



Question 16. What are the advantages of penetrating pricing method?

Answer: Following are the advantages of penetrating pricing method:

1. Quick rise in sales: Penetrating pricing results in the increase in sales with a very high speed.
2. High turnover: The turnover of the enterprise is raised in very short duration. This strengthens the position of enterprise in the market.
3. Return on investments: This method brings decent return on investments. The minimum profit margin is also assured with the sale of each unit.
4. Best method for price elastic goods: When a small range in price brings more change in demand, such products have penetrating pricing as the best method.

Question 17. Mention the disadvantages of penetrating pricing method.

Answer: Following are the disadvantages of penetrating pricing method:

1. This method is applicable only to the products and services, which have high price elasticity. Thus it is not applicable to all the products.
2. Profit margin is low in the price fixed by such method. This profit may not be sufficiently compared to the cost of production and promotion.
3. Turnover of the enterprise increases tremendously. Such enterprises have to prepare themselves for a situation of more financial requirements.

Question 18. State the advantages of 'Good Negotiations'. [CBSE Delhi 2015]

Answer: Following are the advantages of 'Good Negotiations':

1. Helps in building better relationships.
2. Delivers lasting, quality solutions rather than poor short-term solutions that do not satisfy the needs of either party.
3. Helps in avoiding future problems and conflicts.

Question 19. 'Pure Neer India Ltd.' is the manufacturers of water purifiers. The company has developed a new water purifier that not only converts the hard water into soft water but also kills the bacteria and other harmful microorganisms present in it. The company has named this water purifier as 'Nirmal Neer' and for its marketing, appointed salesmen throughout the country. The company also trained the salesmen to provide information about the usefulness of the 'Nirmal Neer' water purifiers to the customers and motivate them to buy the same. [CBSE Delhi 2015]

1. Name and explain the 'type of promotion strategy' adopted by the company.
2. Also identify the channel of distribution used by the company.

Answer:

1. Personal selling: It means selling products personally. It involves oral presentation of message in the form of conversation with one or more prospective customers with the purpose of making sales.
2. Direct channel/zero level of distribution.

Question 20. Differentiate between Standardized product and Customized product. Which channel of distribution is best suited for customized product/goods?[CBSE Sample Paper 2016]

Answer: Standardised products are those for which the cost is predetermined and there is no scope for alteration, it requires long distribution channel. Customized products are those which are made according to the discretion of the customer and there is a scope for alteration.

Direct Channel of distribution is best suited for customized product/goods.

Question 21. 'Floral Art and Craft' opened its first store in Mumbai in the year 2010 with the objective of providing its customers with fresh flowers creatively packed and value for money.

It procures fresh flower directly from the farmers. The organization makes sure that the farmers adopt organic means to nourish the soil and do not use chemical fertilizers as it degrades the soil fertility. Packaging material is procured from specially abled craftsman of I CAN.

Floral Art and Craft's face book and twitter page encourages two way communication with its customers. These social media channels provide a platform through which it can interact with customers and access their opinion about the brand. The store also uses direct e-mails to their frequent customers to inform them about different schemes and other promotional messages. Its website promotes the store by organizing different flower decorating classes and competitions using the products of I CAN. [CBSE Sample Paper 2016]

1. Identify the promotion strategy adopted by I CAN. Also state the lines from the text that helped to identify the form.
2. State any two features of this type of promotion strategy.
3. State two values communicated to the society.

Answer:

1. Below-the-line Promotion Strategy: 'Floral Art and Craft's face book and twitter page encourages two way communication with its customers.' 'These social media channels provide a platform through which it can interact with customers and access their opinion about the brand.'
'The store also uses direct e-mails to their frequent customers to inform them about different schemes and other promotional messages.'
'Its website promotes the store by organizing different flower decorating classes and competitions using the products of 'I CAN'.
2. (a) Below-the-line methods are very specific, memorable activities focused on targeted groups of consumers. They are under the control of the . organisation.
(b) This strategy develops the brand by creating awareness and building a brand profile.
3. (a) Environmental concerns.
(b) Concern for the society.

