

**Marketing Aptitude Previous Paper of SBI Probationary Officers Exam**

**(Held on 18<sup>th</sup> April 2010)**

1. One of the following is not included in the 7Ps of marketing. Find the same
  - a. Product
  - b. Price
  - c. Production**
  - d. Promotion
  - e. None of these
2. Home Loans can be best canvassed among
  - a. Builders
  - b. Flat Owners
  - c. Land developers
  - d. Agriculturists
  - e. Individuals wanting to buy a flat or house**
3. CRM (Customer Relationship Management) is
  - a. A pre-sales activity
  - b. A tool for lead generation
  - c. AN on going daily activity
  - d. The task of a DSA
  - e. All of the above**
4. One of the following is not involved in the Growth Strategies of a Company
  - a. Horizontal Integration
  - b. Vertical Integration
  - c. Diversification
  - d. Intensification
  - e. None of the above**

5. SME Means
- a. Selling and Marketing Establishment
  - b. Selling and Managing Employee
  - c. Sales and Marketing Entity
  - d. Small and Medium Enterprises**
  - e. None of the above
6. A successful 'Blue Ocean Strategy' required
- a. Effective communication
  - b. Innovative skills
  - c. Motivation
  - d. All of the above**
  - e. None of the above
7. Bancassurance can be sold to
- a. All banks
  - b. All insurance companies
  - c. Insurance agents
  - d. All existing and prospective bank customers**
  - e. All of the above
8. Data mining means analyzing the data stored with
- a. The DSA
  - b. The front-office staff
  - c. The back-office staff
  - d. The customers
  - e. None of these**
9. Find the correct statement
- a. Marketing is redundant in monopolistic companies
  - b. Performance of sales person depends on the amount of incentives paid
  - c. Marketing is influenced by peer performance**
  - d. An increase in market share indicates fall in business volume
  - e. A mission statement is part of the Company's prospectus

10. Storing same data in many places is called

- a. Iteration
- b. Concurrency
- c. **Redundancy**
- d. Enumeration
- e. None of these

11. Which of the following is the first step in the "Transaction Processing Cycle", which captures business data through various modes such as optical scanning or at an electronic commerce website?

- a. Document and report generation
- b. Database maintenance
- c. Transaction processing
- d. **Data entry**
- e. None of the above

12. Cross-selling is the basic function of

- a. All employers
- b. All employees
- c. **All sales persons**
- d. Planning department
- e. All of those

13. Cross-selling is not effective for which one of the following products?

- a. Debit cards
- b. Savings accounts
- c. Internet banking
- d. **Pension loans**
- e. Personal loans

14. The target group for SME loan is

- a. All businessmen
- b. All professionals
- c. **All SSIs**
- d. All of these
- e. None of these

**Marketing Aptitude Previous Paper of SBI Associates PO Exam**

**(Held on 7<sup>th</sup> March 2010)**

1. Market research is useful for
  - a. **Deciding proper marketing strategies**
  - b. Deciding the selling price
  - c. Choosing the right products
  - d. Choosing the sales persons
  - e. All of these
2. A call means
  - a. Shout out to somebody
  - b. Profession or business
  - c. Visiting friends
  - d. **Visiting prospective customers**
  - e. After-sales service
3. Conversion means
  - a. Meeting a prospective client
  - b. Interacting with a prospective client
  - c. Converting an employer into an employee
  - d. Converting a seller into a buyer
  - e. **Converting a prospective client into a buyer**
4. Customization means
  - a. Acquiring more customers
  - b. Regulating customers
  - c. **Special products to suit each customer**
  - d. More products per customer
  - e. All of these
5. Modern styles of marketing include
  - a. Digital marketing
  - b. Tele-marketing
  - c. E-commerce
  - d. E-mails solicitation
  - e. **All of these**

6. E-marketing is the same as
  - a. Virtual marketing
  - b. Digital marketing
  - c. Real-time marketing
  - d. All of these**
  - e. None of these
7. Value-added services means
  - a. Costlier products
  - b. Larger number of products
  - c. Additional services**
  - d. At par service
  - e. None of these
8. Aggressive marketing is necessitated due to
  - a. Globalization
  - b. Increased competition
  - c. Increased production**
  - d. Increased job opportunities
  - e. All of these
9. Efficient marketing style requires
  - a. Proper planning
  - b. Good communication skills
  - c. Team work
  - d. Knowledge of products
  - e. All of these**
10. The performance of a salesperson depends on
  - a. Salary paid
  - b. Sales incentives paid
  - c. Size of the sales team
  - d. Ability and willingness of the salesperson**
  - e. Team leader's aggressiveness
11. The sole aim of marketing is to
  - a. Increase sales**
  - b. Increase the number of employees
  - c. Increase profits
  - d. Increase production
  - e. All of these

