

Secondary Stage



In Accordance with
NCF 2023

12
CBSE

Marketing

CODE 812 | Skill Education



FULLMARKS



Marketing

Skill Education | CODE 812

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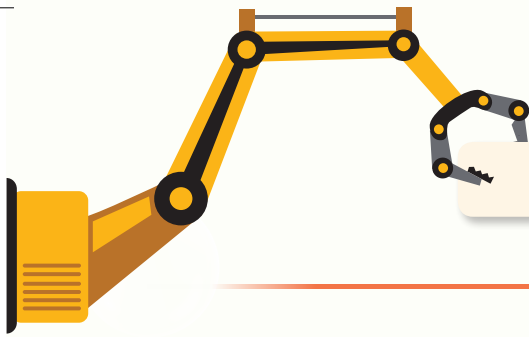
Preface

Marketing will teach the students how to analyse consumer demand and promote products for consumers. This will allow students to work in many different areas of sales and services. For teaching marketing concept, the book is tailored with particular objective in order to effectively prepare the students for their marketing career, which can range from marketing executives to the other upper ladder in marketing domain.

The book will give students a vast and wide insight of the traditional and contemporary aspects of marketing. The input of basic fundamentals, coupled with the practical knowledge given in the book will help students in understanding contemporary marketing tactics and strategies.

Moreover, the book will empower the students to know what marketing practitioners actually do and the decisions they have to make in day to day marketing. This is an effort to teach marketing in more creative and visual way with the coverage of advances recently made in new technology and the social web as well as how to take advantage of these techniques in the marketing context. The book will also assist students to recognize the need to go further than the traditional 4P's (Product, Price, Place and Promotion) approach and reflect on newer perspective, with the classical and modern theories of marketing.

— *Authors*



INSIDE THE BOOK

Learning Resources

Learning Outcomes:
 Students will be able to know about

Learning Outcomes		
1.1 Introduction	1.2 Components of a Product	1.3 Product Classification
1.4 Product Life Cycle	1.5 Packaging	1.6 Labelling

Glossary:
 This section contains definitions of important terms.

Glossary	
1. Price	: Price is the amount of money charged for a product or service.
2. Price Stabilization	: Price stabilization as an objective is prevalent in industries that have a price leader.
3. Resource Mobilization	: Resource mobilizing means creating resources for either self development or reinvestment in the firm.
4. Internal Factors	: These are the forces which are within the control of a firm up to certain extent. The firm can regulate and change these factors as per the requirement.
5. External Factors	: These are forces which are beyond control of the firm. A firm cannot alter or change these factors or forces for its advantage.
6. Perceived Value Pricing	: Perceived value pricing uses buyer's perception of value and not the seller's cost as the key to pricing.
7. Differential Pricing	: The different customers have different desires and wants. Intensity of the demand for the product would also be different. Several factors affect the differential pricing method.
8. Skimming Pricing	: Skimming involves setting a very high price for a new product initially and to reduce the price gradually as competitors enter the market.
9. Penetration Price Policy	: As opposed to the concept of skimming price strategy, the penetration pricing intends to help the product penetrate into markets to hold a position.
10. Cost Plus Pricing	: This is the most common method used for price. Cost plus pricing is a cost-based method for setting the prices of goods and services.
11. Markup Pricing	: Markup is the difference between the cost of a good or service and its selling price.
12. Prevailing Price	: Under this method, prices are maintained at par with the average level of prices in the industry. i.e., under this method a firm charges the prices according to what competitors are charging.
13. Customary Pricing	: In the case of some commodities the prices get fixed because they have prevailed over a long period of time.
14. Sealed Bid Pricing	: In all business lines when the firms bid for jobs, competition-based pricing is followed. Costs and demand are not considered at all.
15. Perceived-Value Pricing	: Another method is judging demand on the basis of value perceived by the consumers in the product.
16. Value for Money Pricing	: Under this method price is based on the value which the consumers get from the product they buy.
17. Competitive Pricing	: In this, the management of a firm fixes the price at the competitive level in certain situations.
18. Penetration Pricing	: This is the practice of charging a low price right from the beginning to stimulate the growth of the market and to capture large share of it.

Sample Project Work
 It helps the students work outside the classroom environment while improving their practical skills.

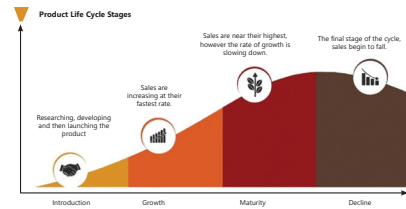
At a Glance:
 This section provides summary of the chapter.

At a Glance
<ul style="list-style-type: none"> Price is one of the most important elements of the marketing mix. This is the only element which generates revenue for an organization and determines its growth. Price is the amount of money needed to acquire some combination of goods and its accompanying services. Price stabilization as an objective is prevalent in industries that have a price leader. Resource mobilizing means the creating resources for either self development or reinvestment in the firm. Pricing policy of a firm is a major determinant of a firm's success as it affects the firm's competitive position and share in the market. Price also helps in determining the quantum of production which should be carried out by the firm. Pricing decisions and policies directly influence the nature and quality of product—its packaging, promotion policies, channels of distribution, etc. The firms which are not able to market their products at good prices cannot survive in the long run as they are not able to pay for various factors of production. A firm plans production keeping in view the customers' needs, market characteristics, competing firms, behaviour of suppliers and distributors for its product and certain legislative factors.

Sample Practical Work
 Practical learning helps students learn more

PRACTICAL EXERCISE-1

Create a detailed practical file highlighting the movement of few (5-10) products through different stages of product life cycle. Diagrammatic representation and creative inputs are welcome. Encourage the students to take products from Aviation industries, semi-conductors Arms and ammunitions for self-reliant India, railway coaches and IT sectors.



Aim of Practical

The product lifecycle is a series of stages that every product passes through from conception to retirement. Each of the different stages poses different challenges, opportunities, problems and each stage requires different marketing, financing, manufacturing, HR and purchasing strategies. The aim of this practical is to facilitate an in-depth exploration of the movement of 5-10 products across various stages of the product life cycle. Students will gain a comprehensive understanding of strategic shifts, innovations and challenges encountered by products in industries critical to India's self-reliance. By examining products from the aviation, semi-conductor, arms and ammunitions (for self-reliant India), railway coaches and IT sectors, it will develop insights into the distinct stages of introduction, growth, maturity and decline.

Sample Project 1

Topic: Promotion Mix Practices followed by Indian Firms
 Or
Promotion Mix Practices of Patanjali Firm

Objectives of the Project

The objectives of project are as follows:

1. Introduction of Promotion Mix.
2. Background study of Patanjali firm.
3. Identification of core and advance issues of Promotion Mix.
4. Learning and understanding the facts of Promotion Mix.
5. Observations about the Promotion Mix of Patanjali in India.
6. Future scope of Patanjali brand.

Introduction

Fast Moving Consumer Goods (FMCG) items are those items which have short shelf life because they are perishable for example: meat, dairy products, baked products, etc. These goods are purchased frequently, consumed rapidly, priced low and sold in large quantities. A noteworthy bit of month to month spending plan distributed on these items. The business is continually stretching out and growing new items to improve buyer's involvement. Real players in FMCG enterprises are HUL, ITC, Nestle India, Dabur and P&G. The major FMCG fragments are close to home care, sustenance and drink, family care, and oral care. The nourishment fragment is the main portion in the FMCG part. Taste and inclination of clients are changing quickly so the organizations are embracing creative processes because of mechanical improvement to match current clients' necessity so there are gigantic open doors in the area. Additionally, we try to gain an understanding of why any discrepancies exist and whether they can be explained by the nature of emerging markets as well as the characteristics of the FMCG industry.



Promotion refers to using methods of communication with two objectives: (i) informing the existing and potential consumers about a product, and (2) to persuade consumers to buy the product. It is an important element of marketing

Assessment Tools

Knowledge Assessments:

It presents questions before the students to access their current progress on the ongoing topic.

Activity:

It provides an activity to the students allowing them to research and learn new things.

Knowledge Assessment 1

State whether the following statements are true or false.

- The main elements of the marketing mix are Price, Product, Place and Promotion.
- Price is marketers' assessment of the value customers see in the product or service and are willing to pay for a product or service.
- For a given level of production, higher price means a higher revenue and higher profitability.
- Highly priced commodities generally witness an increasing sale trend.
- The wrong price can positively affect sales and cash flow to the firm.
- Goods and services offered by various producers at different prices help the consumer to make rational and informed buying decisions.
- The firms which are not able to market their products at good prices are able to pay for various factors of production adequately.
- If prices are too high, the business is lost. If prices are too low, the firm may be lost.
- A consumer purchasing expensive and branded items implies that he/she has a higher purchasing power and enjoys good standard of living.
- To flaunt their status consumers generally buy cheaper goods.

Answers:

1. True 2. True 3. True 4. False 5. False 6. True 7. False 8. True 9. True 10. False

Knowledge Assessment 2

Make the right choice.

- Price indicates the _____ which a buyer is ready to exchange for purchase of certain good or service.
 (a) Satisfaction (b) Money value
- Buyers who are aware of Firm's _____ might desire to purchase its products because price no longer remains a limiting factor.
 (a) Location (b) Prestige
- Availability of quality goods at competitive price _____ social welfare in society.
 (a) neutralizes (b) minimizes (c) maximizes
- Generally price will be set relatively _____ by the firm if manufacturing is expensive, distribution and promotion are exclusive.
 (a) high (b) low
- Management of a firm can make estimates of _____ at different levels of production at different prices and can choose the best combination of production, volume and price.
 (a) cost (b) profit

Answers:

1. (b) Money value 2. (b) Prestige 3. (c) maximizes 4. (a) high 5. (b) profit

Knowledge Assessment 3

Fill in the blanks.

- The decisions related to price and pricing policies of a firm are affected by _____ present in marketing environment.
- Firms may pursue different objectives such as maximizing revenue, _____, maximizing market share or maximizing customer satisfaction.

Exercise:

It contains a variety of questions to assess the concepts taught in the unit/chapter.

Exercises

CBSE Textbook Questions with Answers

Knowledge Assessment 1

Fill in the blanks with appropriate words.

- Promotion thus _____ the target group of the availability of the product, the place where it is available and the price of the product.
- Promotion _____ about product or service or idea and the place of availability.
- The promotion is to _____ the customers to use one particular brand in this brands-cluttered world.
- Promotion has to continuously _____ the customers of the brand and enforce customer loyalty.
- Promotion is meant to create _____ through constant promotion and involvement of customers with the marketer so as to create a lifetime relationship with them.
- Promotion creates _____ by influencing consumers' perceptions.
- Promotion _____ assists sales representatives and enhances the results of other marketing communications.

Answers:

1. Informs, persuades and reminds 2. Informs 3. Persuade 4. Remind
 5. Relationship 6. Value 7. Accomplishes goals

Knowledge Assessment 2

Fill in the blanks with appropriate words.

- Advantages of newspaper advertising are (any three) _____.
- Limitations of magazine advertising (any three) _____.
- Advantages of yellow page advertising are (any three) _____.
- Limitations of radio advertising are (any three) _____.
- Advantages of TV advertising are (any three) _____.
- Advantages of telemarketing are (any three) _____.
- Advantages of cinema advertising (any three) _____.
- Advantages of out-of-home advertising (any three) _____.

Activities

- Prepare a list of products (own an existing product) to compare and observe how they have moved through different stages of PLC (Product Life Cycle).
- Develop a package of any FMCG and mark different levels of packaging.

Additional Questions with Answers:

It contains MCQs, Fill in the blanks to test and improve their mental dexterity.

I. Answer the following questions.

(1 Mark)

- This is the only element that generates revenue for an organisation and determines growth: (CBSE 2020)
 (a) Price (b) Promotion (c) Place (d) Product
- Which out of the following is not included in the components of a product? (CBSE 2020)
 (a) Associated feature (b) Core product (c) Logo (d) Brand mark
- Which 'P' is mostly used as a need-satisfying entity? (CBSE 2020)
 (a) Price (b) Product (c) Promotion (d) Place
- This unique 'P' has its own identity or personality: (CBSE 2020)
 (a) Product (b) Price (c) Place (d) Promotion
- Which P is a complex of tangible and intangible attributes, including packaging, colour and services that satisfy needs and wants of people? (CBSE SP 2018-19)
 (a) price (b) product (c) Promotion (d) Place
- When diverse products belonging to same category are manufactured by a company but have different brand names are called: (CBSE SP 2018-19)
 (a) Store brand (b) Family brand
 (c) Individual brand (d) Family brand
- Which type of packaging was used to protect the product from damage en-route and to facilitate handling at various points of distribution? (CBSE SP 2018-19)
 (a) Conventional packaging (b) Branded packaging
 (c) Trendy packaging (d) All of these
- It provides written information about the product helping the buyer to understand the nature of the product its distinctive features (CBSE SP 2020-21)
 (a) Brand (b) Logo (c) Package (d) Label
- The needs of the customer are identified through market research and the insights thus obtained are used to add new features to the product (CBSE SP 2020-21)
 (a) Core benefit (b) Augmented product
 (c) Differentiated product (d) Potential product
- A deliberate alteration in the physical attributes of a product or its packaging is called (CBSE SP 2019-20)
 (a) Product Modification (b) Product differentiation
 (c) Product Diversification (d) Product repositioning
- Which of the following is NOT included in product decisions? (CBSE SP 2020-21)
 (a) Styling (b) Brand name (c) Warehousing (d) Packaging
- I bought a rail ticket from Delhi to Mumbai in Rajdhani Express but to my surprise I got travel insurance free worth ₹ 2 lakh, in case of my death during the journey due to rail accident. Which benefit is highlighted in the above statement? (CBSE SP 2020-21)
 (a) The potential product (b) Augmented product
 (c) The Customized product (d) Generic product
- Very purpose for which product is created is its _____ benefits. (CBSE SP 2020-21)
 (a) core (b) Impulse
 (c) product (d) Customized
- What out of these is contributing heavily to the economy all over the world? (CBSE SP 2020-21)
 (a) Benefits (b) Products
 (c) Service (d) Utilities
- During the year, while studying in class XII, you thought of developing a product in future, say by 2023 your thoughts will be shaped into a bundle of utilities. It is called a _____. (CBSE SP 2020-21)
 (a) Generic product (b) The Customized product
 (c) Augmented product (d) The potential product
- Along with Producer based factors, few more factors that affect the selection of channel of Distribution are _____. (CBSE SP 2020-21)
 (a) Product based (b) Market based
 (c) Middlemen based (d) All of those
- Which 'P' is meant to create lifetime relationship of the marketer with the customers? (CBSE SP 2020-21)
 (a) Product (b) Promotion (c) Place (d) Price
- At the last moment while paying cash at the billing counter you bought a pack of cloth clips. This is an example of _____ goods. (CBSE SP 2020-21)
 (a) Impulse (b) The Customized (c) Augmented (d) Generic

Syllabus

CURRICULUM

This course is a planned sequence of instructions consisting of Units meant for developing employability and Skills competencies of students of Class XI and XII opting for Skills subject along with other subjects.

