

BUSINESS STUDIES



Important Questions

Multiple Choice questions-

Question 1. Scope of _____ is limited but scope of _____ is wider.

- (a) Marketing, Selling
- (b) Selling, Marketing
- (c) Marketing, Publicity
- (d) Selling, Manufacturing

Question 2. Airtight containers and packets used for chips, biscuits, and jams, etc., are the example of

- (a) Product differentiation
- (b) Product identification
- (c) Product promotion
- (d) Product Protection

Question 3. The Basic role of marketer is to _____

- (a) Sell the product
- (b) Advertise only
- (c) Earn more and more profits
- (d) Identify a need and fill it

Question 4. Which of the following is the part of the marketing mix?

- (a) Price
- (b) Product
- (c) Place and Promotion
- (d) All of the above

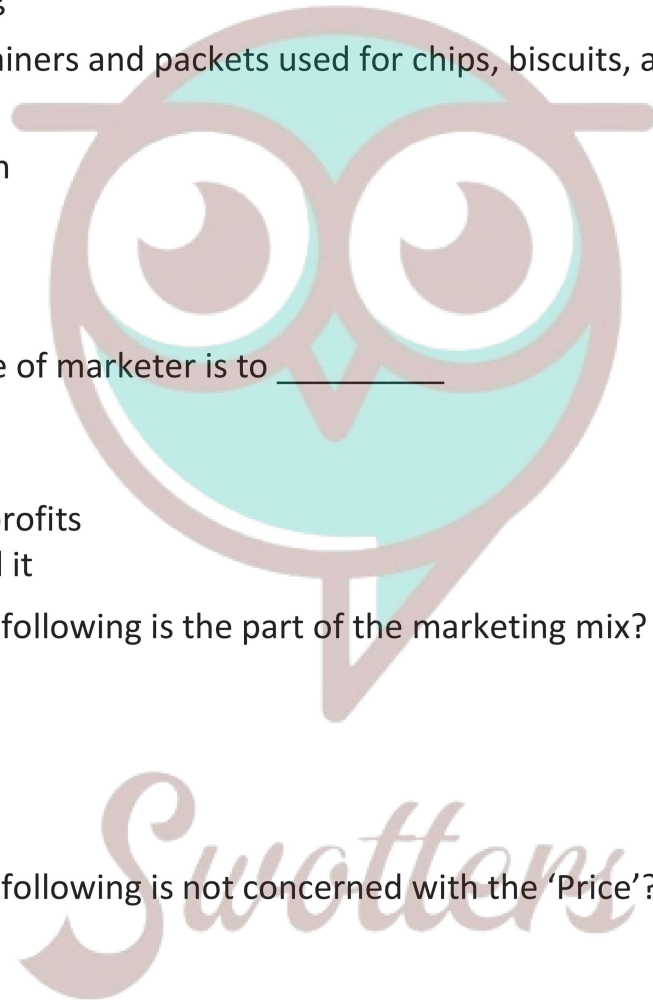
Question 5. Which of the following is not concerned with the 'Price'?

- (a) Advertising
- (b) Discounts
- (c) List price
- (d) Margins

Question 6. SWOT Analysis is a strong part of _____

- (a) Marketing
- (b) Selling
- (c) Publicity
- (d) None of the above

Question 7. Which of the following is a good quality of a good salesperson?



- (a) Mental quality
- (b) Honesty
- (c) Communication skills
- (d) All of the above

Question 8. _____ refers to the act of designing and producing the container or wrapper of a product.

- (a) Trade Mark
- (b) Brand Name
- (c) Copyright
- (d) Packaging

Question 9. _____ Activities start after the product has been developed.

- (a) Selling
- (b) Publicity
- (c) Marketing
- (d) None of the above

Question 10. Under marketing mix which of the following is not a part of Product?

- (a) List price
- (b) Quality
- (c) Design
- (d) Brand Name

Question 11. Discounts, coupons, contests, free samples and offering extra quantity, etc., are the examples of _____

- (a) Channels of distribution
- (b) Personal Selling
- (c) Sales Promotion
- (d) None of the above

Question 12. The word 'Market' has come from the Latin word _____

- (a) Marketo
- (b) Marketio
- (c) Marcatus
- (d) Matico

Question 13. Which of the following is a brand name?

- (a) Nike
- (b) Woodland
- (c) Asian Paints
- (d) All of the above

Question 14. Which of the following is a direct channel of distribution?

- (a) Manufacturer, wholesaler, retailer, customer
- (b) Manufacturer to customer
- (c) Manufacturer, retailer, customer
- (d) None of the above

Question 15. Which of the following is not a part of 'Place and Promotion'?

- (a) Warranties
- (b) Advertising
- (c) Personal selling
- (d) Sales Promotion

Very Short-

- Q1. Give two example of shopping products.
- Q2. From producer to retailer to consumer identify the type of channel of distribution.
- Q3. Which channel will you recommend for distribution of perishable goods?
- Q4. Name any two print medias of advertising.
- Q5. Name the concept of marketing which pays attention to the Social, Ethical and ecological aspects of marketing along with consumer satisfaction.
- Q6 How does labeling act as a silent Salesman?
- Q7 Name the non paid and non personal form of promotional tool.
- Q8. "Introducing a scheme of 50% + 40% less by the koutons" is the example of which sales promotion technique?
- Q9. Name the Sales promotion technique in which 'Scratch Cards' are used?
- Q10. 'Automobiles Ltd. Offered to sell their new bike at about Rs. 4000 less than the usual price' is an example of sales promotion. Name the technique and explain two other Techni with examples.

