

# Concept of Market: Market, Market, Where are you?

## TEXTBOOK QUESTIONS SOLVED.

**Question 1. Answer each of these questions in about fifteen words:**

**(i) What is meant by E-commerce?**

**Answer:** (i) E-commerce is defined as the conduct of industry, trade and commerce using the computer networks.

An electronic communication among enterprises, including customers, suppliers, business partners, government organizations and financial institutions.

**Question 2. Answer each of these questions in about fifty words:**

**(i) Define Market.**

**(ii) Define 'Traditional Markets'.**

**(iii) In what terms, with passage of time, did the industrial activity intensified?**

**(iv) What range of activities business comprise of?**

**Answer:** (i) "The term 'market' is not any particular place in which things are bought and sold But the whole of any region where buyers and sellers are in such free intercourse with one another that the price of the same goods tend to equality easily and quickly."

**(ii) According to the American Market Association:**

• "At every point where a specific commodity is concentrated for sale a market is found".

**(iii) With the passage of time, the industrial activity has intensified in terms of:**

Quantity • Quality

• Variety of the products • Competition

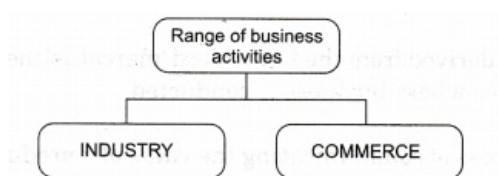
• Awareness on the part of consumers

• Emergence of laws and enactments to protect consumer's interest.

**(iv) Business include the following range of activities:**

(a) Industry, i.e. production and related activities

(b) Commerce, i.e. trade and aides to trade.



**Question 3. Answer each of these questions in about 75 words:**

(i) Give three points of difference between the Traditional Market and Modern Markets.

(ii) Discuss the role of E-business in promoting the business community.

**Answer:**

Traditional Market	Modern Market
1. It referred to the market as a place.	1. It referred the market as whole region where buyers and sellers are in contact with each other.
2. In traditional marketing, more importance is given on selling the product.	2. Its main motive is customer satisfaction.
3. Here, existing products are imposed on the market through aggressive selling and promotional pressures.	3. It understands the needs and desires of the customer and product is designed accordingly.

(ii) **Following points describe the role of E-commerce :**

- (a) E-business allows quick response to the queries/doubts of various categories of customers and other business houses, thus facilitating sales and customer satisfaction.
- (b) Provides not only the first hand but the latest information about the product related to price, discount, quality, features, range, etc. available to the consumers merely at the click of the mouse.
- (c) It has made it possible to make things available in those areas too where there are no markets around like rural areas.
- (d) Producers are having direct contact with the consumers, resulting in the reduction of middlemen and related cost. Prices have thus decreased.
- (e) Customers can get information and the goods online because of e-commerce, thus saving time, cost and energy.

**Question 4. Answer the question in about 150 words:**

(i) Differentiate between E-Commerce and E-Business.

**Answer:**

E-Commerce	E-Business
1. It is defined as the conduct of industry, trade and commerce using the computer networks.	1. It is an electronic communication among enterprises, including customers, suppliers, business partners, government organizations and financial institutions.
2. E-commerce and other electronically conducted business functions such as production, product development, accounting, finance human resource management, etc. are wide in scope.	2. It covers the interaction of the firm with its customers and suppliers, over the Internet.
3. It aims to improve and change business processes.	3. It involves new business models and the potential to gain new revenue or lose some existing revenue to new competitors.

## MORE QUESTIONS SOLVED

### I. Very Short Answer Type Questions [1 Marks]

**Question 1. What is market?**

**Answer:** The word "market" is derived from the Latin word 'marcatu' meaning merchandise, ware, traffic, trade or a place where business is conducted.

**Question 2. What is marketing?**

**Answer:** Marketing is the process of communicating the value of a product or service to customers, for the purpose of selling that product or service.

**Question 3. What is Barter system?**

**Answer:** 'Barter system' is the system where the exchange is of goods with goods only.

**Question 4. In olden days, what was referred as market?**

**Answer:** In olden days, buying and selling was done by coming together at periodical fairs held at specific places on particular dates. The exchange was of goods with goods only.

**Question 5. What revolutionized the market system?**

**Answer:** The invention of 'money' as a means of exchange revolutionized the market system.

**Question 6. Traditional concept of market focuses on what?**

**Answer:** Traditional concept focuses that market means a place only, where actual buying and selling takes place.

**Question 7. What changed with reference to market in the fifties and sixties?**

**Answer:** In the fifties and sixties, the size and character of the markets in many countries of the world changed.

**Question 8. What is the purpose of business activity according to Peter Drucker?**

**Answer:** According to Peter Drucker the purpose of business is to create customer and customers do not have geographical boundaries.

**Question 9. What is the orientation of business activity?**

**Answer:** Every business activity is consumer oriented.

**Question 10. In what terms is the business throughout the world changing?**

**Answer:** Business throughout the world is changing in terms of organization, ways of working, use of technology and perspectives, scope and outlook.

**Question 11. Now the world seems to follow what adage?**

**Answer:** Now the world seems to follow the adage "Market means people".

**Question 12. What is said by DYDDY with respect to market?**

**Answer:** Markets are people with money to spend and desire to spend it.

**Question 13. What remains permanent in the market?**

**Answer:** The market is a dynamic and competitive arena, where "The only thing that is permanent is change".

**Question 14. What is E-Business?**

**Answer:** E-Business refers to "Carrying on business activities, both industrial and commercial through computer network i.e. Internet."

**Question 15. Define trade.**

**Answer:** Trade means buying and selling of goods or services.

**Question 16. What is responsible for making the economy strong and stable?**

**Answer:** Markets are responsible for making the economy strong and stable, in itself is a very

dynamic concept.

**Question 17. Now the world seems to follow what adage?**

**Answer:** Now the world seems to follow the adage "Market means people".

**II. Short Answer Type Questions [2/3 Marks]**

**Question 1. The traditional meaning of market emphasizes on which points?**

**Answer:** The traditional meaning of market emphasis on:

- **Place:** The goods available for sale are brought to a specific place and the buyers of those goods reach those places for buying them.
- **Commodity:** Different markets for different commodities such as vegetable market, food grains market, etc.

**Question 2. How has Clark and Clark defined a market?**

**Answer:** Clark and Clark defined a market as: "In fact, for most commodities, the market must not be thought as a geographical meeting place but as any getting together of buyers and sellers in person by mail, telephone, telegraph or by any other means of communication."

**Question 3. What are the main features of Clark and Clark's definition?**

**Answer:** The market is not taken as a geographical place but a combination of:

- Buyers and sellers
- Given commodity
- Close contact with each other through any means personally, by mail, phone, etc.
- Buyers and sellers are in competition with one another.
- The place or area can be regional, national or international.

**Question 4. What is market in the modern sense?**

**Answer:** A market is the atmosphere of a region in which the forces of demand and supply operate directly or by means of any kind of communication that are sufficient to bring about transfer in the title of the goods and it does not necessarily mean only a place where actual buying and selling is conducted.

**Question 5. What changes are seen in Indian economy after globalization?**

**Answer:** After the opening up of the economy, the pace of change that India and its people are experiencing in their sociocultural milieu is mind boggling. The profile of the Indian market is vastly different from what it was ten years ago. Modern business is facing global competition due to globalization, and increased customer expectation due to changes in technology.

**Question 6. What does the concept of market by DYDDY advocates to?**

**Answer:** The DYDDY concept of market advocates:

- People having money and desire to spend it are taken as market.
- A market cannot exist without people willingness to buy and sell.
- It ignores 'the place of activity'.
- It is practical in today's scenario.

**Question 7. What is the concept of market after the inclusion of E-Business?**

**Answer:**

- 'Market' is emerging as any form where the transaction between the buyer and seller is because of interacting electronically using telecommunication network the world over.
- So the whole world is a potential market, with no requirement of physical presence of a buyer or seller.
- Internet—commerce has broadened the definition, scope and range of markets.

#### Question 8. How E-Commerce have resulted in easy launching of new products?

**Answer:** Any company can launch its new product in the market through the medium of e-business much more easily. Various modes like mails, catalogues, photographs, etc. can help customers understand the product better.

Using internet the pictures and the feature can be uploaded for the information of the consumers. This helps the consumers in finding the right product as per their satisfaction.

#### Question 9. How E-commerce have resulted in lowering personnel cost?

**Answer:** The number of personnel or employees required decreases with the help of E-business because a single computer is good enough to do the job of many employees. The job is done more quickly, efficiently and correctly. This leads to helping the entrepreneur increasing efficiency, lower cost of production, increased sales and profit.

### III. Short Answer Type Questions [4 Marks]

#### Question 1. Describe the role of E-business or E-commerce in the developing countries.

**Answer:** Following points describe the role of E-business in the developing countries:

- **Opportunities:** It is offering great opportunities to developing countries.
- **Entry:** It is helping them to enter the global markets merely at the click of the mouse.
- **Cost effective opportunities:** It is helping business in discovering new cost-effective opportunities not only locally but also internationally.
- **Promotion:** It is playing leading role for the promotion of the business community.

#### Question 2. Describe the scope of E-Commerce.

**Answer:**

- **Business function:** E-commerce and other electronically conducted business functions such as production, product development, accounting, finance human resource management, etc.
- **Interaction:** Covers the interaction of the firm with its customers and suppliers, over the Internet, i.e. it revolves around buying and selling products and services over the internet.
- **Transaction:** The internet users can now order goods, receive their delivery and make their payment while at home, on the internet.

#### Question 3. Which points did the Carnot's definition of marketing advocate?

**Answer:** Carnot's definition of marketing advocated the following points:

- **Region:** Market is not restricted to a particular place but to a region.
- **Access:** The buyers and sellers of the whole region have free access to one another.
- **Price determination:** The forces of demand and supply operate and determine competitive prices.
- **Whole region:** The whole region is taken as a place of market.

#### Question 4. What do you mean by Traditional Market?

**Answer:** Traditional Market involves the marketing method, which emphasizes mainly on the

'Four Ps' principles that comprises of Product, Price, Promotion and Place. A marketer has to consider the 'Four Ps,' before launching a product or offering a service. In traditional marketing, more importance is given on selling the product. Here existing products are imposed on the market through aggressive selling and promotional pressures.

**Question 5. Give five points of difference between the selling and marketing.**

**Answer:**

<b>Selling</b>	<b>Marketing</b>
1. It is the act of selling the product to customer by hook or crook.	1. It is the act of selling the product to customer by taking into consideration the needs of the customer.
2. It is an execution concept.	2. It is a planning concept.
3. It is quantity oriented.	3. It is consumer oriented.
4. It is a short term process.	4. It is a long term process.
5. It is a traditional concept.	5. It is a modern concept.

#### IV. Long Answer Type Questions [6 Marks]

**Question 1. Describe the role of Role of E-business or E-commerce.**

**Answer:** Following points describe the role of E-commerce:

- **Quick Solution:** E-business allows quick response to the queries/doubts of various categories of customers and other business houses, thus facilitating sales and customer satisfaction.
- **Updated Information:** A company's web-site, which can be accessed anywhere in the world, provides not only the first hand but the latest information about the product related to price, discount, quality, features, range, etc. available to the consumers merely at the click of the mouse.
- **Extending Markets:** Making sales to customers is spread over the different parts of the world. It has made it possible to make things available in those areas too where there are no markets around like rural areas.
- **Shortening of distribution channel:** Producers are having direct contact with the consumers, resulting in the reduction of middlemen and related cost. Prices have thus decreased.
- **Saving time and cost:** Customers now do not have to physically visit the market to purchase goods. They can get information and the goods online because of e-commerce, thus saving time, cost and energy.
- **Less risk in payments:** Payments can be made on the Internet through debit cards, credit cards, E-banking, etc. thus reducing risks involved in the transfer of money.

# Analysing the Market Environment

## TEXTBOOK QUESTIONS SOLVED.

**Question 1. Answer each of these questions in about 15 words:**

**(i) What is micro environment?**

**(ii) Give one point of difference between the primary forces and secondary forces.**

**(iii) Who is a producer?**

**(iv) What is meant by the term 'demographic forces'?**

**Answer:** (i) Micro environment or internal environment refers to the forces operating in the market that are close or within the enterprise or firm and affect its ability to serve its customers directly. It comprises of the following forces: (1) Producer/Seller (2) Customers (3) Competitors (4) Suppliers (5) Marketing Intermediaries.

(ii) Primary forces refer to the forces which are close to firm or are within the control of firm. Secondary forces are those which are part of the larger society and are the "uncontrollable" to which companies mould itself.

(iii) Producer refers to an individual or a group of individuals who bring all the factors of production together and bring into existence something which has utility and commercial value.

(iv) Demographic forces refer to size, density, location, age, gender, race, and occupation of the population in the locality or in the area of the market.

**Question 2. Answer each of these questions in about 50 words: (i) Define Market environment.**

**(ii) Define Macro environment.**

**(iii) Define customers.**

**Answer:** (i) The market environment refers to factors and forces that affect a firm's ability to build and maintain successful relationships with customers.

(ii) Macro environment refers to all forces that are part of the larger society and are the "uncontrollable" to which companies mould itself through setting the "controllable" factors.



(iii) Customers refer to a person(s) or firms who buy/s goods or services from a shop, enterprise or business. They are the ultimate consumers of the product.

**Question 3. Answer each of these questions in about 75 words:**

**(i) Performing sellers sustain and succeed in the market. How?**

**Answer:** (i) Performing sellers sustain and succeed in the market because—:

- They keep themselves aware of market needs and trends.
- They give market a solution for their 'unmet' needs.
- They identify opportunities and threats in the environment.

**Question 4. Answer each of these questions in about 150 words:**

**(i) Differentiate between competitors and suppliers as primary forces of market.**

**(ii) "Consumer is the King". Why?**

**Answer:** (i) (a) Competitors provide similar offerings for goods and services whereas suppliers normally offer only one brand of goods or service.

(b) Competitors try for developing strategic advantage over their competitors whereas suppliers take advantage of the strategies made by the parent firm.

(ii) Consumer is the King because of the following reasons:

(a) Consumer's willingness is involved in the purchase of products.

(b) Consumer is smart and want full return for its money.

(c) Useful creativity is always appreciated and accepted by the consumer.

(d) Consumer satisfaction is the foundation stone of a successful business.

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

**(i) Discuss the primary forces that comprise the internal environment of the market.**

**(ii) Explain the term Secondary Forces. What all external environment comprise of? Explain with suitable examples.**

**(iii) Differentiate between the Micro and Macro environment.**

**Answer:** (i) Following are the Primary forces that comprise the internal environment of the market:

(a) **Producer/Seller:** The goals, objectives, policies, strategies, etc. of the organization are the foremost forces which govern the market. Successful companies are those that can recognize and respond profitably to unmet needs and trends in the society. Unmet needs always exist. "PERFORMING SELLERS" sustain and succeed in the market. Catering to social responsibility, if more is the number of producers, harder and healthier would be the competition. Ethics, values, principles, creativity, innovativeness of the seller helps in setting trends for market.