	UNITS	NO. OF HOURS for Theory and Practical	MAX. MARKS for Theory and Practical
PART A	Employability Skills		
	Unit 1: Communication Skills-IV	13	2
	Unit 2: Self-Management Skills-IV	07	2
	Unit 3: ICT Skills-IV	13	2
	Unit 4: Entrepreneurial Skills-IV	10	2
	Unit 5: Green Skills-IV	07	2
	Total	50	10
PART B	Subject Specific Skills	Theory	Marks
	Unit 1: Product	30	10
	Unit 2: Price Decision	30	10
	Unit 3: Place Decision: Channels of Distribution	30	10
	Unit 4: Promotion	30	10
	Unit 5: Emerging Trends in Marketing	30	10
	Total	150	50
PART C	Practical Work		
	Project	60	10
	Viva Voce		10
	Practical File		10
	Demonstration of skill competency via Lab Activities		10
Total	60	40	
Grand Total		260	100

PART-A: EMPLOYABILITY SKILLS

S. No.	Units	Duration (in Hours)
1.	Unit 1: Communication Skills- IV	13
2.	Unit 2: Self-management Skills- IV	07
3.	Unit 3: Information and Communication Technology Skills- IV	13
4.	Unit 4: Entrepreneurial Skills- IV	10
5.	Unit 5: Green Skills- IV	07
TOTAL DURATION		50

NOTE: Detailed Curriculum/ Topics to be covered under Part A: Employability Skills can be downloaded from CBSE website.

PART-B – SUBJECT SPECIFIC SKILLS

S. No.	Units	Duration (in Hours)
1.	Unit 1: Product	30
2.	Unit 2: Price Decision	30
3.	Unit 3: Place Decision: Channels of Distribution	30
4.	Unit 4: Promotion	30
5.	Unit 5: Emerging Trends in Marketing	30
TOTAL DURATION		150

Unit	SESSION/TOPIC	ACTIVITY/PRACTICAL
UNIT-1: PRODUCT	Product Life Cycle Packaging	1. While developing a product in practical students will understand the different stages of PLC. 2. Prepare a list of products(own an existing product) to compare and observe how they have moved through different stages of PLC. 3. To develop a package of any FMCG to understand the importance and levels of packaging.
UNIT - 2: PRICE	Objectives of Pricing Differential Pricing Skimming Pricing	An activity to understand the objectives of pricing. Taking today's example students will compare the price and availability of masks, sanitizers etc. on and after 24th MARCH 2020 till date. Why is the price of three layer masks prescribed by doctors is available for more than 100rs? However market is flooded with masks @ of 10rs each.
UNIT - 3: PLACE	Functions Performed by Channels of Distribution	Students will be divided in group/(s) 1st group performing transactional functions other logistical functions and other providing facilitating functions.
UNIT - 4: PROMOTION	Advantages and Limitations of Yellow Pages, Mobiles and Telephones and Cinema Advertising (TOPIC)- Modes of Advertisement	A comparative table to be made by the students to analyse why they dislike tele-marketing as a consumer on one hand and on the other hand if they are the sellers what advantages will be reaped by them? Activity – <ul style="list-style-type: none"> ● Brochures- Brochures can contain a great deal of information. ● Direct mail – Customized eMail sent directly to suit their nature and needs. ● E-mail messages—E-mail vs. voice mail. ● Magazines – Magazine ads Newsletters—This can be powerful means to conveying the nature of your organization and its services. ● Radio announcements—A major advantage of radio ads is they are usually cheaper than television ads, and many people still listen to the radioTelemarketing—The use of telemarketing is on the rise. (See Telemarketing.) ● Television ads—Many people don't even consider television ads because of the impression that the ads are very expensive. ● Web pages—You probably would not have seen this means of advertising on a list of advertising methods. ● Yellow Pages—The Yellow Pages can be very effective advertising.
UNIT - 5: EMERGING TRENDS IN MARKETING	Understanding service marketing. Types of services, service qualities Online marketing, social media marketing, their meaning, advantages and disadvantages . Identifying various social media platforms used for social media marketing	A PPT will be made by students showing online and social media marketing meaning, advantages and disadvantages when they are going to spread an awareness of their own developed product in their market.

Contents

Unit 1: Product	9-40
1.1 Introduction.....	9
1.2 Components of a Product	10
1.3 Product Classification	13
1.4 Product Life Cycle.....	17
1.5 Packaging	21
1.6 Labeling Meaning and Concepts	25
Unit 2: Price Decision	41-65
2.1 Introduction.....	41
2.2 Factors Affecting Pricing	45
2.3 Types of Pricing	46
2.4 Major Pricing Methods	41
Unit 3: Place Decision: Channels of Distribution	66-88
3.1 Introduction.....	66
3.2 Types of Distribution Channel.....	69
3.3 Functions of Intermediaries	70
3.4 Wholesalers	71
3.5 Retailer	72
3.6 Factors Affecting the Selection of the Channel of Distribution	76
Unit 4: Promotion.....	89-115
4.1 Introduction.....	89
4.2 Elements of Promotion Mix	91
4.3 Objectives/Functions of Advertising	94
4.4 Modes of Advertising	96
4.5 Role/Importance/Objective of Sales Promotion	98
4.6 Types of Sales Promotion	99
4.7 Factors Affecting the Selection of Promotion Mix	103
Unit 5: Emerging Trends in Marketing	116-136
5.1 Services Marketing.....	116
5.2 Online Marketing.....	119
5.3 Social Media Marketing	121
• Sample Practical Exercises	137-154
• Sample Projects	155-180
• CBSE Sample Question Paper	181-184

1 Product



Learning Outcomes

1.1 Introduction

1.4 Product Life Cycle

1.2 Components of a Product

1.5 Packaging

1.3 Product Classification

1.6 Labelling

1.1 Introduction

Many entrepreneurs start their businesses because they have an idea for a product that is unique and they think people will buy it. The two considerations are based on interest in the product in the marketplace, called marketability, the product not being available elsewhere.

Unfortunately, a unique idea is not always a business opportunity. The product development process helps to weed out ideas that are unique but not likely to sell in the marketplace. It also perfects an idea so that it can be profitable. The product development process translates a good idea into a product that:

- (a) Can be produced in volume (b) Has a quality level that will sell (c) Will make a profit for you.

Product development takes an idea and prepares it for the marketplace or commercializes it. It is observed that consumers buy products or services that they require to fulfill their needs. The products could range from tooth brush, chocolates, cars, movie tickets to life insurance their at various stages of their lives. The decision to make a purchase is hence dependent not only on the tangible attributes of the product but also on the psychological attributes like brand, package, warranty, image or service, to name a few.



1.1.1 Meaning and Definition of Product

The product concept proposes that consumers will prefer products that have better quality, performance and features as opposed to a normal product. The concept is truly applicable in some niches such as electronics and mobile handsets.



Product is a complex of tangible and intangible attributes, including packaging, colour, price, prestige and services that satisfy needs and wants of people.
—William Stanton

Product is anything that can be offered to market for attention, acquisition or consumption including physical object, services, personalities, Organizations and desires. —American Marketing Association

A product is anything that can be offered to a market to satisfy a want or a need. Product that is marketed includes physical goods, services, experiences, events, persons, places, properties, organization, information and ideas.
—Philip Kotler

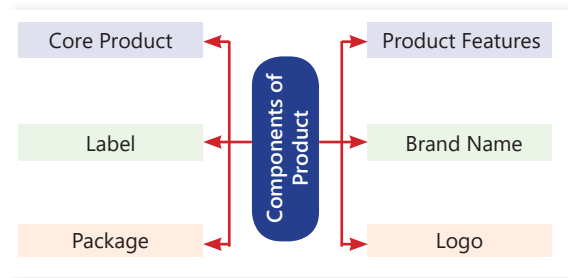
A product is a complex of tangible and intangible attribute, including packaging, colour, price, manufacturer's prestige and retailer's prestige and manufacturer's and retailer's services which the buyer may accept as offering satisfaction of wants and needs.
—William J. Stanton



Thus, in marketing, a product means those goods or services which are visible or invisible, any size, quality/character or quantity, which consumers use for the satisfaction of their needs.

1.2 Components of a Product

Products have their own identity or a personality. Most of the users associate meaning with products; they obtain satisfaction by using them. The various features and functions built around them—the brand name, the package and labeling, the quality associated with it, the guarantees, the price, the manufacturer’s name and prestige—all contribute to the personality or the total product offering, a marketer’s armory for satisfying the customer. The components of the product include core product, associated features, brand name, logo, package and label.



Components of Product



Core Product Dove Soap

1. **Core Product:** It is the basic element of the product. For example if we take Dove Soap, the fragrance of the soap, the moisturizing ability, the pristine white colour, the brand name, the price, the positioning as luxury soap all have gone into the marketing of product personality. The core component is the soap, the generic constituent, as in the case of any other bathing soap, the only difference being the other components are superimposed on this basic component to develop the total personality of Dove.

2. **Product Features:** The Product includes several associated features besides the core ingredient. In the example of Dove soap the fragrance of the soap, the moisturizing ability, the pristine white colour etc. are its associated features. The total product personality is mostly enhanced through the associated features. Further, these also aid in distinguishing the product from its competitors.

3. **Brand Name:** A brand is defined as a name, term, symbol, design or a combination of them which is intended to identify the goods and services of one seller and to differentiate them from those of competitors. A trade mark is a brand with legal protection, thus ensuring its exclusive use by one seller. In the current age consumers do not just pick products but they pick brands. The brand image is developed through advertising and other promotional measures to remain etched in the consumers’ minds.

4. **Logo:** It is the brand mark/symbol and an essential aspect of the product, extending its support to the brand effectively. Symbols and pictures ensure product/brand identification



Logo of Dove Soap

and recall with their importance being enhanced in rural markets where brands are mostly recognized by their image in the logo.



Package of Dove Soap

5. **Package:** It is another important component of the total product personality, particularly in packaged consumer products. The package performs three essential roles:

- (a) Ensures protection to the product
- (b) Provides information about the product
- (c) Increases aesthetics and sales appeal.

- Label:** It is the part and parcel of a package. It provides written information about the product helping the buyer to understand the nature of the product, its distinctive features, composition, performance, etc. The components discussed above make a preliminary impact on the consumer. The other Ps *i.e* Price, Place and Promotion also play an important role in shaping the total product personality.



Label of Dove Soap

1.2.1 Characteristics of Product

Product is one of the important elements of marketing mix. A marketer can satisfy consumer needs and wants through product. A product consists of both good and service. Decisions on all other elements of marketing mix depend on product. Careful analysis of concept of product essentially reveals following features:

- Product is one of the core elements of marketing mix.
- Various people view it differently as consumer's organizations and society have different needs and expectations.
- The product includes both good and service.
- A marketer can realize his/her goals by manufacturing, selling, improving and modifying the product.
- It includes both tangible and non-tangible features and benefits offered.
- It is vehicle or medium to offer benefits and satisfaction to consumers.
- The importance lies in services rendered by the product and not the ownership. People buy services and not the physical object.
- Product includes total offers, including main qualities, features and services.

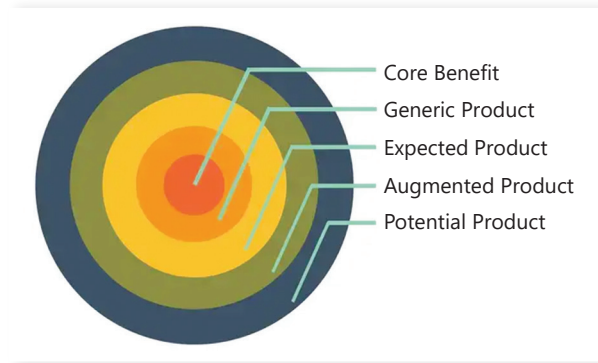
1.2.2 Importance of Product

Product therefore, is the core of all marketing activities. Without a product, marketing cannot be expected. Product is a tool in the hands of the marketers which gives life to all marketing programmes. So, the responsibility of the marketers to know its product well is pertinent. The importance of the product can be judged from the following facts:

- Focal Point:** Product is the focal point and all the marketing activities revolve around it. Marketing activities like selling, purchasing, advertising, distribution, sales promotion are all meaningless unless there is product. It is a basic tool by which profitability of the firm is measured.
- Starting Point of Planning:** No marketing programme will commence if product does not exist because planning for all marketing activities distribution, price, sales promotion, advertising, etc. is done on the basis of the nature, quality and the demand of the product. Product policies thus decide the other policies.
- Product is an End:** The main purpose of all marketing activities is to satisfy the customers. Thus product is an end (satisfaction of customers) and the producer, therefore, must insist on the quality of the product so that it may satisfy the customers' needs. It has been observed that the life of low quality products in the market is limited.

