

Enterprise Marketing

TEXTBOOK QUESTIONS SOLVED

A. VERY SHORT ANSWER TYPE QUESTIONS

Question 1. What is meant by goal setting?

Answer. “Establishing short or long term objectives, usually incorporating deadlines and quantifiable measures.”

Question 2. What is marketing strategy?

Answer. Marketing strategy is defined by David Aaker as “A process that can allow an organization to concentrate its resources on the optimal opportunities with the goals of increasing sales and achieving a sustainable competitive advantage.”

Question 3. What are the components of marketing mix?

Answer. The 4Ps that make up a typical marketing mix are — Price, Product, Promotion and Place.

Question 4. Which is the shortest channel of distribution?

Ans. Producer-customer, Direct channel or zero level is the shortest channel of distribution.

Question 5. What are the components to a successful sales strategy?

Answer. Components of successful sales strategy are creating an effective sales strategy requires market knowledge, awareness of competitor activities, awareness of current trends and detailed business analysis.

Question 6. Define branding.

Answer. ‘Branding’ is a process, a tool, a strategy, an orientation whereby a name, a sign, or a symbol etc. is given to a product by the entrepreneur so as to differentiate his/her product from the rival products.

Question 7. Why is a logo important for a company?

Answer. Logo is important for a company as it imparts a distinct identity to entrepreneur's own brand.

Question 8. Give the meaning of tagline with the help of an example.

Answer. Taglines are simple but powerful messages that help to communicate an enterprise's goals, mission, distinct qualities and so much more. Balsara Hygiene products, launched their 'Promise toothpaste in 1978 and took an aggressive stand against its competitors. It then secured the second highest market share. It was due to the tagline—"The unique toothpaste with time-tested clove-oil."

Question 9. Explain the term packaging.

Answer. Processes and materials employed to contain, handle, protect, or transport any commodity. Packaging is done to attract attention, assist in promotion, provide machine identification (barcodes, etc.), impart essential or additional information, etc.

Question 10. What is labelling?

Answer. It is the display of information about a product on its container, packaging, or the product itself.

Question 11. Define advertising.

Answer. Advertising is a paid form of communication designed to attract or persuade potential customers to choose the product or service over that of a competitor.

Question 12. What is negotiation?

Answer. Negotiation is a process where two or more parties with different needs and goals discuss an issue to find a mutually common and acceptable solution.

Question 13. Explain the meaning of CRM.

Answer. CRM is the abbreviation for customer relationship management.

Question 14. When do we conclude that a business has failed?

Answer. We can conclude that a business has failed when it does not generate adequate cash flow to meet expenses.

Question 15. Explain the following term: ATL.

Answer. ATL refers to above the line which targets mass audience and aims at establishing brand identity.

Question 16. Give the meaning of BTL.

Answer. BTL refers to Below the line which targets identified small groups and aimed at leading to an actual sale.

Question 17. What is TTL?

Answer. "Through the line" or TTL refers to an advertising strategy which involves both above- and below-the-line communications in which one form of advertising points the target to another form of advertising thereby crossing the "line".

B. SHORT ANSWER TYPE QUESTIONS-I

Question 1. What are the rules for goal setting?

Answer. The rules of goal setting are:

1. **Relevant:** To be relevant, a business goal has to be profitable in some fashion. Every

business goal has to be measurable in rupees, and must possess a clear advantage to the specific business.

2. **Actionable:** When we're setting business goals, we have to be sure that we have developed them from general statements. Goals without action plans are just pretty words.
3. **Achievable stretches:** The purpose of business goals is to move the businesses forward. If expectations are set too high, we set up for failure and disappointment. If the expectations are set too low then we won't get enough satisfaction or recognition from the accomplishment.
A goal has to stretch us to be worth doing.

Question 2. What does the marketing strategy of a company include?

Answer. Marketing strategy includes:

1. all basic and long-term activities in the field of marketing that deal with the analysis of the strategic initial situation of a company.
2. the formulation, evaluation and selection of market-oriented strategies.
3. several strategies for growth and interrelated components called the marketing mix.

Question 3. What is sales strategy?

Answer.

1. A sales strategy is a plan that places a company's brand or product to gain a competitive advantage in the market.
2. It help the sales to focus on target market customers and communicate with them in desired and required ways.
3. It is aimed at targeting the correct customers at the right time.

Question 4. Explain the different types of sales strategies.

Answer. Following are the two types of sales strategies:

1. **Direct:**In this strategy sales people talk about each feature of the competition's product and compare it to theirs. It is also referred to as "negative selling".
2. **Indirect:** Indirect sales uses demonstrating features and benefits not available with the competition's products or services without ever mentioning them by name. It is also referred as "positive selling".

Question 5. Differentiate between trade mark and brand mark.

Answer.

1. Brand name is "that part of a brand which can be spoken like Asian Paints, Pepsi, Uncle Chips, etc." Brand names are signals that carry meaning in the minds of consumers., E.g."Wal-Mart".
Trademark refers to words, names, symbols and product design features that are used to distinguish the products or services of one manufacturer or seller from another.
2. Brand helps in identification of the product of a company, while trademark helps in preventing others from copying.
3. If a brand has not been registered, anyone can copy it, and there is no provision of any penalty, while in case of trademark violation, there is legal action available.

Question 6. What is the purpose of logo?

Answer.

1. **Anchor:** A logo anchors company's brand.
2. **Identification:** Corporate logo are intended to be the "Identity" of an enterprise because of displaying graphically enterprise's uniqueness.
3. **Information:** Using colour combination, fonts, images, impression or pattern, logos provide essential information about a company which allows customers to relate with the enterprise's core brand.
4. **Visual effect:** Logos act as the key visual component of an enterprise's overall brand identity.

Question 7. Why should we advertise?

Answer. We should advertise to:

1. Make business and product name familiar to the consumers and public,
2. Create goodwill and build a favourable image of the product and the company.
3. Educate and inform the public about the aspects related to product.
4. Offer specific products or services.
5. Attract customers.

Question 8. What is employee management?

Answer. Employee management:

1. Is first concern of a manager at work.
2. Allows manager to accomplish goals at work.
3. Allow manager or entrepreneur to capitalize on the strengths of other employees and their ability to contribute to the accomplishment of work goals.
4. Helps in promoting employee engagement, motivation, development, and employee retention.

Question 9. Is vendor management different from employee management? Enumerate.

Answer. Employee relationship management is a process that is directed to effectively manage all interactions with employees, ultimately to achieve the goals of the organisation. Where as vendor management is used to describe the process of finding, qualifying and doing business with vendors.

Question 10. Differentiate between ATL and BTL.

Answer.

Above The Line (ATL)	Below The Line (BTL)
(i) It targets the Mass audience.	(i) It targets the identified small groups.
(ii) Promotion helps in establishing brand identity.	(ii) Promotion can lead to an actual sale.
(iii) It is difficult to measure.	(iii) It is easy to measure.
• Example: Print, online, television and cinema, advertising.	• Example: Sponsorship, sales promotions, public relations, personal selling, direct marketing etc.

C. SHORT ANSWER TYPE QUESTIONS-II

Question 1. Explain in detail SMART goals.

Answer. SMART is made from following words:

1. **Specific:** Great goals are well- defined and focused.
2. **The moment we focus on a goal,** our goal becomes a magnet, pulling us and our resources towards. "The more focused are our energies, the more power we generate."
3. **Measurable:** A goal without a measurable outcome is like a sports competition without a

scoreboard or scorekeeper. To know whether we are on track, we have to put concrete numbers in our goals.

4. **Attainable:** It means dream big and aim for the stars but keep one foot firmly based in reality. Entrepreneur must get a handle on realistic growth in the industry to set smart goals.
5. **Relevant:** Achievable business goals are based on the current conditions and realities of the business climate.
6. **Time-Based:** Business goals and objectives just don't get done when there's no time frame tied to the goal-setting process.

Question 2. Explain the disadvantages of skimming price method.

Answer. Disadvantages of skimming price method:

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

Question 3. What are the qualities of a good brand name?

Answer. A good brand name should have following qualities:

1. Short, simple and easy to pronounce.
2. Noticeable, easy to recognize and remember.
3. Pleasing, impressive when uttered.
4. Neither obscene, negative, offensive or vulgar.
5. Adaptable to packaging, labelling requirements, to different advertising media and languages.
6. Linked to product and eye catching.
7. Contemporary, capable of being registered and protected legally.

Question 4. What are the rules for advertising?

Answer. There are four rules for advertising:

1. **Aim:** It means the primary purpose of the advertisement and it aims to inform, sell, produce listings or improve the image of the business.
2. **Target:** Who is targeted, i.e. which group of customers are targeted. For example, is it male, female, adult, teenager, child, mother, father, etc.
3. **Media:** Based on aim and target which media is available and is most suitable i.e. TV, radio, press, etc.
4. **Competitors:** Here, various aspects of the competitors are to be studied like moves of the competitors, media channel used, etc.