(b) **Customers:** Consumer is the King instead of trying to market what is essential for us to make, we must find out much more about what the consumer is willing to buy. We must apply our creativity more intelligently to people, and their wants and needs, rather than products. The most influential force which rules the market is the 'Consumer'. Consumer satisfaction is the foundation stone of a successful business. Business has to produce goods according to the needs of the customers. But knowing customers is never simple.

(c) **Competitors:** Competitors are such factors in the micro environment that provide similar offerings for goods and services. To remain competitive, an enterprise must consider who their biggest competitors are. With LPG, the level of competition is no more local or national, but international. The company should develop a strategic advantage over their competitors else if it's otherwise the fate of the enterprise is doomed. Edmund Burke believes "An opponent is our helper".

(d) **Suppliers:** Suppliers are another key component in the core system of market. The company is essentially a resource – conversion machine that converts material, machines,



labour and funds into useful products. The necessary resources are obtained from suppliers. How well the company buys depends on how well it grasps the working of the various supply markets and how well it applies business principles in conducting its relations with suppliers. Lack or non-availability of suppliers can ruin the market for a product.

(e) **Marketing Intermediaries:** Marketing intermediaries are institutions that facilitate the flow of goods and services between the company and its final markets. They include resellers (i.e. wholesalers, retailers, agents and brokers), transporters, warehouses, banks and promoting agencies. These all institutions come into being to facilitate the work of consummating exchanges in the market. They perform a great deal of work in bringing about transactions between the buyers and sellers, market cannot survive without these intermediaries.

(ii) **Secondary forces or Macro environment refers to all forces that are part of the larger society and are the “uncontrollable” to which companies mould itself through setting the “controllable” factors.**

**Following are the factors that comprises of Macro environment:**

(a) **Demographic Forces:** Demographic forces refer to features of populations with reference to size, density, location, age, gender, race, and occupation. These features help to divide the population into market segments and target markets. Each classification has its unique and different characteristics and causes.

(b) **Economic Factors:** These refer to the purchasing power of potential customers and also the patterns in which people spend their money. Expenditure pattern of customers is different in different economic situations of the economy.

(c) **Technological Forces:** The technological environment is perhaps one of the fastest changing factors in the macro environment. This includes all developments from antibiotics and surgery to nuclear missiles and chemical weapons to automobiles and credit cards. Advances in technology have provided opportunities to new products, new ways of selling, new markets and new trends.

(d) **Political Forces:** The political environment covers all laws, government agencies, and groups that influence or limit other organizations and individuals within a territory. Market is run and regulated by these laws or restrictions. These are different for various places and varies from time to time. The fate of enterprises and markets depend upon the political conditions of the areas in which they are situated.

(e) **Natural Factors:** These include the natural resources that a company uses as inputs and affects their marketing activities. The ability to create a company’s product is becoming a tough task for the enterpriser. Also, pollution, government intervention, etc. have effect on a company’s reputation if they are known for damaging the environment.

(f) **Cultural Forces:** The cultural environment, which consists of institutions and basic values and beliefs of a group of people. The values can also be further categorized into core beliefs, which passed on from generation to generation and very difficult to change, and secondary beliefs, which tend to be easier to influence.

(iii) **Differences between Micro environment and Macro environment:**

Micro environment	Macro environment
1. Micro Environment or Internal Environment refers to the forces operating in the market that are close or within the enterprise or firm and affect its ability to serve its customers directly.	1. Macro environment refers to all forces that are part of the larger society and are the “uncontrollable” to which companies mould itself through setting the “controllable” factors.
2. It comprises of producer/seller customer, competitors, suppliers marketing intermediaries.	2. Macro environment comprises demographic forces, economic forces, technological forces, political forces, natural forces, cultural forces.
3. These are uncontrollable for a firm.	3. These are controllable for a firm.
4. It includes concepts such as demography, economy, natural forces, technology, politics, and culture.	4. This includes all departments, such as management, finance, research and development, purchasing, operations and accounting.

## MORE QUESTIONS SOLVED

### I. VERY SHORT ANSWER TYPE QUESTIONS [1 MARK]

**Question 1. Give examples of collapse due to failure to meet environmental challenges.**

**Answer:** Nations (Assyria), Species (dinosaurs), industries (Kingfisher) have collapsed because they failed to meet environmental challenges with creative responses.

**Question 2. What is demography?**

**Answer:** Demography refers to studying human populations in terms of size, density, location, age, gender, race and occupation.

**Question 3. What keeps spinning around in the market?**

**Answer:** Opportunities and threats keep constantly spinning around. Those enterprises that ignore or resist market forces bear the brunt.

**Question 4. What does excellent companies keep on doing constantly in the market?**

**Answer:** Excellent companies take an outside-inside view of the market and its forces.

**Question 5. 'Google' and 'Yahoo' just appeared and captured, whereas solids like American Airlines and Avon are almost on the brink of winding up. Why?**

**Answer:** Because something in market was either in their favour or against them.

**Question 6. What forms the environment of the market?**

**Answer:** The network of "key institutions" interact to supply the markets with needed goods and services, collectively form the 'environment' of the market.

**Question 7. What is market?**

**Answer:** A market is an arrangement of establishing effective relationship between buyers and sellers of the commodities.

**Question 8. Which factors or forces are at play in the market?**

**Answer:** Following factors or forces are at play in the market:

- Micro (Internal) Environment – Primary
- Macro (External) Environment – Secondary

**Question 9. What is said by Edmund Burke related to competitors?**

**Answer:** Edmund Burke said that "An opponent is our helper".

**Question 10. How well the company buys the resources depends on which features?**

**Answer:** How well the company buys the resources depends on

- (i) how well it grasps the working of the various supply markets.
- (ii) how well it applies business principles in conducting its relations with suppliers.

**Question 11. What can ruin the market for a product?**

**Answer:** Lack of suppliers can ruin the market for a product.

**Question 12. What are marketing intermediaries?**

**Answer:** Marketing intermediaries are the organizations or institutions that facilitate the flow of goods and services between the company and its final markets.

### II. Short Answer Type Questions [2/3 Marks]

**Question 1. Explain market.**

**Answer:** A market is an arrangement of establishing effective relationship between buyers and sellers of the commodities.

- It consist of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want.
- It is the forces of demand and supply which represents the aggregate influence of self-interested buyers and sellers on price and quantity of the goods and services offered in the market.

**Question 2. What do you mean by a firm?**

**Answer:** A firm is a business organization, such as a corporation, limited liability company or partnership. Firms are typically associated with business organizations that practice law, but the term can be used for a wide variety of business operation units.

**Question 3. Give the features of the market.**

**Answer:** Following are the main features of the market:

- Presence of buyers and sellers
- Presence of a commodity (Good or service) which is to be transacted.
- It refers to the whole area where buyers and sellers are in contact. It do not refer to any place.
- There is competition between buyers-buyers, sellers-sellers and buyers-sellers.

**Question 4. Give examples of failures of some successful companies.**

**Answer:** Following are the examples:

- 'Motorola, a few years back, dominated the mobile industry. Earlier, it had almost 50% of the cell phone handset market, which now is merely 17%.
- 'Satyam' was once ranked 4th in the top Indian IT companies list in 2008, but collapsed in 2009.

**Question 5. Which forces govern the market?**

**Answer:** The goals, objectives, policies, strategies, etc. of the organization are the foremost forces Which govern the market. Successful companies are those that can recognize and respond profitably to unmet needs and trends in the society. Unmet needs always exist.

**Question 6. List some unsolved problems in the world.**

**Answer:** Following are some of the unsolved problems of the world:

- A sure shot cure for cancer.
- Permanent chemical cure for mental diseases.
- Desalinization of sea-water.
- Non-fattening tasty nutritious food
- Voice-controlled computer, etc.

**Question 7. Which enterprises rule the market?**

**Answer:** Those enterprises rule the market, who are capable of:

- Keeping itself aware of market needs and trends.
- Giving market a solution for their 'unmet' needs.
- Identifying opportunities and threats in the environment.

**Question 8. Which features are to be taken into consideration to create, maintain and retain consumer?**

**Answer:** Following features are to be taken in consideration to create, maintain and retain consumer by the enterprises:

- Tradition, customs, beliefs, values of society and customers
- Lifestyle, standard of living, consuming habits
- Propensity to consume and save
- Education level, thinking behaviour
- Income level
- Demographic characteristics, etc.

**Question 9. How does the consumers' demand affect enterprises?**

**Answer:** Consumers' demand affects enterprises as it affects the following things of the enterprises:

- Profitability
- Reputation and goodwill
- Expansion plans.

**III. Short Answer Type Questions [4 Marks]**

**Question 1. What are the features of marketing intermediaries?**

**Answer:** Following are the features of marketing intermediaries:

- Marketing intermediaries are the organizations or institutions.
- These facilitate the flow of goods and services between the company and its final markets.
- These include resellers, i.e. wholesalers, retailers, agents, and brokers, transporters, warehouses, banks and promoting agencies.
- These facilitate the work of consummating exchanges in the market.
- These bring about transactions between the buyers and sellers.
- These are indispensable part of market.

**Question 2. What do you mean by Macro environment?**

**Answer:** Macro environment refers to all forces that are part of the larger society and are the "uncontrollable" to which companies mould itself through setting the "controllable" factors.

**Question 3. Why are demographic forces play an important role in the market?**

**Answer:** Demographic forces play an important role in the market because of the following reasons:

- They help to divide the population into various market segments.
- They help to divide the population into target markets.

**Question 4. Give an example demographic classification.**

**Answer:** Classifying groups of people according to the year they were born. Based on this classification following groups can be made:

1. **Baby boomers:** Those individuals who are born between 1946 and 1964.
2. **Generation X:** Those individuals who are born between 1965 and 1976.
3. **Generation Y:** Those individuals who are born between 1977 and 1994.

**Question 5. What do you mean by economic factors?**

**Answer:** Economic factors refer to the purchasing power of potential customers and the ways in which people spend their money. Under conditions of boom, buyer behaviour is different than its behaviour during recession and depression, thus affecting the market.

**Question 6. What does technological forces include?**

**Answer:** Technological forces includes various types of technological changes that have taken place in all the fields of the economy. It covers all developments from antibiotics and surgery to nuclear missiles and chemical weapons to automobiles and credit cards. Advancement of such kind have provided opportunities to new products, new ways of selling, new markets and trends.

**Question 7. What does political forces include?**

**Answer:** The political forces is a mix of all laws, government agencies, and groups that influence or limit other organizations and individuals within a given society.

**Question 8. Give the features of political forces.**

**Answer:** The features of political forces are:

1. It include the political environment of the society
2. It comprises of all laws, government agencies, and groups that influence or limit other organizations and individuals.
3. These regulate the market.
4. These varies from place to place and time to time.
5. These determine the fate of companies and markets.
6. These are highly dynamic.

**IV. Long Answer Type Questions [6 Marks]**

**Question 1. Explain the forces of Micro environment or internal environment.**

**Answer:** Following are the forces of Micro and Internal environment:

1. **Producer/Seller:** The goals, objectives, policies, strategies, etc. of the organization are the foremost forces which govern the market. Successful companies are those that can recognize and respond profitably to unmet needs and trends in the society. Unmet needs always exist. "PERFORMING SELLERS" sustain and succeed in the market. Catering to social responsibility, if more is the number of producers, harder and healthier would be the competition. Ethics, values, principles, creativity, innovativeness of the seller helps in setting trends for market.
2. **Customers:** Consumer is the King instead of trying to market what is essential for us to make, we must find out much more about what the consumer is willing to buy. We must apply our creativity more intelligently to people, and their wants and needs, rather than products.  
The most influential force which rules the market is the 'Consumer', consumer satisfaction is the foundation stone of a successful business.  
Business has to produce goods according to the needs of the customers. But knowing customers is never simple.
3. **Competitors:** Competitors are such factors in the micro environment that provide similar offerings for goods and services. To remain competitive, an enterprise must consider who their biggest competitors are. With LPG, the level of competition is no more local or national, but international. The company should develop a strategic advantage over their competitors else if it's otherwise the fate of the enterprise is doomed. Edmund Burke

believes "An opponent is our helper".

4. **Suppliers:** Suppliers are another key component in the core system of Market. The company is essentially a resource — conversion machine that converts material, machines, labour and funds into useful products. The necessary resources are obtained from 5 suppliers. How well the company buys depends on how well it grasps the working of the various supply markets and how well it applies business principles in conducting its relations with suppliers. Lack or non-availability of suppliers can ruin the market for a product.
5. **Marketing Intermediaries:** Marketing intermediaries are institutions that facilitate the flow of goods and services between the company and its final markets. They include resellers (t.e. wholesalers, retailers, agents, and brokers), transporters, warehouses, banks and promoting agencies. These all institutions come into being to facilitate the work of consummating exchanges in the market. They perform a great deal of work in bringing about transactions between the buyers and sellers, market cannot survive without these intermediaries.

**Question 2. What things should be known by the enterprises in order to have an edge in the competition?**

**Answer:** For the correct assessment following should be known by the enterprises:

- Who are our competitors?
- Level/size of competitors
- The areas of strengths/weaknesses of competitors
- The financial standing of competitors
- Overall image of competitors' products in the market
- Operational capacity of the competitors.

The company should develop a strategic advantage over their competitors else if it's otherwise the fate of the enterprise is doomed.

**Question 3. Describe the factors or forces that are the components of Macro environment.**

**Answer:** Following are the factors that are the main players in the Macro environment:

1. **Demographic Forces:** Demographic forces refer to features of populations with reference to size, density, location, age, gender, race, and occupation. These features help to divide the population into market segments and target markets. Each classification has its unique and different characteristics and causes.
2. **Economic Factors:** These refer to the purchasing power of potential customers and also the patterns in which people spend their money. Expenditure pattern of customers is different in different economic situations of the economy.
3. **Technological Forces:** The technological environment is perhaps one of the fastest changing factors in the macro environment. This includes all developments from antibiotics and surgery to nuclear missiles and chemical weapons to automobiles and credit cards. Advances in technology have provided opportunities to new products, new ways of selling, new markets and new trends.
4. **Political Forces:** The political environment covers all laws, government agencies, and groups that influence or limit other organizations and individuals within a territory. Market is run and regulated by these laws or restrictions. These are different for various places and varies from time to time. The fate of enterprises and markets depend upon the political conditions of the areas in which they are situated.
5. **Natural Factors:** These include the natural resources that a company uses as inputs and affects their marketing activities. The concern in this area is the increased pollution,

shortages of raw materials and increased governmental intervention. As raw materials become increasingly scarcer, the ability to create a company's product gets much harder. Also, pollution can go as far as negatively affecting a company's reputation if they are known for damaging the environment. The last concern, government intervention can make it increasingly harder for a company to fulfil their goals as requirements get more stringent.