Short Question-

Question 1. Advertising encourages sale of inferior and dubious products and 'Advertising confuses rather than help's . Do you agree? Give reasons.

OR

'Advertising costs are passed on to the consumers in the form of higher prices" and ' Some advertisements are in bad taste'. Do you agree? Give reasons in support of your answer.

Question 2. As a publisher, you have published a new book on marketing management. How will you determine the price of this book?

Question 3. You have invented a new device to detect impurities in petrol. Which two advertising media would you use and why?

Question 4. Explain the important characteristics of a good brand name?

Question 5. Explain the term sales promotion and mention, in brief, the merits and limitations of sales promotion.

Question 6. Explain the various objectives of packaging?

Question 7. Differentiate between Branding and Trade Marks.

Question 8. Explain in brief the importance of promotion mix in marketing?

Long Questions-

Question 1. What is Packaging? Explain the importance and functions of packaging?

Question 2. What is the pricing of a product? Explain the important factors affecting the pricing of product?

Question 3. Mention the important features or characteristics of personal selling?

Question 4. Explain in detail the various pricing policies of a product?

Case Study Based Question-

1. Ginika, Tanish and Rohit were friends from college days and now they are doing different kinds of business. They regularly meet and discuss their business ideas and exchange notes on customer satisfaction, marketing efforts, product designing, selling techniques, social concerns etc.

In one of such meetings, Ginika drew the attention of Tanish and Rohit towards the exploitation of consumers. She told that most of the sellers were exploiting the consumers in various ways' and were not paying attention towards the social, ethical and ecological aspects of marketing, whereas she was not doing so.

Tanish told that they were under pressure to satisfy the consumers, but stated that the consumers would not buy or not buy enough unless they were adequately convinced and motivated for the same.

Rohit stressed that a company cannot achieve its objectives without understanding the needs of the customers. It was the duty of the businessmen to keep consumer satisfaction in mind because business is run by the resources made available to them by the society. He further stated that he himself was taking into consideration the needs of the customers

Identify the various types of thinking that guided Ginika, Tanish and Rohit in the marketing efforts of their business. Also, state one more feature of the various types of thinking identified that is not given in the above para. (CBSE, Delhi 2017)

2. Mediquip Ltd. is a company dealing in distribution of medical equipments. The company recently imported 15000 units of sugar testing machines to test the sugar levels without taking blood samples. For deciding the marketing strategy, the Chief Executive Officer of the company called a meeting of the marketing heads of different zones.

In the meeting, Sandeep, the North Zone Marketing Head, suggested that since the machines were sophisticated they need to visit hospitals personally, to explain its working to the hospital staff who would be using the machines. He also suggested that additional trained people may be recruited for the same.

Himanshu, another Zonal Head, added that since lot of money had been spent on the import of the machines, the company was short of funds to pay to the additional staff as suggested by Sandeep.

Rahul, a newly appointed Zonal Head of South Zone suggested that since the size of the order is not large, a detailed study of the factors determining the choice of channels of distribution is required before making the right choice.

- a. Identify the factors influencing the choice of channels of distribution which were discussed in the meeting.
- b. Also, explain briefly the other consideration to be taken care of in each factor identified in part (1). (CBSE, Delhi 2017)

Assertion Reason Question-

1. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
 - a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
 - b. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
 - c. Assertion is correct statement but reason is wrong statement.
 - d. Assertion is wrong statement but reason is correct statement.

Assertion (A): The job of the marketer is to add to the value of the product so that customer prefers it in relation to the competing products and decides to purchase it.

Reason (R): A product will be purchased only if it is perceived to be giving the greatest benefit for the money.
2. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
 - e. Assertion and reason both are correct statements and reason is correct explanation for assertion.
 - f. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
 - g. Assertion is correct statement but reason is wrong statement.
 - h. Assertion is wrong statement but reason is correct statement.

Assertion (A): According to Marketing Concepts, products are bought because of their quality and other features.

Reason (R): The marketing concept aims to find out the needs and requirements of customers and satisfying them in an effective manner.

MCQ Answers-

1. Answer: (b) Selling, Marketing
2. Answer: (d) Product Protection
3. Answer: (d) Identify a need and fill it
4. Answer: (d) All of the above
5. Answer: (a) Advertising
6. Answer: (a) Marketing
7. Answer: (d) All of the above
8. Answer: (d) Packaging
9. Answer: (a) Selling
10. Answer: (a) List price
11. Answer: (c) Sales Promotion
12. Answer: (c) Mercatus
13. Answer: (d) All of the above
14. Answer: (b) Manufacturer to customer
15. Answer: (a) Warranties

Very Short Answers-

1. Ans. a) Clothes
a. b) Shoes
2. Ans. One Level channel.
3. Ans. zero Level or One Level Channel.
4. Ans. Magazines, Newspapers.
5. Ans. Societal concept of marketing
6. Ans. Labeling act as a silent salesman because it helps in promotion of products by attracting the attention of customers and providing required information.
7. Ans. Publicity.
8. Ans: The name of this sales promotion scheme is 'Discount'.