Question 5. What is AIDA?

Answer. Developing effective advertising (AIDA): Good advertising elicits the following four responses:

Attention: It catches the eye or ear and stands out amid the clutter of competing advertisements.

Interest: It arouses interest and delivers sufficient impact in the message or offering.

Desire: It creates a desire to learn more or crave ownership.

Action: It spurs an action which leads to achievement of the ad's original objective

Question 6. What are the different roles played by a salesperson?

Answer. A salesperson plays three different roles:

1. **Be persuasive:** Salesmen have to persuade the customers to purchase the commodity. This effort is expected to be sincere. It may involve various aspects like clearing the queries of the customers, providing credit facilities, etc.
2. **A service provider:** All the services related to the product are to be facilitated by the sales person. These services are related to various aspects like maintenance, repair, operation, etc.
3. **Be informative:** Salesperson have to provide genuine information to the potential customers. Use of unfair information to the customers is not desired and not expected from the salesperson.

Question 7. What are Public Relations?

Answer. Public relations is the deliberate, planned and sustained effort to establish and maintain mutual understanding between an enterprise and their public. It is related to building good relations with the stakeholders of the business by having favourable publicity, building a goodwill and encouraging favourable informative system about the product and the enterprise.

Question 8. Who is a stakeholder?

Answer. Stakeholders are the different groups in a society which can affect the business decision: making and have an impact on its marketing performance. These groups include: Clients/customers, shareholders, media, financial institutions, community groups, etc.

Question 9. What are the main public relations tools?

Answer. The main public relations tools include:

1. News creation and distribution (media releases)
2. Special events such as news conferences, grand openings and product launches
3. Speeches and presentations
4. Educational programs
5. Annual reports, brochures, news-letters, magazines and audio-visual presentations
Community activities and sponsorships.

Question 10. Explain the benefits of CRM.

Answer. The benefits of CRM are:

1. **Storage:** By CRM all business data is stored and accessed from a single location.
2. **Central location:** Storing all the data of all departments like sales, marketing, customer service etc. in a central location provide immediate access to the recent data when it is required.
3. **Collaboration:** Departments can collaborate with each other with ease.
4. **Improvement:** It helps the enterprise to develop efficient automated process to improve business processes.
5. **360-degree view:** It provides a 360-degree view of all customer information, knowledge of what customers want and matching it with existing applications to consolidate all business information.

D. LONG ANSWER TYPE QUESTIONS

Question 1. What is penetration pricing method and enlist its advantages and

disadvantages?

Answer. Penetrating pricing is the method of pricing in which the entrepreneur introduces its product in the market with low price compared to competitors. The low price increases the sale of the product tremendously. Normally for keeping low price, the profit margin is normally kept very low. The product thus captures the major part of the market e.g.

Hero Honda, CD Dawn motorbike was introduced with the same pricing method. The CD Dawn penetrated into the market and captured major part of the market. Recently Bajaj CT- 100 also followed the tactics.

Wheel active detergent powder kept the price of Rs. 20 per half kilogram. This also captured the market quickly.

Advantages: Following are the advantages of penetrating pricing method:

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

Disadvantages: Following are the disadvantages of penetrating pricing method:

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

Question 2. What are the various types of brand names from the entrepreneur's perspective?

Answer. Various types of brands available are:

1. **Individual brand name:** Here, every product is promoted by the entrepreneur on the basis of a separate brand name, like:
Liril—brand name with the “freshness” concept.
Lux — brand name for “beauty soap for film stars”
2. **Family brand name (Umbrella branding):** Here, the entrepreneur's name or the company's name is used for all the products, like:
Kissan, is brand name for jam, sauces, etc.
AMUL, has been used to market a large variety of dairy products viz. milk, ghee, butter, chocolates, etc.
3. **Corporate names:** Here, entrepreneur can choose their corporate name or logo together with some brand names of individual products for example, Godrej, Tata, Bajaj, etc.
4. **Alpha-numeric names:** It is mainly for industrial products. An alpha-numeric name signifies its physical characteristics. For example, SX4, Liv52, ANX Grindlay, i10, i20, etc.

Question 3. What are the various factors which help in employee management?

Answer. Various factors which lead to effective employee relationship are as follows:

1. **Identifying objectives:** It is essential to define what is meant by employee relationship management and what areas of the relationship will be managed. Mainly relationship

- management centers around attracting and retaining employees.
2. **Determining employee needs:** Needs varies depending on employee characteristics— age, gender, etc. and also on the type of job being performed. Directly asking the employees through one-on-one conversations is the best way to find the needs. Such contact is take place during formal employee evaluation meetings, through surveys and polls.
 3. **Balancing work and life needs:** Effective employee relationship management requires consideration of the whole employee i.e. taking steps to ensure that the employee's work-life is well balanced. This can be done through creative staffing involving part-time, flex-time or even off-site work assignments.
 4. **Open and honest communication:** Managers and top level management must be committed to communicating regularly and honestly with employees about the various issues that affect their work. The more open the organizations are the more likely they are to establish strong relationships that lead to increased loyalty and productivity. It also helps in removing decreased turnover and dissatisfaction.
 5. **Measuring and monitoring results:** Managers and HR departments should be alert at all times for finding the signs of discontent, this can be done by monitoring the results of more formal assessments. Such results should also be shared with employees of the firm.
 6. **Relationships are interpersonal:** Steps must be taken to interact effectively with employees through various ways of communication channels, both interpersonal and formal. Measurement of the effectiveness of these efforts should be frequent and ongoing, with improvements and adjustments.

Question 4. How is vendor management done?

Answer.

1. **Meaning:** Vendor management is the process of finding, qualifying and doing business with vendors.
2. **Activities:** Common activities of vendor management include researching vendors, negotiating contracts, obtaining quotes, evaluating performance, creating and updating vendor files, and ensuring that payments are made properly.
3. **Outsourcing:** Vendor management begins with the decision of outsourcing.
4. **Finding vendors:** The company then have to find one or more vendors that can supply the good or service needed.
5. **Evaluation of vendors:** Next thing is to evaluate each vendor based on pricing, capabilities, turn-around time, quality of work, etc. This involves requesting pricing, checking references, and researching the company through online resources.
6. **Contract:** After vendors are selected, contract terms are followed. Certain vendors might be preferred. Others might be backup vendors in case of further requirement
7. **Vendor files:** It often involves a great deal of electronic or manual paperwork. As it include vendor contact information, certificates of insurance and taxpayer identification numbers. Many firms require vendor files to be updated annually in such case it is ensured to obtain the details every year.

E. VERY LONG ANSWER TYPE QUESTIONS

Question 1. Explain in detail any three pricing strategies.

Answer. Following are the various pricing strategies:

1. **Variable pricing technique:**
Variable pricing technique is the one in which different prices are charged from different categories of customers. There is price discrimination. Many factors are responsible for

the variation in the price. If a customer is purchasing more quantity of the product, he will be offered lower price. If the demand for the product increases in the market then higher price can be charged. This method has both the objectives viz. selling more quality and also charging higher price but at , different times, e.g. Indian railways charges different fares for AC 3 tier, AC 2 tier, second class and general compartment.

2. **Base pricing and discount:** Base pricing and discount method is the method in which the entrepreneur fixes one price for its commodity. This price is calculated in advance considering the point that discount will be offered during the sale. Here, the discount offered is of various types. Depending on the type of customers the various rates of discount are fixed. Discount is offered to all the customers but at different rates. The wholesaler discount may be different from, volume discount, discount for transaction and off-season discount.
3. **Skimming pricing method:**
Skimming price method is the method of pricing in which the product is introduced in the market with a very high price. High price is kept for recovering the cost of production quickly. Such entrepreneurs normally bring something new in the market with more utility value. Product is introduced with a lot of expenditure on advertisement. High price tends to bring back revenue quickly. High class people are the target of such method of pricing e.g. Philips introduces its new product with the same method, Rupalaya also follows the same trend.
4. **Cost plus pricing method:** In this method the cost of production of one unit of the product is calculated. This cost covers all the types of costs including explicit cost, variable cost, fixed cost, etc. to this is now added the preplanned profit margin.
This method of pricing is very simple method. It can easily be used for determining the price. Any changes in the cost of production or the margin of profit change the price in the same direction. It automatically gets adjusted to the change. Profit margin is not to be calculated. It is already fixed. Thus, by multiplying the profit per unit with the volume of the product, the total profit can be determined. Any upward rise in cost is easily visible. This provides an idea to the entrepreneur to adjust his production for keeping the cost as low as possible. Comparatively less calculations are involved, which makes the implementation of this method simple. This method can easily be implemented because of its simplicity to understand and easy calculations.

Question 2. Explain the important factors affecting the choice of channels of distribution by the manufacturer.