6. **Cultural Forces:** The cultural environment, which consists of institutions and basic values and beliefs of a group of people. The values can also be further categorized into core beliefs, which passed on from generation to generation and very difficult to change, and secondary beliefs, which tend to be easier to influence. Market reflects the values of a target audience.



# Researching the Market Facts That Matter

## TEXTBOOK QUESTIONS SOLVED.

**Question 1. Answer each of these questions in about 15 words:**

**(1) What is 'Market research'?**

**(2) What is 'Market Survey'?**

**Answer:**

1. Market research is a systematic gathering, recording and analyzing of data about 'problems' which is a continuous process.
2. Market survey is an organized and in-depth approach, which includes all the research activities involved with extracting out carefully the information for not only the first time, but directly from the sources.

**Question 2. Answer each of these questions in about 50 words:**

**(i) To be characterized as good market information, enlist any four essential characteristics to be possessed by it.**

**(ii) Define 'Research Instruments'.**

**(iii) Give one major difference between 'Market Research and Market Survey'.**

**(iv) List the types of market survey conducted to extent information.**

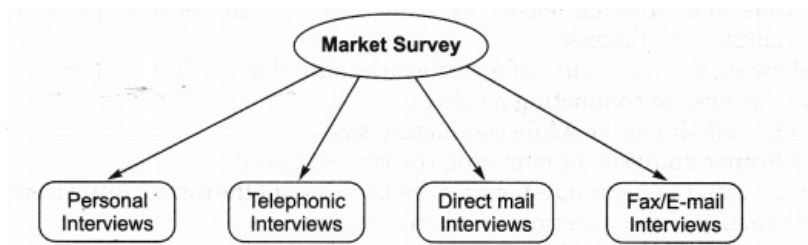
**Answer:** (i) Following are the characteristics of a good market information: Clarity, Completeness,

Relevance, Accuracy, Confidentiality, Authenticity, Economy and Precision.

(ii) Research instruments are the instruments, tools methods or techniques employed in research for gathering the information or response.

(iii) Market survey is a smaller concept as it is a method of conducting market research

**(iv) Survey can be conducted through:**



**Question 3. Answer each of these questions in about 150 words:**

**(i) State the main steps involved in Marketing Research.**

**(ii) Explain Marketing survey along with the methods of conducting the same.**

**(iii) What role is played by 'Marketing Research'?**

**(iv) Market survey can be used as a tool for betterment of society. To conduct a fair survey, list four strong values of a surveyor.**

**Answer: (i) Following are the main steps involved in Marketing Research:**

Step 1: Defining the marketing problem to be tackled and identifying the marketing research problem involved in the task.

Step 2: Specifying the information requirement, i.e. preparing a list of the needed information.

Step 3: Developing the research design and research produce, i.e. determining whether such information is already available, either in records of the company or in outside sources.

Step 4: Information, i.e. select the research instrument to be used, select sample type and size.

Step 5: Analyzing the information and interpreting it in terms of the problem being tackled.

Step 6: Summarize the findings.

Step 7: Preparing the research report.

**(ii) Market survey is an organized and in-depth approach,** which includes all the research activities involved with extracting out carefully the information for not only the first time, but directly from the sources.

A normal way of conducting a survey comprises of the following procedure:

Step 1: Planning the Survey.

Step 2: Fieldwork.

Step 3: Analysis and Interpretation of Data.

Step 4: Report Making.

There are two types of market survey:

(a) The census (b) The sample

**(iii) Following points describe the role played by market research:**

(a) Information about customers: Manufacturers, retailers, etc. of all kinds of services need certain kinds of information in order to be able to satisfy their customers' wants and needs.

(b) Designing Marketing programs: In order to design effective marketing programs, research is essential.

(c) Decisions: In dealing with recurring decisions of any enterprise information through such research is vital.

(d) Choosing Marketing program: For satisfying the diversity in consumers' characteristics, a firm wish to determine the most appropriate market, product or information so as to choose a combination of marketing programmes which could satisfy the customers.

(e) Helpful in Feasibility study: Before preparing a business plan, the entrepreneur has to do a quick feasibility study of the business concept to find the possible barriers to success.

**(iv) Following are the values of a surveyor conducting market survey:**

(a) Fairness in conducting a survey.

(b) Unselfish motive while conducting survey.

(c) Proper analysis for depicting the correct result.

(d) Framing a unique questionnaire for bringing out the correct result from the consumers.

**Question 4. Answer each of these questions in about 250 words:**

- (i) Discuss the steps involved in conducting the market survey.
- (ii) "Market Survey" is an useless expensive tool". Do you agree with the statement? Should it be dispense away with? Support your answer with reasons.
- (iii) Lalit is planning to launch a new female clothing store. Draft a survey, not exceeding 10 questions as to collect some information that will be helpful in launching of this store.
- (iv) "Survey is a customized technique." Which technique is generally used for it? Throw some light on the importance and precautions of these techniques.

**Answer: (i) A survey procedure comprises the following steps:**

**Step 1: Planning the Survey:** In this step, the entrepreneur to deal with the following:

- (a) **Define:** Define the problem clearly and accurately.
- (b) **Method:** Select the most appropriate method to conduct the survey from the various methods available viz. personal interview, Telephonic etc.
- (c) **Area:** Entrepreneur has to decide the area and extent of the study. Census survey can be selected if all the units of the universe are to be contacted or sample survey if select units are to be taken.
- (d) **Questionnaire development:** Questionnaire should provide the information which entrepreneur wants to know and is based on his objectives. Questionnaire should not be complicated and should be properly worded.

**Step 2: Fieldwork:** Here, the entrepreneur ensures that:

- (a) **Recruitment and Training:** Investigators are scientifically recruited or properly trained for the work.
- (b) **Supervision:** Survey is properly supervised.
- (c) **Time schedule:** The time schedule is adhered to this care is taken.
- (d) **Recording:** Responses are honestly and accurately recorded.
- (e) **Meticulous collection:** The collection of data is done meticulously.

**Step 3: Analysis and Interpretation of Data:** Here the entrepreneur either by using software program or by hand, tabulate the collected data. The care is taken that:

- (a) Data is edited
- (b) Data is tabulated processed and interpreted
- (c) Data is statistical analysed and interpretations are recorded accordingly.

**Step 4: Report Making:** In this step market research reports with main findings from the study. Here a summary of what the study revealed, along with a list of various recommendations for the enterprise's continual growth and success in the market is done. This report is the basis for taking any decision related to the enterprise.

**(ii) Market survey is not an useless tool because of following reasons:**

- (a) **Customer oriented:** Market survey informs accurately about the customer's needs, wants, nature of demand, likes and dislikes and all other related aspects of movement of products from the production stage till the consumption. This provide an edge over competitors to the enterprise.
- (b) **Minimises risk of the enterprise:** The systematic and intelligent use of market survey reduces and minimizes the risk of decision-making under the conditions of uncertainty. This is because the results are analyzed in order to finalize a business plan.
- (c) **Goal oriented for a firm:** Market survey helps in the attainment of goals of the enterprise smoothly and timely. This is because the market survey is designed with the goals and objectives of the enterprise.
- (d) **Provide correct picture of the markets:** As market survey as is a systematic collection, recording, analysis and interpretation of data, relating to the existing or potential market, it thus provides a complete overview of the market.
- (e) **Helps in Forecasting:** Accurate, effective and timely sales forecast is provided by the market survey. This in turn promotes the firmness and soundness to the marketing decisions. Future decisions become more reliable due to market survey.

**(iii) Market survey for launching a new female clothing store:**

Name	:	_____
Sex	:	Male — Female
Marital status	:	Unmarried/married, both spouses working/married, one spouse working
Age	:	_____ Under 25
		_____ 25-34
		_____ 35-44
		_____ 45-54
		_____ 55 and over
<b>Household Income:</b>		
		_____ Under ₹ 40,000
		_____ ₹ 40,000 — ₹ 54,000
		_____ ₹ 55,000 — ₹ 69,000
		_____ ₹ 70,000 and above
1. Expenditure incurred on female clothes		
(i) ₹ 100 to 500 per month		(ii) ₹ 500 to 1000 per month
(iii) ₹ 1000 to 2000 per month		(iv) More than ₹ 2000
2. Preferred choice of clothings		
(i) Readymade clothes		(ii) Stitched clothes
(iii) Choice of family members		
3. Shopping preference		
(i) Shopping mall		(ii) Traditional market
(iii) Roadside vendors		(iv) Internet shopping
4. Preferred time of shopping		
(i) Afternoon		(ii) Evening
(iii) No time schedule		
5. Liking for Bargaining		
(i) Prefer bargain		(ii) Do not do bargaining
(iii) Doesn't matter.		

(iv) The importance of the market survey can be explained using the following points:

- Customer is the King:** Market survey informs accurately about the customer's needs, wants, nature of demand, likes and dislikes and all other related aspects of movement of products from the production stage till the consumption. This provides an edge over competitors to the enterprise.
- Risk reduction:** The systematic and intelligent use of market survey reduces and minimizes the risk of decision-making under the conditions of uncertainty. This is because the results are analyzed in order to finalize a business plan.
- Helps attaining objectives:** Market survey helps in the attainment of goals of the enterprise smoothly and timely. This is because the market survey is designed with the goals and objectives of the enterprise.
- Market Overview:** As market survey is a systematic collection, recording, analysis and interpretation of data, relating to the existing or potential market, it thus provides a complete overview of the market.
- Forecast:** Accurate, effective and timely sales forecast is provided by the market survey. This in turn promotes the firmness and soundness to the marketing decisions.
- Facilitates Decision-Making:** A survey helps in each and every decision making of an entrepreneur which is based on proper rationale.

**Precautions of these techniques: Following are the precautions:**

- Survey must be conducted as per the objectives of the firm.
- Survey must be conducted by the trained personnel.
- Simple questions must be framed in the questionnaire.
- Expenditure on the survey should be as minimum as possible.
- Survey should be customer oriented.

## MORE QUESTIONS SOLVED

### I. Very Short Type Questions [1 Mark]

**Question 1. Define Market Research.**

**Answer:** Market Research is referred as the systematic study and evaluation of all factors bearing on any business operations which involves the transfer of goods from a producer to a consumer.

**Question 2. What do you mean by Marketing research?**

**Answer:** Marketing research is the systematic and objective search for an analysis of information relevant to the identification and solution of any problem in the field of marketing.

**Question 3. "Value and usefulness of information depends'. How?**

**Answer:** The value and usefulness of information depends on the extent to which it possesses the essential characteristics of good marketing information.

**Question 4. What is market Research Process?**

**Answer:** To help acquire valid and reliable information, a series of steps are likely to be followed, which are referred collectively as the Marketing Research Process.

**Question 5. What do you mean by Research Instruments?**

**Answer:** Research instruments mean the instruments, tools methods or techniques employed in research for gathering the information/response. For example, Market Survey.

**Question 6. Define market survey.**

**Answer:** Market survey is an organized and in-depth approach, which includes all the research activities involved with extracting out carefully the information for not only the first time, but directly from the sources.

**Question 7. What principles are vital for an effective market survey?**

**Answer:** An effective market survey uses the principles of the scientific method such as, careful observation, formulation of hypotheses, prediction and experience.

**Question 8. Name the types of Market Survey.**

**Answer:** There are two types of market surveys:  
(a) The census (b) The sample.

**II. Short answer Type Questions [2/3 Marks]**

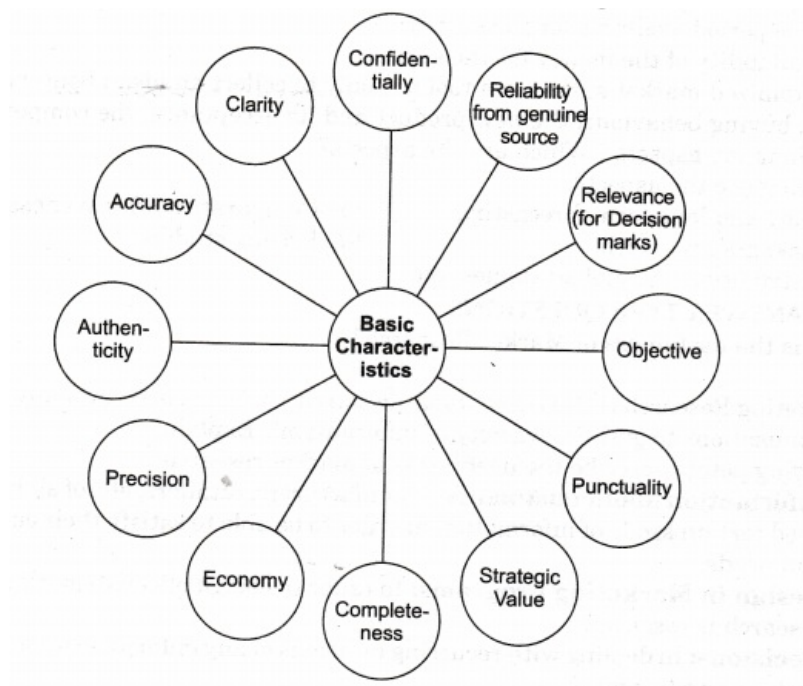
**Question 1. Information through market research is used for what by the enterprises?**

**Answer:** Information through market research is used to:

- Identify and define marketing opportunities and problems;
- Generate, refine and evaluate marketing actions;
- Monitor marketing performance;
- Improve understanding of marketing as a process.

**Question 2. Give the basic characteristics of Good Marketing Information.**

**Answer.** Following are the basic characteristics of a good marketing information:



**Question 3. Explain the meaning of Marketing Research Process.**

**Answer.** Research is done to find out information about the market for a product and providing information. This information is very useful as it acts as an aid to decision-making for a firm. This decision-making is for a wide range of business activities from a new product development to after sales services. This systematic gathering, recording and analyzing of data about 'problems' is a continuous process and is also not an easy task.

**Question 4. What can reduce the element of uncertainty due to lack of information? How does it reduce the uncertainty?**

**Answer:** A scientific method can minimize those elements of uncertainty which result from the lack of information. It reduces the danger of making a wrong choice between alternative courses of action. Alternatives have their own merits and demerits. Studying them carefully is essential for any enterprise.

**Question 5. What are the common methods used for market survey?**

**Answer:** Survey can be conducted through:

- Personal interviews
- Telephonic interviews
- Direct mail interviews
- Fax/E-mail interviews
- Online interviews
- Questionnaire Development
- Field work

**Question 6. Give the steps involved in market survey.**

**Answer:** A normal way of conducting a survey comprises of the following procedure:

- Step 4: Report Making.
- Step 3: Analysis and Interpretation of Data.
- Step 2: Fieldwork
- Step 1: Planning the Survey.

