to learn about a particular company or its brands if they frequently see or hear about them.

### **2) Provide information**

Companies also use promotions to provide information. Marketers may use press releases, displays, pamphlets, in-store videos, demonstrations etc to convey information.

### **3) Increase customer traffic**

Grocery stores, beauty salons and movie theaters use promotions such as frequency programs to increase customer traffic. Frequency card promotions are designed primarily to attract traffic among current customers. New customers also may be attracted to the promotion if they hear about it.

### **4) More employment**

Promotional activity helps to increase more employment opportunities to the people who are unemployed, as the promotional activities cannot be performed without the help of an effective sales force and the specialists in various fields.

### **5) Effective sales support**

Promotion helps in the sales support of the product. Sales promotion makes the salesman's effort more productive. It provides good support in selling the different types of goods. Sales of different types of goods in the market are very necessary to increase the market economy.

## **7. Give few examples consumer oriented promotion tools**

The consumer-oriented promotion tools are aimed at increasing the sales to existing consumers, and to attract new customers to the firms. It is also called as pull strategy.

It includes the following:-

### **1) Free samples**

Small units of free samples are delivered door to door, sent through direct mail, attached to another product, or given along with the purchase of some other product.

### **2) Coupons**

This involves offering price reduction or saving to customers on the purchase of a specific product. The coupons may be mailed or enclosed along with other products, or inserted in a magazine or newspaper advertisement.

### **3) Exchange scheme**

In this case, the customer exchanges the old product for a new one. This sales promotion tool is used by several companies for consumer durables.

### **4) Discounts**

It refers to reduction in price on a particular item during a particular period. It is common during festival season or during off-season period.

### **5) Premium offers**

These can be extra quantities of the same product at the regular price. For instance, Colgate offered 125g in a tube for the price of 100g.

### **6) Personality promotions**

This type of promotion is used to attract the greater number of customers in a store and to promote sale of a particular item. For instance, a famous sports personality may be hired to provide autographs to customers visiting a sports shop.

### **7) Installment sales**

In this case, consumers initially pay smaller amount of the price and the balance amount in monthly installments over a period of time. For example, consumer durables such as refrigerators and cars are sold on installment basis.

## **8. What are the objectives of advertising?**

### **1) Getting Attention**

Using highly readable print, color, diagrams and pictures can also attract the attention of users. Using sounds and jingles will attract attention of customers/users in radio and television ads.

### **2) Building sales and profits**

Advertising is designed to increase sales and build profits gradually. People will try the products and they become repeat users and also they tell their family and friends, which is additional advertising for a company. Many companies budget their advertising by allocating a certain percentage of sales toward it.

### **3) Switching back**

This objective is for the companies who have switched to their previous customers back. They attract the customers back like discount sale, new advertise, some reworking done on packaging etc.



#### **4) Brand switch**

The purpose of advertisement is to attract the customers of competitors. Here the advertisers try to convince the customers to switch from the existing brand.

#### **5) Building brand awareness**

Companies advertise to build brand awareness, which is when people know a particular brand. Brand awareness is usually calculated as a percentage.

#### **6) Prompting immediate action**

Different forms of advertising may also prompt people to act immediately. Including a coupon, deadlines, free trial etc will attract buyers to make purchase in a short period

### **9. What is market segmentation?**

Market segmentation involves dividing a large homogenous market of potential customers into clearly identifiable segments. Customers are divided based on meeting certain criteria or having similar characteristics that lead to them having the same product needs. Segments are made up of customers who will respond similarly to marketing strategies. They share common interests, needs, wants and demands.

Most companies don't have enough resources to target a mass market. That is why they need to target the specific market segment that needs their product. They divide the market into similar and identifiable segments through market segmentation.

#### **The process of market segmentation involves the following steps:**

- (i) Identify the total market (those who buy or may be induced to buy the product or service under consideration).
- (ii) Divide the total market into its major sub-markets or segments.
- (iii) Estimate the sales potential and profit potential for each sub-market.
- (iv) Determine the unique characteristics and requirements of each sub-market.
- (v) Select one or more segments on which the firm will focus on serving.

### **10. State the importance of personal selling.**

It is defined "Art of winning the buyer's confidence for seller's house & goods, thereby winning a regular & permanent customer."

#### **Importance of Personal Selling:**

The successful salesman creates a group of satisfied customers. He is considered to be the mirror of the company. Importance of salesmanship can be summarized by the following functions performed by a salesman.

1. To introduce new products to the market
2. To maintain the present customers group & to discover new customers.
3. To help the customers in deciding what to buy & what not to buy
4. To give firsthand information about the market to the manufacturer.
5. To act as a link between the producers & consumers.

### **11. Explain the qualities of a good salesman.**

It is very difficult to identify all characteristics that make a good salesman. Taking into accounts that were successful in their job, psychologists have underlined the following basic qualities of a good salesman:

1. Physical Requirements: A good salesman must have a pleasing personality; He must be able to influence others.

2. Hunger for Money & Status: A contented salesman is always a liability to the company. Hunger for money & status forces a salesman to sell more so that he earns more.

3. Self-confidence: A successful salesman believes himself & has a high self-esteem. Self-confidence helps him to meet people to different types & different situations

4. Tendency to Compete with others: Competition not only improves morale, but also motivates a salesperson to sell more.

#### **The other Qualities are:**

1. He must be courageous, dependable, honest, courteous, cheerful & patient.
2. He should possess a pleasing personality.
3. He should have complete information about the product that he sells.
4. He should know the details of his company & its competitors.
5. He should have knowledge about the today's market, product he is selling.