Answer. While selecting a distribution channel, the entrepreneur should take into account the following factors:

1. **Considerations related to product:** It includes the following:
 - (a) Unit value of the product: When the product is very costly distribution channel is preferred. For example, industrial machinery or gold ornaments. On the other hand, for less costly products long distribution channel is used.
 - (b) Standardised or customised product: Such products have pre-determined cost and there is no scope for alteration. For example: Utensils of MILTON, for these long distribution channel is used.
On the other hand, customised products are those which are made according to the discretion of the consumer and also there is a scope for alteration, for example; furniture. For such products face-to-face interaction between the manufacturer and the consumer is essential. So for these direct sales is a good option.
 - (c) Perishability: Highly perishable goods should have short channel. On the contrary, a long distribution channel can be selected for durable goods.

- (d) Technical nature: If a product is of technical nature, direct channel should be preferred. This will help the user to know the necessary technicalities of the product.
2. **Considerations related to market:**
- (a) Number of buyers: If the number of buyers is large then it is better to take indirect and long channel of distribution. On the contrary, the distribution should be done by the manufacturer directly if the number of buyers is less.
- (b) Types of buyers: If the more buyers belong to general category then there can be more middlemen. But in case of industrial buyers there should be fewer middlemen.
- (c) Buying habits: Manufacturer can take the services of middlemen if financial position does not permit to sell goods on credit to those consumers who are in the habit of purchasing goods on credit.
- (d) Buying quantity: If the goods are bought in smaller quantity then middlemen can be employed.
- (e) Size of market: If the market area of the product is scattered then the producer must take the help of middlemen, i.e., long channel.
3. **Considerations related to manufacturer/company:**
- (a) Goodwill: Good reputation need not depend on the middlemen as the firm can open his own branches easily.
- (b) Desire to control the channel of distribution: A manufacturer's ambition to control the channel of distribution affects its selection. Consumers should be approached directly by such type of manufacturer. For example, electronic goods sector with a motive to control the service levels provided to the customers at the point of sale are resorting to company owned retail counters.
- (c) Financial strength: A strong financial base of a company can have its own channels. On the other hand, financially weak companies would have to depend upon middlemen.
4. **Considerations related to government:** Only a license holder can sell medicines in the market according to the law of the government. In this situation, the manufacturer should take sell through middlemen who have the relevant license.
5. **Others:**
- (a) Cost: A manufacturer should select such a channel of distribution which is less costly and also useful from other angles.
- (b) Availability: Other channel of distribution can be selected if the desired channel is not available.
- (c) Possibilities of sales: Such a channel which has a possibility of large sale should be given weight age.

Question 3. Explain promotional mix in detail.

Answer. Promotion refers to all the activities undertaken to make the product or service known to the user and trade. It is a method to spread the word about the product or service to customers, stakeholders and the broader public. This can include advertising, word of mouth, press reports, incentives, commissions and awards to the trade. It can also include consumer schemes, direct marketing, contests and prizes. Various approaches a company can use to promote its products are:

1. **Above-the-line:** It use mass media methods and focuses on advertising to a large audience. It include print, online, television and cinema advertising, press, online banner advertisements, place advertisements on billboards, etc. Above-the-line promotion is very expensive so before taking it a lots of thought must be given. Also at times they are not under the control of organisation.
2. **Below-the-line:** These are very specific, memorable activities focused on targeted groups of consumers. They remain under the control of the organisation. It deals with developing the brand by creating awareness and building a brand profile. It include the

activities like sponsorship, sales promotions, public relations, personal selling, direct marketing, etc.

3. **Through-the-line:** It refers to an advertising strategy involving both above-and below-the-line communications in which one form of advertising points the target to another form of advertising thereby crossing the "line".

Question 4. Explain any six commonly used media options.

Answer. Commonly used media options are as follows:

1. **Window display or office front:** It is the external presentation of the firm/enterprise. An attractive, well maintained exterior with clear, bold sign writing is an essential start. Windows should be bright, attractively presented, clean and well lit at night. The display should be arranged neatly so that it has remarkable impact to attract attention.
2. **Press advertising:** It is a form of general advertising and includes advertising in all press like newspapers, magazines and journals. This form is a key to image building, information dissemination and sales campaigns. It is also a very cheap compared to other forms.
3. **Radio:** It is an ideal medium due as it has ability to reach specific target groups like teenagers, grocery buyers, etc. It has only sound effect. It covers spot adverts, promotions or talk back/ RJ discussions. Most radio stations offer packages for advertising.
4. **Television:** It is a powerful advertising medium as it creates impact through sight, sound and movement. It has high producing cost which makes it prohibitive for small businesses.
5. **Direct mail:** This is a broad category covering direct communication with the consumer through email, post or fax. It can include newsletters, catalogues and letters.
6. **Outdoor:** This advertising is done outdoors, including static advertising such as billboards, backs of street benches and bus shelters or mobile advertising displayed on buses, trains, taxis or towed signage.
7. **Cinema:** Firm can purchase cinema advertising for a set amount of screenings or runs. Most providers of this category offer packages which include production and screening of your advertisement.

Question 5. Enlist some typical sales promotion activities.

Answer. Following is the list of some typical sales promotion activities:

1. **Consumer promotions:**
 - (a) Point of purchase display material
 - (b) In-store demonstrations, samplings and celebrity appearances
 - (c) Competitions, coupons, sweepstakes and games
 - (d) On-pack offers, multi-packs and bonuses
 - (e) Loyalty reward programmes
2. **Business promotions:**
 - (a) Seminars and workshops
 - (b) Conference presentations –
 - (c) Trade show displays
 - (d) Telemarketing and direct mail campaigns
 - (e) Newsletters
 - (f) Event sponsorship
 - (g) Capability documents
3. **Trade promotions:**
 - (a) Reward incentives linked to purchases or sales

- (b) Reseller staff incentives
 - (c) Competitions
 - (d) Corporate entertainment
 - (e) Bonus stock
4. **Sales force promotions:**
- (a) Commissions
 - (b) Sales competitions with prizes or awards
 - (c) Back to top



Question 6. Explain the methods of negotiation.

Answer. Methods of negotiation are as follows: Integrative or win-win: Here each side is working towards a solution where everyone wins something. They can make trade offs and look at multiple issues. The involved parties may try to expand the pie rather than divide it. This method fosters trust and good working relationships.

Distributive or win-lose: Here one party gets what it wants, and the other party has to give something up. This type of negotiation does not lead to lasting or positive relationships. Here one party remains unsatisfied and so it does not lead to a healthy relationship. Inductive: This method involves starting on small details and working upward until a settlement is reached. Here the solution is sought from the grass root level by understanding each and every minute detail. For example, an employer and labour union are negotiating the details of an employee pension and investment plan. Small details are addressed one at a time. **Deductive:** Deductive negotiations start with an agreed upon strategy. They rely on established principles and a formula to frame the negotiation while the parties work out the details. Here each parties is the gainer and jointly the result is met. It is based on the mutual agreement.

Mixed: Mixed negotiations are the most common, they are a blend of inductive and deductive methods.

Question 7. Explain the reasons for business failures. Or Satnam, an IIT-IIM graduate, started three chemists shops at Amritsar, Patiala and Chandigarh in the name of 'Quality Medicines'. Encouraged with the success of these shops Satnam opened 50 more shops in different parts of Punjab. His strategy was to cut price, focus on lower and upper middle class and open shops near hospitals. He operated on very thin margins. But he was not able to maintain sufficient funds to meet the day-to-day expenses of the business. The staff at the shops did not give much attention to the customers and there was very poor system of control. Because of this mismanagement he started incurring huge losses and his business failed. Based on the above paragraph, identify and explain any four causes of business failure of Satnam. [MI India 2015]

Answer. Following are the reasons of business failures:

1. **Lack of industry experience:** The internal resources of a firm has to match the needs of the environment to which the firm belongs. Lack of experience in the field will lead to poor organization of a firm and resources. This may lead to loss and business failure.
2. **Inadequate financing:** Financing is the lifeblood of a business at every stage. Many businesses fail due to lack of proper financing channels. The lack of planning for funding to support opportunities for growth is the root cause of failure. Planning in advance, rather than looking for financing just when needed, is a good practice. It includes lack of

sufficient awareness of the costs involved in raising capital, lack of alternative sources in case of rejection from financiers, etc.

3. **Lack of adequate cash flow:** Cash flow is the measure of a firm's ability to maintain sufficient funding to meet its expenses for the day-to-day activities of the business. Many businesses fail because owners have a difficult time projecting what cash will come in every month, and thus, how much can be produced. Cash flow projections and its knowledge will help owners to understand how much they can afford to spend.
4. **Poor business planning:** Ninety per cent of business failures are caused by a lack of general business management skills and planning. Owner, manager must have sufficient knowledge of such skills. This will lead to proper understanding of the practical situation which can then be resolved using basic management skills.
5. **Management incompetence:** Ninety per cent of business failures are associated with "management inadequacy", which can be due to either management inexperience or incompetence. A good strategic plan is only good as the management's ability to implement changes in day- to-day operations.
6. **Ignoring the competition:** Customers always looking for the better deal. If competition offers better products, services, or prices, the customers will succeed at the expense of the business. So keeping an eye on competitors and positioning the products accordingly is vital to staying in business.
7. **Unworkable goals:** Setting goals is one thing and setting workable goals is another. Enterprises are influenced by uncertainty. Setting realistic goals, within the bounds of acceptable risk taking and optimism, is important.
8. Diminished customer base
9. Uncontrolled growth
10. Inappropriate location
11. Poor system of control
12. Lack of entrepreneurial skills.