**Question 7. Which type of the market survey is the best?**

**Answer:** The selection of the census or sample survey depends on the following :

- Required degree of accuracy in the survey.
- Time period available for the survey.
- Availability of the money for the survey.

**Question 8. “A customized market survey is a tool not only to collect an idea about customers, their wants, buying behaviour, the new product and its acceptance, the competitors, but also helps in many aspects.” Which are the aspects?**

**Answer:** Following are the aspects:

- Short and long term forecasting
- Comparative effectiveness studies
- Packaging research
- Pricing studies
- Distribution channel strategies, etc.

### III. Short Answer Type Questions [4 Marks]

**Question 1. What is the usefulness of Market Research?**

**Or**

**“Marketing Research is thus that versatile activity which is used by many different kinds of organisations to gather a variety of information”. Explain.**

**Answer:** Following points describe the usefulness of market research:

- **Information about customers:** Manufacturers, retailers, etc. of all kinds of services need certain kinds of information in order to be able to satisfy their customers' wants and needs.
- **Design in Marketing programs:** In order to design effective marketing programs, research is essential.
- **Decisions:** In dealing with recurring decisions of any enterprise information through such research is vital.
- **Choosing Marketing program:** For satisfying the diversity in consumers' characteristics, a firm wish to determine the most appropriate market, product or information so as to choose a combination of marketing programmes which could satisfy the customers.
- **Helpful in Feasibility study:** Before preparing a business plan, the entrepreneur has to do a quick feasibility study of the business concept to find the possible barriers to success.

**Question 2. Describe the examples indicating the success of market research in India.**

**Answer:** Following brands narrate the successful results of market research:

- **Vicks Vaporub:** After much research work, 'Vicks Vaporub' was introduced in the market exclusively as a rub for colds and re-launched itself with a stronger formulation for faster relief. This move took Vicks vaporub ahead of Amrutanjan.
- **Dabur Chyawanprash:** After research Dabur Chyawanprash, made changes in packaging and advertising in 1993 which raised its market share to 68.5%.
- **Rasna:** "Rasna" after conducting detailed market research followed strategy of "The influence – the child", the quality of ease in preparation, along with the economy and advertisement campaigns reinforced all changes. This resulted in capturing 85% of soft drinks concentrate market.
- **Procter & Gamble:** Procter & Gamble calls or visits over one million people in connection with about 1000 research projects undertaken by its different product operating divisions.



### **Question 3. Enlist the main steps involved in marketing research.**

**Answer:** Following are the main steps involved in marketing research  
Step 7: Preparing the research report  
Step 6: Summarize the findings  
Step 5: Analyzing the information and interpreting it in terms of the problem being tackled.  
Step 4: Information, i.e., select the research instrument to be used, select sample type and size.  
Step 3: Developing the research design and research produce, i.e. determining whether such information is already available, either in records of the company or in outside sources.  
Step 2: Specifying the information requirement, i.e. preparing a list of the needed information.  
Step 1: Defining the marketing problem to be tackled and identifying the marketing research problem involved in the task.

## **IV. Long Answer Type Questions [6 Marks]**

### **Question 1. Explain with the help of the concept of the faith of management in the market survey.**

**Answer:** One of the early Japanese invaders of the American car market was the Datsun. Later it changed its name to Nissan but continued to compete successfully. In 1987 Nissan sold 753,000 cars and trucks to U.S. buyers, but there was a drop of 3 per cent from the previous year. The decline was a matter of some concern to the management. A survey among U.S. car buyers found that Nissan had to clear image in the market. When car buyers were asked to identify Nissan, many showed lingering confusion over the name change from Datsun. Some buyers thought that Nissan was part of Toyota. There was more confusion over model names such as Maxima and Sentra; consumers thought these were cameras and wrist watches. On the basis of these findings, Nissan planned a TV advertising campaign, to sell a Maxima or Sentra and to tell views what Nissan is. The survey mentioned above told the Nissan management they had a problem and, on the basis of that information, they used tens of millions of dollars to an advertising campaign to rectify the problem. This example clearly shows that the management had confidence in the DATA provided by survey.

### **Question 2. What is Market Survey? When is it used?**

**Answer:** The day to day information is essential for any organization for its long term survival. Market survey is one of the market research techniques. It is widely used. It is used synonymously with Market Research. It is used if the required data is not available in either form:

- The company's internal records, or
- The external published resources.

Market survey amounts to the original field research work for the purpose of collecting primary data, with reference to a defined problem on hand.

### **Question 3. Describe Kraft Foods Company's decision model.**

**Answer:** Kraft Foods was planning to develop a flavoured rice product that would be easier to prepare than the dominant rice brand then available. Rice-A-Roni. After developing the product, Kraft Foods decided to go into a test market if the following three conditions existed.

1. The average household ate flavoured rice products several times a month.
2. Preparing the rice products felt that their current brands were not convenient to prepare.
3. Consumers generally were not satisfied with their current brands.

**After conducting the market survey the results were as follows:**

- About half of the flavoured rice users prepared such dishes less than once a month;
- Only 11 per cent felt that their current brands were inconvenient to prepare; and
- Almost 80 per cent were satisfied with their current brands.

Thus, Kraft Foods managers decided not to test market with their new flavoured rice product and to drop the idea completely.

**Question 4. Describe the importance of market survey.**

**Answer:** The importance of the market survey can be explained using following points:

- **Customer is the King:** Market survey informs accurately about the customer's needs, wants, nature of demand, likes and dislikes and all other related aspects of movement of products from the production stage till the consumption. This provides an edge over competitors to the enterprise.
- **Risk reduction:** The systematic and intelligent use of market survey reduces and minimizes the risk of decision-making under the conditions of uncertainty. This is because the results are analyzed in order to finalize a business plan.
- **Helps attaining objectives:** Market survey helps in the attainment of goals of the enterprise smoothly and timely. This is because the market survey is designed with the goals and objectives of the enterprise.
- **Market Overview:** As market survey is a systematic collection, recording, analysis and interpretation of data, relating to the existing or potential market, it thus provides a complete overview of the market.
- **Forecast:** Accurate, effective and timely sales forecast is provided by the market survey. This in turn promotes the firmness and soundness to the marketing decisions.
- **Facilitates Decision-Making:** A survey helps in each and every decision-making of an entrepreneur which is based on proper rationale and supportive data. This results in proper decision-making.

# Expanding Markets

## TEXTBOOK QUESTIONS SOLVED.

**Question 1. Answer each of these questions in about 15 words:**

**(i) Define 'Strategy'.**

**(ii) Give another name for "Market Expansion Grid".**

**Answer:** (i) Strategy represents the set of decisions, actions and reactions that first generates and then exploit over time, a new entry in a way that maximizes the benefits of newness with minimizing its cost.

(ii) Ansoffs Product Grid.

**Question 2. Answer each of these questions in about 50 words:**

**(i) Changing environment needs a strategic planning on part of business enterprises. What should their plan contain?**

**(ii) Enlist the options available to a business enterprise in this fast changing environment.**

**(iii) State the categories into which a corporate strategies can be divided.**

**Answer: (i) Such plan should contain:**

(a) Sharper, focused, competitive strategies to face the new competition.

(b) Tone up the existing strength and leverage the first mover advantage.

(c) Realize the need for growth of business enterprises.

**(ii) Options available are as follows:**

(a) Withdraw: It means coming out of competition and allowing the competitors to dominate and take lead. It also means stopping the production or closing down the firm.

(b) Fight: It means changing to the changing scenario and gaining an edge over the competitors.

**(iii) Categories into which a corporate strategies can be divided are:**

(a) Stability maintain strategies (b) Expansion – growth strategies

(c) Retrenchment/Divestment strategies (d) Combination strategies

**Question 3. Answer each of these questions in about 75 words:**

**(i) When an entrepreneur selects to follow stability strategies?**

**(ii) When does a firm opt to pursue expansion strategy?**

**(iii) Define diversification strategy with help of an example.**

**Answer:** (i) "STABILITY" is what the entrepreneur is looking for in the beginning as stability strategy is less risky, easier and comfortable, unconsciously pursued, defensive and satisfactory and also enhances functional efficiencies.

A firm is said to follow stability/consolidation strategy if:

- (a) It decides to serve the same markets with the same products.
- (b) It continues to pursue the same objectives.
- (c) It concentrates its resources in a narrow product-market sphere for developing a meaningful competitive advantage.
- (ii) An expansion strategy is a strategy that a firm pursues when—
  - (1) Additional Product: It serves the public in additional product or service or adds markets of functions to its definitions.
  - (2) Growth: The growth is fast in the market in which their products are sold.
  - (3) More profit margin: They tend to have larger than average profit margins.
  - (4) Stretch: A stretch rather than a fit strategy is pursued.
  - (5) New users etc: New markets, new products, new processes and new usage for old products are regularly developed.
  - (6) Expansion: Internal expansions, mergers and acquisitions are used to achieve expansion.
  - (7) Globalisation: Shifting from local to global markets is an expansion sign.
- (iii) Diversification means adding new lines of business. These new lines of business may be related to the current business or may be quite unrelated. If the new lines added, make use of the firm's existing technology, production facilities or distribution channels or it amounts to backward or forward integration, it may be regarded as related diversification. For example, Wipro which is in the business of edible oils and soaps, has also diversified its business segments in information technology, etc.

**Question 4. Answer each of these questions in about 150 words:**

**(i) "Desire to grow and expand comes naturally to an entrepreneur". Do you agree? Give reasons for your answer.**

**(ii) What is intensive expansion? Explain with help of an example.**

**(iii) Differentiate between Backward Integration and Forward Integration.**

**Answer:** (i) It is desirable for a firm to grow and expand because of the following reasons:

- (a) **Natural desire:** A healthy firm normally has a natural desire for growth for its goodwill and other reasons.
- (b) **Survival:** Growth is essential for survival because if a firm does not grow when competitor firms are growing, then it might lose its competitiveness.
- (c) **Market share:** A company needs growth to increase its market share so as to capture more number of customers.
- (d) **Market leader:** Market leadership is an objective of growth for several companies and they want to dominate the other firms.
- (e) **Avoidance of risks:** A company needs to diversify its business to minimize risks. By its profit earned by one product can be used for compensating for the losses of other product.
- (f) **Full utilization:** Growth becomes essential for full utilization of the existing resources of the company. Profit can only be maximized in the presence of full utilization of resources.
- (g) **Raising profit:** To increase profits is the most obvious objective of growth. More sales more is the profit margin.
- (h) **Motivation for employees:** People working in the organisation will be motivated only if there are challenges, opportunities and growth in the enterprise. More job satisfaction is obtained in this way.
- (ii) 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 firms 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.

**(iii) Differences between Backward Integration and Forward Integration:**

Backward Integration	Forward 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.	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.
Firm becomes its own supplier.	Firm becomes its own buyer.

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

- (i) List the different forms of Intensive Expansion. Explain the forms of penetration strategies available to the firm.
- (ii) Discuss the forms available to an entrepreneur to go in for integrative expansion along with examples.
- (iii) What is 'Market Development Strategy'? How can the same be applied by the entrepreneur?
- (iv) How can an entrepreneur enter a foreign market?

**Answer: (i) Various forms of intensive expansion are:**

- (a) Penetration Strategies
- (b) Market Development Strategy
- (c) Product Development Strategies.

A profit market expansion can assume following forms:

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 use of the product.
- (b) Attract new clientele using sales promotion techniques like Advertising, Personal selling, Discounts, Coupons, etc.
- (c) Attract Competitors Customers by using persuasive techniques.
- (ii) 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.

(iii) 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.

(a) New Demographic Market: By studying demographic characteristics like Income, Marital status, Standard of living, Education, Age and sex of the customers enterprise can offer the same product to a different demographic group.

For example: Tata Nano caters to a segment of middle income group.

(b) New Product use: Entrepreneur can find out that people use its product in a way that was not expected. This new knowledge of product use provides insight into how the product may be valuable to a new group of buyers. For example: Aspirin, a pain killer, has been found good for heart too.

(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. This is based on Customers' preferences, Language, Legal requirements, etc.

(iv) A firm can enter foreign market through: (a) Indirect Export. (b) Direct Export (c) Licensing, (d) Contract Manufacturing, (e) Joint Ventures. (f) Direct Investment.

(a) **Indirect Export:** It is an occasional exporting which is a passive level of involvement where the company exports from time to time:

1. On its own initiative,
2. By getting work through independent middlemen.
3. In response to occasional or unsolicited orders from abroad.

For this the company makes commitment to expand through exports, or the least change in the company's product lines.

(b) **Direct Export:** It is a type of export in which firms decide to handle their own exports.

Through this strategy of entering global market, the enterprise takes greater risk and investment, but so the potential return are more. Direct export can be done by a firm through:

- Domestically based Export Division or Department
- Overseas Sales Branch or Subsidiary Establishment.
- Nominations Foreign based agents or distributors to sell the goods on behalf of the company.

(c) **Licensing:** The licensor licenses a foreign company to use a manufacturing process, trademark, patent, trade secret or other item of value for a fee or royalty.

By this the licensor safely and easily can gain entry into the foreign market at little risk and the licensee gaining production expertise or well-known product or name without having to start from zero.

(d) **Contract Manufacturing:** It is a method for a local firm to go global. Here, the firm engages local manufacturers to produce the product for them.

When SEARS opened departmental stores in Mexico and Spain and found it convenient.

Contract manufacturing offers the company a chance to start faster and with lesser risk.

(e) **Joint Ventures:** A joint venture is a restricted or a temporary partnership between two or more firms to undertake jointly to complete a specific venture. Here both the parties participate in the equality and operations of the business, sharing profits or losses in the agreed ratio. This method is useful for going global when one wants to take limited, calculated risk.

(f) **Direct Investment:** It refers to the through direct ownership of foreign-based manufacturing facilities. Here, the firm exposes its large investment to risks by buying partly or full interest in a local company or by building its own enterprise.

## MORE QUESTIONS SOLVED

### I. Very Short Answer Type Questions [1 Mark]

**Question 1. What options are available to any company to survive in the changing environment?**

**Answer:** Normally, any company has only two options either (a) Withdraw, or (b) Fight

**Question 2. The manner which can help a company achieve, defend, glow, expand, diversify depends on what?**

**Answer:** The manner which can help a company achieve, defend, glow, expand, diversify depends on the kind of strategy it pursues.

**Question 3. What is entrepreneurial strategy?**

**Answer:** Entrepreneurial strategy represents the set of decisions, actions and reactions that first generates and then exploit over time, a new entry in a way that maximizes the benefits of newness with minimizing its cost.

**Question 4. "STABILITY" is what the entrepreneur is looking for in the beginning." Why?**

**Answer:** "STABILITY" is what the entrepreneur is looking for in the beginning, as stability strategy is less risky, easy and comfortable, unconsciously pursued, defensive and satisfactory and also enhances functional efficiencies

**Question 5. Expansion by a firm depends on which factors.**

**Answer:** Expansion by a firm depends on the degree of growth and momentum of growth which the firm aspires.

**Question 6. What is initially preferred by a firm for expansion?**

**Answer:** Initially, enterprise prefers internal expansion strategy.

**Question 7. What is Intensive expansion?**

**Answer:** Intensive expansion refers to the increase of sales of its existing product by enlarging the existing markets by an enterprise.