1.2.3 Product Levels

The marketer has to take into consideration the benefits the product can offer and present it to the customer. Further he/she takes it to higher levels by introducing several inputs into the basic product with inputs like advanced features, functions, unique brand name, attractive, convenient packaging, affordable price points, convenient access, meaningful communication and exclusive service from sales people. The product is enriched constantly by the marketer so as to create value, add more customer base and counter competition. According to Levitt, a product offer can be conceived at four levels: the generic product, expected product, augmented product and the potential product. The five product levels of Kotler are given in the adjacent diagram:



5 Product Levels of Kotler

1. **Core Benefit:** The core benefit is the fundamental need or wants that the customer satisfies when they buy the product. For example, the core benefit of a hotel is to provide pleasant rest or sleep when away from home.
2. **Generic Product:** The generic product is a basic version of the product made up of only those features necessary for it to function. In our hotel's example, this could mean a bed, towels, a bathroom, a mirror and a wardrobe.
3. **Expected Product:** The expected product is the set of features that the customers expect when they buy the product. In our hotel's example, this would include clean sheets, some clean towels, Wi-Fi and a clean bathroom.
4. **Augmented Product:** The augmented product refers to any product variations, extra features or services that help differentiate the product from its competitors. In our hotel's example, this could be the inclusion of a concierge service or a free map of the town in every room.
5. **Potential Product:** The potential product includes all augmentations and transformations the product might undergo in the future. In simple language, this means that to continue to surprise and delight customers the product must be augmented. In our hotel, this could mean a different gift placed in the room each time a customer stays. For example, it could be some chocolates on one occasion and some luxury water on another. By continuing to augment its product in this way the hotel will continue to delight and surprise the customer.

1.2.4 Factors Influencing Product Mix

Product mix decisions are taken with reference to demand. Marketer should study consumer behaviour to find the popularity of products. Changes in consumers' preference, fashion, interest, habits, etc., must be reflected in product mix of company. Company naturally prioritises those products which have more demand. The following factors can influence the product mix decision of a firm:

1. **Market Demand:** The demand of the product determines whether the product should be manufactured or its production discontinued. New products are introduced in the market after the need of the product is identified.
2. **Cost of Product:** The company can develop products which are low in costs and produce those products. Nirma washing powder, a low priced product was launched to counter Surf which was priced high.
3. **Quantity of Production:** The company can add more items on its product line in case the production of the new product is to be made on large scale.
4. **Advertising and Distribution Factors:** An organization does not incur any additional efforts to advertise or distribute when the company adds one or more product/s to its product line.
5. **Use of Residuals:** In case the by-products can be developed or utilized a company should produce such products. Sugar manufacturing companies can also use molasses.
6. **Competitor's Action:** In order to meet the competition/market a firm may decide to include or eliminate a product.
7. **Full Utilization of Marketing Capacity:** The company can start to produce another product to utilize the capacity completely if the existing marketing resources are not being utilized.

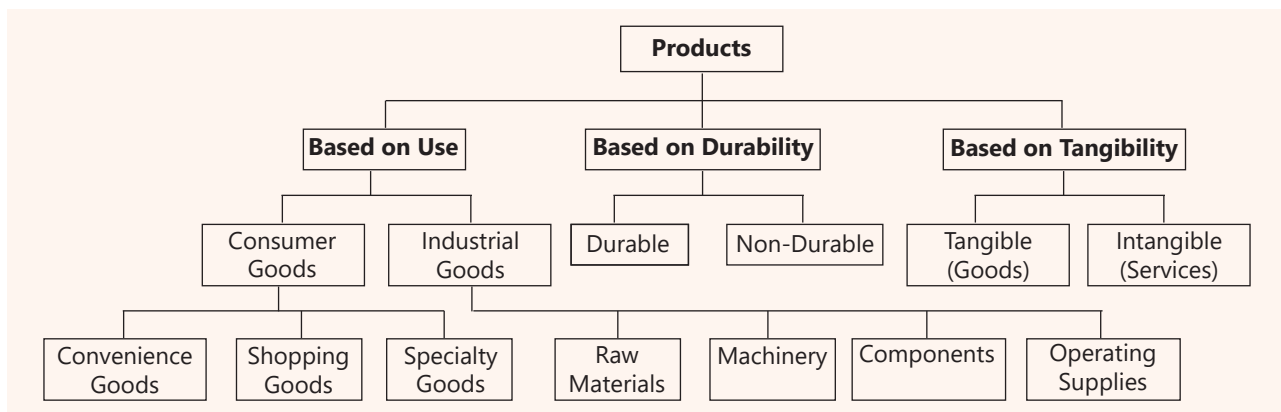
8. **Goodwill of the Company:** When the company has good reputation in the market, new product can be launched without much difficulty.

Overall, the product mix decision of a firm should align with its business strategy, target market and competitive environment. A well-planned and executed product mix strategy can help a firm achieve its business goals and meet customer needs effectively.

1.3 Product Classification

Product is the first of the four Ps of marketing. Product has a very special position as it constitutes the most substantive element in any marketing offer. Product classification assists the marketers to put the products before the consumer better. They can be segmented, targeted and positioned better. It can be undertaken on the basis of three essential characteristics namely durability, tangibility and user type. Durability implies the average life of the product available for consumption, tangibility means the physical attributes of the product and user type provides information regarding consumer products and industrial products. The following figures show a typical product classification:

1. Based on Use
2. Based on Durability
3. Based on Tangibility



Product Classification

1.3.1 Classification Based on Use

On the base of use, product can be classified as: consumer goods and industrial goods.

1.3.2 Consumer Goods

Edward and Richard (1971) identified three classes of consumer goods namely convenience goods, shopping goods and specialty goods.



Consumer Goods

1. **Convenient Goods:** They are goods that a customer purchases frequently, with minimum effort and time to make a buying decision. Example being soft drinks, soaps, bread, milk, etc. These can be further classified into three categories:



Convenient Goods

- (i) **Staple Goods:** The products which are purchased on a regular basis called staple goods. The decision to buy the product is programmed once the customer puts the item on his/her list of regular purchases. Examples are bread, milk, eggs, etc.
- (ii) **Impulse Goods:** The consumer purchases these without any planning or search efforts. The desire to buy impulse goods is a result of the shopping trip. This is why impulse products are located where they can be easily noticed. Examples are chocolates, magazines, etc.
- (iii) **Emergency Goods:** They are purchased to fulfill urgent need. The consumer ends up paying more. Examples of consumer shopping for emergency goods are tooth brushes or shaving blades at tourist destinations.

The main features of consumer goods are:

- (i) They are easily available and require minimum time and effort.
- (ii) They are obtainable at low prices.
- (iii) There is a continuous and regular demand for such products.
- (iv) Both demand and competition for these products is high.
- (v) Products are easily substitutable.
- (vi) Heavy advertising and sales promotion schemes help in marketing of these products.

The marketing strategy of convenience goods are:

- (i) **Price:** These products are usually low priced and widely available.
 - (ii) **Promotion:** Mass promotion is done by the producer.
 - (iii) **Place:** These products are widely distributed at convenient locations. They are made available through vending machines in schools, offices, etc., also kept in check-out stands etc.
2. **Shopping Goods:** These are the goods where the customer while selecting the product for purchase makes due comparisons on the bases of quality, price, style and suitability. Shopping products can be homogeneous or heterogeneous.
- (i) **Homogeneous Products:** They are products which are alike, with the sellers engaging on price war. Manufacturers end up distinguishing based on design, services offered or other freebies.
 - (ii) **Heterogeneous Shopping Products:** They are products that are considered to unlike or non-standardized. The consumers always shop for the best quality buy. Price becomes secondary in case the focus is on style or quality.

The main features of shopping goods are:

- (i) They are durable in nature.
- (ii) They have high unit price and profit margin.
- (iii) The customer spends adequate time and compares products before making the final purchase.
- (iv) Purchase of such products is planned prior.
- (v) Important role is played by the retailer in the sale of shopping goods.

The marketing strategies of shopping goods are:

- (i) **Price:** These goods are available at moderate prices. The seller must apprise the buyer of the price.
- (ii) **Promotion:** Heavy advertising and personal selling are by both producers and resellers.
- (iii) **Place:** As consumers will spend time to shop for these goods, stores that specialize in them are located near similar stores in active shopping areas.
- (iv) **Products:** Furniture, clothes, used cars, etc.

3. **Specialty Goods:** These refer to goods for which consumers are habitually willing to make a special purchasing effort. These categories of goods possess unique characteristics or high degree of brand identification. Examples include specific brands and types of fast foods, cars, stereo components, photographic equipment and suits. Specialty goods do not involve buyer in making comparisons; buyers invest time only to reach the dealers of the specialty goods.



Specialty Goods

The main features of specialty goods are:

- (i) The demand for such products is relatively infrequent.
- (ii) Products are high priced.
- (iii) Sale of such products is limited to few places.
- (iv) Aggressive promotion is required for such products.
- (v) After-sales service is required for these products.

The marketing strategies of specialty goods are:

- (i) **Price:** They are usually marked at high prices. As demand for these goods are low and supply is also low.
 - (ii) **Promotion:** Targeted promotion is by both producer and reseller. High level of advertising.
 - (iii) **Place:** Exclusive selling is in only one or few selected outlet/s per market. Exclusively sold and is exclusively distributed. Consistency of image between the product and the store is also a factor in selecting outlets.
 - (iv) **Product:** Jewelry, Rolex watches, fine crystals, etc.
4. **Unsought Goods:** These are goods that the consumer does not know about or know about but does not normally think of buying. Examples are insurance, cemetery plots, coffin and encyclopedia. For consumers to be attracted to these products substantial marketing effort is required in the form of advertising and personal selling. The marketing strategy of unsought goods is:
- (i) **Price:** It varies from product to product.
 - (ii) **Promotion:** Personal selling and aggressive marketing are performed by producer and seller.
 - (iii) **Place:** It depends upon the product.
 - (iv) **Product:** Life insurance, Red Cross Blood Donations, etc.

Basis of Comparison	Convenience	Shopping	Specialty	Unsought
Product	Toothpaste, cake mix, hand soap, ATM cash withdrawals	Cameras, TVs, briefcases, airline tickets	Rolls-Royce cars, Rolex watches, heart surgery	Burial insurance, thesaurus
Price	Relatively inexpensive	Fairly expensive	Usually very expensive	Varies
Place (distribution)	Widespread; many outlets	Large number of selective outlets	Very limited	Often limited
Promotion	Price, availability, and awareness stressed	Differentiation from competitors stressed	Uniqueness of brand and status stressed	Awareness is essential
Brand loyalty of consumers	Aware of brand but will accept substitutes	Prefer specific brands but will accept substitutes	Very brand loyal; will not accept substitutes	Will accept substitutes
Purchase behavior of consumers	Frequent purchases; little time and effort spent in shopping	Infrequent purchases; needs much comparison in shopping time	Infrequent purchases; needs extensive search and decision time	Very infrequent purchases; some comparison in shopping

Type of Consumer Product

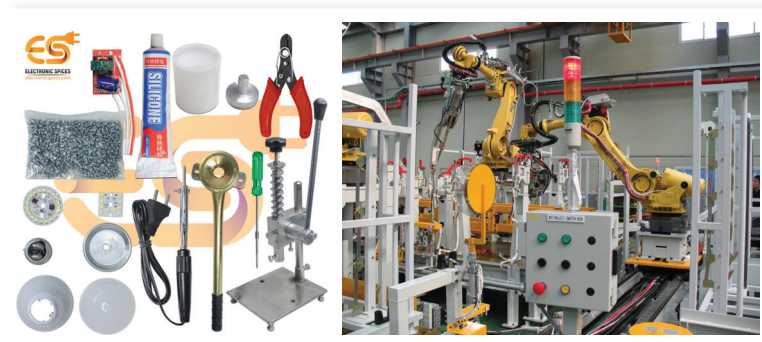
1.3.3 Industrial Goods

The products used as inputs to produce consumer products are known as industrial products. They are used for non-personal and business purposes. Examples are raw materials, tools, machinery, lubricants, etc.

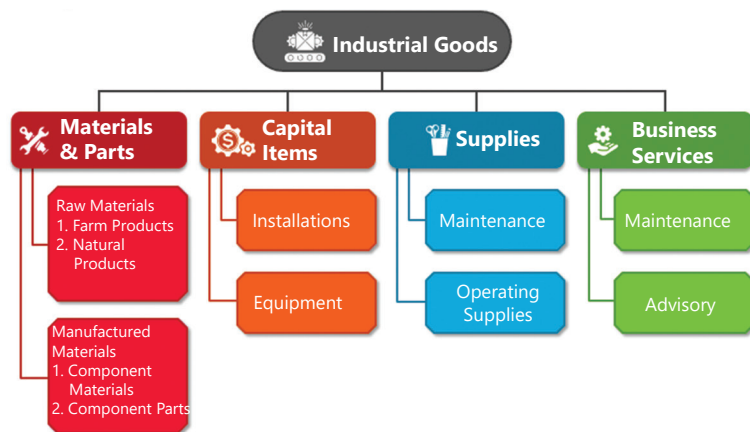
The main features of industrial products are:

- (i) Limited number of buyer in comparison to consumer goods.
- (ii) Length of channel for distribution is short.
- (iii) Demand for the product is concentrated in certain geographical locations and is derived from the demand of consumer goods. Product purchase is based on fulfillment of technical considerations.
- (iv) Reciprocal buying is involved; a company may purchase the raw material from a particular company and sell the finished product to the same company.

In certain cases the companies may lease out the products rather than purchasing them due to high costs. These are meant for non-personal and commercial use and include (i) raw materials, (ii) machinery, (iii) components and (iv) operating supplies (such as lubricants, stationery, etc.). Industrial goods are intermediate goods and can be classified into three categories:



Industrial Goods



1. **Materials and Parts:** These are goods that are used for manufacturing the product. These are further divided into two types:
 - (i) **Raw Material:** The raw materials could be either agri based products like sugar cane, rubber, wheat, etc. or they can be natural products like iron ore, crude petroleum, etc. Farm products are renewable as they involve agricultural production. The natural products are very often limited and often available in great bulk and low unit value. There are a few but large producers and marketers supplying natural products. Long term supply contracts are a common phenomenon in these categories, as the industry needs an uninterrupted supply of products and services for running their business process.
 - (ii) **Manufactured Materials and Parts:** These include component materials like glass, iron, plastic or components like battery, bulbs or steering etc. The component materials are further fabricated from aluminum, pig iron to steel and cloth from yarn. Components enter the final product without being changed or modified. In this case price, quality and services are important factors while making a decision.
2. **Capital Items:** They are the goods used in producing the finished goods. They include tools, machines, computers, etc. They can be categorized into installations like lifts, mainframe computers etc. and equipments like fax machines, EPBX machines. Installations are major purchase for the organization. Equipments include hand tools and office equipments like personal computers, laptops. These equipments are not everlasting and they need to be refilled at different periods of time.
3. **Supplies and Business Services:** They are goods which are required for developing or managing the finished products. They can be of two kinds namely maintenance and repair items and operating supplies. Maintenance supplies include painting, nailing and operating supplies include writing papers, consumables for computer, lubricants and coal. Business services can be classified as maintenance service like copier repair, window and glass cleaning and business advisory services include consultancy, advertising and legal services.