F. HIGHER ORDER THINKING SKILL

Question 1. Varshini started her high end boutique in a posh locality, but she was not aware of how to make her boutique popular in the area. Suggest some measures for it.

Answer. Varshini is suggested the following:

1. To create a brand name for the product.
2. To have a simple logo and tag line for the boutique.
3. Go for the advertising through pamphlets and door to door publicity.
4. Arrange for seminars related to ladies.
5. Sponsor the programmes of ladies like kitty party, etc.
6. Cover the marriages and other social programmes and display the brand name and the products.
7. Arrange for promotional schemes like buy two and get one free.

G.APPLICATION BASED QUESTIONS

Question 1. Arvind has started his Italian food based restaurant. Does he have to register his trademark? And give the reasons for the same.

Answer. Trademark refers to words, names, symbols and product design features that are used to distinguish the products or services of one manufacturer or seller from another.

Arvind must go for registering as:

1. it helps in preventing others from copying.
2. there is legal action available if anybody is found copying the product or any related aspect.

Question 2. Imagine that you have started selling FMCG goods then what kind of promotional strategies will you be using?

Answer. I can go for following promotional strategies:

Contests: It is commonly used promotional strategy. Many contests don't even require a purchase. This will be done as people like to win prizes.

Mail Order Marketing: Customers who come into our business are not to be overlooked, such customers have already decided to purchase the product. These are customers who are already familiar with the product and represent the target audience.

Product Giveaways: Product giveaways and allowing potential customers to sample produce. This method will be used to introduce new food and household products.

Point-of-Sale Promotion: Point-of- sale is a way to promote new products or products a store needs to move. These items are placed near the checkout in the store and are often purchased by consumers on impulse as they wait to be checked out.

Branded Promotional Gifts: Giving away functional branded gifts can be a more effective promotional move than handing out simple business cards. These are gifts we can give to customers that they may use, which keeps our business in plain sight rather than in the trash.

After-Sale Customer Surveys: Contacting customers by telephone or through the mail after a sale is a promotional strategy that puts the importance of customer satisfaction first while leaving the door open for a promotional opportunity.

MORE QUESTIONS SOLVED

I. VERY SHORT ANSWER TYPE QUESTIONS

Question 1. What is the goal of business?

Answer. The goal of business is to make profit; which may be in terms of money, improved customer relations, goodwill, etc.

Question 2. Why is goal setting important?

Answer. Goal setting is important as:

1. It is an important exercise for ensuring the desired performance.
2. It ensures clarity of vision, alignment to the goals of the organisation, clarity of purpose and higher probability of achieving the goals.
3. It enables to be proactive.

Question 3. Goal setting isn't enough. Why?

Answer. Goal setting isn't enough because:

1. It is just the first step to achievement.
2. Goals need action.

Question 4. To be successful, you need to do what?

Answer. To be successful, you need to make things happen, not just let things happen.

Question 5. What does marketing mix refer to?

Answer. The marketing mix refers to the ingredients or the tools on the variables which the marketing mixes in order to interact with a particular market.

Question 6. What are components of marketing mix in typical sense and also in the recent?

Answer. The 4Ps that make up a typical marketing mix are — Price, Product, Promotion and Place. But these days, the marketing mix includes several other Ps like Packaging, Positioning, People and Politics as vital mix elements.

Question 7. What are the factors related to Distribution Mix?

Answer. Distribution Mix is related to physical distribution and channels of distribution.

Question 8. What is another name of Distribution Mix?

Answer. Distribution Mix is also known as Price Mix.

Question 9. What is direct selling mode?

Answer. When the producer sells its goods or service directly to final consumers, it is known as direct selling mode.

Question 10. Mention two factors on which the channel of distribution depends.

Answer. Channel of distribution depends on nature of market, choice and preferences of consumers, types of competition, types of market, etc.

Question 11. What type of distribution would you adopt for consumable and perishable goods?

Answer. Direct selling mode will be preferred for consumable and perishable goods.

Question 12. Give two examples of enterprises having a monopolistic market.

Answer. Vegetables, vegetable oil.

Question 13. What are smart goals?

Answer. S.M.A.R.T. is an acronym for the 5 steps of specific, measurable, achievable, relevant, and time-based goals. It's a simple tool used by businesses to go beyond the realm of fuzzy goal-setting into an actionable plan for results.

Question 14. Define marketing mix.

Answer. "Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company's marketing system: the product, the price structure, the promotional activities, and the distribution system."—W. J. Stanton Or
"A marketing mix is the mixture of controllable marketing variables that the firm uses to pursue the sought level of sales in the target market."—Philip Kotler

Question 15. Define Branding.

Answer. 'Branding' is a process, a tool, a strategy, an orientation whereby a name, a sign, or a symbol etc. is given to a product by the entrepreneur so as to differentiate his/her product from the rival products.

Question 16. What do you mean by trademark?

Answer. A brand or part of it that is given legal protection against its use by other firms is called a trade mark. It is a legal term, protecting the seller's exclusive right to use the brand name/mark.

Question 17. What must be done to safeguard a brand against imitation?

Answer. The entrepreneur should legally protect brand name or mark of the product through trade mark. Trade mark guard the product against ditto imitations.

Question 18. What can be done by an entrepreneur to impart a distinct identity to his own brand?

Answer. To impart a distinct identity, entrepreneur makes use of:

1. Logo

2. Tagline

Question 19. Define logo.

Answer. 'Logo' is an identifying symbol design, mark, sign for a product or business which stands associated with the entrepreneur's offering. 'Logo' is an important feature or part of branding.

Question 20. Give examples of the brand that are short, sweet and catchy and have earned a reputation for good quality.

Answer. Lux, Vim, Rin, VIP, Amul, Titan, Konica, Liv52, Quick fix, Band-aid, Sun flame, Surf, Dalda and many more have earned a reputation for good quality.

Question 21. What does the industrial design protect?

Answer. Industrial design protects the visual design of objects that are not purely utilitarian.

Question 22. What is a trademark?

Answer. Trademark is a recognizable sign, design or expression which distinguished products or services of a particular trades from the similar products or services of other traders.

Question 23. What is a trade secret?

Answer. Trade secret is any confidential business information which gives an enterprise a competitive edge over its competitors. For example, Coca-Cola formula.

Question 24. What are the different elements of the Market Mix?

Answer. Market mix includes product mix, price mix, promotion mix and distribution mix.

Question 25. What areas are covered by Product Mix?

Answer. Product mix covers various aspects like, quality, quantity, design, features, warranties, guarantees, brand, repairing services, etc.

Question 26. Name four elements that play a vital role in the realization of the Marketing Mix.

Answer. Product Mix, Price Mix, Promotion Mix and Distribution Mix are the four elements.

Question 27. Name some intangible things related with firms.

Answer. Transportation, maintenance, security, health services, entertainment etc. are the intangible things.

Question 28. Name some capital goods.

Answer. Capital goods include tools, machines, equipment, etc.

Question 29. Name some durable products.

Answer. Fans, coolers, air conditioners, fridges, furniture etc. are durable products.

Question 30. Name some speciality products.

Answer. Music systems, sports equipments, music instruments etc. are some speciality products.

Question 31. Give some examples of raw materials needed for industrial products.

Answer. Screws, nuts, bolts, nails, iron sheets, pipes, steel rollings, various metals, etc.

Question 32. Name some convenience products.

Answer. Convenience products include toothpicks, newspapers, toothbrush, cases of small

products, bags, etc.

Question 33. List some shopping products.

Answer. Shopping products include trousers, shirts, pants, frocks, furniture; small electronic items,

Question 34. Name some non-durable products.

Answer. Non-durable products include vegetables, milk, tobacco, cigarettes, shampoo, fruits, soaps, milk products, etc.

Question 35. Mention the various classes of Product Mix.

Answer. Product mix includes services, consumer product and industrial products.

Question 36. Name some products, which require after-sales services.

Answer. Scooters, cars, motorcycles, televisions, music systems, sewing machine, etc. require after sales service.

Question 37. What do you understand by the term Market Mix?

Answer. Market Mix is the aggregate of activities like product, distribution, etc., which are undertaken for attaining the predetermined goals in the marketing.

Question 38. Mention two factors affecting pricing of the commodity.

Answer. Cost of production, goals of firm, prevalent competition etc. affect the price of the commodity.