**Question 8. How can a firm encourage the non-users of the product to use the product?**

**Answer:** A firm can encourage the non-users of the product to use the product by using any mode of sales promotion viz. (i) Advertising (ii) Personal Selling (iii) Discounts (iv) Coupons (L>) Samples.

**Question 9. How can a firm enter foreign market?**

**Answer.** A firm can enter foreign market through: (a) Indirect Export, (b) Direct Export, (c) Licensing, (d) Contract Manufacturing, (e) Joint Ventures, (f) Direct Investment.

**Question 10. What do you mean by Market Development Strategy?**

**Answer:** 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.

**Question 11. Give one example of Licensing.**

**Answer:** Coca-Cola carries out its international marketing by licensing bottlers around the World i.e. franchising bottlers and suppliers them with the syrup and the training needed to produce, distribute and sell the coke.



**Question 12. How is licensing used by the firms for entering in global market?**

**Answer:** The licensor licenses a foreign company to use a manufacturing process, trademark, patent, trade secret or other item of value for a fee or royalty.

**Question 13. What is contract manufacturing?**

**Answer:** It is a method for a local firm to go global. Here, the firm engages local manufacturers to produce the product for them.

**Question 14. What is vertical integration?**

**Answer:** Vertical integration 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 which will now be performed by the firm itself.

**Question 15. What do you mean by Backward Integration?**

**Answer:** It refers to taking a step back on the value-added chain towards the raw materials, i.e. producer also becomes a raw materials wholesaler.

**Question 16. What is Market Expansion Grid?**

**Answer:** Market Expansion Grid is a useful framework for detecting new intensive growth opportunities for a product or firm.

**Question 17. How many types of options are available of expansion? Name them .**

**Answer:** There are three expansion options:  
(a) Intensification (b) Integration (c) Diversification.

**II. SHORT ANSWER TYPE QUESTIONS [2/3 MARKS]**

**Question 1. Give examples of famous merger and takeover of companies in India.**

**Answer:** Following are the famous mergers and takeovers:

- Coca-Cola purchased Thums-up and Gold Spot for ₹ 180 crores while Pepsi took over Dukes, 'Magnolia'.
- Colgate bought Ciba-Geigy's Cibacca range of toothpaste and brushes for ₹ 131 crores.
- Brook Bond—Lipton acquired the Cadbury's Dollops ice cream business and Kissan Jam.
- Citibank beautifully implanted the concept of marketing through the acceptance of credit throughout the country.

**Question 2. Describe an example of collaboration.**

**Answer:** Car market: Phenomenal changes in the car market are happening in India and in the world. Due to collaborations happening between many Indian companies with different foreign car makers like Ford, Peugeot, GM (Opel-Astra), Daewoo, etc, car market had got a tremendous boost in India.

In order to survive in the changed and changing environment, a business enterprise needs to be strong enough to cope with the challenges before it.

**Question 3. Fight is a better option for firms in the changing environment. Why?**

**Answer:** Fight is a better option for firms in the changing environment as there is no fun in surrendering before a war. Thus, it is better to plan:

- (a) Sharper, focused, competitive strategies to face the new competition.
- (b) Tune up the existing strength and leverage the first mover advantage.
- (c) Realize the need for growth of business enterprises.

**Question 4. What strategies are available to a firm for achieving its growth objectives?**

**Answer:** The corporate strategies a firm can adopt, have been classified into four grand categories:

- (i) Stability maintain strategies (ii) Expansion – growth strategies
- (iii) Retrenchment/Divestment strategies (iv) Combination strategies.

**Question 5. Explain the meaning of Expansion.**

**Answer:**

- Expansion is one of the forms of internal growth of business
- It means enlargement or increase in the same line of activity.
- Expansion of an enterprise can be both in domestic market as well as in international arena.
- Expansion can be done through various methods and many options that are available to an enterprise.

**Question 6. What methods can be used for encouraging frequency of use of the product by a firm?**

**Answer:** Customers can be encouraged to increase the frequency of use of the product by.

- Encouraging frequency of use of the product: For example, brush twice a day with any toothpaste to prevent cavities.
- Usage per use of the product: For example, every time you shampoo your hair, repeat it two times for better results.

**Question 7. Describe one example describing “Attract new clientele” strategy of a firm.**

**Answer:** In India greeting cards use was limited to festivals and birthdays. Archie’s systematically and aggressively promoted cards more as a medium of communication than as a way to merely sending Good Wishes. Archie’s was successful to an extent of having collaboration with Hallmark Cards of the U.S.A. to market its cards in India.

**Question 8. Describe one example describing “Attract Competitors Customers” strategy of a firm.**

**Answer:** Hindustan Lever had a strategy of multi-branding with an aim of capturing the market by winning the customers of their competitors. It introduced many brands in soaps and I detergents markets, so that no segment is left untouched. It has Dove-in the Ultra premium segment, Lifebuoy – in the economic segment and Rexona, Liril and Le Sancy— i in the remaining segments.

**Question 9. While opting for New Geographical Market for extending sales, an entrepreneur must take which features?**

**Answer:** While opting for New Geographical Market for extending sales approach an entrepreneur must be aware of:

- Customers’ preferences
- Language
- Legal requirements
- Regional differences, etc.

**Question 10. Expansion is a very useful tool to safely increase a customer’s profile. Why?**

**Answer:** Expansion is a very useful tool to safely increase a customer’s profile. This helps to:

1. Achieve economies of large scale production;
2. To reduce its risk;
3. To reduce dependence on any one market;
4. Counter attack a global firm from snatching their customers through better products at cheap prices.
5. Foreign markets might provide higher profit opportunities than the domestic market.

**Question 11. Give examples of the past who are on the top today but once were in sorry state of affairs.**

**Answer:**

1. Coca-Cola had to withdraw their 2 litre bottles in Spain after discovering that few Spaniards only owned refrigerators with large enough compartments to store it.
2. S.C. Johnson's wax floor polish initially failed in Japan. The wax made the floors too 1 slippery and Johnson had overlooked the fact that Japanese don't wear shoes in their homes.
3. General Foods, "Tang" initially failed in France because it was positioned as a substitute for orange juice at Breakfast. The French drink little orange juice and almost none at breakfast.

**Question 12. Explain, how did Forhan's use demographic features to increase sale?**

**Answer:** Forhan's toothpaste was losing its market share to Colgate and Closeup which were coming up with new variations of toothpastes. Forhan's was being viewed as the tooth paste prescribed by the doctor and meant for the older generation, i Forhan's then came up with a brand extension-Forhan's Fluoride, with a better, tangier taste than the original, propagating it as excellent for healthy gums and teeth, for all those who are above 6 years. Forhan's got a New lease of Life. It thus targeted a new age group in a effective way.

**Question 13. Before going global what is to be decided by the firm?**

**Answer:** Before making a decision to go global or abroad, the company must weigh several risks by deciding:

- (i) Strategically, logically whether to go abroad or not
- (ii) Which markets to enter? (iii) How to enter the foreign market?
- (iv) The marketing program (v) Marketing organisation.

### **III. Short Answer Type Questions [4 Marks]**

**Question 1. What do you mean by Indirect Export?**

**Answer:** It is an occasional exporting which is a passive level of involvement where the company exports from time-to-time :

- on its own initiative.
- by getting work through independent middlemen.
- in response to occasional or unsolicited orders from abroad.

**For this the company makes:**

- a commitment to expand through exports,
- the least change in the company's product lines,
- workforce organization,
- investments or missions are involved.

**Question 2. Why is indirect method a convenient mode of expanding?**

**Answer:** It is so due to the following:

- It reflects a commitment to expand through exports,
- It involves the least change in the company's product lines,
- It involves least change in workforce organization, id) Involves less change in investments or missions.

**Question 3. Explain Direct Export.**

**Answer:** It is a type of export in which firms decide to handle their own exports. Through this strategy of entering global market, the enterprise takes greater risk and investment, but so the potential return are more. Direct export can be done by a firm through:

- Domestically based Export Division or Department.
- Overseas Sales Branch or Subsidiary Establishment.
- Nominations of Foreign based agents or distributors to sell the goods on behalf of the company.

**Question 4. How is licensing used by the firms for entering in global market?**

**Answer:** The licensor licenses a foreign company to use a manufacturing process, trademark, patent, trade secret or other item of value for a fee or royalty.

By this the licensor safely and easily can gain entry into the foreign market at little risk and the licensee gaining production expertise or well-known product or name without having to start from zero.

**Question 5. Explain one example of licensing.**

**Answer:** When SEARS opened departmental stores in Mexico and Spain, they found qualified local manufacturers to produce many of its products. This not only significantly reduced SEARS cost of production but led the company to earn envious revenue position.

**Question 6. Explain Contract Manufacturing.**

**Answer:** It is a method for a local firm to go global. Here, the firm engages local manufacturers to produce the product for them.

When SEARS opened departmental stores in Mexico and Spain and found it convenient. Contract manufacturing offers the company a chance to start faster and with lesser risk.

**Question 7. What are Joint Ventures? Explain.**

**Answer:** A joint venture is a restricted or a temporary partnership between two or more firms to undertake jointly to complete a specific venture. Here, both the parties participate in the equality and operations of the business, sharing profits or losses in the agreed ratio. This method is useful for going global when one wants to take limited, calculated risk.

**Question 8. Describe one example of Joint venture.**

**Answer:** Godrej-GE is a joint venture formed by spinning off the refrigerator business of Godrej and Boyce with GE (USA) with Godrej holding 60% stake and GE holding 40%. Godrej-GE plans to consolidate its refrigerators business and enter into other white goods manufacture such as ACs, dish washers, etc.

**Question 9. Explain Direct Investment method of going global.**

**Answer:** It refers to the through direct ownership of foreign-based manufacturing facilities. Here the firm exposes its large investment to risks by buying partly or full interest in a local company or by building its own enterprise.

**Question 10. Give one example of Direct investment.**

**Answer:** Electrolux AB a Swedish company and a world leader in white goods manufacturing plans to invest about \$ 100 million in India in the next 3-4 years. Heinz took over Glaxo's foods business for Rs 210 crores.

**Question 11. Describe Horizontal Integration.**

**Answer:** 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.

**Question 12. Give one example of Horizontal Integration.**

**Answer:** 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.

**Question 13. What is Diversification strategy? Explain.**

**Answer:** Diversification means adding new lines of business. These new lines of business may be related to the current business or may be quite unrelated. If the new lines added, make use of the firm's existing technology, production facilities or distribution channels or it amounts to backward or forward integration, it may be regarded as related diversification. Q14. What is Product Development Strategy?

Ans. Product Development Strategy implies developing or modifying the existing product to meet the requirement of the customers. This involves developing and selling new products to people who are already purchasing the firm's existing products, i.e., management can consider new product possibilities in the same existing markets by:

- Adding new features: A fairness cream with sunscreen component.
- Different Quality Levels: Surf excel, Surf Ultra, etc.
- Alternative Technology: CDMA and GPRS mobiles.

**IV. Long Answer Type Questions [6 Marks]**

**Question 1. World is Shrinking! Explain in what way?**

**Answer:**

- Brands: Many brands like Kellogg's in breakfast cereals, Baskin Robbins and Walls in the ice-cream market, Sony, Akai, Panasonic in electronic market, Honda, Mercedes-Benz, Volkswagen in car market, Nestle, McDonald, etc. have become household names today.
  - »
  - Foreign Companies: Many foreign companies have turned towards India through mergers, takeover, collaborations, joint ventures, etc.
  - Product: Any world class product is now available in any part of the world.
  - Reach: The reach for any type of the product has become easy for the customers.
  - Communication techniques: Means of communication like mobile, internet, etc. have brought the global markets at the door steps of the consumers.
- These all happenings which has brought the countries closer is also meant as World is Shrinking!

**Question 2. What changes are being seen in Indian economy in the recent times?**

**Or**

**The Indian market is going through a period of upheavals. Explain.**

**Answer:** Following points narrate the changes/upheavals related to Indian economy in the recent time:

- **Liberalisation:** The winds of liberalisation have brought about changes that have been unimaginable a decade ago or in the pre-liberalisation era.
- **New products:** New players both from India as well as abroad are entering in different products. This has forced the consumers to upgrade their choices and preferences.
- **Competition:** The competition in the market has become intense where firms are trying to protect their turf while new ones are making every effort to gain a foothold.
- **Communication:** Time and distance are rapidly shrinking with the growth and expansion of faster technology, communication, finance and transportation.
- **Indian companies:** Indian companies around the world are going global, which is intensifying competition and creating new activities in market.

### Question 3. When does a firm pursues to expansion strategy?

**Answer:** An expansion strategy is a strategy that a firm pursues:

1. **Additional Product:** It serves the public in additional product or service or adds markets of functions to its definitions.
2. **Growth:** The growth is fast in the market in which their products are sold.
3. **More profit margin:** They tend to have larger than average profit margins.
4. **Stretch:** A stretch rather than a fit strategy is pursued.
5. **New users, etc:** New markets, new products, new processes and new usage for old products are regularly developed.
6. **Expansion:** Internal expansions, mergers and acquisitions are used to achieve expansion.
7. **Globalisation:** Shifting from local to global markets is an expansion sign.

### Question 4. Why is it desirable for a firm to grow and expand?

**Answer:** It is desirable for a firm to grow and expand because of following reasons:

- **Natural desire:** A healthy firm normally has a natural desire for growth for its goodwill and other reasons.
- **Survival:** Growth is essential for survival because if a firm does not grow when competitor firms are growing, then it might lose its competitiveness.
- **Market share:** A company needs growth to increase its market share so as to capture more number of customers.
- **Market leader:** Market leadership is an objective of growth for several companies and they want to dominate the other firms.
- **Avoidance of risks:** A company needs to diversify its business to minimize risks. By it profit earned by one product can be used for compensating for the losses of other product.
- **Full utilization:** Growth becomes essential for full utilization of the existing resources of the company. Profit can only be maximized in the presence of full utilization of resources.
- **Raising profit:** To increase profits is the most obvious objectives of growth. More is the sale more is the profit margin.
- **Motivation for employees:** People working in the organisation will be motivated only if there are challenges, opportunities and growth in the enterprise. More job satisfaction is obtained in this way.