1.3.4 Based on Durability and Tangibility

Products can be classified on the basis of durability and tangibility. On the basis of durability they can be classified as non-durable products. On the basis of tangibility, they can be classified as physical products and services.

The products can be classified as: Durable goods and Non-durable goods.

1. **Durable Goods:** These are tangible goods that normally survive many uses. Goods that fall under this category include Furniture, Refrigerator, Clothing, Rug, etc. They are not frequently purchased as non-durable goods because they are used up slowly.
2. **Non-Durable Goods:** Non-durable goods are tangible goods that are normally consumed in one or few uses. Examples are Beer, Toothpaste, Sugar, Soap, Edible oil, Salt, etc. These goods are consumed fast and purchased frequently by the consumers. Many fast foods fall into this category.

The products can be classified as: Tangible goods and Intangible goods.

- (i) **Tangible Goods:** Most goods, whether these are consumer goods or industrial goods and whether these are durable or non-durable, fall in this category as they have a physical form that can be touched and seen. Thus, all items like groceries, cars, raw-materials, machinery etc. fall in the category of tangible goods.
- (ii) **Intangible Goods:** Intangible goods refer to services provided to the individual consumers or to the organisational buyers such as industrial, commercial, institutional, government etc. Services are essentially intangible activities which provide want or need satisfaction. Medical treatment, postal, banking and insurance services and even electronic goods etc., all fall in this category.


1.4 Product Life Cycle

All products and services have certain life cycles. The life cycle refers to the period from the product's first launch into the market until its final withdrawal and it is split up in phases. During this period significant changes are made in the way that the product is behaving into the market, *i.e.* its reflection in respect of sales to the company that introduced it

into the market. Since an increase in profits is the major goal of a company that introduces a product into a market, the product's life cycle management is very important. Some companies use strategic planning and others follow the basic rules of the different life cycle phase that are analyzed later.


The understanding of a product's life cycle, can help a company to understand and realize when it is time to introduce and withdraw a product from a market, its position in the market compared to competitors and the product's success or failure.

In order to understand fully and successfully manage a product's life cycle, a company needs to develop strategies and methodologies, some of which are discussed later on.

 *The product life-cycle is an attempt to recognize distinct stages in the sales history of the product.*
—Philip Kotler

Life-cycle of market offering-stages of market acceptance through which a market offering passes in market offering's life-cycle are Market introduction, Market growth, Market saturation, Market decline and Market death.
—Lipson and Darling

A product's life-cycle is very much similar to human life-cycle. A product is produced, increases speedily on demand and reaches maturity and then results in to decline.
—Arch Paton

A product has to pass through various stages and different competitive environments from its introduction to decline. Its success of life is determined by the fact that how best it fits in such an environment and conditions.
—Stanton 

Thus product life-cycle means the various situations by which a good moves. It may be that life-cycle of different goods may differ because few goods are perishable whereas others may be stable, for e.g. – Fashionable clothes, which suddenly becomes outdated because of change in fashion. As against this Machine, Telephone, Fan and other Industrial products continue their life-cycle for decades. In addition there are few products which take years in completion of their introduction stage, whereas there are few which complete their introductory stage in only few weeks.

1.4.1 Characteristics of Product Life Cycle



The characteristics of the product life cycle are as following:

	Stages	Introduction	Growth	Maturity	Decline
1.	Sales	Low Sales	Rapidly Increasing Sales	Peak Sales	Declining Sales
2.	Costs	High Cost per Customer	Average Cost per customer	Low Cost per Customer	Low Cost per Customer
3.	Profits	Negative	More Profit	High Profit	Declining Profit
4.	Customer	Innovators	Early Adopters	Early Majority + Late Majority	Laggards
5.	Competitor	Few	More in Number	Stable Number, Beginning to Decline	Declining Numbers

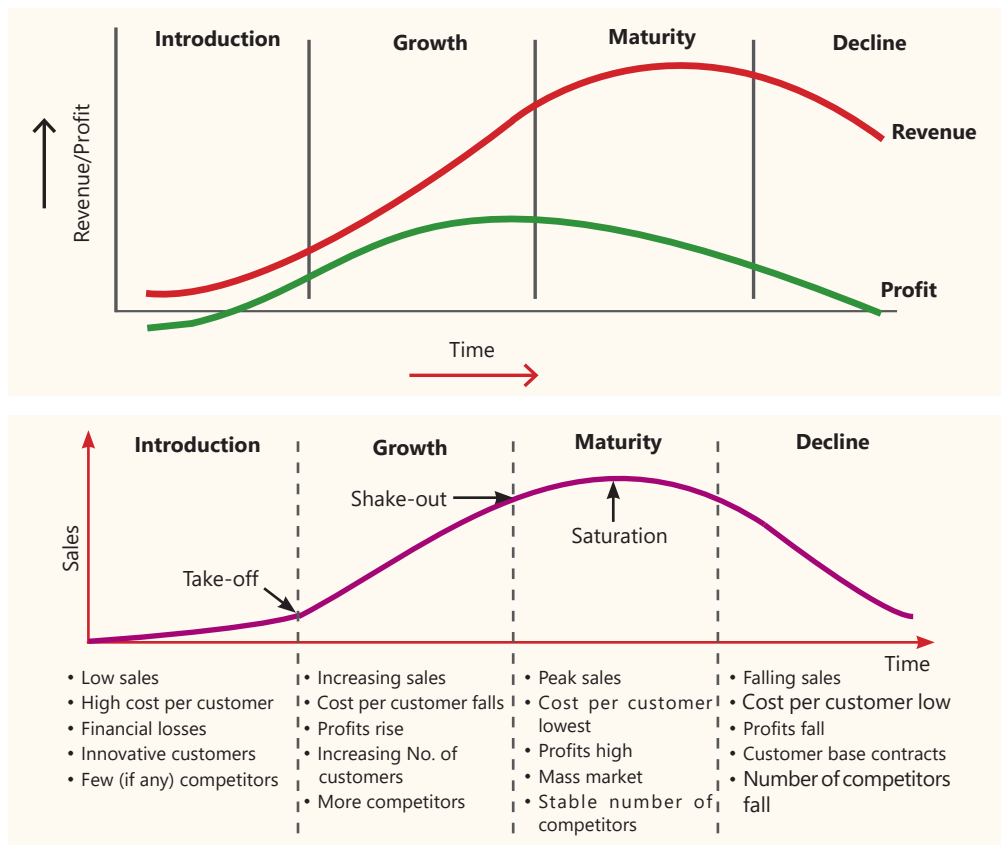
1.4.2 Stages of Product Life Cycle

A product passes through distinct stages during its life and is called product life cycle. The PLC is normally presented as a sales curve spanning the product's course from introduction to exit. The PLC concept says that each stage in the cycle is characterized by typical marketer behaviour and each stage leads to a distinctive marketing strategy. The product's life cycle-period usually consists of four major steps or phases:

- Introduction.
- Growth.
- Maturity and
- Decline.

 *Every product has a life cycle that is a period of time during which it appeals to the consumer.* 

These phases can be split up into smaller ones depending on the product and must be considered when a new product is to be introduced into a market since they dictate the product's sales performance. The following Fig. shows the life cycle of a product.



Product Life Cycle

1. **Introduction Stage:** The product is in introductory stage. At this stage, there may not be a ready market for the product. Sales are low. Profit seems a remote possibility, demand has to be created and developed and consumers have to be prompted to try out the product. One of the crucial decisions to be taken in this stage is the pricing strategy to be adopted either market skimming or market penetration. Skimming strategy involved high price, taking advantage of early entry and the novelty of the product. Penetration pricing involves low prices with a view to having good market coverage as shown in Fig. It also aims at keeping the competition nil or minimum.

Price	High	Rapid Skimming	Slow Skimming
	Low	Rapid Penetration	Slow Penetration
		High	Low

Promotion

The characteristics of introductory stage of product life cycle are as following:

- (i) Higher investment, lesser profits.
- (ii) Minimal Competition.
- (iii) Company tries to induce acceptance and gain initial distribution.
- (iv) Company needs Promotions targeted towards customers to increase awareness and demand for product.
- (v) Company needs Promotions targeted towards channel to increase confidence in the product.

2. **Growth Stage:** The product is becoming more widely known and consumed. Marketing is used to try to establish or strengthen the brand and develop an image for the product. During the market growth stage, demand for the product increases and size of market grows. The sales and profits also go up. But by the time the marketer settles down with his/her product, competitors may enter the scene with similar or slightly improved versions. The marketer has to stay ahead of his/her competitor and has to reconsider his pricing strategy. He or she follows competition oriented pricing, because the total market is being shared among many firms. Marketing and distribution efficiency becomes decisive factor at this state. The characteristics of growth stage of product life cycle are as following:

- (i) Product is successfully launched
- (ii) Demand increases
- (iii) Distribution increases
- (iv) Competition intensifies
- (v) Company might introduce secondary products or support services
- (vi) Better revenue generation and ROI.

3. **Maturity Stage:** The product range may be extended, by adding both width and depth. Competition will increase and this has to be responded to. In the maturity stage, the demand tends to reach a saturation point and there is enough supply from competitive sources. Price competition becomes intense and exploits the brand loyalty. The marketer tries out product and packaging modification and promotional deals and makes special offers to new market segments so that his/her sales volume does not shrink. Long term and short term marketing plans are implemented to profitably prolong the maturity stage. The characteristics of maturity stages of product life cycle are as following:

- (i) Competition is high.
- (ii) Product is established and promotion expenditures are less.
- (iii) Little growth potential for the product.
- (iv) Penetration pricing and lower profit margins.
- (v) The major focus is towards extending the life cycle and maintaining market share.
- (vi) Converting customer's product to your own is a major challenge in maturity stage.

4. **Decline Stage:** In the decline stage, sales begin to fall and as a result the range sold is likely to be reduced, with the firm concentrating on core products. Advertising costs will be reduced and attempts will be made to mop-up what is left of the potential market. Each product sold could be quite profitable as development costs have been paid back at an earlier stage in the life cycle. But overall, total profits will fall. Price is also likely to fall, but by concentrating on remaining market niches there should be some price stability. The characteristics of Decline stages of product life cycle are as following:

- (i) Market is saturated.
- (ii) Sales and profits decline.
- (iii) Company becomes cost conscious.
- (iv) A lot of resources are blocked in rejuvenating the dead product.
- (v) There are only three options left with the company.
- (vi) Re positioning or Rebranding of the product to extend product life cycle.
- (vii) Maintain the product as it is and reduce costs to get maximum profits till the product can produce profits.
- (viii) Take the product off the market.

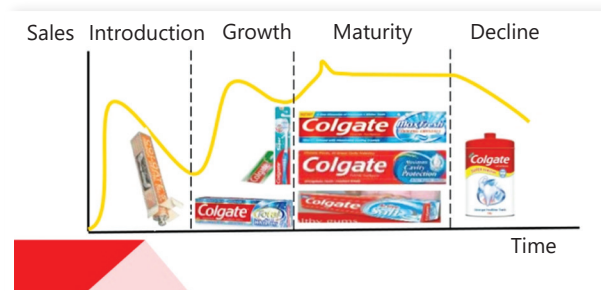
Thus, PLC concept helps and is used as a tool in formulating and implementing marketing strategy, such as:

- (i) It facilitates pre planning the product launch.
- (ii) Facilitates prolonging the profitable phase.
- (iii) Facilitates investment decisions on products.
- (iv) Facilitates choice of appropriate entry strategy.
- (v) Facilitates choice of the right time to exit.
- (vi) Provides useful clues for managing customers.



1.4.3 Case Study: Product Life Cycle Colgate Ribbon Dental Cream

- 1. Introduction:** Colgate introduced its first product as Colgate Ribbon Dental Cream in the year 1896. In the later days, Colgate's first product's sales declined due to the introduction of the new creams and toothpastes.
- 2. Growth:** By 1997, Colgate introduced its Colgate total, with 12 hours' protection. The product also claimed to fight all the oral health-related problems. This made the product to lead the market.
- 3. Maturity:** This level happened in 3 different segments:
 - (i) In the initials the sales increased but at a declining rate.
 - (ii) The rate of sales remained constant.
 - (iii) In the later part the sales rate started to decline.
- 4. Decline:** Colgate's Toothpowder which was launched at the initials days, started to decline and now the focus shifted from Toothpowder to Toothpaste and mouth wash.



Product Life Cycle Colgate Ribbon Dental Cream

1.4.4 Marketing Strategies of Product Life Cycle

The strategies of product life cycle are as following:

Stages		Introduction	Growth	Maturity	Decline
1.	Product	Offer basic product	Offer product extension, service, warranty	Diversify brands/ models	Phase out weak products
2.	Price	Change cost +	Price to penetrate market	Price to match better competition	Cut price
3.	Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Selective phase out of unprofitable unit
4.	Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in mass market	Stress on brand difference and benefits	Reduce to retain hard core loyals
5.	Sales Promotion	Use heavy sales promotion to induce trial	Reduce sales promotion due to increased consumer demand	More sales promotion to encourage brand switching	Reduce to minimum level

1.5 Packaging

Packaging is the science, art and technology of enclosing or protecting products for distribution, storage, sale and use. Packaging also refers to the process of designing, evaluating and producing packages.

Similarly, labeling refers to a piece of paper, plastic film, cloth, metal or other material affixed to a container or product, on which is written or printed information or symbols about the product or item. Information printed directly on a container or article can also be considered labeling.

1.5.1 Introduction and Meaning of Packaging

Packaging can be defined as an art, science and technology of preparing goods for transport and sale. Packaging as an industry has two sectors — those who prepare the packaging material and those who convert these materials into packages. New packaging materials are fast replacing the old ones. A good packaging conveys the quality of the product: which is distinct from the value of the product. Attractive packaging is an also an efficient point of purchase (POP) and

Product

stimulates publicity for sales. It has been observed that packaging is an important advertising means helping in carrying messages from the marketer to the consumer. Packaging as a function has two separate dimensions — the physical aspects related to the science and technology and the behavioral aspect related to the art of product design associated with buyer behavior.