12. Lead generation means
- Tips for selling tactics
  - Tips for better production
  - Generating leaders
  - d. Likely sources for prospective clients**
  - All of these
13. Marketing plan helps in
- a. Better lead generation**
  - Better systems
  - Better results
  - Improved balance sheet
  - Better customer service
14. Find the true statement
- Marketing is a waste of the employees time
  - Marketing is not required in India due to its vast population
  - Marketing involves additional work
  - d. Marketing involves team work**
  - Marketing is not required today due to IT advancement
15. Sources of sales leads are \_\_\_\_\_
- Data mining
  - Market research
  - Media outlets
  - Promotional programs
  - e. All of these**
16. Promotion in marketing means \_\_\_\_\_
- Elevation from one grade to another
  - Passing an examination
  - Selling the products through various means
  - d. Selling the products in specific areas**
  - None of these
17. The main aim of successful marketing is \_\_\_\_\_
- To increase the sale
  - To increase the profit
  - To increase the output of sellers
  - d. All of these**
  - None of these

18. Market Research is needed for
- a. Checking the market area
  - b. Checking the right product to be sold
  - c. **Making proper marketing decisions**
  - d. Deciding right time to sell
  - e. All of these
19. If marketing is done effectively which of the following is not required ?
- a. Advertisement
  - b. **Publicity**
  - c. Market research
  - d. Market segmentation
  - e. None of these
20. Sales forecasting involves
- a. Sales planning
  - b. Sales pricing
  - c. Distribution channels
  - d. Consumer tastes
  - e. **All of these**

### **Some Important Marketing Abbreviations**

- **ATM** – Automated Teller Machine.
- **BEP** – Break Even Point.
- **BPO** – Business Process Outsourcing.

- **CRM** – Customer Relationship Management.
- **CNP** – Cardholder Not Present.
- **EOQ** – Economic Order quality.
- **FDR** – Fixed Deposit Receipts.
- **GDP** – Gross Domestic Product.
- **HNI** – High Networth Individual.
- **IDRA** – Industries Development and Regulation Act.
- **IPO** – Initial Public Offering.
- **M & A** – Mergers & Acquisitions.
- **MR** – Marginal Revenue.
- **NPA** – Non Performing Assets.
- **PAN** – Permanent Account Number.
- **PIN** – Personal Identification Number.
- **SEO** – Search Engine Optimization.
- **SEBI** – Securities Exchange Board of India.
- **ROA** – Return on Assets.
- **VAT** – Value Added Tax.



# Marketing Aptitude Study Material for SBI PO Exam

## Introduction

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The objective of all business enterprises is to satisfy the needs and wants of the society. Marketing is, therefore, a basic function of all business firms. When a salesperson sells washing machines, a doctor treats a patient or a Government asks people to take their children for getting polio drops, each is marketing something to the targets. Traditionally, small firm owners did not give as much importance to marketing as to other functions such as accountancy, production and selling. Training programmes, enterprise development and the current thrust for competitiveness have now given high priority to promoting marketing awareness among small business owners, and marketing is now assuming its rightful place along with other business functions. Since early 1990s there has been a change in the thinking of businessman from product orientation to consumer orientation. Modern business concerns lay emphasis on 'selling satisfaction' and not merely on selling products. The activities have to be coordinated so as to develop the marketing mix, which provides maximum satisfaction to the customers. That is why marketing research and product planning occupy an important role in marketing. The other important functions of marketing include: buying and assembling, selling, standardization, packing, storing, transportation, promotion, pricing and risk bearing. Thus, the scope of marketing is very wide and no more restricted to merely selling of products.

## What is Marketing ?

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Marketing may be narrowly defined as a process by which goods and services are exchanged and the values determined in terms of money prices. That means marketing includes all those activities carried on to transfer the goods from the manufacturers or producers to the consumers. We shall be learning later in the lesson that marketing is more than a mere physical process of distributing goods and services. It is the process of discovering and translating consumer wants into products and services. It begins with the customer (by finding their needs) and ends with the customer (by satisfying their needs).