### Question 5. Explain the various forms which a profit market expansion can assume.

**Answer:** A profit market expansion can assume the following forms:

1. **Penetration Strategies:** This is a strategy to grow by encouraging existing customers to buy more of the firm's existing product. Here, the enterprise try and attempt to increase the sale of the current products in the current markets by following approaches:
  - Encourage frequency of use of the product.
  - Attract new clientele using sales promotion techniques like Advertising, Personal selling, Discounts, Coupons, etc.
  - Attract Competitors Customers by using persuasive techniques.
2. **Market Development Strategy:** It involves selling the firm's existing products to new groups of customers and exploring new markets for the existing product at all levels national and international. The new groups of customers can be searched in terms of: New Demographic Market, New Product use, New Geographical Market:
3. **Product Development Strategies:** It includes developing or modifying the existing product to meet the requirement of the customers. Developing and selling new products to people who are already purchasing the firm's existing products, i.e., management can consider new product possibilities in the same existing markets by Adding new features, Different Quality Levies and Alternative Technology.

**Question 6. New group of customers can be searched in which terms. Explain each.**

**Answer:** The new groups of customers can be searched in terms of:

- **New Demographic Market:** By studying Demographic characteristics like Income, Marital status, Standard of living, Education, Age and sex of the customers enterprise can offer the same product to a different demographic group.  
For example: Tata Nano caters to a segment of middle income group.
- **New Product use:** An entrepreneur can find out that people use its product in a way that was not expected. This new knowledge of product use provides insight into how the product may be valuable to a new group of buyers. E.g. Aspirin, a pain killer, has been found good for heart too.
- **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. This is based on Customers' preferences, Language, Legal requirements, etc.

**Question 7. Explain the Product Development Strategy of Raymond.**

**Or**

**Explain the Product Development Strategy of Park Avenue.**

**Answer:** Raymond's, in early eighties, launched some ready to wear trousers called 'Double Barrels'. The product received a low response. Aggressive advertising, naming the same now as Raymond's Leg wear with caption "no hassles with tailors" and the promise of a "great fit" too failed. The company, realized through research that by and large Indians were attracted to a foreign label consequently, the company decided to market their readymade garments under a new brand name — PARK AVENUE which conveyed a 'Western' image to fit in for perfect stylish and a completely Western image from top to bottom. Park Avenue extended wallets, belts and kerchiefs under one roof. With ease company sailed through the critical stages.

**Question 8. What is Vertical Expansion? Explain.**

**Answer:** 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 material 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

# Know Thy Business

## TEXTBOOK QUESTIONS SOLVED.

**Question 1. Answer each of these questions in about 15 words:**

- (i) Define the term 'Business'.**
- (ii) What is the epicenter of human life?**
- (iii) Enlist any four characteristics of Business.**
- (iv) What is the final outcome of an industrial activity?**
- (v) Name the various types of trade.**
- (vi) What is Commerce?**

**Answer:** (i) As per Peterson and Plowman "Business may be defined as an activity in which different persons exchange something of value, whether goods or services, for mutual gain or profit."

Or

Business is, "The state of being busy in making, distributing or providing of any goods or services which other members of the community need."

- (ii) Activity is the epicenter of human life.
- (iii) Following are the characteristics of business:
  - (a) Economic activity
  - (b) Production
  - (c) Satisfaction of human want
  - (d) Regularity: In business, activity is performed on regular basis.
  - (e) Profit
  - (f) Risk.
- (iv) Finished product in the form of a good or service is the final outcome of the industrial activity.
- (v) (a) Home or internal trade (b) Foreign or external trade.
- (vi) "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.

**Question 2. Answer each of these questions in about 50 words:**

- (i) State the range of activities performed under Business.**
- (ii) Explain any two business activities which are auxiliaries to trade.**
- (iii) Define construction industry.**
- (iv) Define tertiary industry.**

**Answer:** (i) Business involve production, processing, sale or exchange of goods and services at regular basis and a aim of earning profit.

(ii) Transportation, Banking, Insurance, Warehousing, Advertisement and salesmanship.

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

(iv) Tertiary or Service industry comprises activities concerned with the rendering of services which help other businesses.

**Question 3. Answer each of these questions in about 75 words:**

- (i) Define trade and its types.**
- (ii) What is 'Business'? State its characteristics?**
- (iii) Explain Transportation. State the modes of- transportation and communication.**

**Answer:** (i) Trade is referred as the nucleus of commerce around which other aids/auxiliaries revolve. Foreign trade or International trade or External is the buying and selling of goods between two or more nations.

Internal or home trade is the buying and selling of goods within the boundaries of a country, i.e. inside a nation.

(ii) "Business may be defined as an activity in which different persons exchange something of value, whether goods or services, for mutual gain or profit—Peterson and Plowman. Following are the characteristics of business:

(a) Economic activity: It is an economic activity, which done to earn money.

(b) Production: It deals in either production, purchase, procurement of goods or renders service or both.

(c) Satisfaction of human want: All the activities performed are for satisfying human wants.

(d) Regularity: In business, activity is performed on regular basis.

(e) Profit: Profit earning is the primary aim of an business.

(f) Risk: Business involve risk of incurring losses or earning inadequate profits.

(iii) Transportation helps in removing the hindrance of place in exchange of goods and services. It forms a link from their place of production to the place of their consumption. It is the physical movement of goods or passengers from one place to another. Various modes of transportation are Railways, Roadways, Airways, Waterways and Pipelines. Various modes of communication like telephone, telegram, e-mails, online, fax, etc. are used for transportation.

**Question 4. Answer each of these questions in about 250 words:**

- (i) State briefly the various types of primary industries.**
- (ii) Rahul, an owner of a huge Departmental Store, charges exorbitantly due to no competition around, and he misses out on no opportunity to earn profit. He finds nothing wrong as the main goal of business is to earn 'Profit'. Discuss any four values which you find are lacking in him as a rational businessman.**
- (iii) Define commerce and discuss its functions.**
- (iv) Differentiate between Industry, Commerce and Trade, explaining the main characteristics of each.**
- (v)What do you understand by the term Industry? Explain the various types of industries?**
- (vi)Mohan Pvt. Ltd. just commenced with the business of Blue Pottery. Explain the auxiliaries required for the smooth functioning of their newly set enterprise.**

**Answer:** (i) Primary industry includes those activities which are concerned with natural

resources and include extraction, producing and processing or extraction of natural resources.

The primary industry are of following types:

(a) Extractive industry: This industry deals with raising some form 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.

(ii) The values which are missing are:

(a) Interest towards customer satisfaction is missing in the departmental store.

(b) Consumer awareness part is not given due importance which has long term impact on the business.

(c) Honesty on the part of entrepreneur is missing as the main aim made by the entrepreneur is profit earning.

(d) Quality of services is lacking in the departmental store.

(iii) "It 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 (warehousing) in the exchange (Banking) of commodities,". James Stephenson Functions of commerce are:

(a) to deals with activities which facilitate exchange of goods/services.

(b) to deal with transfer of goods from one place of production to ultimate consumers.

(c) to help to break the barriers between producers and consumers.

(d) to create time, place and possession utilities.

Commerce:

(a) Commerce deals with activities which facilitate exchange of goods/services.

(b) It deals with transfer of goods from one place of production to ultimate consumers.

(c) It helps to break the barriers between producers and consumers.

(d) Time, place and possession utilities are created.

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

(a) Manufacturing of goods, i.e. connected with conversion of resources into useful goods.

(b) Growing, producing, processing, assembling, extracting, constructing, fabricating, breeding, etc. of products.

(c) Imparting utility to goods using mechanical appliances and technical skills.

(d) A group of firms producing similar or related goods, e.g. textile industry, film industry, etc.

Trade:

(a) It is the nucleus of commerce.

(b) It facilitates the smooth and timely transmission of goods.

(c) It removes the hindrance of persons.

(d) It makes the goods available to the consumers.

(e) It facilitates the smooth and timely transmission of goods from the producers to the consumers.

(v) Industry refers to all economic activities involved in converting raw materials into finished products which are ultimately consumed by consumers. "Goods" which are the final outcome of any industrial activity are of the following two types:

1. Producer's Goods: The goods produced by one enterprise and used by other enterprises as raw material for further production, for example plant and machinery, equipment, tools, etc.

2. Consumer Goods: The goods used by final consumers for deriving personal satisfaction, for

example jams, clocks, edible oil, etc.

(vi) 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.

(vii) 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.

Main features of manufacturing industry are:

(a) engaged in the conversion of raw materials into semi-finished or finished goods

(b) creates firm utility in goods

(c) 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:

(a) Analytical: It deals with analysing and separating basic materials for getting distinct final products. For example—separating crude oil into kerosene, petrol, diesel, gasoline, lubricating oil, etc.

(b) Synthetic: It deals with grouping together or synthesizing various raw materials in manufacturing process to produce a final product, for example cement, paint, soap, etc.

(c) Processing: In this industry, a product passes through various processes to become a final product, for example sugar and paper industries.

(d) Integration or Assembling: In this industry, the final product is the outcome of , assembling various parts or components together, for example bicycle, automobile, television, etc.

Construction industry:

(a) It deals in creation of infrastructure.

(b) 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.

## MORE QUESTIONS SOLVED

### I. Very Short Answer Type Questions [1 Marks]

**Question 1. What is symbol of life?**

**Answer:** Activity is the symbol of life.

**Question 2. "Human life is centered on activities which help in satisfying their diverse needs".**

**Why?**

**Answer:** Human life is centered on activities which help in satisfying their diverse needs because the activities are performed with some objectives, i.e. either to satisfy unlimited human wants or to earn for livelihood.

**Question 3. List few categories of unlimited human requirements.**

**Answer:** Unlimited human requirements are physical, emotional, religious, social, psychological.

**Question 4. Describe the economic system of ancient societies.**

**Answer:** Ancient societies were simple, satisfied and self-sufficient. Each family managed to satisfy their basic needs by self. Due to self-sufficiency, business did not exist during that period.

**Question 5. When did business evolved?**

**Answer:** Business emerged when self-sufficiency disappeared. This is because business evolved as a medium for exchange of goods or services for mutual benefit in absence of self-sufficiency.

**Question 6. Explain the term 'business'.**

**Answer:** Business is derived from the term 'Busy-ness', meaning people are engaged in certain activities. Thus business is, "the state of being busy in making, distributing or providing of any goods or services which other members of the community need."

**Question 7. Define business.**

**Answer:** "Business may be defined as an activity in which different persons exchange something of value, whether goods or services, for mutual gain or profit." —Peterson and Plowman.

Or

Business is "the state of being busy in making, distributing or providing of any goods or services which other members of the community need."

**Question 8. Business is an institution. How?**

**Answer:** "Business is an institution organized and operated to provide goods and services to the society under the incentive of private gain."

**Question 9. What does Business involve?**

**Answer:** Business involves production, processing, sale or exchange of goods and services at regular basis and aim at earning profit.

**Question 10. What are the two categories of the range of activities performed under business?**

**Answer:** The range of activities performed under business can be classified under two categories:

(i) Industry (ii) Commerce

**Question 11. Give example of A group of firms producing similar or related goods.**

**Answer:** Textile industry, film industry, etc.

**Question 12. Define industry.**

**Answer:** Industry refers to all economic activities involved in converting raw materials into finished products which are ultimately consumed by consumers.

**Question 13. According to nature of activities performed, the industries are classified into which categories?**

**Answer:** Primary industry and Secondary industry.

**Question 14. What does primary industry include?**

**Answer:** Primary industry includes those activities which are concerned with extraction, producing and processing or extraction of natural resources.

**Question 15. What do you mean by Genetic industry?**

**Answer:** Genetic industry is the industry related to the re-producing and multiplying of certain species of animal and plants with the object of earning profits from their sale.

**Question 16. Give the example of Genetic industry.**

**Answer:** Nurseries, cattle breeding fish hatcheries, poultry farms, etc.

**Question 17. What do you mean by Extractive industry? Give examples.**

**Answer:** Extractive industry is the one which is engaged in raising some form of wealth from the soil, climate, air, water or from beneath the surface of the earth. For example, agriculture, fishing, hunting, mining, etc.

**Question 18. What are secondary industries?**

**Answer:** Secondary industries are the industries which are concerned with the changing forms or transformation of the materials provided by primary industries.

**Question 19. Give the examples of secondary industries.**

**Answer:** Manufacturing gold jewellery, refining crude oil into kerosene, cement, paint, soap, etc.

**Question 20. What are the various types of secondary industry?**

**Answer:** Various types of secondary industry are : A. Manufacturing, B. Construction, C. Tertiary or Service.

**Question 21. Write two features of construction industry.**

**Answer:**

1. It deals in creation of infrastructure.
2. Engineering and architectural skills are involved.

**Question 22. Define trade.**

**Answer:** Trade is referred as the nucleus of commerce around which other aids/auxiliaries revolve.

**Question 23. Give the two classes of commerce.**

**Answer:** Commerce can be classified into two classes: A. Trade B. Auxiliaries.

**Question 24. What do you mean by internal trade? Name its types.**

**Answer:** Internal or home trade is the buying and selling of goods within the boundaries of a country, i.e. inside a nation.

Home trade is classified as: (a) Wholesale (b) Retail.

**Question 25. Define 'Entre pot Trade'.**

**Answer:** It is the purchasing or importing goods from one country to be sold or exported to some other country.

## II. Short Answer Type Questions [2/3 Marks]

### Question 1. Describe the characteristics of business.

**Answer:** Following are the characteristics of business :

- **Economic activity:** It is an economic activity, which is done with the motive to earn money.
- **Production:** It deals in either production, purchase, procurement of goods or renders service or both.
- **Satisfaction of human want:** All the activities performed are for satisfying human wants.
- **Regularity:** In business, activity is performed on regular basis.
- **Profit:** Profit earning is the primary aim of an business.
- **Risk:** Business involve risk of incurring losses or earning inadequate profits.

### Question 2. What does business include?

**Answer:** Business' includes the activities related to the production and distribution of goods and services including all those activities which indirectly help in production exchange of goods such as Transport, Insurance, Banking, Warehousing, Advertising, etc.

### Question 3. What are the various categories of business activities?

**Answer:** Business activities can be divided into following five categories:

- Production of goods
- Rendering of services
- Distribution of goods
- Rendering distribution assistance
- Rendering financial assistance.

### Question 4. Explain the term 'Industry'.

**Answer:** Industry refers to all economic activities involved in converting raw materials into finished products which are ultimately consumed by consumers. It includes:

- Manufacturing of goods, i.e. connected with conversion of resources into useful goods.
- Growing, producing, processing, assembling, extracting, constructing, fabricating, breeding, etc. of products.
- Imparting utility to goods using mechanical appliances and technical skills.
- A group of firms producing similar or related goods, e.g. textile industry, film industry, etc.

### Question 5. What are the two types of goods which are the final outcome of any industrial activity?

**Answer:** "Goods" which are the final outcome of any industrial activity are of following two types:

1. **Producer's Goods:** The goods produced by one enterprise and used by other enterprises as raw material for further production, for example plant and machinery, equipment, tools, etc.
2. **Consumer Goods:** The goods used by final consumers for deriving personal satisfaction, for example; jams, clocks, edible oil, etc.