Packaging means to pack or cover a good, so that it can remain safe and can be easily taken from one place to another. In other words, packaging refers to the use of container or returnable material, which includes labeling and decoration, so that it remains safe, can be sold easily and is convenient for consumer's use.



Packaging may be defined on, the general group of activities in product planning which involves designing and producing the container or wrapper for a product.
—William J. Stanton

Packaging is the use of containers and wrapping materials plus decoration and labeling, to protect the product, to help and promote its sale and to make it convenient for the customer's to use the product.

—Mason and Rath

Packaging may be defined as the art and/or science concerned with the development and use of materials, methods and equipments for applying a product to a container or vice-version designed to product the product throughout the various stages of distributions.
—R.S. Davar

1.5.2 Levels/Classification of Packaging

There are different levels of packaging that a consumer may be exposed to. Usually, the customer is handling the product in its primary packaging. This is the packaging that the product is seen in as it sits on the store shelf for example. The primary packaging is exposed to the consumer and so will have the attributes conveying important information to the consumer. However, the overall packaging can also be sub-divided into other levels of packaging:



Levels of Packaging

- 1. First Level of Packaging (Primary Package):** The first level of packaging is the package that the product is contained in. This level of packaging may be the one that the consumer sees, but depending on the product, the first level package may be as simple as a clear plastic bag. For example, in a cereal box, the box is displayed to the consumer, however the actual cereal is contained within a sealed plastic bag. The bag is the first level of packaging.
- 2. Second Level of Packaging (Secondary Package):** A second level or secondary wrapping most always will occur. This happens when the packaged product is bundled in some way with several other units of the same product or the packaged product is put into a box. This secondary packaging is sometimes added to products because they need security or tamper-resistant packaging. In this level of packaging, example would be the cereal box itself. In this case, the first level of packaging provides some protection to the food item and conveys no information to the consumer. The cereal box however, acting as the second level, provides additional protection, but it also provides

information to the consumer, as well as a way for the cereal to be displayed, *i.e.* a box will fit better on a shelf than a plastic bag full of cereal.

3. **Third Level of Packaging (Tertiary/Transportation/Transit Package):** A product may even have a third level package. Products that are sold in bulk items can often have a third level. The same cereal box sold in a bulk store may be sold in a larger box which contains two or three smaller boxes, which contains a plastic bag.

Every level of packaging is very important and every aspect of it should be closely considered to convey not only its protective value to the product but as a way to communicate to the consumer.

1.5.3 Role of Packaging

Packaging is an important element in the formulation of the marketing plan as it aids with promotion & performs the role of passive salesman, in addition to protecting the product. In the absence of salesperson, the package should be able to grab the eyeballs of the buyers. Good packaging may lead to improved consumer acceptance. The product package has an important promotional function, establishing meaningful communication with the consumer. Designing the product package according to changing customer preferences and attitudes will enable the marketers to push the product. Consumer packaging is also intended to offer better convenience to the consumer and protect the product from pilferage and damage. It has been estimated that unit value realization can increase with good packaging.

1.5.4 Importance of Packaging

Initially Packaging was considered a production-related function and activity. While in the current context packaging has completely changed due to competition. New developments in packaging, have forced marketing managers to focus on packaging design. The following aspects highlight significance of packaging in marketing:

- | | |
|---------------------------------------------------|------------------------------------------------------------------|
| (i) It provides information about the product. | (ii) It helps in identifying brand name. |
| (iii) It assists in protecting the product. | (iv) It helps in product handling. |
| (v) It aids in promoting the product. | (vi) It helps in offering customer convenience and satisfaction. |
| (vii) It helps increase the sales of the product. | (viii) It adds to the use of a product. |
| (ix) It contributes to the safety of a product. | (x) It helps in storage of the product. |
| (xi) It helps in product differentiation. | |

1.5.5 Packaging Decisions

Packaging is an important component of a product as an attractive pack is the most important factor in impulse purchases. The basic functions of a pack are to attract the potential customer's attention, protect the product that is packed and reveal its identity. It is an essential tool for two categories of people — first, end-users of a product and second, retailers. The material used may vary from metal to paper to plastic etc. The useful packaging decisions include:

1. **Packaging Design:** It is not easy to design a package for various items. For example, all "Hand wash" come in bottles, but different brands of hand wash differ in their packaging. The high costs of packaging lead to bringing out refill packs too.
2. **Attractive Color:** Color plays an important role for determining customer acceptance or rejection of a product. The use of right colors in packaging also assists marketers, reap huge advantage. Packaging color should be attractive so that it may aid in promoting sales.
3. **Packaging the Product Line:** A company must decide whether to develop a family or similar kind of the packaging of its several products. It involves the use of identical packages for all products or the use of packages with some common features.

1.5.6 Function of Packaging

Packaging is a very important marketing strategy to glamorize your product in order to attract the consumer's attention. Sometimes packaging is so important that it costs more than the product itself in order to lure the consumers to buy it. Packaging should definitely be included in the 4 major P's of marketing (product, place, promotion and price).

Product

1. **To Protect a Product from Damage, Air and Moisture:** The product must be protected against being dropped, crushed and the vibration it suffers during transport. Delicate products such as fruits need to be protected by a rigid package such as a laminated container.

The product must also be protected against the climate including high temperatures, humidity, light and gases in the air. It must also be protected against micro-organisms, chemicals, soil and insects.

2. **To Keep the Product Together, to Contain it (so that it does not spill):** Some shapes cannot be easily packaged, for example, certain vegetables. However, there are methods of getting around this problem. Suppliers of canned vegetables such as carrots have developed a particular type of plant that yields carrots that are straight and smaller than the normal variety. These fit into cans. Some products such as fruit juices and sauces need to be contained in packages that hold them together and are sealed to prevent spillage and loss.
3. **To Identify the Product:** Packaging is the main way products are advertised and identified. To the manufacturer the package clearly identifies the product inside and it is usually the package that the customer recognises when shopping. Advertising is very important when a manufacturer launches a new or existing product. The package, through its colour scheme or logo, is what is normally identified by the customer. The package will also contain important information including ingredients and expiry date.
4. **Protection During Transport and Ease of Transport:** A package should be designed to make it easy to transport, move and lift. A regular shaped package (such as a cuboid) can be stacked without too much space between each package being wasted. This means that more packages can be transported in a container of a lorry. Unusually shaped packages can lead to space being wasted and this can be costly if thousands of the same package are been transported.
5. **Stacking and Storage:** In supermarkets and shops it must be possible to stack packages so that space is not wasted on the shelves. Lost space on shelves is looked up on a lost opportunity to sell to a customer. Also, the package must be designed in such a way that all the important information can be seen by a potential buyer, especially the product name. It is the selection of colors and shades that determine whether the product inside is regarded as a quality, sophisticated or cheap item. Often packages are stacked on top and alongside each other to reduce wasted space. The shape and form of the package determines how efficiently they can be stacked or stored.
6. **Printed Information:** Information that is useful to consumers and companies such as Supermarkets is printed on packaging. This includes ingredients, price, special offers, manufacturing and expiry date, batch number, manufacturer's address, contact information, product title, barcode and more. The bar code is extremely useful to the shop selling the product. When the barcode is scanned, the computer system automatically determines if the product needs re-ordering. Also, the price of the product appears at the till.

1.5.7 Types of Packages

There are four types of packages:

1. **Consumer Package:** A consumer package is one which holds the required volume of a product for ultimate consumption and can be easily purchased by the consumer, *i.e.* economical. The consumer has the option to purchase the pack size which he or she considers adequate for the consumption for his/her family over a length of time and does not involve additional investment during that period.
2. **Bulk Package:** A bulk package is either for the consumer whose consumption is large or is bought to save cost. Example: oil cans etc. The consumer package itself very often requires an outside package in which it is transported and which is sometimes referred to as transit package or an out container.
3. **Industrial Package:** An industrial package can be a bulk package for durable consumer goods. These are the basic package types although many sub-divisions can be listed, e.g., strip package, multiple package, etc., which can all be broadly listed under these basic headings.



4. **Dual usage Package:** A dual use package is one which possesses a secondary usefulness after its contents have been consumed. Drinking glasses, boxes of jewellery or cigarettes, plastic containers, refrigerator dishes, bags from flour and feed sacks are the examples.

1.6 Labeling Meaning and Concepts

Labeling is regarded as part of marketing as packaging decisions involve the labeling requirements. It provides the customers with the requisite information about the product. The buyers also have complete information about the quality, features, standards, grade, price quantity, etc. This helps them in making better and informed decisions. It is also helpful to the sellers as they can differentiate their products from their competitors. Attractive labeling also assists in encouraging the customers to pick the products off the shelf. In most countries across the globe, labeling is mandatory and they have specifications for labeling.

For example in India, all the prepackaged foods sold in the country are required to comply with the Food and Safety Standards (Packaging and Labeling) Regulations 2011 issued by the Food Safety and Standards Authority of India functioning under the Ministry of Health and Family Welfare.

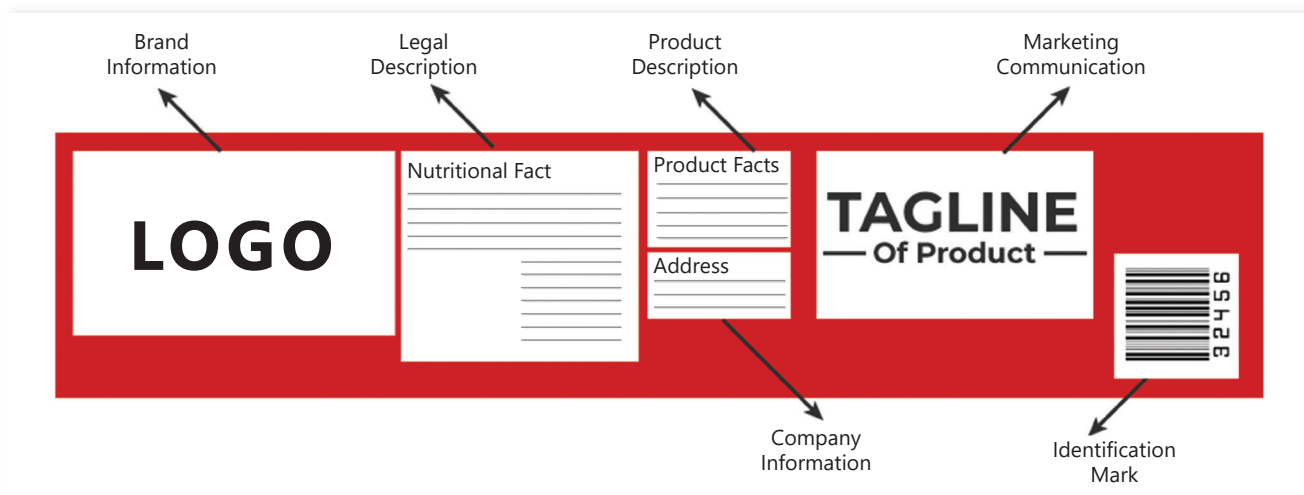
The label is that part of the product which carries verbal information about the product or the sellers (manufacturers or middlemen). A label may be part of the package or it may be a tag attached directly to the product.

—William J. Stanton

The label is an information tag, wrapper or seal attached to a product's package.

—Mason and Rath

Sometimes statutory warnings which are essential for products, like cigarettes, tobacco, liquor, etc., are also printed on the label. For example, 'Smoking causes throat cancer' is mentioned on the cigarette label.



1.6.1 Types of Labels

There are three basic categories under which labels can be classified. These three categories are discussed below:

1. **Brand Label:** In this type of label only the name of the brand is given on the product's package. It specifically aims at advertising and promotion of the brand name of the manufacturer. For example Dhara cooking oil, Tata salt, logo of Honda, etc. No other information about the product is provided on these types of labels. Mainly the manufacturers of consumer goods prefer to use such labels.
2. **Grade Label:** Many a time the manufacturers produce more than one type of product in same product category. In such cases the grade labels are used. Grade labels describe the type of the product (quality of product, grade



of product, etc.). This helps the consumers and the intermediaries to identify the product easily. For example, Yellow labels Tea, Tea Bags, Leaf Tea, etc. However, the label does not contain any other information about the product or the producer beside the product type.

3. **Descriptive Label:** Such labels are descriptive and illustrative. They give detailed information to the consumers about the product and its producer. It also contains information, such as date of manufacturing, date of expiry, quantity and quality of the product, ingredients and directions for use, etc. It is mainly used for the products, such as medicines and cosmetics.



<p>SUGGESTED USE: As a dietary supplement take 1 Capsule daily On an empty stomach, once in the morning before breakfast. Do not exceed? Capsules per day.</p> <p>CAUTION: Pregnant or nursing mothers, children under the age of 18 and individuals with a known medical condition should consult a physician before using this or any dietary supplement.</p> <p>These statements have not been evaluated by the Food and Drug Administration. This products is not intended to diagnose, treat, cure or prevent any disease.</p> <p>MANUFACTURED FOR Nile Valley Medicine USA MFD 12/02/17 EXP 12/02/19.</p>	 <p>AFRICAN NUTRITIONAL FACTOR</p> <ul style="list-style-type: none"> • POTENT DIETARY FORMULA • PREVENTS AND KILLS CANCER CELLS • PREVENTS HEART DISEASE • ANTI-SICKLE CELL ANEMIA • ANTI-HIGH BLOOD PRESSURE • ANTI-ARTHRITIS AND RHEUMATISM • 60 CAPSULES 	<p>SUPPLEMENT FACTS Serving Size: 1 Capsule.</p> <p>Ingredients: Lemon juice 100% HCA Honey Apricot seed oil B17 derived from African Plant nutrients Distilled water</p> <p>*Daily Value not established</p> <p>ZERO FILLERS BINDERS ARTIFICIAL INGREDIENTS.</p> <p>NO GMO 100% NATURAL PLASIE PSYCLE</p> <p>0 01234 56789 5</p>
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1.6.2 Role of Labeling

Roles of labeling are discussed below:

1. **Provides Description of the Product and Specifies its Content:** The label provides detailed information of the products, its ingredients, usage, care to be administered, caution, batch number, manufacturing place, helpline number in certain cases, date of manufacturing and expiry, etc.
2. **Identifies the Product or Brand:** Labeling enables to identify the product amongst the multiple brands. Sunfeast brand of biscuits can be easily identified from the other brands on the basis of their labeling.
3. **Aids in Product Grading:** If a company manufactures different qualities of product, labeling aids in finding which pack contains what type of quality. The variants of tea manufactured by Hindustan Unilever Ltd are differentiated by the company through green, red and yellow colored labels.
4. **Facilitates in the Promotion of Products:** It also helps in sales promotion. Consumers are to drawn towards buying products on account of their attractive labels.
5. **Helps in Providing Information Required as per the Law:** The labels provide statutory warnings as required by the law in case of products like cigarettes, pan masalas. They are required to carry the picture and the warnings too. In the case of hazardous or poisonous products too necessary statutory warnings are to be put on the label.