Question 39. An entrepreneur charges different prices from different categories of the customers. What type of pricing is it?

Answer. It is variable pricing.

Question 40. An entrepreneur introduces a new product with very low price. What type of pricing is it?

Answer. It is penetrating pricing.

Question 41. An entrepreneur launches a new product in the market with high price. Identify the type of pricing.

Answer. It is skimming price method.

Question 42. In which method of pricing bargaining plays an important role?

Answer. Variable Price Method.

Question 43. What is meant by 'Employment'? [CBSE Delhi 2015]

Answer. An activity in which an individual works regularly for others and gets remuneration in return.

II. SHORT ANSWER TYPE QUESTIONS

Question 1. Distinguish between the direct selling mode and the indirect selling mode.

Answer. Direct selling mode and the indirect selling mode can be distinguished under following headings:

1. **Length of channel:** Direct selling mode has shortest length of channel whereas indirect selling mode has longer length of channel.
2. **Competition:** In case of intense competition in the market, the direct selling mode is

preferred, whereas in case of less intense competition, indirect selling mode is preferred.

3. **Nature of product:** Product having shorter shelf-life like milk, vegetables etc. are sold through direct selling mode, whereas products with more shelf-life is sold with indirect selling mode. expect fast service, inexpensive prices, and a specific type of food around the corner. This gives a competitive advantage over less recognizable restaurants.

Question 2. What is meant by monopolistic market?

Answer. Monopolistic market is a form of market where there are large number of buyers and sellers selling differentiated products. There is presence of non-price competition. The sellers on the promotion of the product do large expenditure e.g., vegetable oil, tape recorders, etc.

Question 3. What is the significance of after sales service in a Product Mix?

Answer. Significance of after sale service in a Product Mix is as follows:

1. **Goodwill:** A better after sale service enhances the goodwill of the company.
2. **Faith:** Faith of the customers is increased with an effective after sale service.

Question 4. Give the usefulness of brand.

Answer. Brand is used to:

1. Identify the products of one firm, and
2. Differentiate them from those of the competitors.

Question 5. What are the qualities of a good brand?

Answer. A good brand name should possess:

1. **Distinctiveness:** It should have the capability to stand out amongst various competing names.
2. **Short:** A brand should be short, sweet and catchy.

Question 6. Describe a Logo of a famous brand.

Answer. McDonald's golden arch (M) is a famous logo. By seeing this logo consumers expect fast service, inexpensive prices, and a specific type of food around the corner. This gives a competitive advantage over less recognizable restaurants.

Question 7. What do you mean by tag line?

Answer. Taglines are simple but powerful messages that help to communicate an enterprise's goals, mission, distinct qualities and so much more. These have a small amount of text which serves to clarify a thought it is designed with a dramatic effect.

These can be in the form of questions, statements and exclamations.

Question 8. What is the importance of patents?

Answer. Patents grants inventor the right to exclude others from making, using, selling, offering to sell, and importing an invention for a limited period of time, in exchange for the public disclosure of the invention.

Question 9. What are the factors you would keep in mind for the distribution to a seasonal goods market?

Answer. Following factors would be kept in mind:

1. Proper planning for the distribution is made in advance.
2. Financially strong channel members like dealers are appointed.

Question 10. Give some examples of generic name and their brand names.

Answer.

Generic Names	Brand Names
Detergents	Nirma, Surf, Ariel, Rin, etc.
Pen	Parker, Rotomac, Cello, Reynolds, etc.
Car	BMW, Honda, Maruti, etc.
Refrigerator	LG, Whirlpool, Godrej, etc.
Television	Sony, LG, Videocon, Samsung, etc.
Milk products	Amul, Paras, Mother Dairy, etc.
Cosmetics	Ponds, Lakme, Revlon, etc.

So, the minute a brand name is used, identification of the product becomes easy.

Question 11. What is brand? Explain the components of brand.

Answer. 'Brand' is a comprehensive term used to denote a name, term, sign, symbol, design or combination of them. Brand has three components:

1. **Brand name:** It is "that part of a brand which can be spoken like Asian Paints, Pepsi, Amul, Uncle Chips, etc.
2. **Brand mark:** It is that part of a brand which can be recognized but is non-utter able. It appears in the form of a symbol, design or distinct colour scheme. For example: 'Girl' of Amul, 'Ronald' of McDonald, etc.
3. **Trade mark:** A brand or part of it that is given legal protection against its use by other firms is called a trade mark.

Question 12. How do we know that we're setting the right business goals?

Or

What are the rules for goal setting?

Answer. The rules of goal setting are:

1. **Relevant:** To be relevant, a business goal has to be profitable in some fashion. Every business goal has to be measurable in rupees, and must possess a clear advantage to the specific business.
2. **Actionable:** When we're setting business goals, we have to be sure that we have developed them from general statements. Goals without action plans are just pretty words.
3. **Achievable stretches:** The purpose of business goals is to move the businesses forward. If expectations are set too high, we set up for failure and disappointment. If the expectations are set too low then we won't get enough satisfaction or recognition from the accomplishment.
A goal has to stretch us to be worth doing.

Question 13. Enlist the various brands of Hindustan Unilever and also the impression that is made on the consumers.

Answer. Lifebuoy – It stands for 'Good health' Lifebuoy liquid, Lifebuoy Personal, Lifebuoy Plus and Lifebuoy Gold to cover various price sub-segments in the health segment.
Liril – brand name with the "freshness" concept.
Lux – brand name for "beauty soap for film stars".

Question 14. What do you mean by logo?

Answer.

1. 'Logo' is an identifying symbol design, mark, sign for a product or business which stands associated with the entrepreneur's offering.
2. It is an important feature of branding.
3. It can be a graphic mark or emblem commonly used by enterprises or individuals to aid and promotes instant public recognition.

Question 15. Describe the tag line of Promise tooth paste.

Answer. Balsara Hygiene products, launched their 'Promise' toothpaste in 1978 and took an aggressive stand against its competitors. It then secured the second highest market share. It was due to the tagline "The unique toothpaste with time-tested clove-oil." Clove oil is a traditional herbal remedy for the prevention of dental ailments and toothaches. This captured the minds of the consumers.

Question 16. Describe the various terms related to tagline in the world.

Answer.

1. 'Tagline', 'tag line' and 'tag' are American terms. In U.K., they are called 'end lines', 'end lines', or 'strap lines'.
2. Germans call them as 'Claims',
3. French refer them as 'Signatures'
4. Belgians call them 'baselines'.

Question 17. What does the following signify?

Amul's message — "A gift for someone you love." Rasna — "I love you, Rasna."

"I'm lovin it" — McDonald Weekender — "Wear your attitude." Raymond's Suiting — "The complete man."

"Yamaha Bike—"The rugged personality."

Answer. These represent taglines. Taglines are simple but powerful messages that help to communicate an enterprise's goals, mission, distinct qualities and so much more. These are small amount of text which serves to clarify a thought. These are in the form of Questions, Statements, Exclamations, etc.

Question 18. What is importance of Intellectual Property for an entrepreneur?

Answer. Intellectual Property (IP) rights are the legally recognized exclusive rights to creations of the mind. By this, owners are granted some exclusive rights to a variety of intangible assets. For example, copyrights, trademark, patents, industrial design rights, trade secrets, etc.

Question 19. Give examples of patentable inventions.

Answer. Patentable inventions include Art, Process, Method or Manner of manufacture;

1. Machine, Apparatus or other Articles
2. Substances produced by Manufacturing
3. Computer Software which has Technical application to Industry or is used with Hardware Product Patent for Food/Chemical/Medicines or Drugs.

Question 20. What is the importance of Copyright?

Answer. Copyright gives the creator of the original work exclusive rights to it, usually for a limited period of time.

It is applicable to creative, intellectual or artistic forms or work. For example, musical composition, literary work such as poems, plays, etc.

Question 21. All the four elements of the market mix are interdependent. How will you support this statement?

Answer. Yes, all the four elements of the market mix are interdependent. For example, if the quantity of sale is to be increased then the distribution pattern needs to be effective and capable of covering larger area. Simultaneously more advertisement expenditure is required. This will require the introduction of new promotional schemes for the product.

Question 22. Give some methods of classifying the product.

Answer. Products can be classified as:

1. **Consumer products:** It includes fans, vegetables, toothpaste, fruits, soaps, shampoos etc. these include final goods.
2. **Capital goods:** It includes all those goods needed by the producers for producing goods e.g. tools, equipment, nut-bolts, machines, etc.
3. **Services:** These are invisible and intangible goods provided by various entrepreneurs to the customers. For example, banking, transportation, tourism, movies, etc.

Question 23. Why do customers prefer enterprises with assured after sales service?

Answer. Customers prefer enterprises with assured after sales service because of following reasons:

1. **Durability:** The durability of the product increases when an effective after sale service is available. This point is stronger in the mind of the consumer.
2. **Convenient:** The use of the product becomes more convenient when it runs with less problems or hurdles.
3. **Maintenance:** The maintenance of the product becomes easy as this responsibility is passed on to the seller when after sale service is prompt.