9. Ans. It is "Instant draw and assigned gift".

10. Ans: Hints: The name of this technique is 'Rebate'. Under it, in order to clear the excess stock products are offered at reduced prices. Explain two other Techni such as full finance @0% and samples.

Short Answer-

Answer 1: no, explain the arguments in favor and against of advertising. Conclusion: in the era of globalization advertising is considered as an important tool of marketing. it helps in increasing sales and thereby reducing cost. it is not a social waste rather boosts production and employment.

Answer 2: Hint- For following factors are to be discussed before fixing price of the book.

- a) cost of Production.
- b) Demand of the book.
- c) Price of other competitive books.
- d) Purchasing power of the customer.
- e) Gout regulation etc.

Answer 3: Two methods of advertising that I would adopt are

- 1) Newspaper and television
- 2) Direct selling at the point of purchase of petrol i.e. at petrol pump.

Reasons for opting for direct selling at petrol pumps are –

- 1) this method is suitable for introducing new product.
- 2) It will reach directly to the targeted consumer group.
- 3) The working of the new device can be demonstrated to the consumers at the site itself.

Answer 4: Characteristics of Good Brand Name: Choosing the right brand name is not an easy decision what makes this decision important is the fact that once a brand name is chosen and the product is launched in the market. Changing the brand name is very difficult. So getting it right the first time is very essential following are some of the considerations which should be kept in mind while choosing a brand name.

1. The brand name should be short easy to Pronounce, spell, recognized, and remember e.g. ponds, VIP, Rin, Vim Etc.
2. A brand should suggest the product's benefits and qualities. It should be appropriate to the product's functions, e.g. Rasika, Genteel, Promise, My fair Lady, and Boost.
3. A brand name should be distinctive e.g. Liril, sprit, Safari, Zodiac;
4. The brand name should be adaptable to packaging or Labelling requirements to different advertising media and to different languages.

5. The brand name should be sufficiently versatile to accommodate new products, which are added to the product line e.g. Maggie, Colgate;
6. It should be capable of being registered and protected legally; and
7. The chosen name should have to stay power ie; it should not get out of data.

Answer 5: Sales Promotion refers to short-term incentives which are designed to encourage the buyers to make immediate purchase of a product or service these include all promotion effort other than advertising, personal selling, and publicity, used by a company to boost its sale sales promotion activities include offering a cash discount, sales contests, tress gift offers and free sample distribution, sales promotion include only those activities that are used to provide short term. incentives to boost the sales of a firm.

Merits of Sales promotion:

1. Attention Value Sales promotion activities attract the attention of the people because of the use of incentives.
2. Useful in New Product Launch Sales Promotion tools can be very effective at the time of introduction of a new product in the market. It includes people to break away from their regular buying behavior and try the new product.
3. Synergy in total promotional efforts Sales Promotion activities is designed to Supplement the personal selling and advertising efforts used by a firm and add to the overall effectiveness of the promotion efforts of a firm.

Limitation of Sales promotion:

1. Reflects Crisis!t a firm frequently rely on Sales promotion, it may give the impression that it is unable to manage its sales or that there are no takers of its product.
2. Spills Product Image Use of Promotion tools may affect the image of a product. The buyers may start feeling that the product is not of good quality or is not appropriately priced.

Answer 6: Objectives of Packaging:

1. Attraction: As far as possible, the package must possess attraction value, as attraction is the main objective of packaging, so that it may attract customers towards the products concerned.
2. Protection: The second objective of packaging is to provide safety to the product. In other words, the package must protect the contents of the product until it is consumed. The package keeps the product fresh and clean. It protects from adverse effects of weather, temperature, dampness, insects, contamination, breakage, evaporation, leakage, etc. It preserves the flavor and color of the product. It also prevents theft and pilferage.
3. Convenience: The consumers, as well as the middlemen, want packages that are easy to carry, use and dispose of. A good package facilitates easy transportation; storage, display, and usage. Pouch packing is very popular nowadays due to convenience.
4. Economy The next important objective of packaging is economy. Here economy means

economic use of the product. The consumer can take out the only quantity to be used at a time and thus, wastage can be avoided.

5. Sales Promotion The objective of packaging is to promote the sale of the product. Whatever is written on the packing acts as an advertisement and sales promotion.

6. Other objectives of packaging are as under,

1. It improves the image of the product and thus increases the profit.
2. It maintains the utility of the package even after the product packed is consumed.
3. Owing to data of manufacturing and the expiry printed on the packing, the freshness or expiry of products can be identified.

Answer 7: Difference between Brand and Trade Mark: Difference between brand and trademark can be made on the basis of the following points

1. Registration: Registration of a brand is not essential while registration for a trademark is essential. A brand is called a trademark only when it is registered.
2. Scope: The scope of a brand is limited while the scope of a trademark is very wide. Any business firm can use different brands for its different products while it uses only one trademark for all of them.
3. Legal protection: Brand can be copied by other competing concerns. No legal actions can be taken against them but if trademark denotes the manufacturer who got it registered. So trademark can be used with every brand.
4. Nature: All brands are not trading marks but all trademarks are the brands. Thus, the word brand is more comprehensive than the trademark.
5. Use: Brand can be used by all that but the trademark can be used by the business firm that got it registered in the name of the firm.

