



Question 5. Answer each of these questions in about 250 words:

- (i) Of what help is a marketing mix for an entrepreneurs?
- (ii) You are the marketing manager of a company manufacturing toy car. Explain briefly, the factors to be considered by you before finalizing the price of the toy car.
- (iii) Explain briefly the place mix and its components.
- (iv) 'Determination of the price of a product is a very crucial decision'. Why? Support your answer with reasons.
- (v) Name the methods used for pricing. Define marketing mix. Draw a chart showing the components and sub-components of the mix.
- (vi) What is meant by market intermediaries? Can market survive without these intermediaries? Support your answer with the help of two reasons.
- (vii) Of what help is a marketing mix for an entrepreneurs?
- (viii) Explain briefly the place mix and its components.
- (ix) 'Determination of the price of a product is a very crucial decision'. Why? Support your answer with reasons.
- (x) Enlist the different forms of intensive expansion. Explain the forms of penetration strategies available to the firm.
- (xi) Discuss the forms available to an entrepreneur to go in for integrative expansion along with examples.
- (xii) What is 'Market Development Strategy'? How can the same be applied by the entrepreneur? (xiii) Define commerce and discuss its functions.
- (xiv) What do you understand by the term 'Industry'? Explain the various types of industries?
- (xv) Mohan Pvt. Ltd. just commenced with the Business of Blue Pottery. Explain the auxiliaries required for the smooth functioning of their newly set enterprise.
- (xvi) What are secondary industries? Discuss briefly the different types of secondary industries.

Answer: (i) Following is the importance of marketing mix :

(a) Product Oriented:

- 1. It is according to needs of the customers.
- 2. It reflects saleable quality.
- 3. It gives scope for improving the quality.
- 4. Attractive designing and packaging is possible.
- 5. After sales Services become strength.

(b) Price Oriented Benefits:

- 1. Determination of price according to the paying capacity of customers.
- 2. Fair pricing of the product can be done.
- 3. Credit facility can be provided/availed.
- 4. Discount and allowance can be provided.

(c) Promotion Oriented:

- 1. Advertising can be done for raising sales.
- 2. Sales promotion is possible.
- 3. Helps personal selling.

(d) Distribution Oriented:

- 1. Availability at the right place is possible.
- 2. Availability through convenient outlets.

(ii) Following factors will be considered:

(a) Internal Factors: It includes:

- 1. Profit sought from the sale of the toy car: More profit will mean more price.

2. The image sought by the firm through pricing: In case brand name is to be created then additional expenditure is required.
3. Cost of manufacturing of the toy car : More is the cost more will be the price.
4. Marketing charges for marketing the product: Extensive marketing will mean more expenses for raising the sales.
5. Price elasticity of demand of the toy car.

(b) External Factors: External factors which include on pricing are:

1. Nature of Competition: If competition is intensive then lesser price will have to be kept and vice-versa.
2. Bargaining power of major consumers: In case the market is having bargaining customers, then more price will be kept.

(iii) Price of a product is the amount of money paid by the buyer to own the product or service. Price is the exchange value of a product.

Its components are:

- (a) Cost of the product (b) Demand for the product
- (c) Competition in the market .
- (d) Government regulations related to pricing
- (e) Consumer behaviour if) Objectives of the enterprise
- (g) Terms of credit

(iv) Yes, determination of the price of a product is a very crucial decision because of the following reasons:

- (a) Key to Revenue: Price and quantity of sales together decide the revenue of any business. Suitable price for the consumer always fetches good revenue.
- (b) Attract Customers: Convenient price of the product attracts the customers from other brands also. Brand loyalty can be broken by a lower price in the market.
- (c) Edge over Competition: Good quality at reasonable price always provides advantage to the firm as they then keep themselves in a position to remain ahead of the competitors. In the world of tough competition pricing plays a major role in capturing market.
- (d) Crucial to Profits: Pricing is crucial to profits. Improper pricing have adverse effect on the profits of any enterprise. This ultimately affect the profit, growth and future of the enterprise.
- (e) Platform for achieving other objectives: Short term, long term, primary, and secondary objectives of the firm can only be attained if firms go for profit optimization rather than profit maximization.

(v) Following are the main methods of pricing:

- (a) Cost plus Pricing Method (b) Variable Price Method
- (c) Base Price and Discounts Method (d) Market Rate Method
- (e) Skimming Price Method (/) Penetrating Pricing Method

Marketing Mix is the business tool which is used in marketing and by the marketers. It refers to the set of actions, orphans, that a company adopted to promote its brand or product.

Following are few of the components of marketing mix:

- Product Price • Place • Promotion

Following are few of the sub-components of marketing mix:

- People • Process • Physical Evidence • Cost • Channel.

(vi) The various members in the channel who facilitate the movement of goods from entrepreneur to consumers are called intermediaries.