At a Glance

- The product development process helps to weed out ideas that are unique but not likely to sell in the marketplace. It also perfects an idea so that it can be profitable.
- Product is anything that can be offered to market for attention, acquisition or consumption including physical object, services, personalities, organizations and desires.

- The components of the product include core product, associated features, brand name, logo, package and label.
- Product is one of the important elements of marketing mix. A marketer can satisfy consumer needs and wants through product.
- A product consists of both good and service.
- Product is a tool in the hands of the marketers which gives life to all marketing programmes.
- Product is the focal point and all the marketing activities revolve around it.
- Marketing activities like selling, purchasing, advertising, distribution, sales promotion are all meaningless unless there is product.
- The marketer has to take into consideration the benefits the product can offer and present it to the customer.
- A product offer can be conceived at four levels: the generic product, expected product, augmented product and the potential product.
- The core benefit is the fundamental need or wants that the customer satisfies when they buy the product.
- The generic product is a basic version of the product made up of only those features necessary for it to function.
- The expected product is the set of features that the customers expect when they buy the product.
- The augmented product refers to any product variations, extra features or services that help differentiate the product from its competitors.
- The potential product includes all augmentations and transformations the product might undergo in the future.
- Product mix decisions are taken with reference to demand. Marketer should study consumer behaviour to find the popularity of products.
- The demand of the product determines whether the product should be manufactured or its production discontinued.
- The company can develop products which are low in costs.
- Product classification assists the marketers to put the products before the consumer better. They can be segmented, targeted and positioned better.
- Durability implies the average life of the product available for consumption, tangibility means the physical attributes of the product and user type provides information regarding consumer products and industrial products.
- On the base of use product can be classified as: consumer goods and industrial goods.
- The products used as inputs to produce consumer products are known as industrial products. They are used for non-personal and business purposes.
- Products can be classified on the basis of durability and tangibility.
- On the basis of durability they can be classified as non-durable products. On the basis of tangibility, they can be classified as physical products and services.
- All products and services have certain life cycles. The life cycle refers to the period from the product's first launch into the market until its final withdrawal and it is split up in phases.
- The product is in introductory stage means not be a ready market for the product.
- During the market growth stage, demand for the product increases and size of market grows.

- In the maturity stage, the demand tends to reach a saturation point and there is enough supply from competitive sources.
- In the decline stage, sales begin to fall and as a result the range sold is likely to be reduced, with the firm concentrating on core products.
- Packaging is the science, art and technology of enclosing or protecting products for distribution, storage, sale and use.
- The primary packaging is exposed to the consumer and so will have the attributes conveying important information to the consumer.
- The first level of packaging is the package that the product is contained in.
- A second level or secondary wrapping most always will occur.
- A product may even have a third level package. Products that are sold in bulk items can often have a third level.
- Packaging is an important element in the formulation of the marketing plan as it aids with promotion and performs the role of passive salesperson, in addition to protecting the product.
- The basic functions of a pack are to attract the potential customer's attention, protect the product that is packed and reveal its identity.
- There are four types of packages: (i) A consumer package (ii) a bulk package, (iii) an industrial and (iv) a dual usage package.
- Labeling is regarded as part of marketing as packaging decisions involve the labeling requirements. It provides the customers with the requisite information about the product.

Glossary

- 1. Product** : A product is a complex of tangible and intangible attribute, including packaging, colour, price, manufacturer's prestige and retailers prestige and manufacturer's and retailer's services which the buyer may accept as offering satisfaction of wants and needs.
- 2. Core Product** : It is the basic element of the product.
- 3. Product Mix** : It is the list of all products offered by a company. It is defined as the composite of products offered for sale by a firm or a business.
- 4. Breadth of Product** : It is measured by the number or variety of products manufactured by a single manufacturer.
- 5. Depth of Product** : It refers to the assortment of sizes, colors and models offered within each product line.
- 6. Consistency of Product** : It refers to the close relationship of various product lines or their end use to production requirements or to distribution channels.
- 7. Product Features** : The product includes several associated features besides the core ingredient.
- 8. Brand Name** : A brand is defined as a name, term, symbol, design or a combination of them which is intended to identify the goods and services of one seller and to differentiate them from those of competitors.
- 9. Product Line** : It is a group of products that are closely related, either because they function in a similar manner or are sold to the same customer groups or are marketed through the same types of outlets or fall within given price ranges.
- 10. Product Positioning** : It refers to the manner in which a product is offered to a particular customer of a particular segment for the aim to meet the customer's needs.
- 11. Product Repositioning** : It refers to the manner in which a marketer changes the whole product in order to satisfy a particular segment or customer. Mostly repositioning is done when a product is changed physically.

- 12. Logo** : It is the brand mark/symbol and an essential aspect of the product, extending its support to the brand effectively.
- 13. Package** : It is another important component of the total product personality, particularly in packaged consumer products.
- 14. Label** : It is the part and parcel of a package.
- 15. Core Benefit** : The core benefit is the fundamental need or wants that the customer satisfies when they buy the product.
- 16. Generic Product** : The generic product is a basic version of the product made up of only those features necessary for it to function.
- 17. Convenient Goods** : They are goods that a customer purchases frequently, with minimum effort and time to make a buying decision.
- 18. Product Differentiation** : Product differentiation is the modification of a product to make it more attractive to the target market. Three things that continuously change in product differentiation are product quality, product design and product support services.
- 19. Product Diversification** : Product diversification refers to the product expansion either in the depth and/or in width. Depth of product-line implies the assortment of colors, sizes, designs, quality, stability, etc.
- 20. Shopping Goods** : These are the goods where the customer while selecting the product for purchase makes due comparisons on the bases of quality, price, style and suitability.
- 21. Specialty Goods** : These refer to goods for which consumers are habitually willing to make a special purchasing effort.
- 22. Unsought Goods** : These are goods that the consumer does not know about or know about but does not normally think of buying.
- 23. Raw Material** : The raw materials could be agro-based products like sugar cane, rubber, etc.
- 24. Capital Items** : They are the goods used in producing the finished goods. They include tools, machines, computers, etc.
- 25. Supplies and Business Services** : They are goods which are required for developing or managing the finished products.
- 26. Durable Goods** : These are tangible goods that normally survive many uses. Goods that fall under this category include Furniture, Refrigerator, Clothing, Rug, etc.
- 27. Non-durable Goods** : Non-durable goods are tangible goods that are normally consumed in one or few uses.
- 28. Tangible Goods** : Most goods, whether these are consumer goods or industrial goods and whether these are durable or non-durable, fall in this category as they have a physical form that can be touched and seen.
- 29. Intangible Goods** : Intangible goods refer to services provided to the individual consumers or to the organisational buyers.
- 30. Introduction Stage** : The product is in introductory stage. At this stage, there may not be a ready market for the product.
- 31. Growth Stage** : The product is becoming more widely known and consumed.
Marketing is used to try to establish or strengthen the brand and develop an image for the product.
- 32. Maturity Stage** : The product range may be extended, by adding both width and depth. Competition will increase and this has to be responded to. In the maturity stage, the demand tends to reach a saturation point and there is enough supply from competitive sources.

33. Decline Stage	: In the decline stage, sales begin to fall and as a result the range sold is likely to be reduced, with the firm concentrating on core products.
34. Packaging	: It may be defined as the art and/or science concerned with the development and use of materials, methods and equipments for applying a product to a container or vice-versa designed to product the product throughout the various stages of distribution.
35. Primary Package	: The first level of packaging is the package that the product is contained in.
36. Secondary Package	: A second level or secondary wrapping most always will occur.
37. Tertiary Package	: A product may even have a third level package. Products that are sold in bulk items can often have a third level.
38. Consumer Package	: A consumer package is one which holds the required volume of a product for ultimate consumption and can be easily purchased by the consumer.
39. Industrial Package	: An industrial package can be a bulk package for durable consumer goods.
40. Label	: The label is that part of the product which carries verbal information about the product or the sellers. A label may be part of the package or it may be a tag attached directly to the product.
41. Product Modification	: Product modification may be defined as a deliberate alteration in the physical attributes of a product or its packaging.
42. Product Standardization	: Standardization implies a limitation of the number of varieties or the types of uniform quality that can be manufactured so as to reduce the unnecessary varieties. E.g. Ready-made Shirts and Trousers are manufactured in standard sizes.
43. Product Elimination	: Products which cannot be improved or modified to suit the market needs need to be replaced by other profit generating products. This process of withdrawal is known as product elimination.

Exercises

CBSE Textbook Questions with Answers

Knowledge Assessment 1

Fill in the blanks with appropriate answers.

1. Product represents solution to problems.
2. Product is anything that can be offered to someone to satisfy a or a
3. Products have their own or a
4. A is defined as a name, term, symbol, design or a combination of them which is intended to identify the goals & services of one seller and to differentiate them.
5. Symbols and pictures ensure identifications.
6. Product is the and all the marketing activities revolve around it.
7. is the unbranded and undifferentiated commodity.
8. The is the modified product to suit to the requirement/specifications of the individual customer.
9. The aims to enhance the value of the product/offer through voluntary improvements.
10. The potential product is the inclusive of the advancement and refinement that is possible under the existing circumstances.

Answers:

- | | | | |
|----------------------|--------------------|---------------------------|-----------------------|
| 1. Customers | 2. Need & want | 3. Identity & personality | 4. Brand |
| 5. Product/brand | 6. Focal point | 7. Generic product | 8. Customized product |
| 9. augmented product | 10. Future product | | |

Knowledge Assessment 2

Fill in the blanks with appropriate answers.

- are good that a customer purchases, with effort and time to make a buying decision.
- are those that the consumer purchases these without any planning or search efforts.
- are products that are considered to unlike or non-standardized.
- Specialty products are goods with or for which a sufficient number of buyers are willing to make a special purchasing effort.
- are products that are available in the market but the potential buyers do not know about their existence or they do not want to purchase them.
- are those which exist but the consumers do not want to purchase them as of now, but might eventually purchase them.
- The products used as inputs to produce consumer products are known as
- is involved is a company may purchase the raw material from a company and may sell the finished product to the same company.
- are goods that are used for manufacturing the product.
- are the goods used in producing the finished goods.

Answers:

- | | |
|----------------------------------------------|-------------------------------------------------|
| 1. Convenience Products, frequently, minimum | 2. Impulse Goods |
| 3. Heterogeneous shopping products | 4. Unique characteristics, brand identification |
| 5. Unsought products | 6. Regularly Unsought products |
| 7. Industrial products | 8. Reciprocal buying |
| 9. Materials and parts | 10. Capital items |

Knowledge Assessment 3

Fill in the blanks with appropriate answers.

- The indicates the sales and profit of the product over a period of time.
- Products also follow the curve with certain products deviating showing a sharp growth followed by a sharp decline.
- A new product category requires a long introductory period because for the product category must be aroused.
- a demand for a specific brand within a product category.
- In the the profits are negative because the sales volume is low, distribution is limited and promotional expenses are high.
- The is the second stage where the product has been launched successfully.

7. In the growth stage the company faces a trade-off between and
8. Products that withstand the heat of competition and customers' approval enter the
9. In the maturity stage the marketer should also consider entering, product and marketing mix to fight competition.
10. and brands enter into decline stages while product categories last longer.

Answers:

- | | | | |
|-----------------------|-----------------|-------------------------------------------|---------------------|
| 1. Product life cycle | 2. S-shaped | 3. Primary demand | 4. Selective demand |
| 5. Introductory stage | 6. Growth stage | 7. High market share, high current profit | |
| 8. Maturity stage | 9. New market | 10. Product forms | |

Knowledge Assessment 4

Fill in the blanks with appropriate answers.

1. Packaging can be defined as an art, science and technology of preparing goods for transport and sale.
2. Attractive packaging is an also an efficient
3. Marketers define packages as the of marketing.
4. Packaging may be which refers to the product's immediate container.
5. Good packaging may lead to improved
6. Consumer packaging is also intended to offer better convenience to the consumer and protect the product from
7. plays an important role for determining customer acceptance or rejection of a product.
8. A is one which holds the required volume of a product for ultimate consumption is economical and can be easily purchased by the consumer.
9. A is either for the consumer whose consumption is large or is bought to save cost.
10. Environmental awareness among the consumers has promoted the introduction of awarded on the basis of a product's environmental friendliness.

Answers:

- | | | | |
|------------------------|-------------------------|--------------|---------------------|
| 1. Packaging | 2. Point of purchase | 3. Fifth "P" | 4. Primary |
| 5. Consumer acceptance | 6. pilferage and damage | 7. Colour | 8. consumer package |
| 9. bulk package | 10. "eco- label" | | |

Short Answer Type Questions.

1. Define a product. What are the various viewpoints to explain the concept of a product?
2. Discuss the core tangible and augmented product for your favorite brand of bathing soap.
3. Distinguish between generic market and product market.
4. Packaging is considered as the 5th P of Marketing Mix. What are its implications on the PLC? Discuss.
5. Discuss the importance of packaging as a tool for product differentiation and market cultivation.
6. "Packaging has been criticized as being expensive, giving no additional value and often deceptive." How would you justify marketer's use of packaging?
7. What is packaging concept? Explain various packaging decisions in brief.
8. What are the functions of packaging? Explain various packaging strategies.