The scope of marketing can be understood in terms of functions that an entrepreneur has to perform. These include the following:

1. **Functions of exchange** : which include buying and assembling and selling?
2. **Functions of physical supply** : include transportation, storage and warehousing
3. **Functions of facilitation** : Product Planning and Development, Marketing Research, Standardisation, Grading, Packaging, Branding, Sales Promotion, Financing

## **The Marketing Concept**

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The marketing concept holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors<sup>1</sup>. Under marketing concept, the emphasis is on selling satisfaction and not merely on the selling a product. The objective of marketing is not the maximization of profitable sales volume, but profits through the satisfaction of customers. The consumer is the pivot point and all marketing activities operate around this central point. It is, therefore, essential that the entrepreneurs identify the customers, establish a rapport with them, identify their needs and deliver the goods and services that would meet their requirements.

### **The components of marketing concept are as under:**

- **Satisfaction of Customers:** In the modern era, the customer is the focus of the organization. The organization should aim at producing those goods and services, which will lead to satisfaction of customers.
- **Integrated marketing:** The functions of production, finance and marketing should be integrated to satisfy the needs and expectations of customers.
- **Profitable sales volume:** Marketing is successful only when it is capable of maximizing profitable sales and achieves long-run customer satisfaction.

### **Marketing in Simple words**

Marketing is nothing but to Tell about your product and to Sell it. The technical definition is "Marketing is the process of planning and executing the concepts, pricing, promotion and distribution of ideas/goods/services to satisfy individual's/organizational"

### **Types of Marketing**

There are several types of marketing are there, some of them are

- **Bench Marketing**
  - The Bench Marketing is nothing but the comparison of the business processes with competitors and improving prevailing ones.

NOTE: The Information provided here is only for reference. It may vary th

- **Drip Marketing**
  - Drip Marketing is nothing but sending promotional items to Clients.
- **Viral Marketing**
  - Viral Marketing is nothing but, Marketing by the word of the mouth, having a high pass-rate from person to. The best example for this is Creating a 'buzz' in the industry.
- **Guerilla Marketing**
  - Guerilla Marketing is an Unconventional marketing intended to get maximum results from minimal resources. (just remember Maximum results from Minimum resources)
- **Social Media Marketing**
  - Marketing using online communities, social networks, blog marketing etc is called the social media marketing.
- **Direct Marketing**
  - If the company directly reaches to the customers on a personal basis (ex : phone calls, private mailings, etc) rather than traditional channel of advertising (like TV, Newspapers, etc) then that type of marketing is called the Direct Marketing.
    - **Types :** There are number of types in direct marketing, Some of them are.....
      - **Direct Mail Marketing :** Advertising material sent directly to home and business addresses (This is the most common form of direct marketing)
      - **Telemarketing :** It is the second most common form of direct marketing, in which marketers contact consumers by phone.
      - **Email Marketing :** This type of marketing targets customers through their email accounts (you might have observed them in your e mails too)
- **Indirect Marketing**
  - Distributing a particular product through a channel that includes one or more resellers is called Indirect Marketing (simply we can say that telling about our product indirectly)
- **Difference between Direct and Indirect Marketings :**

- In Direct marketing you advertise your own products or services. But in Indirect marketing you advertise somebody else's Product.
  - Ex : Example of direct marketing is Shivani Sharma... As she markets her blog on her own. Example of Indirect marketing is Katrina Kaif, as she markets LUX but she doesn't own that company ;)

- **Internet Marketing :**

- Marketing of products or services over the Internet is called Internet Marketing. It is also known as i-marketing, web-marketing, online-marketing, Search Engine Marketing (SEM) and e-Marketing.

- **Digital Marketing :**

- The marketing which uses digital advertising is called digital marketing. Television, Radio, Internet, mobile etc.

### **Marketing Mix (4 Ps) :**

The Marketing Mix model (also known as the 4 P's) is a tool used by marketers while defining the marketing strategy. If you could identify the right combination of these elements, your marketing would succeed. E. Jerome McCarthy introduced the 4 P's of Marketing as a way to describe the mix of factors required to successfully market a product.