No market could survive without intermediaries because of following reasons:

- (a) Entrepreneur cannot reach all the consumers on its own and he needs the platform for it. This platform is provided by the intermediaries.
- Cb) Entrepreneurs are not in a position to contact all the consumers. It is the group of intermediaries which provide this facility and thus provide the feedback to the entrepreneurs.

(vii) Marketing Mix plays an important role for an entrepreneurs. This can be explained as follows:

- (a) Product: If various features and characteristics of the product are of the liking of majority of the potential customers, the sales is

automatically going to be higher. Effective after sale service, efficient utilization of know-how, high capacity production will create good rapport of the product. Consequently sales will be enhanced.

(b) Price: Favourable and adequate pricing depending on the paying capacity of the customers always appeal the customers. The loyalty towards the product is also enhanced which ensures minimum sales and also attracts new customers. Various pricing methods are available at the disposal of the entrepreneur. Selection of appropriate method can be used as a tool for raising sales.

(c) Promotion: Publicity plays a leading role in promoting sales. Depending on the nature of the product the advertisement mode can be selected. Door to door selling, newspaper, radio, pamphlet, etc. are the various methods, which can be used for increasing the number of customers.

(d) Distribution: Various channels of distribution can be effectively used by entrepreneur depending on nature of market, preference of consumers and nature of the products. Shorter is the channel of distribution more efficient is distribution. (viii) Place refers to the point of sale, supplier, or provider where the product is obtained . and is also referred as to where the behaviour is practised. Physical distribution is the task of moving the goods and services from the place of production to the place of their consumption. Its components include: (a) Channels of distribution (b) Modes of distribution.

1. Direct Channels/Zero-level: Here, the producers supply the products direct to the consumers. Producer → Consumer
2. Indirect Channels: Here, the producers supply their products through one or more intermediaries. Following are the types of indirect channels:
 - (a) Producer-Retailer-Consumer (One Level Channel): Producer sells the product to retailer, who in turn sells to the consumer. Producer → Retailer → Consumer
 - (b) Producer-Wholesaler-Retailer-Consumer (Two Level Channels): Here, two intermediaries, viz. the wholesaler and retailer are involved between the producer and the consumer. Producer → Wholesaler → Retailer → Consumer
 - (c) Producer-Agent-Wholesaler-Retailer-Consumer (Three Level Channels): Here, the producers take the help of agents who, in turn, supply to wholesalers and then through the retailers, the goods ultimately reach the consumers. Producer → Agent → Wholesaler → Retailer → Consumer

It takes place using following modes of transportation:

- (1) Railways (2) Roadways
- (3) Waterways (4) Airways
- (5) Pipelines

(ix) Pricing is very crucial decision because of the following reasons:

- (a) Key to Revenue: Price and quantity of sales together decide the revenue of any business. Suitable price for the consumer always fetches good revenue.
- (b) Attract Customers: Convenient Price of the product attracts the customers from other brands also. Brand loyalty can be broken by a lower price in the market.
- (c) Edge Over Competition: Good quality at reasonable price always provide advantage to the firm as they then keep themselves in a position to remain ahead of the competitors. In the world of tough competition pricing plays a major role in capturing market.
- (d) Crucial to Profits: Pricing is crucial to profits. Improper pricing have adverse effect on the profits of any enterprise. This ultimately affect the profit, growth and future of the enterprise.
- (e) Platform for Achieving Other Objectives: Short term, long term, primary, and secondary objectives of the firm can only be attained if firms go for profit optimization rather than profit maximization.
- (x) It is a strategy of expansion under which growth is achieved by expanding the scale of operations. It involves expansion of firm's product range and

market. Three alternative strategies in this regard are as follows:

(a) Market Penetration: This strategy aims to seek increased sales of the present products in the present markets through more aggressive promotion and distribution. The firm tries to penetrate deeper into the market to increase its market share. More money is spent on advertising and sale promotion to increase sale volume.

(b) Market Development: This strategy aims to increase sales volume by selling the present products into new markets.

(c) Product Development: Under this strategy, a business seeks to grow by developing improved products for the present markets.

Penetration Strategies: This is a strategy to grow by encouraging existing customers to buy more of the firm's existing product. Here, the enterprise tries and attempts to increase the sale of the current products in the current markets by following approaches:

(a) Encourage frequency of the use of product.

(b) Attract new clientele using sales promotion techniques like Advertising, Personal Selling, Discounts, Coupons, etc.

(c) Attract competitors, customers by using persuasive techniques.

(xi) Two forms are available to an entrepreneur to go in for integrative expansion, they are Vertical Expansion and Horizontal Integration.

(a) Vertical expansion refers to any of the activities or functions, previously performed by the firm right from sourcing of raw material to supply of finished goods, through external agencies will now be performed by the firm itself. It is done through:

1. Backward Integration: It is a step back on the value-added chain towards the raw materials, by which the producer also becomes a raw materials wholesaler. For example: For manufacturing of 'Nirma' detergent an important raw material used 'Linear Alkaline Benzene (LAB)' which was earlier purchased is now manufactured by Nirma itself.