IV. VERY LONG ANSWER TYPE QUESTIONS

Question 1. Give advantages and disadvantages of cost plus pricing method.

Answer:

Advantages:

1. Easy: This method of pricing is very simple method. It can easily be used for determining the price.
2. Flexible: Any changes in the cost of production or the margin of profit change the price in the same direction. It automatically gets adjusted to the change.
3. Visible profit margin: Profit margin is not to be calculated. It is already fixed. Thus by multiplying the profit per unit with the volume of the product, the total profit can be determined.
4. Increases efficiency: Any upward rise in cost is easily visible. This provides an idea to the entrepreneur to adjust his production for keeping the cost as low as possible.
5. Less calculation: Comparatively less calculations are involved. Which makes the implementation of this method simple.
6. Easy implementations: This method can easily be implemented because of its simplicity to understand and easy calculations.

Disadvantages:

1. Suitable only for single product:
A firm involved in production of only one type of product finds it convenient. In case the firm decides about variation, then this method cannot be successfully used.
2. Could neglect the competitive price: In case the sum of cost price and profit is more than the competitive price, then the sale of the product will be low.
3. Consumers' preference: It is not considered while fixing the price by this method. This method does not provide much scope for selling the product discriminately to different group of customers.

Question 2. What is skimming pricing method? What are its advantages and disadvantages?

Answer: Skimming price method is the method of pricing in which the product is introduced in the market with a very high price. High price is kept for recovering the cost of production quickly. Such entrepreneurs normally bring something new in the market with more utility value. Product is introduced with a lot of expenditure on advertisement. High price tends to bring back revenue quickly. High class people are the target of such method of pricing e.g. Philips introduces its new product with the same method, Rumalaya also follows the same trend.

Advantages of skimming price method:

1. High recovery: The cost of production and investing can be recovered quickly by this method.
2. Quality product: Such method is applicable mainly to quality product. The entrepreneur is thus able to sell quality product.
3. Encourages innovation: Any innovative idea about product can be quickly introduced by such method. Hence, entrepreneurs normally are in search of innovations. Thus, innovation is encouraged.

Disadvantages of skimming price method:

1. High promotional cost: In this method there is heavy expenditure on advertisement and other promotional techniques. All the entrepreneurs may not have such financial strength,
2. Short run: This method is applicable only till the competitors are not entering. As the competitors enter from window, the price skimming method has to leave from the door,
3. Innovation: Such method is applicable only to innovative products and ideas cannot be introduced for normal goods.

Question 3. What do you mean by remote market? How would you

arrange a distribution system for the same?

Answer: Remote market is the form of market where the product is sold to greater distances, and deep inside the country i.e., rural area. The shops of such market are not in direct touch with the producers; also it takes time in reaching the products up to consumers. Distribution system for a remote market: Following procedure can be adopted for arranging distribution system for a remote market:

1. Appointment of dealer: Dealers will be firstly appointed by the producer through advertising and interview.
2. Deposit from dealers: For minimizing the risk a suitable amount can be taken as deposit from the dealers.
3. Target for dealers: Producers can enter into contract with dealers for a targeted sale. This may be for monthly target, half yearly target or yearly target.
4. Incentives for achieving target: Dealers achieving the target before the stipulated time can be rewarded by providing, incentives, gifts, free trips, etc.
5. Distribution centres: Regional distribution centres can be established at various places by the entrepreneurs. At these centres, sufficient stock of products can be maintained. Dealers can obtain the product from the nearest centre.
6. Monthly feedback: Entrepreneurs can obtain monthly feedback from dealers in order to monitor the sale procedure. After knowing their difficulties, the entrepreneur can sort out problems of the dealers.