Question 24. What is the cost plus pricing method?

Answer. In this method the cost of production of one unit of the product is calculated. This cost covers all the types of costs including explicit cost, variable cost, fixed cost, etc. to this is now added the preplanned profit margin.

Price = cost of production + profit

Here, costs of production as well as profit both are determined separately in advance. This is the most common method used by the entrepreneurs.

Question 25. How does packaging support the entrepreneur in enhancing the market?

Answer. Packaging supports the entrepreneur in the following ways:

1. It provides better utility to the customers which enhance the sale of the product.
2. It provides more aesthetic value to the customers.
3. It provides basic information about the product to the customers.
4. Good packaging enables the suppliers to maintain decent stock.

Question 26. What is quantity discounting?

Answer. It is a type of discounting in which discount is offered by entrepreneur or seller on bulk sales. It can be referred as a reduction in price of the product or service that a seller offers to anyone who purchases more than a minimum quantity e.g. a company offers 1.0% discount on purchase of 150,000, 15% on purchase upto ? 1 Lakh and 20% discount for the purchase of goods worth above 1 1,50,000.

Question 27. Market rate method is useful for new entrepreneurs. Why?

Answer. Market rate method is useful for new entrepreneurs because of following reasons:

1. **Low risk:** Keeping the price of the product equivalent to the market rate minimizes the risk of loss to a new entrepreneur.
2. **More chances of success:** The prices fixed are competitive. This provides more chances of selling the new product in the market.

Question 28. Why is pricing crucial in an entrepreneurial activity?

Answer. In an entrepreneurial activity pricing is crucial because of following reasons:

1. **Profit:** When the predetermined price is fixed an entrepreneur can obtain predetermined profit.
2. **Source of revenue:** Selling of the product is the only source of revenue for the producer. A regular sale makes the revenue regular.
3. **Determines demand:** Demand is dependent on the price of the product. Carefully fixed price by an entrepreneur does not lose its customers; on the contrary there is continuous increase in its customers.

Question 29. How does the Penetrating Price Method of pricing facilitate in expanding the market?

Answer. Penetrating Price Method of pricing is one in which the price of the product is decided lower than the original price of the product with minimal of profit. This method facilitates in expanding the market because the main aim of enterprise to penetrate into the market covering large area by attracting as many customers as possible at the very outlet. The sale is expected to have a high turnover, bring high returns on investment and the necessary profit. Example: Nirma washing powder.

Question 30. The total cost of a heater is Rs. 800. If the manufacturer wishes to have a margin of 20% on the sale price, what should be its selling price?

Answer. Let, Sale Price = Rs x

The margin of profit is $x - 800$ (as the total cost is Rs 800)

Profit margin required 20% of x i.e. $0.2x$. $0.2x = x - 800$ $0.8x = 800$ $x = 800/0.8$ $x = \text{Rs } 1000$.

Thus, the selling price should be Rs 1000.

Question 31. How does the nature of products affect the Distribution Mix?

Answer. Nature of product plays an important role in Distribution Mix. This can be explained using following:

1. **Shelf-life:** Normally shorter is the shelf-life quicker is the distribution. As more and more time is consumed while distributing, more is the loss in quality and quantity of the product. Thus perishable goods are distributed quickly through direct mode whereas non-perishable items are distributed through indirect mode.
2. **Capital goods:** Goods manufactured by producers for producers are normally sold directly. Here direct mode of selling is preferred for avoiding delay in supply, for taking the maximum share of the profit and for providing efficient after sales service.
3. **Size of product:** Larger is the size of product; shorter is the channel of distribution. This is preferred for quick delivery, safe transportation and easy approach to the customers.

Question 32. Why is direct selling preferred for a monopolistic market?

Answer. Direct selling is preferred in monopolistic competition due to following reasons:

1. **More number of competitors:** As the number of competitors are more therefore, direct

- selling mode is convenient method for reaching the consumers easily and quickly.
2. **Views:** Customers' views can be obtained easily. The feedback of customers can be used to make further changes in the product.
 3. **Convenience:** It is convenient from the customers point of view. Delay in supply is avoided by using direct method.

Question 33. What is business failure?

Answer. Business failure refers to a firm or business enterprise ceases its operations due to inability to make a profit or to bring in sufficient revenue to cover its expenses. The hidden and open reason for business failure is failure of the firm to generate adequate cash flow to meet its expenses.

Question 34. What is trade secret? Give examples.

Answer. Trade secret refers to any confidential business information which provides an enterprise a competitive edge may be referred as trade secret.

Example—:

1. Formula of Coca Cola.
2. Formula of Pepsi Cola.
3. Proportion of ingredients of veg. and non-veg masalas.

Question 35. What do you understand by Place Mix?

Answer. Place mix basically means distribution . of the product. It deals with the trade channel or channel of distribution i.e. movement of product from producer/ production unit to final consumers of the product. The channel of distribution comprises of wholesalers, selling agents, retailers, dealers, who are intermediaries between producers and consumers. Time, place and possession utilities are created due to the linkage between point of production and point of consumption.

Question 36. Which are the types of flows of channel of distribution?

Answer. Channel of distribution as a part of place mix comprises of following types of flows—:

1. **Downward Flow:** Here, the goods flow from producers of the commodity to the final consumers of the commodity.
2. **Upward Flow:** This refers to the flow of cash from consumers of the commodity to the producers of the commodity.
3. **Both Directions:** Information flows from consumers to producers and producers to consumers. The information that flow is related to new products, various uses of the product, choices of the consumers, desired changes in the product, etc.

Question 37. What do you mean by promotion?

Answer. Promotion refers to all the activities undertaken by the producers to make the commodity known to the final users and trade.

It includes advertising, word of mouth, press reports, incentives, commissions, awards, etc. Consumer schemes, direct marketing, contests, prizes, etc. also included in promotion.

Question 38. "Goals need action." Explain.

Answer. Goals can only be achieved through series of actions. The series of actions or goal setting strategy if are absent then achieving the goals is a blind chance. For a successful business, entrepreneur has to make things happen and not just let things happen. Setting business goals provide direction and motivation to the entrepreneur. Right goals keep

the business on right track and so business moves in the right direction.
Thus, goals need action for achieving the desirable.

Question 39. What is a product?

Answer. Product reference to the item actually being sold by the firm or entrepreneur.

Question 40. What are the various aspects related to product/service?

Answer. Following are the various aspects or features related to product/service—:

1. What does customer want from the product/service?
2. Product/service satisfy's what needs of the customer?
3. What features does it have to meet these needs?
4. How and where will the customer use it?
5. What does the product look like?
6. What physical features like, size colour, shape, etc. should the product have?
7. What is to be called?
8. How is the product branded?
9. How is the product different from the competitors?

Question 41. State any two points of importance of 'Goal Setting'. [CBSE Delhi 2015]

Answer.

1. It is an important exercise for ensuring the appropriate performance.
2. It ensures clarity of vision and alignment to the organisational goals.

Question 42. With its help the consumers are able to identify the products of a firm and are also able to differentiate them from those of the competitors. Identify the concept and state its components.[CBSE Delhi 2015]

Answer.

1. Brand.
2. It has the following components: brand name; brand mark; trade mark.

Question 43. State any two rules for goal setting. [All India 2015]

Answer. Rules for goal setting are as follows:

1. Business goals need to be relevant,
2. Business goals need to be actionable.

Question 44. In U.K., they are called 'end lines', 'endlines', or 'straplines'. Germans call them as 'claims', French refer them as 'signatures', while Belgians call them 'base lines'. Identify the concept and name its forms. [All India 2015]

Answer.

1. The concept is Taglines.
2. It's various forms are: questions, statements and exclamations.

Question 45. State any two factors which lead to effective employee relationship.[CBSE Sample Paper 2016]

Answer. Factors which lead to effective employee relationship:

1. **Determining employee needs:**

It is not enough to assume that a company or even its HR professionals know what is important to employees. Needs vary greatly depending on employee characteristics-age, gender, etc. as well as the type of job being performed. It is a good idea to find out directly from employees what their needs are.

2. **Balancing work and life needs:** That means taking steps to ensure that the employee's work-life needs are well balanced. This can occur through creative staffing that might involve part-time, flex-time or even off-site work assignments.

III. LONG ANSWER TYPE QUESTIONS

Question 1. While selecting a brand name, what care must be taken by an entrepreneur?

Answer. While selecting a brand name an entrepreneur should choose a name which is :

1. Short, simple and easy to pronounce.
2. Noticeable, easy to recognize and remember.
3. Pleasing, impressive when uttered.
4. Neither obscene, negative, offensive or vulgar.
5. Adaptable to packaging, labelling requirements, to different advertising media and languages.
6. Linked to product and eye catching.
7. Contemporary, capable of being registered and protected legally.