Additional Questions with Answers

I. Choose the correct option.

(1 Mark)

- Product improvements, product modifications and original products can all be classified as
(a) Pioneer products (b) New products (c) Product concepts (d) Product ideas
- Which of the following is NOT a potential reason for a new product to fail?
(a) An underestimated market size (b) A poorly designed product
(c) An incorrectly positioned product (d) Higher than anticipated costs of product development
- Which of the following is NOT a challenge presented by the product life cycle that a firm must face?
(a) All products eventually decline.
(b) Changing tastes, technologies and competition affect the marketing of the product as it passes through life cycle stages.
(c) A firm must be good at adapting its marketing strategies.
(d) It is difficult to plot the stages as a product goes through them.
- New product development starts with
(a) Idea generation (b) Idea screening (c) Concept development (d) Concept testing
- Executives, manufacturing employees and salespeople are all examples of
(a) External sources for new-product ideas (b) Internal sources for new-product ideas
(c) Core members of innovation management systems
(d) Research and development team members
- Which of the following is perhaps the most important external source of new-product ideas?
(a) Engineers (b) Customers
(c) Competitors (d) Trade magazines, shows and seminars
- The purpose of idea generation is to create a number of ideas. The purpose of succeeding stages is to that number.
(a) Small number reduce (b) Small number increase
(c) Large number increase (d) Large number reduce
- A detailed version of a new idea stated in meaningful customer terms is called a
(a) Product idea (b) Product concept (c) Product image (d) Product proposal
- A is the way consumers perceive an actual or potential product.
(a) Product idea (b) Product concept (c) Product image (d) Test market
- With what groups do firms conduct concept testing for new products?
(a) Suppliers (b) Employees (c) Target customers (d) Manufacturers
- What is the primary distinguishing factor between durable and non-durable goods?
(a) Price (b) Frequency of purchase (c) Brand loyalty (d) Distribution channels
- Which type of consumer product is usually purchased with minimal effort and is frequently bought?
(a) Shopping product (b) Specialty product (c) Convenience product (d) Unsought product
- What is the primary purpose of packaging?
(a) To increase the cost of the product (b) To attract customers
(c) To protect the product (d) To reduce the shelf life



14. Which of the following is an example of secondary packaging?
 (a) Cardboard box (b) Bubble wrap
 (c) Individual product wrapper (d) Shipping pallet
15. What information is typically found on a product label?
 (a) Manufacturing date (b) Expiry date (c) Ingredients (d) All of these
16. What is the purpose of the Universal Product Code (UPC) on a product?
 (a) To provide nutritional information (b) To indicate the brand name
 (c) To identify the product and its manufacturer (d) To display the product's price

Answers:

1. (b) new products
2. (a) an underestimated market size
3. (d) It is difficult to plot the stages as a product goes through them.
4. (a) idea generation
5. (b) internal sources for new-product ideas
6. (b) customers
7. (d) large number reduce
8. (b) product concept
9. (c) product image
10. (c) target customers
11. (b) Frequency of purchase
12. (c) Convenience product
13. (c) To protect the product
14. (a) Cardboard box
15. (d) All of these
16. (c) To identify the product and its manufacturer

II. Fill in the blanks.

(1 Mark)

1. The component of a product refers to the tangible features and attributes that provide utility to the consumer.
2. The component of a product encompasses the brand, design, packaging and labeling, contributing to its identity and differentiation.
3. The component of a product involves the various sizes, colors and versions available to meet diverse consumer preferences.
4. Product classification based on use includes , and products.
5. Product classification based on durability and tangibility divides products into and categories.
6. Industrial products are classified into three categories: materials and parts, capital items and
7. The stages of the product life cycle include introduction, growth, and decline.
8. products are those for which consumers are willing to spend time comparing alternatives before making a purchase.
9. Labeling provides information about the product, such as ingredients, usage instructions and safety warnings.
10. The is a unique code represented by a series of parallel lines used for product identification.
11. Packaging can be classified into three levels: , and packaging.
12. Packaging decisions involve choices regarding the of packaging, materials and

Answers:

1. Physical
2. Augmented
3. Product Line
4. Convenience, Shopping, Specialty
5. Goods, Services
6. Supplies
7. Maturity
8. Shopping
9. Descriptive
10. Barcode
11. Primary, secondary, tertiary
12. Size, packaging, labeling



III. State whether the following statements are True or False**(1 Mark)**

1. Products can be classified based on their use and can be classified based on their durability and tangibility.
2. Consumer products are only purchased by individuals for personal use.
3. Industrial products are only used in manufacturing other products.
4. Brand equity refers to the financial value of a brand.
5. Product mix refers to the variety of products a company offers.
6. A product line consists of products that are unrelated to each other.
7. Packaging is primarily for visual purposes and does not affect the product's safety.
8. Labelling provides information about the product's ingredients and nutritional value.
9. Packaging is primarily classified into two types: primary and secondary.
10. Consumer packaging is designed for industrial and bulk packaging needs.
11. Bulk packaging is commonly used for individual product units.
12. Convenience packaging is designed to make the product easy to use and store.
13. Brand labels provide detailed information about the nutritional content of a product.
14. Descriptive labels are designed to enhance the visual appeal of the product.

Answers:

- | | | | | | | |
|---------|-----------|-----------|----------|-----------|-----------|---------|
| 1. True | 2. False | 3. False | 4. False | 5. True | 6. False | 7. True |
| 9. True | 10. False | 11. False | 12. True | 13. False | 14. False | |

IV. Short Answer Type Questions–I**(2 Marks)**

1. Define the term product in the marketing context.
2. Name one key characteristic of a product.
3. Define the term consumer product.
4. Differentiate between convenience products and shopping products.
5. What is meant by the term product life cycle?
6. Explain the concept of the product life cycle.
7. Provide an example of a product in the maturity stage of its life cycle.
8. Explain the term product portfolio in the context of the product life cycle.
9. Explain the concept of primary packaging.
10. What is the purpose of transport packaging?
11. Define sustainable packaging.
12. Give an example of convenience packaging.
13. Explain the purpose of secondary packaging.
14. Differentiate between flexible and rigid packaging.
15. When is bulk packaging commonly used?
16. What information is typically found on regulatory labels?
17. Explain the significance of brand labels.

V. Short Answer Type Questions–II**(2 Marks)**

1. Define the term product in the context of marketing.
2. Explain the importance of a product in the marketing mix.
3. How does the concept of a product go beyond physical goods?
4. List and briefly explain the core components of a product.

5. How does the branding of a product contribute to its components?
6. Differentiate between consumer products and industrial products.
7. Provide examples of convenience products and specialty products.
8. Explain the concept of a product line with an example.
9. Identify and explain the stages of the product life cycle.
10. Why is understanding the product life cycle crucial for marketers?
11. Explain how packaging contributes to product differentiation.
13. Differentiate between branding and labeling.
14. Why is nutritional labeling important for certain products?
15. How does effective packaging contribute to brand perception?
16. Discuss the ethical considerations related to labeling in marketing.

VI. Long Answer Type Questions–I

(4 Marks)

1. Explain the meaning and definition of a product in the context of marketing. Provide examples to illustrate your explanation.
2. Discuss the importance of understanding the core and augmented product levels for marketers.
3. Enumerate and elaborate on the various components of a product. Provide real-world examples to demonstrate your understanding.
4. Explain the concept of product classification. How does it assist marketers in organizing and managing their product portfolios?
5. Compare and contrast consumer products and industrial products, providing examples of each. How does the classification influence marketing strategies?
6. Define labeling in the context of marketing. How does labeling contribute to consumer information and product identification?
7. Define the product life cycle concept. Discuss the different stages of the product life cycle and their implications for marketing strategies.
8. Discuss the significance of packaging in the marketing mix. How does effective packaging contribute to the overall success of a product in the market?
9. Explain the role of packaging in protecting and promoting a product. Provide examples of successful packaging strategies.
10. Discuss the impact of labeling on consumer behavior. How can labeling influence perceptions and purchasing decisions?

VII. Long Answer Type Questions–II

(5 Marks)

1. Explain the meaning and definition of a product in the marketing context. Provide examples to illustrate the concept. Discuss how the perception of a product has evolved in the era of digital marketing.
2. Describe the various components of a product. How do the core product, actual product and augmented product contribute to the overall value proposition for consumers? Provide examples to illustrate each component.
3. Discuss the different ways products can be classified in marketing. Explain the significance of classifying products for marketers. Provide examples of products falling under different classification categories.
4. Define the concept of the product life cycle. Outline the different stages of the product life cycle and discuss the marketing strategies applicable to each stage. Provide real-world examples of products at various stages of their life cycle.
5. Elaborate on the importance of packaging in the marketing of a product. Discuss how effective packaging contributes to brand identity and consumer perception. Explain the role of labeling in providing information to consumers and regulatory compliance.
6. Explore the meaning and concepts of labeling in marketing. Discuss the different types of labels and their purposes, including informational labels, descriptive labels and grade labels. Explain how labeling contributes to consumer decision-making.



Previous Years' Board Questions

I. Answer the following questions.

(1 Mark)

1. This is the only element that generates revenue for an organisation and determines growth: (CBSE 2020)
(a) Price (b) Promotion (c) Place (d) Product
2. Which out of the following is not included in the components of a product? (CBSE 2020)
(a) Associated feature (b) Core product (c) Logo (d) Brand mark
3. Which 'P' is mostly used as a need-satisfying entity? (CBSE 2020)
(a) Price (b) Product (c) Promotion (d) Place
4. This unique "P" has its own identity or personality: (CBSE 2020)
(a) Product (b) Price (c) Place (d) Promotion
5. Which P is a complex of tangible and intangible attributes, including packaging, colour and services that satisfy needs and wants of people? (CBSE SP 2018-19)
(a) price (b) product (c) Promotion (d) Place
6. When diverse products belonging to same category are manufactured by a company but have different brand names are called: (CBSE SP 2018-19)
(a) Store brand (b) Family brand
(c) Individual brand (d) Family brand
7. Which type of packaging was used to protect the product from damage en-route and to facilitate handling at various points of distribution? (CBSE SP 2018-19)
(a) Conventional packaging (b) Branded packaging
(c) Trendy packaging (d) All of these
8. It provides written information about the product helping the buyer to understand the nature of the product its distinctive features (CBSE SP 2020-21)
(a) Brand (b) Logo (c) Package (d) Label
9. The needs of the customer are identified through market research and the insights thus obtained are used to add new features to the product (CBSE SP 2020-21)
(a) Core benefit (b) Augmented product
(c) Differentiated product (d) Potential product
10. A deliberate alteration in the physical attributes of a product or its packaging is called (CBSE SP 2019-20)
(a) Product Modification (b) Product differentiation
(c) Product Diversification (d) Product repositioning
11. Which of the following is NOT included in product decisions? (CBSE SP 2020-21)
(a) Styling (b) Brand name (c) Warehousing (d) Packaging
12. I bought a rail ticket from Delhi to Mumbai in Rajdhani Express but to my surprise I got travel insurance free worth ₹ 2 lakh, in case of my death during the journey due to rail accident. Which benefit is highlighted in the above statement? (CBSE SP 2020-21)
(a) The potential product (b) Augmented product
(c) The Customized product (d) Generic product



13. Very purpose for which product is created is its benefits. (CBSE SP 2020-21)
(a) core (b) Impulse
(c) product (d) Customized
14. What out of these is contributing heavily to the economy all over the world? (CBSE SP 2020-21)
(a) Benefits (b) Products
(c) Service (d) Utilities
15. During the year, while studying in class XII, you thought of developing a product in future, say by 2023 your thoughts will be shaped into a bundle of utilities. It is called a (CBSE SP 2020-21)
(a) Generic product (b) The Customized product
(c) Augmented product (d) The potential product
16. Along with Producer based factors, few more factors that affect the selection of channel of Distribution are (CBSE SP 2020-21)
(a) Product based (b) Market based
(c) Middlemen based (d) All of those
17. Which 'P' is meant to create lifetime relationship of the marketer with the customers? (CBSE SP 2020-21)
(a) Product (b) Promotion (c) Place (d) Price
18. At the last moment while paying cash at the billing counter you bought a pack of cloth clips. This is an example of goods. (CBSE SP 2020-21)
(a) Impulse (b) The Customized (c) Augmented (d) Generic
19. Jewelry and car fall under ____ products, since maximum efforts are put in buying them. (CBSE SP 2020-21)
(a) Consumer goods (b) Shopping goods (c) Durable goods (d) Specialty goods
20. Name the concept used to describe a group of related products manufactured by a single company. (CBSE SP 2022-23)
(a) Product line (b) Product mix (c) Product portfolio (d) Product decision
21. A label performs several functions for a product. These include all of the following except: (CBSE SP 2022-23)
(a) Grades (b) Protects (c) Describes (d) Classifies
22. Concept of labelling & packaging are associated with which element of marketing mix: (CBSE SP 2022-23)
(a) Price mix (b) Product mix (c) Place mix (d) Promotion mix
23. A company is operating at a break-even level of output producing 5,000 units. The selling price per unit ₹ 20 and variable cost is ₹ 15 per unit. The fixed cost of the company would be: (CBSE SP 2022-23)
(a) ₹ 50,000 (b) ₹ 25,000 (c) ₹ 5000 (d) ₹ 75,000
24. Name the concept used to describe a group of related products manufactured by a single company. (CBSE SP 2023-24)
(a) Product line (b) Product mix (c) Product portfolio (d) Product decision
25. A label performs several functions for a product. These include all of the following except: (CBSE SP 2023-24)
(a) Grades (b) Protects (c) Describes (d) Classifies
26. Concept of labelling & packaging are associated with which element of marketing mix? (CBSE SP 2023-24)
(a) Price mix (b) Product mix (c) Place mix (d) Promotion mix

II. Very Short Answer Type Questions**(1 Mark)**

1. What is the name of the set of marketing intermediaries called as per Kotler? (CBSE SP 2020-21)
2. Name any two dimensions of product mix. (CBSE SP 2022-23)
3. Mention any one quality of fifth "P" of marketing mix. (CBSE SP 2022-23, 2023-24)
4. How can a marketer ensure that the brand mark for his products and services is not copied by any other marketer? (CBSE SP 2023-24)
5. Name any two dimensions of product mix. (CBSE SP 2023-24)