#### *The 4 P's are :*

- **Product**
- **Price**
- **Promotion**
- **Place (distribution)**

### **5 P's of Marketing :**

- **4 P's**
  - Product
  - Price
  - Promotion
  - Place (distribution) **and**
- **People**
- **Packaging**
- **Process**

### *7 P's of marketing*

- **Product**

- *Price*
- *Place*
- *Promotion*
- *People*
- *Process*
- *Physical evidence*

**Important Note :** Here the first 4 P's are considered as the basis of any marketing process. The last 3 P's are a recently added.

## **SWOT Analysis**

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SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats) is a tool for auditing an organization and its environment. The SWOT Analysis is the first stage of planning and helps marketers to focus on key issues. Strengths and weaknesses are internal factors. Opportunities and threats are external factors.

## **Customer Relationship Management (CRM)**

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In order to sell my product, I should maintain good Customer Relations. I mean I should interact with customers and know their needs and according to that I have to design my product. This is called Customer Relationship Management (CRM in short). The CRM concerns the relationship between the organization and its customers (to learn more about customers' needs and behaviors in order to develop stronger relationships with them).

### **Three Levels of a Product**

- **Core Product**
- **Actual Product**
- **Augmented Product**

## **Market Research**

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Researching (or gathering information) about Customers or Market. I mean, to discover what customers want, need, or believe (and ofcourse, how the Act). Once you came to know all the details then you can easilea get an idea on how to market your product.

The Information about Market. I mean the information like the prices of the different commodities in the market, and getting the Demand and Supply information.

## Market Segmentation

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Market Segmentation is nothing but dividing the market into Parts. Into different homogeneous groups of consumers. The purpose of this is to allow your marketing program to focus on the subset of prospects that are "most likely" to purchase your offering. If done properly this will help to insure the highest return for your marketing expenditures.

## Branding

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Displaying the importance of the product and other things in the form of Logo is called Branding (this logo may consists some symbols, colours and letters)

## Marketing versus Selling

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The basic difference between marketing and selling lies in the attitude towards business. The selling concept takes an inside-out perspective. It starts with the factory, focuses on the company's existing products, and calls for heavy selling and promoting to produce profitable sales. The marketing concept takes an outside-in perspective<sup>2</sup>. It starts with a well-defined market, focuses on customer needs, coordinates all the activities that will affect customers, and produces profits through creating customer satisfaction.

Starting point	Focus	Means	Ends
<i>Selling Concept</i>			
Factory →	Products →	Selling and Promoting →	Profits through sales volume
<i>Marketing Concept</i>			
Market →	Customer Needs →	Coordinated marketing →	Profits through customer satisfaction



<ul style="list-style-type: none"><li>▪ Focuses on Customer's needs.</li><li>▪ Customer enjoys supreme importance.</li><li>▪ Converting customer's needs into product.</li><li>▪ Profits through customer satisfaction.</li><li>▪ Emphasis is given on product planning and development to match products with the market.</li><li>▪ Integrated approach to marketing is practiced.</li><li>▪ The principle of caveat vendor (let the seller beware) is followed.</li></ul>	<ul style="list-style-type: none"><li>▪ Focuses on seller's needs.</li><li>▪ Product enjoys supreme importance.</li><li>▪ Converting product into cash.</li><li>▪ Profits through sales volume.</li><li>▪ Emphasis is placed on sale of products already produced.</li><li>▪ Fragmented approach to selling is practiced.</li><li>▪ The principle of caveat emptor (let the buyer beware) is followed.</li></ul>
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## Importance of Marketing in Small Business

Since marketing is consumer oriented, it has a positive impact on the business firms. It enables the entrepreneurs to improve the quality of their goods and services. Marketing helps in improving the standard of living of the people by offering a wide variety of goods and services with freedom of choice, and by treating the customer as the most important person.

Marketing **generates employment** both in production and in distribution areas. Since a business firm generates revenue and earns profits by carrying out marketing functions, it will engage in exploiting more and more economic resources of the country to earn more profits.

A large scale business can have its own formal marketing network, media campaigns, and sales force, but a small unit may have to depend totally on personal efforts and resources, making it informal and flexible. Marketing makes or breaks a small enterprise. An enterprise grows, stagnates, or perishes with the success or failure, as the case may be, of marketing. "Nirma" is an appropriate example of the success of small scale enterprise.