Question 2. Explain the various types of brands available.

Answer. Various types of brands available are:

1. **Individual brand name:** Here every product is promoted by the entrepreneur on the basis of a separate brand name, like—
Liril—brand name with the “freshness” concept. Lux—brand name for “beauty soap for film stars”
2. **Family brand name (Umbrella branding):** Here the entrepreneur's name or the company's name is used for all the products, like—KISSAN, is brand name for jams, sauces, etc. AMUL, has been used to market a large variety of dairy products viz. milk, ghee, butter, ice-creams, etc.
3. **Corporate names:** Here, entrepreneur can choose their corporate name or logo together with some brand names of individual products for example, Godrej, Tata, Bajaj, etc.
4. **Alpha-numeric names:** It is mainly for industrial products. An alpha-numeric name signifies its physical characteristics. For example, SX4, Liv52, ANX Grindlay, i10, i20, etc.

Question 3. How will you show that market mix is dependent on the type of the product?

Answer. Market Mix is a set of activities. Contribution of each is essential. It can be explained using following example:

A toilet soap manufacturer can offer improved quality product at a lower price. He can keep such a low price that it can be penetrating pricing. In the competitive market he would be able to increase its sale by selecting adequate channel of distribution to reach maximum consumers. Promotion on TV and newspapers for timely information will be beneficial in raising his sales. He will have to keep shorter distribution channel for ensuring easy and quick reach of the product to the customers.

Question 4. Why do different entrepreneurs adopt different types of market mix for their products?

Answer. Different entrepreneurs adopt different types of market mix for their product because of following:

1. **Target group:** Market mix is different for different income groups. Higher price is kept for the products meant for rich people. Also the demands of the customers vary from place to place which ultimately depend on their paying capacity.
2. **Promotional method:** Various types of promotional methods have varying effect in the same locality. Therefore, the selection of the method is guided by the locality.
3. **Distribution:** Mode of distribution is different for different areas. If it is city area, then road and air transport is preferable. If supply chain is longer, then it could be a mixture of air, water and land transport. Easily reachable mode is preferred and selected.

Question 5. What factors affect the policy of packaging?

Answer. Following factors affect the policy of packaging:

1. Quantity of the product.
2. Quality of the product.
3. Safety of the product.
4. Choice of the customers.
5. Environmental factors.
6. Specific requirement of the product.
7. Cost of packaging material.

Question 6. What is trade marking? Why is it necessary?

Answer. The process of providing mark of trade by the enterprise to its product is trade marking. By this process a sign, symbol, word, asset of words, picture etc. is provided to the product. The trademark becomes identification mark of the product.

Trade marking is necessary because of following:

1. **Essentiality:** Some of the products need a trademark for their sale. They may be a product of a business house or may be a new enterprise.
2. **Identity:** Trademark provides identity to the product. Product gets recognition due to trademark.
3. **Reach:** Easy and simple trademarks always reach to maximum possible customers. The product thus becomes famous.

Question 7. What is variable pricing technique?

Answer. Variable pricing technique is the one in which different prices are charged from different categories of customers. There is price discrimination. Many factors are responsible for the variation in the price. If a customer is purchasing more quantity of the product, he will be offered lower price. If the demand for the product increases in the market then higher price can be charged. This method has both the objectives viz. selling more quantity and also charging higher price but at different times, e.g. Indian railways charges different fares for AC 3 tier, AC 2 tier, second class and general compartment.

Question 8. What major considerations affect the variable price method?

Answer. Following are the major considerations which affect the variable price method:

1. Paying capacity of the customers.
2. Volume of the product purchased by the customer.
3. Bargaining power of the customers.
4. Choice and preference of the customers.
5. Expectation about changes in demand of the product in the future.
6. Acquaintance of the firms with the customers.

Question 9. What is meant by base pricing and discount?

Answer. Base pricing and discount method is the method in which the entrepreneur fixes one price for its commodity. This price is calculated in advance considering the point that discount will be offered during the sale. Here, the discount offered is of various types. Depending on the type of customers the various rates of discount are fixed. Discount is offered to all the customers but at different rates.

The wholesaler discount may be different from, volume discount, discount for transaction and off-season discount. Base price and discount = predetermined price discount.

Question 10. What is trade discounting? Why is it done?

Answer. Trade discounting is the method of discounting in which the supplier offers a decent profit margin to retailer on the sale. Entrepreneur can also provide this to wholesaler. This can be done by deducting the percentage of discount from the wholesalers' or retailers' price. Mostly this type of discount is offered on volume purchase or for sales promotion. Such discount is mostly offered to the members of same trade and not to the final consumers. Advantages of trade discounting:

1. Increase in trade satisfaction as the members of trade receive satisfactory discount.
2. It reduces the chances of loss as the costs are covered.
3. Profit margin of wholesaler and retailer is maintained.

Question 11. What is penetrating pricing?

Answer. Penetrating pricing is the method of pricing in which the entrepreneur introduces its product in the market with low price compared to competitors. The low price increases the sale of the product tremendously. Normally for keeping low price, the profit margin is normally kept very low. The product thus captures the major part of the market e.g. Hero Honda, CD Dawn motorbike was introduced with the same pricing method. The CD Dawn penetrated into the market and captured major part of the market. Recently Bajaj CT-100 also followed the tactics. Wheel active detergent powder kept the price of Rs. 20 per half kilogram. This also captured the market quickly.

Question 12. When does an entrepreneur employ dealers for sales?

Answer. An entrepreneur can employ dealer for sales when:

1. The product is having longer shelf- life.
2. The size of market is very large.
3. Market is spread to larger distances.
4. The expenditure on the product is very small e.g., spoons, shampoos, etc.
5. The producer is willing to take less risk.
6. The large-scale production is undertaken by the producers.
7. The entrepreneur launches a new product.
8. Quick transportation arrangements are planned.

Question 13. Why is packaging an important ingredient in the Product Mix?

Answer. Packaging is an important ingredient in the Product Mix because of following:

1. **Convenience:** Packaging adds to the convenience to the product. It becomes convenient for handling; transporting and storing e.g. medicines are packed in small packets.
2. **Branding:** A specific packaging becomes a part of a brand. A product gets identification due to packaging e.g. Nirma washing powder has a picture of dancing girl, Tata salt have Tata salt written on its pack.
3. **Conveys information:** Various details about the product like quantity, expiry date, date of

manufacture, procedure of using, etc. are conveyed to the customers for providing better value to the product.

4. **Eye-catchy:** A beautiful pack and attractive design of the pack is always eye-catchy. It attracts the customers e.g. perfumes are normally packed in beautifully moulded bottles.
(v) **Protection:** Suitable packaging provides protection to the product. It improves its shelf-life and maintains its quality for some stipulated time.

Question 14. How does market mix play an important role in enhancing the sale?

Answer. Marketing mix plays an important role in enhancing the sales of the enterprise. Its following components help in raising the sale:

1. **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, full capacity production will create good rapport of the product. Consequently sales will be enhanced.
2. **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.
3. **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.
4. **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.

Question 15. Will you, as an entrepreneur, use the base pricing method for consumable items? Justify your answer.

Answer. Yes, an entrepreneur, could use the base pricing method for consumable item. This is because of following reasons:

1. **Raising the sales:** When the discount is assured on the consumable item, customers will be attracted towards the item. This will increase the sales.
2. **Easy promotion:** Due to varying discount, the promotion of the product becomes easy, as discount rates can be made public easily and effectively.
3. **Customers will not be lost:** If one rate of discount is not acceptable then the other and more effective discount can be offered.
4. **Scope for bargain:** Bargain on price or discount is possible in this method. This bargain can be initiated by entrepreneur and also by the customers leading to productive transaction for the entrepreneur.

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

Answer. Following are the advantages of penetrating pricing method:

1. **Quick rise in sales:** Penetrating pricing results in the increase in sales with a very high speed.
2. **High turnover:** The turnover of the enterprise is raised in very short duration. This strengthens the position of enterprise in the market.
3. **Return on investments:** This method brings decent return on investments. The minimum profit margin is also assured with the sale of each unit.

4. **Best method for price elastic goods:** When a small range in price brings more change in demand, such products have penetrating pricing as the best method.

Question 17. Mention the disadvantages of penetrating pricing method.

Answer. Following are the disadvantages of penetrating pricing method:

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

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

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

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

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

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

Answer.

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

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

Answer. Standardised products are those for which the cost is predetermined and there is no scope for alteration, it requires long distribution channel. Customized products are those which are made according to the discretion of the customer and there is a scope for alteration. Direct Channel of distribution is best suited for customized product/goods.

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

It procures fresh flower directly from the farmers. The organization makes sure that the farmers adopt organic means to nourish the soil and do not use chemical fertilizers as it

degrades the soil fertility. Packaging material is procured from specially abled craftsman of I CAN.

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

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

Answer.