In simple words, the main difference between brand and trademark is that brand is not registered, whereas trademark is always registered under Trade and Merchandise Mark Act, 1958.

Answer 8: Importance of Promotion in Marketing: Promotion plays an important role in stimulating demand and sales of the product. Its importance may be gathered from the following facts

1. In depression, the importance of promotional activities is greater because, at such a time, the main problem is that of sales of goods and services.
2. The activity of promotion has become important because of the widening of the market. With the physical distance between producers and consumers and also the increase in the number of prospective buyers, the promotion has gained importance. The producer is now to inform all prospective consumers to capture a major share of the market.
3. There are a number of channels of distribution. The producer should not only inform the

consumers but he should also inform about the product to the middlemen because they have to present the goods to the middlemen next in the hierarchy and to the consumers. The middlemen should be well versed in the characteristics of the goods.

4. In modern times, there is cut-throat competition in every field. New and new products and producers are entering the market and every producer wants to sell his products first. In order to meet the competition, the producer is to make the customers/prospective customers of his products and their outstanding features along with a comparative view of the competitor's products. This helps the consumers to select the right type of product.

5. Promotion expenses are the highest of all the marketing expenses. They should be properly and strictly controlled and should be paid due attention.

Long Answers-

Answer 1: Packaging: One of the most important developments affecting the business world in recent years has been in the area of packaging. Many products, which we thought could never lend themselves to packing because of their nature, have been successfully packed e.g. pulses, ghee, m salt, cold drinks, etc. Packaging refers to the act of designing and producing the container or wrapper of a product, packaging plays a very important role in the marketing success or failure of many products, particularly the consumer non-durable products.

In fact, if one makes an analysis of the reasons for the success of some of the successful products in the recent past, it can be noted the packaging has played its due role. For example, it was one of the important factors in the success of products like Maggie Noodles, Uncle Chips, or Crax Wafers.

Importance of Packaging: Packaging has acquired great significance in the marketing of goods and services, because for the following reasons

1. **Rising standards of Health and Sanitation:** Because of the increasing standards of living in the country, more and more people have started purchasing packed goods as the chances of adulteration as such goods are minimized.

2. **Self-Service Outlets:** The self-service retail outlets are becoming very popular, particularly in major cities and towns. Because of this, some of the traditional roles assigned to personal selling in respect of promotion have gone to packaging.

3. **Innovational Opportunity:** Some of the recent development in the area of packaging have completely changed the marketing scene in the country. For example, milk can now be stored for 4 days without refrigeration in the recently developed packing materials. Similarly, in the area of pharmaceuticals, soft drinks, etc, lots of new innovations have come in respect of packaging. As a result, the scope for the marketing of such products has increased.

4. **Product Differentiation:** Packaging is one of the very important means of creating product differentiation. The color, size, materials, etc. of the package makes a real difference in the perception of customers about the quality of the product. For example, by looking at the package of a product say paint or hair oil one can make some guess about the quality of the product contained in it.

Functions of Packaging:

As stated above, packaging performs a no. of functions in the marketing of goods. Some of the important functions are as follows

1. **Product Identification:** Packaging greatly helps in the identification of the products. For example Colgate in red color, or Ponds Cream jar can be easily identified by its package.
2. **Product Protection:** Packaging protects the contents of a product from spoilage, breakage, leakage, pilferage, damage, climatic effect, etc. This kind of protection is required during storing, distribution, and transportation of the product.
3. **Facilitating the use of the Product:** The size and shape of the package should be such that it should be convenient to open, handle and use for the consumers. Cosmetics, medicines, and tubes of toothpaste are good examples of this.
4. **Product Promotion:** Packaging is also used for promotion purposes. A startling color scheme, photograph, or typeface may be used to attract the attention of the people at the point of purchase. Sometimes it may work even better than advertising. In self-service stores, this role of packaging becomes all the more important.

Answer 2: Pricing: When a product is bought, some money is paid for it. This money represents the sum of values that consumers exchange for the benefit of having or using the product and is referred to as the price of the product. Similarly, money paid for the services such as fare for the transport service, premium for an insurance policy, and fee to a doctor for his medical advice represent the price of these services. Price may therefore be defined as the amount of money paid by a buyer (or received by a seller) in consideration of the purchase of a product or a service.

Factors affecting Price Determination: There is a number of factors that affect the fixation of the price of a product. Some of the important factors in this regard are discussed below:

1. **Product Cost:** One of the most important factors affecting the price of a product or service is cost. This includes the cost of producing, distributing, and selling the product. The cost sets the minimum level or the floor price at which the product may be sold. Generally, all marketing firms strive to cover all their costs, at least in the long run. In addition, they aim at earning a margin of profit over and above the costs.

In certain, circumstances, for example, at the time of introducing a new product or while, entering a new market, the product may be sold at a price, which does not cover all the costs. But in the long run, a firm cannot survive unless at least all its costs are covered.

There, are broadly three types of costs: viz fixed costs, variable costs, and semi-variable costs. Fixed costs are those costs, which do not vary with the level of activity of a firm says the volume of production. or sale. For example, the rent of a building or the salary of a sales manager remains the same whether 1000 units or 10 units are produced in a week.