## Marketing of Services

The services sector is more than twice the size of the manufacturing sector. The growing competitive market for services means that a marketing orientation has become essential for the survival for service industries too.

India's high capabilities in Information Technology are well known. In addition, there is the most popular segment of its services sector, the entertainment industry,

particularly films and TV happens to be one of the fastest growing in the world. Indian films are popular across West Asia, Afghanistan, Central Asia, Russia, South Africa and South East Asia. They are now penetrating the western world.

**Marketing information can be collected from the following sources :**

Primary Sources	Secondary Sources
<p>1. <i>Customers:</i> Consumers being the final users of products or services can be an invaluable source of primary data. A representative sample of consumers may be selected and information obtained from them regarding the quality, design, package, price, etc. of the firm's products.</p> <p>2. <i>Dealers:</i> The dealers can provide information about the marketing policies of the competitors.</p> <p>3. <i>Salesman:</i> Salesmen remain in personal contact with the customers. They can, therefore, supply data to the marketing manager relating to the buying habits and preferences of customers.</p>	<p>1. <i>Press:</i> Newspapers like the Economic Times and Magazines like Business Today and trade directories regularly publish data about various industries.</p> <p>2. <i>Government Publications:</i> Bulletins, periodicals, journals and magazines of different ministries and departments of the Central and State Government.</p> <p>3. <i>Publications of financial institutions:</i> Publications of Reserve Bank of India, public financial institutions and commercial banks.</p> <p>4. <i>Foreign governments and international agencies:</i> Publications of agencies like the United Nations, the World Bank, the ILO, UNCTAD and the IMF.</p> <p>5. <i>Publications of trade associations:</i> Trade associations and Chambers of Commerce collect and publish useful data for the benefit of their members.</p> <p>6. <i>Private concerns and research institutions:</i> Business data published by research institutes like National Council of Applied Economic Research, Indian Institute of Foreign Trade, etc.</p>

## Marketing Research

Marketing research is the means by which the information necessary to run a business is obtained. It helps an entrepreneur to take decisions concerning the type of product, the price policy, the channel of distribution, and sales promotion can be made rightly with the help of marketing information at the right time. It is the gathering, recording, and analysis of all facts about problems relating to the transfer and sale of goods and services from producer to consumer. For example, a hotel should find out what all services are needed to satisfy its customers and the



soft toy manufacturer making teddy bears needs to find out if children really want purple teddy bears and so on. Every company, irrespective of size, must research its market, customers and competition; initially to set it on the right course and then continually to monitor its performance. Small-scale firms are often unable to afford continuous marketing research. However, they can use personal contacts and other informal methods for collecting required information about markets.

## **Market Segmentation**

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A market consists of large number of individual customers who differ in terms of their needs, preferences and buying capacity. Therefore, it becomes necessary to divide the total market into different segments or homogeneous customer groups. Such division is called market segmentation. They may have uniformity in employment patterns, educational qualifications, economic status, preferences, etc.

Market segmentation enables the entrepreneur to match his marketing efforts to the requirements of the target market. Instead of wasting his efforts in trying to sell to all types of customers, a small scale unit can focus its efforts on the segment most appropriate to its market.

A market can be segmented on the basis of the following variables :

**Geographic Segmentation :** The characteristics of customers often differ across nations, states, regions cities or neighborhoods. The entrepreneur can decide to operate in one or a few or all the geographic areas, but pay attention to differences in geographic needs and preferences.

**Demographic Segmentation :** Variables such as age, sex, family size, income, occupation, education, religion, race and nationality are widely used for market segmentation.

**Psychological variables :** Personality, life style, social class, etc. can also be used for market segmentation. For example, some products like pens, watches, cosmetics and briefcases are designed differently for common men and status seekers.

**Behavioural Segmentation :** Buyers are divided into groups on the basis of their knowledge, attitude, use or response to a product.

## Marketing Mix

In order to cater to the requirements of identified market segment, an entrepreneur has to develop an appropriate marketing mix. Marketing mix is a systematic and balanced 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 place or distribution system". These are popularly known as "Four P's" of marketing.

An appropriate combination of these four variables will help to influence demand. The problem facing small firms is that they sometimes do not feel themselves capable of controlling each of the four variables in order to influence the demand.