### Question 6. Give the features of manufacturing.

**Answer:** Following are the main features of manufacturing:

- (i) Engaged in the conversion of raw materials into semi-finished or finished goods.
- (ii) Creates firm utility in goods produces by either genetic or extractive industries.



(iii) Most of the goods which are used by consumers are produced by manufacturing industries.

**Question 7. What is processing?**

**Answer:** 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, for example cotton passes through ginning, weaving, dyeing to make cloth as a final product.

**Question 8. Explain in brief construction industry.**

**Answer:** 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.

**Question 9. What do you mean by tertiary industry?**

**Answer:** Service industry comprises of activities concerned with the rendering of services which help other businesses. These serve as the back bone 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
- Insurance
- Warehousing
- Advertising.

**Question 10. Give the features of Commerce.**

**Answer:**

1. It deals with activities which facilitate exchange of goods/services.
2. It deals with transfer of goods from one place of production to ultimate consumers.
3. It helps to break the barriers between producers and consumers.
4. Time, place and possession utilities are created.

**III. Very Short Answer Type Questions [4 Marks]**

**Question 1. Give the features of trade.**

**Answer:**

1. It is the nucleus of commerce.
2. It facilitates the smooth and timely transmission of goods.
3. It removes the hindrance of persons.
4. It makes the goods available to the consumers.
5. It facilitates the smooth and timely transmission of goods from the producers to the consumers.

**Question 2. Give the features of internal trade.**

**Answer:** The main features of internal trade are:

1. Buyer and sellers belong to the same country.
2. Mode of payment is in the same legal tender of the country.
3. It is done locally, regionally or inter-state wise.
4. It follows the same laws.
5. It is the buying and selling of goods within the boundaries of a country.

**Question 3. Define (1) Wholesale, (2) Retail, (3) Foreign trade, (4) Transportation.**

**Answer:**

1. **Wholesale:** Wholesale is the bulk buying from producers to be resold to retailers in small quantities.
2. **Retail:** Retail is selling directly to the ultimate consumers for personal or non-business use in said (single/small) quantities.
3. **Foreign trade:** Foreign trade or International trade or External trade is the buying and selling of goods between two or more nations.
4. **Transportation:** Transportation is the physical movement of goods or passengers from one place to another.

**Question 4. Give the features of Foreign Trade or International Trade or External Trade.**

**Answer:**

1. It involves the exchange of currencies between the nations.
2. Land laws, rules, regulations, customs of two countries prevail.
3. Distances involved are far.
4. It is more time consuming.

**Question 5. Describe various types of foreign trade transactions.**

**Answer:** Foreign trade transactions are of the following three types:

1. Import Trade—The purchase of goods from a foreign country
2. Export Trade—The sale of goods to a foreign country.
3. Entre pot Trade—Purchasing or importing goods from one country to be sold or exported to some other country is called as 'entre pot' trade.

**Question 6. Explain Auxiliaries or 'Aids to Trade'.**

**Answer:** While dealing with the activities of enterprise, an entrepreneur faces many problems regarding finance, knowledge, time, person, and place, requiring immediate solution. The flow of goods/services from producers to consumers is obstructed by many environmental factors. All these difficulties are overcome with the help of various agencies or support systems known as 'Aids to Trade'. It includes Transportation, Banking, Insurance, Warehousing, Advertisement and Salesmanship.

**Question 7. Business needs continuous supply of finance to meet out multiple and recurring demand. What are those areas of needs?**

**Answer:** Business needs continuous supply of finance to meet out multiple and recurring demand of: Commencement, Day to Day operation, Expansion, Modernization, Diversification, Research and Development and Innovation.

**Question 8. Besides finance, which other services are provided by banks?**

**Answer:** Banks not only fulfil the fund requirement of entrepreneur, but also provide services like Guidance and counseling, Guarantor in foreign trade, Underwriters for new enterprises and Custodian of documents, etc. in foreign trade.

**Question 9. How is insurance useful in business?**

**Answer:** Business is full of risks and uncertainties. Risk in transporting goods, due to theft, fire, damage, due to death of key employee, etc. Insurance removes the hindrance of risk by providing cover against it. The insurance coverage has given impetus to the national and international trade.

**Question 10. What is enhanced by advertisement and salesmanship.**

**Answer:** Advertisement and salesmanship enhances:

- The knowledge of the customer about the products.
- Helps customer in making a decision about the purchase. In this way, advertisement eliminates the hindrance of information.

**Question 11. Commerce makes our economy sail. Why?**

**Answer:** Commerce is the sum total of these processes of transport, communication, warehousing, advertisement, and banking and insurance that to ensures free flow of goods and services in our economy. It works towards the timely availability of goods and services for the consumers and other final users of the producers. Thus, commerce makes our economy sail.

**IV. Long Answer Type Questions [6 Marks]**

**Question 1. What is manufacturing? Explain its various classes.**

**Answer:** 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:

- **Analytical:** It deals with analysing and separating basic materials for getting distinct final products, for example-separating crude oil into kerosene, petrol, diesel, gasoline, lubricating oil, etc.
- **Synthetic:** It deals with grouping together or synthesizing various raw materials in manufacturing process to produce a final product, for example cement, paint, soap, etc.
- **Processing:** In this industry, a product passes through various processes to become a final product, for example sugar and paper industries.
- **Integration or Assembling:** In this industry, the final product is the outcome of assembling various parts or components together, for example, bicycle, automobile, television, etc.

**Question 2. Distinguish between Wholesale and Retail.**

**Answer:**

Backward Integration	Forward 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.	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.
Firm becomes its own supplier.	Firm becomes its own buyer.

**Question 3. Write the features of transportation with reference to entrepreneur.**

**Answer:** Following are the features of transportation:

- It helps in removing the hindrance of place in exchange of goods and services.
- It forms a link from their place of production to the place of their consumption.
- It is the physical movement of goods or passengers from one place to another.
- Various modes of transportation are Railways, Roadways, Airways, Waterways and Pipelines.
- Various modes of communication like telephone, telegram, e-mails, online, fax, etc. are used for transportation.

# Marketing Mix

## TEXTBOOK QUESTIONS SOLVED.

**Question 1. Answer each of these questions in about 15 words:**

- (i) What is Marketing?
- (ii) What is Commerce?
- (iii) To which tool of the marketing mix does 'Brand Name' pertain?
- (iv) What is meant by price mix?
- (v) What is done under place mix?
- (vi) Give one point of difference between Personal Selling and Sales Promotion.

**Answer:** (i) Marketing, an art, which includes all activities pertaining to creation of place, time and possession utility.

(ii) "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 (warehousing) in the exchange (banking) of commodities," says as per James Stephenson.

(iii) Product mix.

(iv) Price Mix is the determination of money value of any product or service.

(v) Physical distribution is the task of moving the goods and services from the place of production to the place of their consumption.

(vi) Personal selling is a part of sales promotion.

**Question 2. Answer each of these questions in about 50 words:**

- (i) Define the term 'Marketing Mix'.
- (ii) Enlist any four product oriented benefits from marketing mix.
- (iii) Arvind, the manufacturer of footwear sells the same to different retailers, who then sell to the consumers. Name the channel and level of distribution involved.
- (iv) List any four factors that influence the pricing decisions.

**Answer:** (i) The combination of product, price, promotion and place (distribution) activities needed to meet marketing objectives is said to be marketing mix.

(ii) (a) It is according to needs of the customers.

(b) It reflects saleable quality.

(c) It gives scope for improving the quality.

(d) Attractive designing and packaging is possible.

(iii) There is Direct Channels and Zero-level.

(iv) The pricing decisions for a product are affected by internal and external factors.

A. Internal Factors:

(1) Cost: While fixing the prices of a product, the firm should consider the cost involved in producing the product. This cost includes both the variable and fixed costs. Thus, while fixing the prices, the firm must be able to recover both the variable and fixed costs.

(2) The predetermined objectives: While fixing the prices of the product, the marketer should consider the objectives of the firm. For instance, if the objective of a firm is to increase return on investment, then it may charge a higher price, and if the objective is to capture a large market share, then it may charge a lower price.

(3) Image of the firm: The price of the product may also be determined on the basis of the image of the firm in the market. For instance, HUL and Procter & Gamble can demand a higher price for their brands, as they enjoy goodwill in the market.

(4) Product life cycle: The stage at which the product is in its product life cycle also affects its price. For instance, during the introductory stage the firm may charge lower price to attract the customers, and during the growth stage, a firm may increase the price.

B. External Factors:

(1) Competition: While fixing the price of the product, the firm needs to study the degree of competition in the market. If there is high competition, the prices may be kept low to effectively face the competition, and if competition is low, the prices may be kept high.

(2) Consumers: The marketer should consider various consumer factors while fixing the prices. The consumer factors that must be considered includes the price sensitivity of the buyer, purchasing power, and so on.

(3) Government control: Government rules and regulation must be considered while fixing the prices. In certain products, government may announce administered prices, and therefore the marketer has to consider such regulation while fixing the prices.

(4) Economic conditions: The marketer may also have to consider the economic condition prevailing in the market while fixing the prices. At the time of recession, the consumer may have less money to spend, so the marketer may reduce the prices in order to influence the buying decision of the consumers.

**Question 3. Answer each of these questions in about 75 words:**

**(i) What is pricing? Discuss the various factors that determine the price of a product.**

**(ii) Define product mix. What dimensions of the product are to be considered by the entrepreneur herein?**

**Answer:** (i) See Answer to Q4. (iii).

(ii) See Answer to Q5. (xiv).

**Question 4. Answer each of these questions in about 150 words:**

**(i) What is meant by indirect channels of distribution? Explain any two indirect channels of distribution.**

**(ii) "Buy one get one free" is an example of one of the techniques of Promotion Mix. Name the technique. Explain any two other techniques of promotion mix.**

**(iii) State the importance of pricing.**

**Answer:** (i) 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. For example; producers of refrigerators, washing machines, etc.

Producer j Retailer j 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. For example sugar, soaps, ghee, grains, etc.

Producer | Wholesaler | Retailer | Consumer

(ii) Buy one get one free is sales promotion technique of promotion mix: It is an effort to stimulate customers to buy more and more of particular commodities.

Other two techniques are:

(a) Exhibitions and Demonstration: Promoting the product, where the enterprise may display product in fairs and exhibitions.

(b) Public Relations: The enterprise may start public contact programmes to introduce the product in the market.

(iii) Pricing is important because of following reasons:

(a) Key to revenue (b) Attract customers

(c) Edge over competition (d) Crucial to profits

(e) Platform for achieving other objectives

**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.

(b) 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 firms 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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4. Time place and possession utilities are created.

(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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#### **Question 6. Higher Order Thinking Skills (Hots)**

**(i) "A scientific method more than any other procedure can minimize elements of uncertainty which result from lack of information". Do you agree? Give reasons.**

**(ii) "Economic factors refer to the purchasing power of the potential customers." Explain. What is meant by the terms "purchasing power and potential customers"?**

**(iii) Give one point of difference between the Primary forces and the Secondary forces.**

**(iv) Define customer. Are customer and consumer synonyms? If no, write the differences between them.**

**(v) 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.**

**(vi) 'Customer is the King'. Do you agree? Justify giving reasons for your answer.**

**(vii) Market survey can be used as a tool for betterment of society. To conduct a fair survey, enlist four strong values of a surveyor.**

**(viii) "Market Survey is a useless expensive tool". Do you agree with the statement? Should it be dispense away with? Support you answer with reasons.**

**(ix) Rahul, an owner of a huge Departmental Store, charges exorbitantly due of no competition around to the misses out on no opportunity to earn profit. He finds nothing wrong as the main goal of business is to earn 'Profit'. Discuss any four values which you find are lacking in him as a rational businessman.**

**Answer:** (i) It is because of following reasons:

1. Research design must have a scientific base to achieve the desired objectives.
2. A research design is the specification of methods and procedures for acquiring the information needed.
3. The method and procedures should be scientific. Therefore, one should understand the scientific methods and their application to marketing research before deciding the research design.
4. The basic qualities of any scientific methods are rationality and objectivity.
5. No method known to man can entirely eliminate uncertainty. But scientific method, more than any other procedure can minimize those elements of uncertainty which result from lack of information. By doing so, it reduces the danger of making a wrong choice between alternate courses of action.
6. Application of scientific methods to marketing research has helped the researchers to arrive at correct consequences.

(ii) **Purchasing Power:** It refers to extent to which a person, firm, or group has available funds to make purchases. It is the money and credit available for spending and consumption of goods and services. Demand and prices cannot rise beyond the available purchasing power. It is also called 'buying power'. **Purchasing power** also measures the value of goods that can be bought with a specific amount of a currency. **Potential Customers:** Customer is someone who has already purchased goods or services. **Potential customer** is someone who is capable of becoming a purchaser of product and/or services from an organisation. He is someone who may become your customer in the future.

(iii) **Primary forces** refers to the forces which are close to firm or are within the control of firm. **Secondary forces** are those which are part of the larger society and are the "uncontrollable" to

which companies mould itself.

(iv) The one who buys is a customer and the one who uses the product is the consumer. Buyer of the product and the consumer of the product can be different individuals.

• Generally, a consumer buys for himself or his family whereas customer can also mean the retailer or person who buys from the manufacturer, for ultimate sale to others. The one who buys the product is called a customer.

(v) Following factors influence on pricing:

(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:

1. Nature of competition: If competition is intensive than 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.

(vi) The concept of marketing is usually articulated by the adage "the consumer is the king." The consumer is the fulcrum and the pivotal point and all marketing activities operate around this central point. It is thus essential that the entrepreneurs identify the customers, establish a rapport with the customers, identify their needs and deliver the goods and services that would meet their requirements. Therefore, it calls for a commitment on the part of the entrepreneurs to their customers.

Market survey informs accurately about the customer's needs, wants, nature of demand, likes and dislikes and all other related aspects of movement of products from the production stage till the consumption. This provides an edge over competitors to the enterprise.

(vii) Following are the values of a surveyor conducting market survey:

- (a) Fairness in conducting a survey
- (b) Unselfish motive while conducting survey.
- (c) Proper analysis for depicting the correct result
- (d) Framing a unique questionnaire for bringing out the correct result from the consumers.

(viii) Market survey is not an useless tool because of the following reasons:

(a) Customer oriented: Market survey informs accurately about the customer's needs, wants, nature of demand, likes and dislikes and all other related aspects of movement of products from the production stage till the consumption. This provides an edge over competitors to the enterprise.

(b) Minimises risk of the enterprise: The systematic and intelligent use of market survey reduces and minimizes the risk of decision-making under the conditions of uncertainty. This is because the results are analyzed in order to finalize a business plan.

(c) Goal oriented for a firm: Market survey helps in the attainment of goals of the enterprise smoothly and timely. This is because the market survey is designed with the goals and objectives of the enterprise.