Those costs which vary in direct proportion with the level of activity are called variable costs, for example, the cost of raw materials, labor, and power is directly related to the quantity of goods produced. Let us say if the cost of wood for manufacturing one chair comes to Rs. 100/- the cost of

wood, for 10 chairs would be Rs 1000/- obviously, there will be no cost of wood if no chair is produced.

Semi variable costs are those costs that vary with the level of activity but not in direct proportion with it change in the volume of sale.

Total costs are the sum total of the fixed variable and semi-variable costs for the specific level of activity say the volume of sales or quantity produced.

2. The Utility and Demand: While the product costs set the lower limits of the price, the utility provided by the product and the intensity of demand of the buyers sets the upper limit of price, which a buyer would be prepared to pay. In fact, the price must reflect the interest of both the parties to the transaction the buyers and the seller. The buyers may be ready to pay up to the point where the utility from the product is at least equal to the sacrifice made in terms of the price paid. The seller would, however, try to at least cover the costs. According to the law of demand, consumers usually purchase more units at a low price than at a high price.

The price of a product is affected by the elasticity of demand of the product. The demand is said to be elastic if a relatively small change in price results in large changes in the quantity demanded. He numerically the price elasticity is greater than one. In the case of inelastic demand, the total revenue increases when the price is increased and goes down when the price is reduced. If the demand for product is inelastic, the firm is in a better position to fix higher prices.

3. Extend of Competition in the market: Between the lower limit and the upper limit where would the price settle down. This is affected by nature and the degree of competition. The price will tend to reach the upper limit in case there is a lesser degree of competition while under conditions of free competitors the price will tend to be set at the lowest level.

Competitor's prices and their anticipated reactions must be considered before fixing the price of a product. Not only the price but the quality and the features of the competitive products must be examined carefully, before fixing the price.

4. Government and Legal Regulations: In order to protect the interest of the public against unfair practices in the field of price-fixing, the government can intervene and regulate the price of commodities. The government can declare a product as an essential product and regulate its price. For example, the cost of a drug manufactured by a company having a monopoly in the production the same was Rs. 20/- per strip of ten and the buyer is prepared to pay any amount for it say Rs. 200/-.

In the absence of any competitor, the seller may be tempted to export the maximum amt. of Rs. 200/- for the drug and intervene to regulate the price. Usually, in such a case, the govt does not allow the first to charge such a high price and intervene to regulate the price of the drug. This can be done by the govt, by declaring the drug as an essential commodity and regulating its prices.

5. Pricing objectives: Pricing objectives are another imp. factor affecting the fixation of the price of product or a service. Generally, the objective is stated to be to maximize the profits. But there is a difference in maximizing profits in the short run and in the long run. If the firm decides to maximize

profits in the short run, it would tend to charge maximum price and its products. But if it is to maximize its total profit in the long run, it would opt for a lower per-unit price so that it can capture a larger share of the market and earn greater profits through increased sales.

Apart from profit maximization, the pricing objectives of a firm may include:

(a) Obtaining market share leadership: If a firm objective is to obtain a larger share of the market, it will keep the price of its products at lower levels so that a greater no. of people are attracted to purchase the products.

(b) Surviving in a competitive market: If a firm is facing difficulties in surviving in the market? because of intense competition or the introduction of a more efficient substitute by a competitor, it may resort to discounting its products or running a promotion campaign to liquidate its stock, and

(c) Attaining product quantity leadership: In this case, normally higher prices are charged to cover high quality and high cost of Research and Development.

Thus, the price of firm products and services is affected by the pricing objective of the firm.

6. Marketing Method Used: The price fixation process is also affected by other elements of marketing such as distribution system quality of salesman employed, quality and amount of advertising, sales promotion efforts the type of packaging product differentiation, credit facility, and customer service provided. For example, if a company provides free home delivery, it has some flexibility in fixing prices. Similarly, the uniqueness of any of the elements mentioned above gives the company competitive freedom in fixing the prices of its products.

Answer 3: Characteristics of Personal selling: Following are some imp. characteristics of personal selling

1. Personal selling is a method of sales communication.
2. Personal selling includes commercial and social behavior.
3. Personal selling includes both selling functions and non-selling functions.
4. It involves the persuasion of customers.
5. It involves winning buyers' confidence.
6. It aims at providing information and services to buyers.
7. It is a two-way process and benefits both buyers and sellers.
8. It helps in solving the problems of the buyers and satisfying their needs.
9. Personal selling is an educative process. It tells consumers the way in which they can satisfy their needs.
10. Personal selling is more flexible and adaptable. Because of face communication, the salesman adjusts himself and his sales talks according to the need, desires, and behavior of the consumers.

Role of Personal Selling: Personal selling plays a very important role in the marketing of goods and services. The importance of personal selling to businessman, customers, and society may be described as below:

Importance to Businessmen: Personal selling is a powerful tool for creating demand for a firm's products and increasing their sales. The importance of personal selling to a business organization may be described as follows

1. **Effective Promotional tool:** Personal selling is a very effective promotional tool that helps in influencing the prospects about the merits of a product and thereby increasing its sales.
2. **Flexible tool:** Personal selling is more flexible than other tools of promotion such as advertising and sales promotion. It helps business persons in adopting their offer in varying purchase situations.
3. **Minimise wastage of efforts:** Compared with other tools of promotion, the possibility of wastage of efforts in personal selling is minimum. This helps the business persons in bringing economy in their efforts.
4. **Consumer attention:** There is an opportunity to detect the loss of consumer attention and interest in a personal selling situation. This helps a business person, in successfully completing the sale.
5. **Lasting relationship:** Personal selling helps to develop a lasting relationship between the salespersons and the customers, which is very important for achieving the objectives of a business.
6. **Personal rapport:** The development of personal rapport with customers increases the competitive strength of a business organization.
7. **Role in the introduction stage:** Personal selling plays a very important role in the introduction stage (of a new product) as it helps in persuading customers about the merits of the product.
8. **Link with customers:** Salespeople play their different roles, namely persuasive role, service role, and informative role, and thereby link a business firm to its customer's importance to customers.