2. Forward Integration: It refers to taking a step forward on the value added chain towards the customers by which the firm also becomes a finished goods wholesaler.

(b) Horizontal integration occurs at the same level of the value added chain but involves a complementary, value added chain. It may involve acquisition of one or more competitors at the same level of business.

For example, Hindustan Lever Ltd. has ensured for itself a presence in all segments using new brand launches and by strategic moves such as the acquisition of TOMCO.

The acquisition of TOMCO enhanced HLL's market share like it bought Hamam, 501, Moti, Jai and OK into HLL's brands, with already having Lifebuoy, Liril, Lux, Rexona, Dove, LeSancy as its powerful line extensions.

(xii) Market development strategies refers to selling the firm's existing products to new groups of customers i.e. exploring new markets for the existing product at national as well as at international level. This can be done using the following:

(a) New Demographic Market: By studying demographic characteristics like income, marital status, standard of living, education, age and sex of the customers, an enterprise can offer the same product to a different demographic group.

(b) New Product Use: An entrepreneur can find out that people use its product in a way that was not expected.

(c) New Geographical Market: This means selling the existing products in the new locations and new markets. This has the potential of increasing sales of the product by offering the product to customers who have not previously had the chance to purchase its products.

(xiii) "Commerce is the sum total of all those activities, which are engaged in the removal of hindrance of persons (trade) place (transport and insurance) and time (ware housing) in the exchange (Banking) of commodities,". James Stephenson Functions of

commerce are:

1. to deals with activities which facilitate exchange of goods/services.
2. to deal with transfer of goods from one place of production to ultimate consumers.
3. to help to break the barriers between the producers and the consumers.
4. to create time, place and possession utilities.

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(xiv) Industry refers to all economic activities involved in converting raw materials into finished products which are ultimately consumed by consumers. .

The primary industry are of following types:

(a) Extractive Industry: This industry deals with raising some forms of wealth from the soil, climate, air, water or from beneath the surface of the earth, for example, agriculture, fishing, etc. Extractive industries:

1. are the oldest occupation of human beings and provide raw material to others.
2. only collect and cannot add to the wealth extracted from the earth or sea.
3. shift the location of materials.
4. cannot replace the materials once extracted.

(b) Genetic: Genetic industry is related to the re-producing and multiplying of certain species of animal and plants with the object of earning profits from their sale. It deals with rearing and breeding of animals and birds and growing plants, e.g. nurseries, cattle breeding fish hatcheries, poultry farms, etc.

Secondary industries are the industries which are concerned with the changing forms or transformation of the materials provided by primary industries. Examples: manufacturing gold jewellery, refining crude oil into kerosene, cement, paint, soap, etc.

Various types of secondary industry are : (a) Manufacturing, (b) Construction,

(c) Tertiary or Service.

Following are the main features of Manufacturing:

1. Engaged in the conversion of raw materials into semi-finished or finished goods.
2. creates form, utility in goods;
3. Most of the goods which are used by consumers are produced by manufacturing industries.

Processing: The industry in which the finished product of one process becomes the raw material of the receiving process and soon the final process produces the finished goods, e.g. cotton passes through ginning, weaving, dyeing to make cloth as a final product.

Manufacturing: The industries which are engaged in the conversion of raw materials into semi-finished or finished goods are referred as manufacturing industry. Manufacturing industry may be classified as:

1. Analytical: It deals with analysing and separating basic materials for getting distinct final products.
2. Synthetic: It deals with grouping together or synthesizing various raw materials in manufacturing process to produce a final product.
3. Processing: In this industry, a product passes through various processes to become a final product.
4. Integration or Assembling: In this industry, the final product is the outcome of assembling various parts or components together.

Construction industry

1. It deals in creation of infrastructure.

2. Engineering and architectural skills are involved.

Construction industry deals in creation of infrastructure for the smooth development of the economy. It is concerned with the construction of buildings, dams, roads, bridges, canals, etc.

Engineering and architectural skills play a leading role in this industry. Service industry comprise of activities concerned with the rendering of services which help other businesses. These serve as the backbone of modern industrial system.

They help in removing various hindrances which arise during the production and distribution of goods and services and deals with:

- Transport facilitates
- Banking
- Warehousing
- Advertising.

(xv) Auxiliaries required for blue pottery are:

(a) Transportation: For bringing the raw material and also for sending the finished products to the market.

(b) Banking: It is required for taking loan as and when required and also for keeping the finance and taking use of various services offered by banks.

(c) Insurance: This is essential for safeguarding the enterprise against the risk involved due to unforeseen circumstances.

(d) Warehousing: It is required for storing the finished product and also for storing the raw material.

(e) Advertisement and salesmanship: It is required for providing information about product and also for informing market about the product.

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