Marketing Mix			
Product	Price	Place	Promotion
Features	List Price	Location	Advertising
Design	Discounts	Transport	Personal Selling
Variety	Allowances	Channels	Sales Promotion
Quality	Payment Period	Coverage	Publicity
Brand Name	Credit Terms	Delivery	
Packaging		Availability	
Sizes		Inventory	
Services			
Warranties			

A brief description of the four elements of marketing mix is as follows :

1. **Product** : The first element of marketing mix is product. A Product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. Products include physical objects, services, events, persons, places, ideas or mixes of these. This element involves decisions concerning product line, quality, design, brand name, label, after sales services, warranties, product range, etc. An appropriate combination of features and benefits by the small firm will provide the product with USP (unique selling proposition). This will enhance the customer loyalty in favour of its products.

Products and services are broadly classified into consumer products and industrial products. Consumer products are bought for final consumption;

where as Industrial products are bought by individuals and organisations for further processing or for use in conducting business.

Other ways of classifying products are as follows :

- a. **Convenience products** : These are consumer products that the customer buys very frequently, without much deliberation. They are low priced of low value and are widely available at many outlets. They may be further subdivided as :
  - **Staple Products** : Items like milk, bread, butter etc. which the family consumes regularly. Once in the beginning the decision is programmed and it is usually carried on without change.
  - **Impulse Products** : Purchase of these is unplanned and impulsive. Usually when the consumer is buying other products, he buys these spontaneously for e.g. Magazines, toffees and chocolates. Usually these products are located where they can be easily noticed.<sup>3</sup>
  - **Emergency products** : Purchase of these products is done in an emergency as a result of urgent and compelling needs. Often a consumer pays more for these. For example while traveling if someone has forgotten his toothbrush or shaving kit; he will buy it at the available price.
- b. **Shopping products** : These are less frequently purchased and the customer carefully checks suitability, quality, price and style. He spends much more time and effort in gathering information and making comparisons. E.g. furniture, clothing and used cars.
- c. **Specialty products** : These are consumer goods with unique characteristics / brand identification for which a significant group of buyers is willing to make a special purchase effort. For example, Mitsubishi Lancer, Ray ban glasses.
- d. **Unsought product** : These are products that potential buyers do not know exist or do not yet want .For example Life Insurance, a Lawyers services in contesting a Will.

The above product decisions are very important to ensure the sale of products. A product has both tangible and intangible components. While buying a product, the customer does not merely look for the physical product, but a bundle of satisfaction. Thus the impact that any product has upon a buyer goes well beyond its obvious characteristics. There is a psychological dimension to all customer purchases; what a customer thinks about a product is influenced by far more than the product itself. For example, the buyer of an air conditioner is not purchasing cooling machine only. He looks for attractive colour and design, durability, low noise, quick cooling, etc. These influencing factors

2. **Price** : The second element is the price, which affects the volume of sales. It is one of the most difficult tasks of the marketing manager to fix the right price. The variables that significantly influence the price of a product are: demand of the product, cost, competition and government regulation. The product mix includes: determination of unit price of the product, pricing policies and strategies, discounts and level of margins, credit policy, terms of delivery, payment, etc. Pricing decisions have direct influence on the sales volume and profits of the firm. Price, therefore, is an important element of the marketing mix. Right price can be determined through pricing research and by adopting test-marketing techniques.

Small firms should think of pricing as a method whereby prices are set with regard to costs, profit targets, competition and the perceived value of products. Because of their simplicity, cost-plus pricing are attractive to small businesses, though this is not the only mode of pricing utilized by small firms. For example, the profit margin in the cost-plus approach may well be fixed after examining both the nature of the market and the competitor activity within it. It is a mistake for small firms to rely wholly on cost-plus, but very often small firms do that to the detriment of profits and market share. The pricing policies mainly followed by the small firms are:

- a. **Competitive pricing** : This method is used when the market is highly competitive and the product is not differentiated significantly from the competitor's products.
  - b. **Skimming-the-cream pricing** : Under this pricing policy, higher prices are charged during the initial stages of the introduction of a new product. The aim is to recover the initial investment quickly. This policy is quite effective when the demand for a product is likely to be more inelastic with respect to price in its early stages; to segment the market into segments that differ in price elasticity of demand and to restrict the demand to a level, which a firm can easily meet.
  - c. **Penetration pricing** : Under this policy, prices are fixed below the competitive level to obtain a larger share of the market. Penetration pricing is likely to be more successful when the product has a highly elastic demand; the production is carried out on a large scale to achieve low cost of production per unit; and there is strong competition in the market.
3. **Promotion** : Promotion refers to the various activities undertaken by the enterprise to communicate and promote its products to the target market. The

different methods of promoting a product are through advertisement, personal selling, sales promotion and publicity.