This role of personal selling becomes more important for the illiterates and rural customers who do not have many other means of getting product information.

The customers are benefited from personal selling in the following ways

1. **Help in identifying needs:** Personal selling helps the customers in identifying their needs and wants and in knowing how these can best be satisfied.
2. **Latest market information:** Customers get the latest market information regarding price changes, product availability, and shortage and new product introduction which helps them in taking the purchase decisions in a better way.
3. **Expert advice:** Customers get expert advice and guidance in purchasing various goods and services which help them in making a better purchase.
4. **Induces Customers:** Personal selling induces customers to purchase new products that satisfy their needs in a better way and thereby helps to improve their standards of living.

Importance of society: Personal selling plays a very productive role in the economic progress of a

society. The more specific benefits of personal selling to society are as follows

1. **Converts latent demand:** Personal selling converts latent demand into effective demand. It is through this cycle that the economic activity in the society is fostered, leading to more jobs, more incomes, and more products and services. That is how economic growth is influenced by personal selling.
2. **Employment opportunities:** Personal selling offers greater income and employment opportunities to unemployed youth.
3. **Career opportunities:** Personal selling provides an attractive career with greater opportunities for advancement and job satisfaction as well as security, respect, variety, interest, and independence for young men and women.
4. **Mobility of Salespeople:** There is a greater degree of mobility in salespeople, which promotes travels and tourism in the country.
5. **Product standardization:** Personal selling increases product standardization and uniformity in consumption patterns in a diverse society.

Answer 4: Pricing Policies are guidelines for achieving the objectives. Therefore, different policies are framed and adopted for achieving the different objectives. Thus price policy is framed and adopted 'policies provide the framework and consistency needed by the company to make reasonable, practicable, and effective pricing decisions. It helps the company to attain its pricing objectives.

Any good pricing policy must be aimed at offering a reasonable price to the consumer, ensuring a fair return on investment, and provide, price stability. While adopting the price policy trade traditions, customer preferences, their buying motives, purchase frequency, level of competition, nature of the product, amount of discount and allowances to be given, etc. must be considered.-There are a number of pricing Policies, a brief explanation of them is as follows:

A. On the basis of Cost and Demand. There are two price policies

1. **Cost-oriented pricing policy:** This policy assures that no product is sold at a loss since the price covers the full cost incurred. Pricing under this policy is based on simple arithmetic, i.e.; adding a fixed percentage to the Unit Cost.
2. **Demand-oriented pricing policy:** Under the policy of a product is based upon its demand in the market. For instance, a high price is charged when and where the demand is high and a low price is charged when and where the demand is low. This policy is more suitable to small business units and mostly in the case of non-standardized products.

B. On the basis of Price-Level. There are three price policies:

Meeting Competition Policy: If the price is the main basis of competition, then companies adopt this policy and adjust their prices according to that of competitors. If the competitors change their price, the company will do the same. Such a policy is adopted in the case of highly competitive goods. One important feature of the policy is that it may not have any relationship to its cost and demand of the

Under the Market policy: It is a policy in which a company keeps its prices less than those prevailing in the market. Under the market, the policy is adopted when a company wants to enter the market or wants to expand it. Sometimes, a company has low costs because its products are of lower quality and therefore, the price of products is usually kept low than those of competitors. At other times, lower prices may be substituted for promotional efforts used by its competitors.

Above the Market policy: Under this policy, the company keeps its prices more than those prevailing in the market. This policy is adopted by companies who either enjoy a good reputation in the market or offer a unique product.

The customers get attracted to the company because of its high prestige. Such a company spends highly on advertising. Sometimes, manufacturers keep more than above price to give some more margin to profit to a middleman in return for their aggressive marketing efforts.

C. On the basis of Flexibility.

There are two pricing policies

1. One price Policy: Under this policy, one price is charged from all types of customers irrespective of volume or conditions of purchase. Price is fixed in this policy. It is a fair trade practice. Such a policy helps in clearly estimating the sales and profits. This policy helps in bargaining as such saves time and selling expenses. These companies, who follow this policy lay emphasis on the product's quality and customer service.

2. Flexible pricing policy: Under this policy, different buyers are charged different prices for the same product. The difference in price depends upon the bargaining power of buyer and seller, place of delivery, market conditions, and many other such factors. It is generally adopted in the case of sub-standard products. This policy makes the seller free to adjust the price according to the prevailing market circumstances. In certain cases, the product may be prepared on the basis of specification or design given by the buyer. In such a case, the price has to be negotiated and then fixed.