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

IV. VERY LONG ANSWER TYPE QUESTIONS

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

Answer. Advantages:

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

Disadvantages:

1. **Suitable only for single product:**
A firm involved in production of only one type of product finds it convenient. In case the

- firm decides about variation, then this method cannot be successfully used.
2. **Could neglect the competitive price:** In case the sum of cost price and profit is more than the competitive price, then the sale of the product will be low.
 3. **Consumers' preference:** It is not considered while fixing the price by this method. This method does not provide much scope for selling the product discriminately to different group of customers.

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

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

Advantages of skimming price method:

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

Disadvantages of skimming price method:

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

Question 3. What do you mean by remote market? How would you arrange a distribution system for the same?

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

1. **Appointment of dealer:** Dealers will be firstly appointed by the producer through advertising and interview.
2. **Deposit from dealers:** For minimizing the risk a suitable amount can be taken as deposit from the dealers.
3. **Target for dealers:** Producers can enter into contract with dealers for a targeted sale. This may be for monthly target, half yearly target or yearly target.
4. **Incentives for achieving target:** Dealers achieving the target before the stipulated time can be rewarded by providing, incentives, gifts, free trips, etc.
5. **Distribution centres:** Regional distribution centres can be established at various places

by the entrepreneurs. At these centres, sufficient stock of products can be maintained. Dealers can obtain the product from the nearest centre.

6. **Monthly feedback:** Entrepreneurs can obtain monthly feedback from dealers in order to monitor the sale procedure. After knowing their difficulties, the entrepreneur can sort out problems of the dealers.

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

Answer. Causes of business failure of Raghav:

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

Question 5. 'Sultan Trucks Ltd.' are the manufacturers of commercial trucks for the last 20 years. The company had been doing good business but recently due to irregular supply of parts by its suppliers, the company could not make timely delivery of trucks to the parties who had booked their trucks. The customers cancelled their bookings and there were very few new bookings. The sales of the company started declining that resulted into losses. The management of the company analyzed the problem and decided to take over those two firms because of whom the problem arose, one of them was supplying tyres for its trucks and another axles to the company. The company also extended credit facilities to the customers and started booking the trucks without charging any booking amount. It also decided to employ 100 unemployed youth, with 50% reservation for females to take up the cleaning operations, using the imported machines, inside the factories as well as the surrounding areas. [All India 2015]

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

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

The concept for growth strategy is acquisition. Acquisition are often made as part of a company's growth strategy whereby it is more beneficial to take over an existing firm's

operations and niche compared to expanding on its own. Acquisitions are often paid in cash, the acquiring company's stock or a combination of both.

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

V. VALUE BASED QUESTIONS

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

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

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

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

Answer. Single window purchase leads to many problems like:

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

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

Ans. Following values can be assigned for the decision of the firm:

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

This decision of the entrepreneur shows that the entrepreneur believes in returning back to the society as he is obtaining the resources and other things from the society.

VI. EVALUATION AND MULTI-DISCIPLINARY QUESTIONS

Question 1.(i) Liril – brand name with the “freshness” concept.

(ii) MAGGI, is brand name for noodles, sauces, masalas, etc.

Identify the type of brand name in each of the above case and give their features.

Answer. (i) Individual brand name: Here, every product is promoted by the entrepreneur on the basis of a separate brand name like:

Liril—brand name with the “freshness” concept.

Lux – brand name for “beauty soap for film stars”

(ii) Family brand name (Umbrella branding): Here, the entrepreneur's name or the company's name is used for all the products. Like:

MAGGI, is brand name for noodles, sauces, masalas, etc.

AMUL, has been used to market a large variety of dairy products viz. milk, ghee, butter, chocolates, etc.

Question 2. Amul's message – “A gift for someone you love.”

Rasna – “I love you, Rasna.”

Tm lovin it” – McDonald Weekender – “Wear your attitude.” Raymond’s Suiting – “The complete man.”

Yamaha Bike—“The rugged personality.” Savdhan India – “India fights back.”

1. Identify the concept involved in the above examples.
2. What is behind the concept?
3. Describe the importance of the concept.

Answer.

1. The concept involved is Tagline.
2. These have a small amount of text which serves to clarify a thought it is designed with a dramatic effect. These can be in the form of Questions, Statements and Exclamations.
3. Taglines are simple but powerful messages that help to communicate an enterprise’s goals, mission, distinct qualities and so much more.

Question 3. Street vendors sell various types of small goods. Often, there is a standard price posted for each item on sale. If the vendor really wants to sell an item, and determines that a prospective buyer is not willing to pay the posted price, he or she may engage the individual in a negotiation of the sale price. Sometimes referred to as dickering, the buyer and seller make offers back and forth until they can settle on a price that both believe is fair.

1. Explain the type of pricing method involved.
2. Describe the features of the pricing method involved.

Answer.

1. Variable Pricing Method.
2. Following are the main features of the Variable Pricing Method:
 - (a) Paying capacity of the customers can be considered while selling.
 - (b) Volume of the product purchased by the customer affect the pricing. Low price can be charged if volume of sale is more.
 - (c) Bargaining power of the customers affects this type of pricing.
 - (d) Acquaintance of the firms with the customers has an impact on the sale.

Question 4. A company has incurred expenses of Rs 1000 and they want to earn profit margin of 10 % than the company will sell the product at Rs 1100.

1. Identify the type of Pricing method involved.
2. Write advantages and disadvantages of this method.

Answer.

1. Cost Plus Pricing Method.
2. Advantages of Cost Plus Pricing Method:
 - (a) Easy: This method of pricing is very simple method. It can easily be used for determining the price.
 - (b) Flexible: Any changes in the cost of production or the margin of profit change the price in the same direction. It automatically gets adjusted to the change.
 - (c) Visible profit margin: Profit margin is not to be calculated. It is already fixed. Thus, by multiplying the profit per unit with the volume of the product, the total profit can be

determined.

(d) Increases efficiency: Any upward rise in cost is easily visible. This provides an idea to the entrepreneur to adjust his production for keeping the cost as low as possible.

(e) Less calculation: Comparatively less calculations are involved, which makes the implementation of this method simple.

(f) Easy implementations: This method can easily be implemented because of its simplicity to understand and easy calculations.

Disadvantages of Cost Plus Pricing Method:

(a) Suitable only for single product: A firm involved in production of only one type of product finds it convenient. In case the firm decides about variation, then this method cannot be successfully used.

(b) Could neglect the competitive price: In case the sum of cost price and profit is more than the competitive price, then the sale of the product will be low.

(c) Consumers' preference: It is not considered while fixing the price by this method. This method does not provide much scope for selling the product discriminately to different group of customers.

Question 5. Subhiksha was founded in 1997 by R. Subramanian, an IIT-IIM graduate. It operated over 1600 outlets selling groceries, fruits, vegetables, medicines and mobile phones and positioned itself as value retail chain. It adopted strategy to cut price, focus on lower and upper middle class, and opened shops near catchment area of customers. It started with one store in Chennai and within a short span the count reached to 1600 outlets (2008). Still Subhiksha was a failure.

Describe the possible reasons behind the failure of Subhiksha.

Answer. Following are the reasons behind the failure of Subhiksha:

1. Rapid store expansion in various formats like groceries, medicines, mobiles, electronics, consumer durables and IT without sufficient fund in hand.
2. Operated on very slim or zero margins resulting in higher cash outflow whereas inflows were almost nil.
3. Not much attention to customer service resulted in bad quality service at store level.
4. Downstream supply chain was not integrated resulting in lower fill rates and customer dissatisfaction.
5. Expanded business through debt.
6. The company did not have enough funds to manage its operations.
7. Poor inventory management resulted in defective inventory, breakages, lower fill days and pile up inventory.

Question 6. Google Wave started out with a bang. An Internet giant like Google doesn't need to market its product, because a lot of influential internet users are willing to do that for them and that too free of cost. The reason behind this is that Google has made a reputation of a company which makes products and services that revolutionise the way we use the internet. Google wanted to enter the booming social media market and wanted to compete with social media giants like Facebook and Twitter.

The concept behind Google Wave was to start a social form of G-mail, where a group of people can communicate with each other in a single thread and can post videos, images and files in real time. It was the amalgamation of chat, file sharing and social networking.

Months before being launched, articles from sites like Techcrunch and Mashable gave us a sneak peek to the new application and showed us what the application had in store for us. It was such an interesting concept that Twitter was flooded with tweets minutes after the news was out. Google Wave was launched with a lot of speculation. It started out as an invite only application and the first users who got an invitation were the ones using Sandbox. In the first

few weeks, everybody was dying to get their hands on the new product by Google. Many weeks have gone by and Google Wave has opened their gates to everyone. But as the mystery of the Google Wave has unfolded, it has turned out that Google Wave has failed expectations. Mention the reasons why Google Wave failed?

Answer. Following are the main reasons behind failure of Google wave:

1. Too much conversation
2. Prone to excessive
3. Real time chatting
4. Applications affect load time.

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