4. **Place or Physical Distribution :** This is another key marketing mix tool, which stands for the various activities the company undertakes to make the product available to target customers. Place mix or delivery mix is the physical distribution of products at the right time and at the right place. It refers to finding out the best means of selling, sources of selling (wholesaler, retailers, and agents), inventory control, storage facility, location, warehousing, transportation, etc. This includes decisions about the channels of distribution, which make the product available to target customers at the right time, at the right place and at the right price. By selecting wrong distribution channels or by using the ones it has traditionally used, a small firm could be depriving it of new market opportunities. In a situation where a small firm has only one primary product, the general rise and fall of sales will lead to a rise and fall of the firm, unless the firm learns to consistently adjust its marketing mix to match consumer demand.

***Marketing mix of a firm selling automatic washing machines***

*Target market:* Urban households with high income and status consciousness.

*Product:* Latest technology, automatic washing machines.

*Price:* High, but should not be beyond the low range high-income groups.

*Promotion:* Heavy advertising through high image magazines and television stressing the high quality of the machines.

*Place (distribution):* Through high image retailers.

A marketing mix must be consistent for any product. Pricing, for example, must be consistent with packaging and perceived product quality. If one of these is not in line with others, then sales might suffer as a consequence. A manager selecting a marketing mix is like a cook or chef preparing meal. Each knows through experience that there is no 'one best way' to mix the ingredients. Different combinations may be used depending upon one's needs and objectives. In the marketing as in cooking, there is no standard formula for a successful combination of ingredients. Marketing mixes vary from company to company and from situation to situation. The right marketing mix is important for any product to have a long life cycle.



# PRODUCT LIFE CYCLE: CONCEPT AND SIGNIFICANCE

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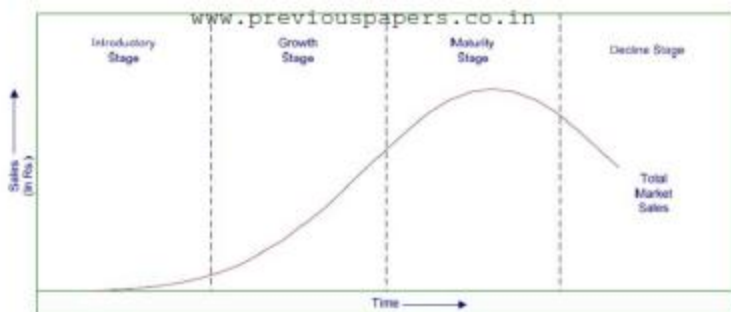
Every product passes through four stages in its life namely, introduction, growth, maturity and decline. The concept of Product Life Cycle (PLC) highlights that sooner or later all products die and that if an entrepreneur wishes to sustain its revenues, he must replace the declining products with the new ones. With the product passing through different stages the small scale entrepreneur faces varying challenges, opportunities and problems. Smaller businesses have a good reputation for innovation. Their greatest advantage is the speed at which they can respond to the demands of the market, but only if they understand the market.

Every firm makes sales forecasts during introduction, growth, and maturity stages of the PLC. To achieve the sales target, it formulates promotional, pricing and distribution policies. Thus the concept of PLC facilitates integrated marketing policies relating to product, price, promotion and distribution. The advantages of forecasting the life cycle of a product to a firm are as follows:

- 1) When the PLC is predictable, the entrepreneur must be cautious in taking advance steps before the decline stage, by adopting product modification, pricing strategies, distinctive style, quality change, etc.
- 2) The firm can prepare an effective product plan by knowing the PLC of a product.
- 3) The entrepreneur can find new uses of the product for the expansion of market during growth stage and for extending the maturity stage.
- 4) The entrepreneur can adopt latest technological changes to improve the product quality, features and design.