D. On the basis of Geographical Conditions.

There are six pricing policies

1. Uniform delivery pricing policy is also known as 'F.O.R.' (Free on the rail) or 'Destination price' or 'Postage stamp' pricing policy. Under this same price is charged from all the buyers irrespective of their location. In other words, the buyers do not bear directly the freight and other charges because the price includes such charges. They actually add in full or average of total freight charges for all transportation to the price quoted. Such a pricing system is used where transport costs are a major change on the seller's total cost structure as a case of medicines.

2. Production point pricing policy It is that type of pricing policy in which the firm quotes 'Ex-factory or Free on rail' price. It does not bear the transportation cost, in the case of ex-factory price, the buyer bears all the transportation costs both freight and cartage from the factory point, whereas in the case of F.O.R. price, the firm bears the freight charges up to the railway station as the transportation agency.

After that, the buyer has to meet, freight and cartage. It is also called as 'Free on, Board' (F.O.B) pricing policy. In simple words, under this policy, the price of the product includes only the price of

the product. All the expenses of transportation from the price of the product. All the expenses of transportation from the place of the seller to the place of buyers are paid by the buyer himself.

3. Zonal delivery pricing policy Under this policy, the company divides the country into different zones and quotes uniform prices for each zone. The prices are uniform within a zone. But these prices differ from zone to zone, because of differences in transportation costs, local taxes, etc. The company adds average transportation cost to the basic price to arrive at the zonal price. Such a price benefits the buyer living at a distant place within a zone.

4. Basepoint pricing policy: It implies partial absorption of the transport cost by the company. One or more geographical locations are selected as base points from which the transport costs are calculated. The buyers pay the ex-factory price plus freight calculated from the nearest base point. This price policy is normally the collective decision of all the firms.

5. Freight absorption pricing policy: To penetrate distant markets a seller may be willing to absorb part of the freight cost. Thus, under the freight absorption policy, the price of a product includes its actual price and a part of transportation cost. Therefore, the total expenses to be incurred on transportation of goods are divided into two parts – a part of these expenses is paid by the seller and the remaining part is paid by the buyer. A freight absorption strategy is adopted to offset the competitive disadvantages of F.O.B. or ex-factory pricing.

6. Home delivery pricing policy This policy is gaining popularity in cities. Under this policy, dealers quote the price of a product and delivered the goods at the door-step of the customer. Dealers of television, fridge, air-condition, washing machines, steel furniture, and Haryana merchants usually adopt a home delivery pricing policy.

E. On the basis of Speciality:

On the basis of the specialty of the product, market conditions, trade conditions, different sellers use the following pricing policies:

1. Skimming pricing policy: It involves setting a very high price for a new product initially and to reduce the price gradually as competitors enter the market. The initial high price serves to skim the cream of the market. This is a policy of recovering the product generally adopted in the case of an innovative product.

2. Penetration pricing policy: This policy aims at capturing the market as soon as possible, therefore the prices are kept at a low level. It helps in the initial stage or till the product is accepted by the majority of the population.

3. Price lining policy: Under this policy, various products are priced according to their quality standards. The products may be classified as good, better and best – Different prices are charged for different qualities. The price lining has attraction both for the consumers and the retailers. The consumer's buying decisions are simplified since the no. of prices from which he must make a selection is limited. The retailers also find this policy attractive because it helps them to plan their buying decisions.

4. Full-line pricing policy: When a manufacturer produces a product in different sizes or models and

is unable to calculate the fixed expenses incurred on each type of product separately, he priced his product according to sizes or their demand.

5. Unit pricing policy: Under this policy price of the package and price per unit are mentioned on the package. For example, a toothpaste of 100 grams bears the price of a 100 grams package and also the price of 1 gm. This policy facilitates the consumers to make their buying decision and there is no scope of any bargaining.

6. Bait pricing policy to kinds of products are manufactured under this policy i.e. low price products. The marketer attracts the consumer by showing low price products. Thus, low prices act as bait for attracting customers.

7. Psychological Pricing policy: Under this policy prices are fixed in such a manner that they have some psychological effect on buyers. Certain consumers have a feeling that high priced products are indicated of high quality. As such, they demand high priced products. For example, diamonds, electronic products, cosmetics, etc. The pricing of products according to their quality standards as superior, fine, or economical also puts psychological pressure on consumers.

8. Odd Pricing policy: It is another form of psychological pricing policy. Under this policy price is ending in an odd no. or a price just under a round number i.e. setting the price at an off amount such as Rs. 199.95 instead of Rs. 200 or Rs.5.990 instead of 6,000. The rationale for this policy is that consumers perceive off prices as a better buy. Even expensive products appear less expensive when the price is in this way. This policy gives the feeling that the company is true to the last paisa, and results in an increase in sales.

9. Customary pricing: The policy is one that is based on the customs prevailing in the market. The prices are fixed to suit local conditions. Such products are typically standard ones. The price of sweets, soft drinks, bread, and other eatables are based on customary pricing policy.

10. Prestige pricing policy: Generally, the prestige pricing policy is adopted in the case of luxury products where the salesman is successful in creating a prestige of his product in the consumer's mind. In this case, prices so fixed are generally higher than the prevailing market price. Sometimes to show that our product is a quality product, market fix higher price for his product in comparison to competitors. Because customers judge the quality of a product by its price. If the price is high, they assume that quality is good. This policy is only useful when actually the quality of the product is genuine and high.