Question 4. Raghav after doing his B. Pharma, degree from a reputed government college started two chemist shops in two different localities of his home town. Encouraged with the success of these shops, he started six more shops in different cities of the State. His strategy was to cut price, focus on lower and middle class patients and open shops near hospitals. He operated on very thin margins. But he was not able to maintain sufficient funds to meet the day to day expenses of the business. The staff of the shops did not give much attention to the customers and there was very poor system of control. Because of this mismanagement he started incurring huge losses and his business failed. Based on the above para identify and explain any four causes of business failure of Raghav. [CBSE Delhi 2015]

Answer: Causes of business failure of Raghav:

1. Lack of adequate cash flow: Many small businesses fail because owners have a difficult time projecting what cash will come in every month, and thus, how much can go out. Raghav failed to estimate the correct expense which is required to run the business on a daily basis.
2. Management incompetence: Raghav worked on very thin margins which led to huge losses as well as he did not have control over his staff.
3. Diminished customer base: Raghav did not keep a track of his customer base. Competition can cause the customer base to diminish.
4. Poor system of control: Raghav could not have proper internal control over activities which led to the failure of his business.

Question 5. 'Sultan Trucks Ltd.' are the manufacturers of commercial trucks for the last 20 years. The company had been doing good business but recently due to irregular supply of parts by its suppliers, the company could not make timely delivery of trucks to the parties who had booked their trucks. The customers cancelled their bookings and there were very few new bookings. The sales : of the company started declining that resulted into losses. The management of the company analyzed the problem

and decided to take over those two firms because of whom the problem arose, one of them was supplying tyres for its trucks and another axles to the company. The company also extended credit facilities to the customers and started booking the trucks without charging any booking amount. It also decided to employ 100 unemployed youth, with 50% reservation for females to take up the cleaning operations, using the imported machines, inside the factories as well as the surrounding areas. [All India 2015]

1. Identify and state the concepts of 'Enterprise Marketing and Growth Strategies' discussed in the above paragraph.
2. Identify any one value which 'Sultan Trucks Ltd.' wants to communicate to the society.

Answer: The concept for enterprise marketing is sales promotion. Sales promotion is one level or type of marketing aimed either at the consumer or at the distribution channel (in the form of sales-incentives). It is used to introduce new product, clear out inventories, attract traffic, and to lift sales temporarily.

The concept for growth strategy is acquisition. Acquisition are often made as part of a company's growth strategy whereby it is more beneficial to take over an existing firm's operations and niche compared to expanding on its own. Acquisitions are often paid in cash, the acquiring company's stock or a combination of both.

Values involved are Courtesy; fostering respect for differences; sensitivity to environment; good behaviour in human interaction; sharing, compassion, empathy; discipline; responsibility; respect for law and order; conflict resolution; team work; honesty and integrity.

V. VALUE BASED QUESTIONS

Question 1. An entrepreneur uses a name of famous brand of product for marketing his product. He uses a similar logo for this purpose. Is he correct? Suggest him a correct way.

Answer: No, he is not correct. Using a similar logo or name of the product for marketing is a crime. It is a violation of copyright/patent right. Also it leads to short term benefits but long term loss.

He should create his own brand name and unique logo. This will provide him long term benefit in his business. Also, being fair in the competition is a moral requirement of any enterprise.

Question 2. A firm is following a single window purchase system in his firm. The supplier is a relative of the owner. Comment on this decision of the entrepreneur.

Answer: Single window purchase leads to many problems like:

1. Dis-interest or non-availability of other suppliers during the time of crises.
2. Favouritism of any time in business only leads to short term benefits and has long term loss of goodwill and reputation in the market.

Question 3. A famous company started a promotion scheme of donating one Rupee from every sale of the product for the education of girls of primary class. Write the values associated with this effort of the firm.

Answer: Following values can be assigned for the decision of the firm:

1. Sympathy towards the needy persons of the society.
2. Empathy is also reflected in this decision of the firm.
3. Social welfare and concern for the society is shown by the firm.
4. Awareness of responsibility of citizenship.
5. Initiative taken to help others.

This decision of the entrepreneur shows that the entrepreneur

believes in returning back to the society as he is obtaining the resources and other things from the society.

***** END *****