(d) Provide correct picture of the markets: As market survey is a systematic collection, recording, analysis and interpretation of data relating to the existing or potential market, it thus provides a complete overview of the market.

(e) Helps in Forecasting: Accurate, effective and timely sales forecast is provided by the market survey. This in turn promotes the firmness and soundness to the marketing decisions. Future decisions become more reliable due to market survey.

(ix) The values which are missing are:

- (a) Interest towards customer satisfaction is missing in the departmental store.
- (b) Consumer awareness part is not given due to the importance which has long term impact on the business.
- (c) Honesty on the part of entrepreneur is missing as the main aim made by the entrepreneur is profit earning.
- (d) Quality of services is lacking in the departmental store.

## **MORE QUESTIONS SOLVED**

### **I. Very Short Answer Type Questions [1 Marks]**

**Question 1. Name the two aspects of marketing.**

**Answer:** There are two aspects controllable and others are uncontrollable.

**Question 2. Name the four P's.**

**Answer:** 1. Product 2. Price 3. Place 4. Promotion.

**Question 3. Define product.**

**Answer:** A product means something more than a physical commodity.

**Question 4. Under product mix, the entrepreneur works out the set of all product lines and items. Why is it done?**

**Answer:** It is done so that the firm can offer for sale to the buyers.

**Question 5. The entrepreneur generally decides upon which factors in the physical distribution?**

**Answer:** (a) Channels of distribution (b) Modes of distribution.

**Question 6. What are distribution channels?**

**Answer:** Channels of distribution are like pipelines which take the right quantities of the right product to the right location, where the target consumers want them at the right time.

**Question 7. What is place or physical distribution?**

**Answer:** Physical distribution is the task of moving the goods and services from the place of production to the place of their consumption.

**Question 8. How the physical movement of goods from the place of production to the place of consumption will take place?**

**Answer:** The activities relating to the physical movement of product from the seller to buyer are:

(i) Transportation (ii) Warehousing (iii) Inventory Control of Products.

**Question 9. What do you mean by pricing?**

**Answer:** Pricing is the process of determining what firm will receive in exchange for its products.

**Question 10. What is price?**

**Answer:** Price of a product is the amount of money paid by the buyer to own the product or service, i Or

Price is the exchange value of a product.

### **II. Short Answer Type Questions [2/3 Marks]**

**Question 1. What are the features of marketing.**

**Answer:** (i) Process: It's a process of discovering and translating consumer needs and wants into products and services. Way: It is a way of creating demand for the products and services:  
(iii) Demand: It helps in increasing the demand for the commodity.  
(iv) Chain: It activates the production-consumption chain in an economy.

**Question 2. List some controllable aspects of marketing.**

**Answer:** Some controllable aspects of marketing are:

- The features of the product
- Its price
- Its selling system, i.e. through own salesmen/retailers
- Its advertisement mode selection, etc.

**Question 3. Enlist the points related to 'Total Offer' to the consumer by the entrepreneur.**

**Answer:** (i) Needs: The offer fulfils the needs of the consumer  
(ii) Beneficial: The terms and attributes of the offer are acceptable and beneficial to the : consumers.  
(iii) Goals: All the organizational goals, including profits, are achieved in the process.

**Question 4. Give the concept of marketing mix given by James Culliton, Neil H. Burden and Jerome McCarthy.**

**Answer:** James Culliton, the American marketing expert who coined the expression 'Marketing Mix' and described manager as a "Mixer of Ingredients".

Neil defined the marketing mix as "The apportionment of efforts, the combination, the designing and the integration of the elements of marketing into programme or mix." Jerome McCarthy, described the mix in terms of the four P's viz. product, price, place and promotion.

**Question 5. Enlist the dimensions with reference to proposed products.**

**Answer:** The dimensions in reference to their proposed product are:

1. Volume of output, sales growth potential
2. Shape, size, weight, colour, features
3. Quality and standard of the product
4. Design and range
5. Brand name
6. Packaging and labeling
7. Product testing
8. After sale service.

**Question 6. Give the classification of product on the basis of nature of the product.**

**Answer:** Product can be classified on the basis of:

- (a) Durability: perishable, non-durable, durable services
- (b) Utility: capital/producer goods, consumer goods, intermediary goods
- (c) Weight wise: heavy and bulky goods, voluminous goods standard quality products satisfy the society.

**Question 7. Give the features of place or physical distribution.**

**Answer:** (i) It is the task of moving the goods and services from the place of production to the place of their consumption.  
(ii) It creates both place and time-utility to a product.  
(iii) It makes a product convenient to be purchased when it is needed.  
(iv) It determines whether goods are to be marketed through wholesalers, retailers, retail outlets on any other channel.

**Question 8. Which mode of transportation are available to the producers?**

**Answer:** It takes place using following modes of transportation:

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

**Question 9. Which variables should be studied by the entrepreneur before selecting any mode of transferring goods?**

**Answer:** An entrepreneur should study, compare and evaluate following variables before selecting any mode of transferring goods.

- (i) Cost (ii) Flexibility (iii) Availability
- (iv) Nature of commodity (iv) Requirement of customer (v) Duration involved
- (vi) Speed and safety parameters.

**Question 10. What is promotion mix?**

**Answer:** Promotion mix deals with the activities which are undertaken to boost the sales through its sub-components tools.

**Question 11. Describe the role of Promotion mix.**

**Answer:** The role of promotion mix is as follows:

- (1) Image: It does the image building work of the product.
- (2) Identity: It creates product identity
- (3) Education: It educate consumers about the matters related to the product.
- (4) Sales: It boosts sales and profits of the firm.
- (5) Satisfaction: It ensures consumer's satisfaction
- (6) Memory: Keep memory alive for a product in economy.
- (7) Innovation: It encourages innovation of any type in the product.

**Question 12. What care must be taken while evaluating a promotional tool?**

**Answer:** The entrepreneur should evaluate by considering the following points:

- Cost • Effectiveness • Objective • Coverage
- Market trend • Competitors tool • Nature of the product • Consumer targeted.

**Question 13. Explain the two major components around which the price revolves.**

**Answer:** Price revolves around two major components:

- (a) **Utility:** The generic property of the product to satisfy the need or want of the consumer.
- (b) **Value:** The quantitative worth the consumer fixes to the product, for which he is willing to part with a certain quantity of money.

**Question 14. Which factors must be considered while fixing the price?**

**Answer:** Following factors must be worked out before fixing the price of the commodity by the entrepreneur:

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

**Question 15. List some methods used for pricing.**

**Answer:** The main methods of pricing are:

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

**Question 16. What points must be considered in marketing mix to boost sales and capture the market area?**

**Answer:** Following points must be considered in Marketing Mix to boost sales and capture market area:



- Properly Planned Aiming at Progressive Growth of Enterprise
- Realistic and Attainable
- Flexible but Deterministic
- Effective and Efficient.

The entrepreneur should not hesitate to take expert opinion before compiling a marketing mix.

**Question 17. Enlist some product variables of the marketing mix.**

**Answer:** Product variables include quality of components of materials, style, features, options, brand name, sizes, packaging, service availability warranties, pre-sale and after sale services, etc.

**Question 18. Enlist some Price variables of the marketing mix.**

**Answer:** Price Variables include Pricing policies, levels of prices, level of margins, discounts/ rebates, terms of delivery, payment terms, credit terms and installment, facilities resale price, maintenance, cost, quality image, etc.

**III. Short Answer Type Questions [4 Marks]**

**Question 1. Enlist some place variables of the marketing mix.**

**Answer:** Place (Distribution) variables comprise channel of distribution, types of intermediaries, channel design, location of outlets, channel remuneration and dealer – principal relations, length of channel, physical distribution, transportation, warehousing, inventory levels, order processing.

**Question 2. Give some promotion variables of the marketing mix.**

**Answer:** Promotion variables includes personal selling: objectives, level of efforts, quality of sales force, cost level, level of motivation, advertising: media mix, budgets, allocations and programmes sales promotional effects, display, contests, trade promotions publicity and public relations.

**Question 3. The story of Asian Paints is a story of 'Distribution Excellence'. Explain.**

**Answer:** Asian Paints was founded in 1942 as a small Indian partnership firm at a time when the paint industry was fiercely competitive Asian Paints through its modern manufacturing facilities offers the widest range of paints among all the paint companies in India, in terms of products shades as well as pack sizes. Asian Paints (AP) captured the top position in the decorative paints segment, with around 39% shares of the organized paint market. The story of AP is a story of 'DISTRIBUTION EXCELLENCE' sky-rocketing a company to marketing leadership.

Today, the network with 18,000 retailers across the country, Asian Paints has achieved an enviable position.

**IV. Long Answer Type Questions [6 Marks]**

**Question 1. As the foremost duty of the entrepreneur is to make this 'Total Offer', the needs to perform it very systematically, calculatedly, attentively and step by step. What are the steps?**

**Answer:** Following are the steps:

**(a) Step 1- Product:** Firstly, choosing the PRODUCT that would meet the identified needs of the chosen consumer group.

**(b) Step 2- Distribution:** Secondly, by performing various DISTRIBUTION functions like transportation, warehousing, channel management, etc. the consumers conveniently get the product.

**(c) Step 3-Promotion:** Thirdly, by carrying out a number of PROMOTIONAL measures like

advertising, sales promotion, etc. with a view to communicating with the consumer and promoting the product,

**(d) Step 4-Pricing:** Lastly, by using the PRICING mechanism to achieve the consummation of the marketing process, striking the balance that is acceptable to the firm as well as the consumers.

**Question 2. Which factors affect Marketing Mix? Explain.**

**Answer:** While determining suitable marketing mix following factors must be taken consideration:

**(a) Consumers' Buying Behaviour:** (i) Buying habits (ii) Living habits (Hi) Purchasing power (iv) Attitude and Preferences (a) Local environment, situations (vi) Number of consumers of the product

**(b) Dealers' Behaviour:** The behaviour of wholesalers and retailers is sturned:  
(i) Motivation (ii) Structure, practice and attitude of dealers (iii) Financial strength of dealers (iv) Expected change in the behaviour.

**(c) Competitors Behaviour:** (i) Size and strength of competing units (ii) Number of competitors (iii) Practices and attitudes of the competitors (iv) Motives (v) Trends in demand and supply.

**(d) Government Behaviour:** It implies government controls regarding: (i) Products (ii) Prices (iii) Competitive Practices (iv) Restrictive Trade Practices (v) Advertising and Promotion.

**Question 3. Give some remarkable examples of Promotion mix.**

**Answer:** (a) Onida: The advertising campaign for Onida Television is a brilliant piece of creative work – it challenged the unwritten advertising rule that advertisement had to be pleasing.

(b) Nirma: Nirma took on the then market leader, Surf by product's positioning through creative advertising.

(c) Amul Butter: For many years, Amul Butter has been running a unique type of advertising campaign through hoardings in major cities of the country. These hoardings focus on current events, incorporating a catchy slogan through the clever use of words including either 'Amul', 'butter' or both often using the 'Amul' Cartoon characters.

**Question 4. Why is pricing important?**

**Or**

**Price is the only element in the marketing mix that produces revenue, the other elements produce cost. Explain.**

**Answer:** Pricing is important because of 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's 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. The various objectives are sought to be realised through pricing.

**Question 5. Explain the factors influencing pricing.**

**Answer:** The factors that influence the pricing decisions are of two types:

**(a) Internal Factors:**

(i) Marketing objectives of the firm

- (ii) The image sought by the firm through pricing
- (iii) Cost of manufacturing and marketing
- (iv) The uniqueness' and utility of the product
- (v) Price elasticity of demand of the product
- (vi) Composition of the product line of the firm.

**(b) External Factors:**

- (i) Market characteristics
- (ii) Nature of economy
- (iii) Nature of competition
- (iv) Bargaining power of major consumers
- (v) Bargaining power of major suppliers
- (vi) Competitors pricing policy
- (vii) Government controls/regulations on pricing
- (viii) Societal or social considerations.

**Question 6. Describe the tools of Promotion Mix.**

**Answer:** The tools of Promotion Mix are as follows:

- **Personal Selling:** It is an art to induce people to buy the product. It is a real effort to win confidence of the consumers.
- **Advertising:** It is an activity which establishes non-personal contact with the customers regarding the product. It is an effort to sustain the demand for the product.
- **Publicity:** Unpaid mention of the enterprise, its product, and brand by the news media in newspaper, journals, radio or television. It is an uncontrolled form.
- **Exhibitions and Demonstration:** Promoting the product, where the enterprise may display product in fairs and exhibitions.
- **Public Relations:** The enterprise may start public contact programmes to introduce the product in the market.
- **Sales Promotion:** It is an effort to stimulate customers to buy more and more of particular commodities like buy one get one free, discount coupons, etc.

**Question 7. Enlist the factors determining the choice of channel.**

**Answer:** (a) Nature of the product: On the basis of nature of product the following factors determine channel of distribution—Unit value, Perishable products, Size and weight, Standardized products, Technical products, Capital goods, Introduction of newly manufactured products.

(b) Nature of Market: On the basis of nature of market, the following factors determine channel of distribution, location, quantity of production, number of buyers, consumers of industrial products, Buying habits of consumers, credit facilities.

Middleman: On the basis of middleman following factors determine channel of distribution—availability, customs of the trade, competence of managers, government control. Tendency of

Producer: On the basis of tendency of producer the following factors determine channel of distribution—quantity of production, control over channels, Competence of managers, financial position, distribution policy.

**Question 8. Describe the common channels of distribution.**

**Answer:** Common methods are as follows:

1. Direct Channels/Zero-level: Here, the producers supply the products direct to the consumers. The producer, here either supplies directly to the consumer or through its retail outlets, for example Single Bakery, frontier biscuits, bata shoe company, etc. Producer —> Consumer
2. Indirect Channels: Here, the producers supply their products through one or more

intermediaries. Following are the types of indirect channels:

(i) Producer-Retailer-Consumer (One level channel): Producer sells the product to retailer, who in turn sells to the consumer, for example producers of refrigerators, washing machines, etc.

Producer → Retailer → Consumer

(ii) Producer-Wholesaler-Retailer-Consumer (Two level channels): Here, two intermediaries, viz. the wholesaler and retailer are involved between the producer and the consumer, for example sugar, soaps, ghee, grains, etc.

Producer → Wholesaler → Retailer → Consumer (ii) 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. Hindustan Levers appoints the agents or distributors who sell both to the wholesalers and retailers for onward distribution to consumers.

Producer → Agent → Wholesaler → Retailer → Consumer

#### **Question 9. Describe the benefits from marketing mix.**

**Answer:** The benefits of marketing mix:

##### **(a) Product Oriented:**

- It is according to the needs of customers.
- It reflects saleable quality.
- It gives scope for improving the quality.
- Attractive designing and packaging is possible.
- After sales services become strength.

##### **(b) Price Oriented Benefits:**

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

##### **(c) Promotion Oriented:**

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

##### **(d) Distribution Oriented:**

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