## STAGES IN PRODUCT LIFE CYCLE

The product moves through the four stages namely, introduction, growth, maturity and decline. As the product moves through different stages of its life cycle, sales volume and profitability change from stage to stage as shown in the figure below. The entrepreneur's emphasis on the marketing mix elements also undergoes substantial changes from stage to stage. A brief discussion of the marketing strategies in different stages of the PLC is given below:



**Introduction :** The first stage of a product life cycle is the introduction or pioneering stage. Under this state the fixed costs of marketing and production will be high, competition is almost non-existent, markets are limited and the product is not known much. Prices are relatively high because of small scale of production, technological problems and heavy promotional expenditure. Profits are usually non-existent as heavy expenses are incurred for introducing the product in the market

To introduce the product successfully, the following strategies may be adopted:

- Advertisement and publicity of the product. 'Money back' guarantee may be given to stimulate the people try the product.
- Attractive gift to customers as an 'introductory offer'.
- Attractive discount to dealers.
- Higher price of product to earn more profit during the initial stages.

**Growth :** The sales as well as the profits increase rapidly as the product is accepted in the market. The promotional expenses remain high although they tend to fall as a ratio to sales volume. Quite often, smaller firms move into the market during the growth phase. With their flexibility they can move very quickly and capture a valuable part of the market without the huge investment risks of the development phase. In this stage, the competition increases and distribution is greatly widened. The marketing management focuses its attention on improving the market share by deeper penetration into the existing markets and entry into new markets. Sometimes major improvements also take place in the product during this stage.

The following strategies are followed during the growth stage:

- The product is advertised heavily to stimulate sale.

- b) New versions of the product are introduced to cater to the requirements of different types of customers.
- c) The channels of distribution are strengthened so that the product is easily available wherever required.
- d) Brand image of the product is created through promotional activities.
- e) Price of the product is competitive.
- f) There is greater emphasis on customer service.

**Maturity:** The product enters into maturity stage as competition intensifies further and market gets stabilized. There is saturation in the market as there is no possibility of sales growth. The product has been accepted by most of the potential buyers. Profits come down because of stiff competition and marketing expenditures rise. The prices are decreased because of competition and innovations in technology. This stage may last for a longer period as in the case of many products with long-run demand characteristics. But sooner or later, demand of the product starts declining as new products are introduced in the market. Product differentiation, identification of new segments and product improvement are emphasized during this stage.

In order to lengthen the period of maturity stage, the following strategies may be adopted :

- a) Product may be differentiated from the competitive products and brand image may be emphasized more.
- b) The warranty period may be extended.
- c) Reusable packaging may be introduced.
- d) New markets may be developed.
- e) New uses of the product may be developed.

**Decline :** This stage is characterized by either the product's gradual displacement by some new products or change in consumer buying behaviour. The sales fall down sharply and the expenditure on promotion has to be cut down drastically. The decline may be rapid with the product soon passing out of market or slow if new uses of the product are found. Profits are much smaller and companies need to assess their investment policies, looking towards investing in newer and more profitable product lines.

As far as possible, attempts should be made to avoid the decline stage. But if it has started, the following strategies may be useful:

- a) The promotion of the product should be selective. Wasteful advertising should be avoided.
- b) The product model may be abandoned and all the good features may be retained in the new model of the product.
- c) Economical packaging should be introduced to revive the product.



d) The manufacturer may seek merger with a strong firm in

### Marketing strategies during product life cycle stages

	Introduction	Growth	Maturity	Decline
<b>Sales</b>	Low	Fast growth	Peak level	Declining
<b>Cost per unit</b>	Very high	High	Lowest	Low
<b>Profits</b>	Negligible	Rising	Peak level	Low
<b>Competitors</b>	Few	Growing	Many	Declining
<b>Customers</b>	Innovators	Early adopters	Mass market	Loyal customers
<b>Product strategy</b>	Iron out product deficiencies	Focus on product quality, introduce variants of product	Product adjustments for further brand differentiation	Simplify product-line, seek new product uses, introduce changes to revitalize product
<b>Pricing strategy</b>	Highest	High	Moderate	Price cut
<b>Promotion strategy</b>	Create product awareness, stimulate demand through heavy sales promotion and advertisement	Selective advertising of brand, heavy advertising to create image	Build and maintain image, sales promotions to encourage brand switching	Minimum advertisement and sales promotion to retain loyal customers
<b>Distribution strategy</b>	Selective distribution	Extended coverage	Seek close dealer relationships	Selective distribution

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