11. Captive pricing policy: In a captive pricing policy, the basic product is priced low, often below cost, but the high markup on supplies required to operate the basic product compensates for that low price. The loss on the basic product is recovered in profits from the sale of the required supplies. This policy is adopted by the newspaper. A newspaper costs, more to produce and distribute than the price charged from the subscribers, but increased circulation encouraged by the low price leads to more advertising revenue and greater overall profit.

12. Loss leader pricing policy Under this policy, few popular products are temporarily offered at low prices with a

view to attracting customers. Such products are termed as loss leaders.

13. Leader pricing policy The business firm who wants to present itself pioneer in the industry take the initiative in fixing the price and other firms follow it. This is generally adopted in oligopolistic market conditions where there are few sellers and these products are identical.

14. Monopoly pricing policy: Monopoly pricing policy is adopted when one company has single-handed control over the entire supply, there are a large number of buyers but only one seller. The product is unique with no close substitutes. The competition is totally absent and the seller has a free hand in fixing the price. Monopoly prices are generally considered as high prices.

15. Discriminating pricing policy: Under this policy, the marketer sells the same product at different prices to different buyers. This discrimination may be on basis of the use of product type of customer, the difference in a geographical area, etc.

16. Dual pricing policy Under dual pricing policy, a producer is required to sell a part of his production, under compulsion, to the govt, or its authorized agency at a substantially low price.

17. Administrated pricing policy Prices fixed by the govt, of goods sold through fair price shops are administered prices. This policy favors the welfare of low-income group people.

18. Sealed bid pricing policy Big firms or the govt, calls for competitive bids when they want to purchase certain products or specialized terms. The lowest bidder gets the work.

19. Break-even pricing policy The level of output of which the total revenue will be equal to the total cost is known as the break-even point. Sales over this point will yield profit. The sale must be above the break-even point quantity.

20. Promotion pricing policy This policy is based on its sales promotion method. For instance, take the case of 'Grand Reduction Sale' which is intended to revive the memory of the customs who might have stopped buying the products they used to buy in past. In this case, the seller tries to get rid of old and outdated stock.

Case Study Answer-

1. Answer:

The various types of thinking that guided Ginika, Tanish and Rohit in the marketing efforts of their business are described below:

- (Ginika) Societal marketing concept: The main focus of this philosophy is on both the needs of the potential buyers as well as concern for the society at large. The ends include profit maximisation through customer satisfaction and social welfare.
- (Tanish) Selling concept: The main focus of this philosophy is on existing products. The ends include profit maximisation through sales volume.
- (Rohit) Marketing concept: The main focus of this philosophy is on customers needs. The ends include profit maximisation through customer's satisfaction.

2. Answer:

- a. The factors influencing the choice of channels of distribution which were discussed in the meeting are listed below:
- **Product related factors:** It has been mentioned that the machines were sophisticated.
 - **Market related factors:** It has been mentioned that the size of the order is not large. (in)
 - **Company related factors:** It has been mentioned that the company was short of funds to pay the additional staff which had to be recruited to personally visit and train the hospital staff.
- b. The other considerations to be taken care of in each of these factors is explained below:

The market related factors:

- **Geographical concentration of potential buyers:** If the potential buyers for the firm's product are geographically concentrated at a few specific places, it is advisable for the marketer to adopt direct channels of distribution. If the market for the product is widely scattered, indirect channels of distribution will be more effective.
- **Size of market:** If the size of the target market is small, it is advisable that the marketer adopts methods of direct channels of distribution like online selling, mail order house, personal selling etc. wherein there are no intermediaries between the manufacturer and the consumers. However, if the marketer intends to target larger markets he should adopt indirect channels of distribution (one level, two level or three level) by using intermediaries like wholesalers, retailers etc.

S.No	Type of channel	Size of market	Geographical concentration of potential buyers
1	Direct	Small	Concentrated
2	Indirect	Large	Widely Scared

Product related factors:

- **Nature of product:** Considering the technical nature of the industrial products they require short channels i.e., direct channel or involving few middlemen. Moreover, they are made order and expensive products purchased by selective buyers. Whereas the consumer products, being standardised, less expensive, less bulky, non-technical can be better distributed by long network of channels, involving many middlemen. Moreover they are purchased frequently.
- **Type of product:** If the product under consideration is perishable like fruits, vegetables, a dairy products short channels should be adopted in order to preserve their quality. Whereas non-perishable products like toiletry products (e.g., shampoo, toothbrush, deodorants etc.), groceries (cooking oil, pulses etc.), fabrics can be best marketed through longer channels so as to reach wide spread consumers.

- **Unit value of the product:** If the unit value of a product is low as in case of most convenience products, long channels are considered more appropriate whereas products high value should be sold through shorter channels.

S.No	Type of channel	Nature of Product	Type of product	Unit Value of the Product
1	Direct	Perishable	Industrial	More
2	Indirect	Non perishable	Consumer	Less

Company related factors:

The degree of control it wants to hold on other channel members: Short channels may be used if the management of the firm desires to have greater control on the channel members but if the management does not plan to exercise strict control over the middlemen indirect channels or large number of intermediaries may be opted for.

S.No	Type of channel	The degree of control it wants to hold on other channel members
1	Direct	Concentrated
2	Indirect	Widely Scared

Assertion Reason Answer-

- a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
- d. Assertion is wrong statement but reason is correct statement.