III. Short Answer Type Questions-I**(2 Marks)**

1. You launched a product. It is in 'Introduction Stage.' Which marketing strategies will be adopted by you during this stage? (CBSE 2020)
2. Explain any two categories of 'convenience products.' (CBSE 2020)
3. Explain the classification of label as classified by William J. Stanton. (CBSE SP 2019-20)
4. Explain the qualities of fifth P' OF MARKETING MIX. (CBSE SP 2019-20)
5. Organise the following products under different categories of consumer goods by preparing a flow chart
(a) Furniture (b) Cotton Clothes (c) Torch (d) Vaccinations (CBSE SP 2022-23)
6. State any four objectives of activities which add value to a product or service for a limited time period by offering an incentive to purchase. (CBSE SP 2022-23)
7. Discuss any three marketing strategies adopted at 2nd Stage of Product Life Cycle. (CBSE SP 2018-19, 2022-23)
8. State any four objectives of activities which add value to a product or service for a limited time period by offering an incentive to purchase. (CBSE SP 2023-24)

IV. Short Answer Type Questions-II**(3 Marks)**

1. Explain various levels of packaging. (CBSE 2020)
2. Explain the 2nd stage of product life cycle and the marketing strategies that are adopted at this stage. (CBSE SP 2019-20)
3. Explain the various types of brands. (CBSE SP 2019-20)
4. Explain the marketing strategy suitable for shopping goods. (CBSE SP 2019-20)
5. While deciding the most crucial element of marketing mix, the business is required to take into account various aspects of production. Enlist and Explain them in brief? (CBSE SP 2019-20)
6. Apart from the relevant and correct information, what else must be the part of a label? (CBSE SP 2020-21)
7. Availability of products depends upon how efficiently it is managed. Discuss the importance of identified element. (CBSE SP 2020-21)
8. Discuss any three marketing strategies adopted at 2nd Stage of Product Life Cycle. (CBSE SP 2023-24)

V. Long Answer Type Questions-I**(4 Marks)**

1. Discuss the importance of a 'P' which is the core of all Marketing activities? (CBSE SP 2020-21)
2. Products have their own identity & personality. Most of the users associate meaning with products which give them satisfaction. A customer never just purchases the core product but also needs much more than just the basic element of the product. Describe the other components of the product which contribute to making the 'total product offering'. Explain with the help of any four examples. (CBSE SP 2022-23)



VI. Long Answer Type Questions–II

(5 Marks)

1. Explain the types of industrial products. (CBSE 2020)
2. Explain the different types of consumer products. (CBSE 2020-21)
3. The PLC depicts a product's sales history through various stages. Accordingly, adjustments and modifications need to be made because of changes in the environment, composition of the market. Justify the statements with the help of a suitable example. (CBSE SP 2018-19)



1. Prepare a list of products (own an existing product) to compare and observe how they have moved through different stages of PLC (Product Life Cycle).
2. Develop a package of any FMCG and mark different levels of packaging.

Suggested Learning Activities

1. Enlist the product levels of goods in the consumer products and services.
2. Identify and enlist different types of goods-consumer and industrial.
3. Prepare a list of products and observe how they have moved through different stages of product life cycle.
4. Detail the concept of packaging along with the various roles it plays in marketing.
5. Explain the importance of packaging and the functions of packaging.
6. Write the important features of good packaging and the types of packaging.
7. Detail the concept of labeling in the current context.

2

Price Decision



Learning Outcomes

2.1 Introduction

2.2 Factors Affecting Pricing

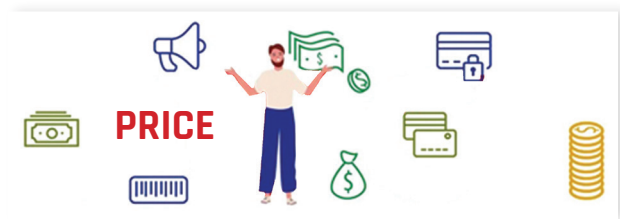
2.3 Types of Pricing

2.4 Major Pricing Methods

2.1 Introduction

Price is all around us. We pay rent for our apartment, tuition for our education, airline, railways, buses charge as a fare, local banks charge interest for the money, a fee to your doctor, advocate, etc. Thus price is not just a number on a tag or an item.

Every marketer and organization whether a profit seeking organization or non-profit organization, has to set a price for its products or services. Price is the value of a product or service expressed in monetary terms. It is the consideration which the buyer has to give to the seller for purchasing a product or utilizing a service.



We are concerned with price in different ways, in our life. We pay the bill of the provision store for the purchases made from it, rent to the landlord in whose building we live, fee to the doctor when we consult him or her and bus fare to the conductor when we travel by a bus. All these are the prices of different products and services we consume or utilize.

The salary of a business executive or a lecturer for a lecture in a college is the price of his or her services and the wage paid to a labourer is the price of the work done by him/her.

2.1.1 Meaning and Definition of Price

Price is one of the most important elements of the marketing mix. This is the only element which generates revenue for an organization and determines its growth. The other three main elements of the marketing mix are Product, Place and Promotion. A firm incurs a certain cost to produce a Product or service. The Place element is concerned with the sale and distribution of the product through various channels, therefore a firm incurs some expense there, like in choosing



the sales-methods, payment to salesperson, expense incurred on transporting products to place of selling, etc. The Promotion element, concerned with the advertising and promotion of the firm's product leads to expenditure on different promotion and advertising media like TV & Radio advertising, sample-promotion, etc. All of these are the variable costs for an organization, that is, these costs change with the changes in level of production and sales activity, therefore influence the process of setting the right price for the product. "Right price" denotes the level of price which can cover all these expenditures on the final product and brings some profit to the firm.

The term price denotes money value of a product. It represents the amount of money that customers pay to the sellers to gain benefits of having or using a good or service. In fact it is marketers' assessment of the value customers see in the product. So price indicates the money value which a buyer is ready to exchange for purchase of certain good or service.



Price is the amount of money charged for a product or service.

—Philip Kotler

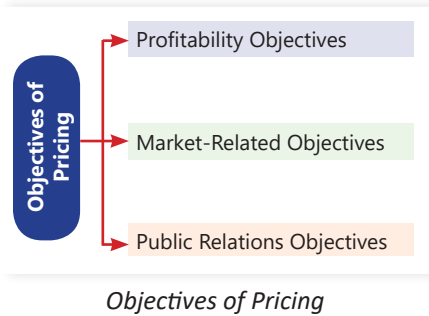
Price is the amount of money needed to acquire some combination of goods and its accompanying services.

—Stanton



2.1.2 Objectives of Pricing

Survival is the basic objective of any business. In order to continue their existence organizations may tolerate short run losses, but to obtain working capital for uninterrupted operations and sustainability appropriate pricing for the product is very necessary. As an element of the marketing-mix, a firm's pricing strategy should be directed towards the achievement of specific marketing objectives which would lead to the accomplishment of overall organisational objectives. Pricing is not an end in itself but a means to achieve certain objectives of the marketing department of a firm. Therefore, every firm should carefully set pricing objectives so that there is clarity and consistency in the firm with respect to pricing in the long run. The objectives of pricing are as follows:



1. **Profitability objectives:** The profitability objectives of pricing are as follows:

- (i) **Target Rate of Return on Investment or Net Sales:** This is an important goal of pricing policy of many firms. In this, the price represents cost of production and profit margin. The basic objective is to build a price structure to provide sufficient return on the investment or capital employed.
- (ii) **Profit Maximization:** In practice, no firm expressly states this as an objective for fear of public criticism. However, in economic theory, profit maximization is an important objective for any business for its survival. In recent times though, the business philosophy has changed. Businesspersons have started to think from the perspective of society instead of only focusing on maximizing profits and have incorporated business with other activities which help fulfil their societal obligations.



2. **Market-related Objectives:** The market-related objectives of pricing are as follows:

- (i) **Meeting or Preventing Competition in the Market:** Some firms adopt pricing policies to meet or prevent competition in the market. They are ready to fix their prices at a competitive level to meet competition in the market. They even follow "below cost pricing", that is, charge less than the cost because they believe it will prevent new firms from entering the market.
- (ii) **Maintaining or Improving Market Share:** Market share is meaningful measure of success of a firm's marketing strategy. This price objective helps to maintain the market share, i.e. either to increase or sometimes to decrease it. This pricing objective is followed by firms operating in expanding markets. When a market has potential for growth, market share is a better indicator of a firm's effectiveness than target return on investment.



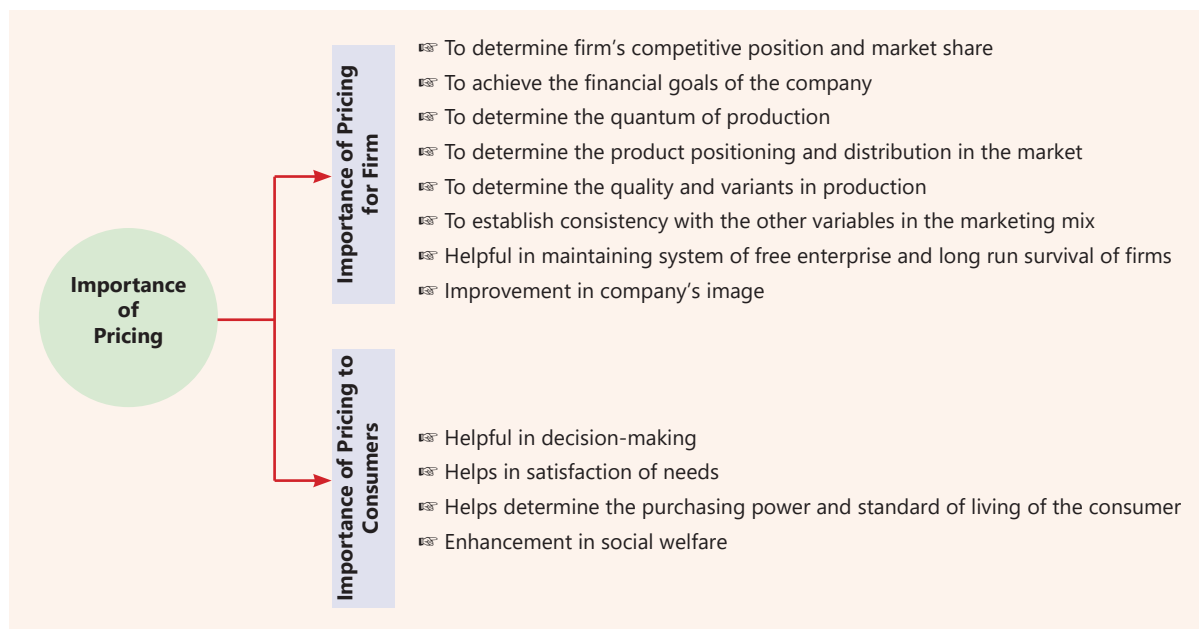
Maintaining Market Share

A firm might be earning a reasonable rate of return on investment or capital employed but its market share could be decreasing. Target market share means that sale which a company wishes to attain and it is normally expressed as a % of the total industry sales. Therefore, this is a worthwhile pricing objective for firms operating in expanding markets.

- (iii) **Price Stabilization:** Price stabilization as an objective is prevalent in industries that have a price leader. For example, in an oligopoly, there are only a few sellers which follow one big seller who acts as the price leader and try to stabilize their prices simultaneously. No firm is willing to engage in price wars. They may even forego maximizing profits in times of prosperity or short supply in order to stabilize prices. This is because price stability helps in planned and regular production in long-run.
3. **Public Relations' Objectives:** The public relations' objectives of pricing are as follows:
- (i) **Enhancing Public Image of the Firm:** A company's public image is important to its success. Every company has an identity representing what it has done to convey the public about its product, packages, trademarks, brand names, employees and the marketing programme. This image is deeply influenced by how the company handles the delicate and sharp weapon of pricing. Suppose a company with an established reputation in the market based on existing products and price lines introduces a new product to a different market segment. This new product could be at a higher or lower price. If this segment has not tried the product but is aware of its prestige and brand-value, it might desire to purchase its products because price is no longer a deterrent factor. Similarly, a firm known for high quality and high priced products will lose its current customers if it goes in for low quality and low priced products. However, a company with well established image will favour price policies of its choice because the customers have accepted the company.
- (ii) **Resource Mobilization:** Resource mobilizing means creating resources for either self-development or reinvestment in the firm. Prices are deliberately set high in certain cases to generate surplus for reinvestment in the same firm or its sister concerns, e.g. petrol rates are kept very high as it yields a good surplus (excess of income over spending) because gasoline automobiles depend fully on petrol. As a governmental exercise, it works well as the public escapes tax on their backs. This objective of price is mostly found in the developed countries where it adds to the exchequer (former government departmental in charge of national revenue) for reallocation.

2.1.3 Importance of Pricing

Price is an important element of the marketing mix of a company. It is the only element in the marketing-mix that produces revenue the other elements represent costs or expenses. It can be used as a strategic marketing variable to meet competition. It is an important weapon in the marketing armory of a company to fight with the competitors. Price is highly perceptible to consumers or customers and, therefore, significantly affects their decision to buy a product or service. It is a factor that directly determines the volume of sales.



Importance of Pricing

1. Importance of Pricing for Firm: Pricing is significant for firms in the following manner.

- (i) **To Determines Firm's Competitive Position and Market Share:** Pricing policy of a firm is a major determinant of a firm's success as it affects the firm's competitive position and share in the market. If prices are too high, the business is lost. If prices are too low, the firm may be lost. The wrong price can also negatively affect sales and cash flow to the firm.
- (ii) **To Achieve the Financial Goals of the Company:** Price has an important bearing on the firm's financial goals, *i.e.* Revenue and Profit. For a given level of production, higher price means a higher revenue and higher profitability (revenue minus costs). With the help of price a firm can make estimates of expected revenue and profits.
- (iii) **To Determine the Quantum of Production:** Price also helps in determining the quantum of production which should be carried out by the firm. The management of a firm can make estimates of profit at different levels of production at different prices and can choose the best combination of production, volume and price.
- (iv) **To Determine the Product Positioning and Distribution in the Market:** The sale of product is supported by extensive advertising and promotional campaigns. What type of promotional techniques is to be used and how much cost will be incurred, these decisions depend upon prospective revenues of the firm, which again are influenced by the product price.
- (v) **To Determine the Quality and Variants in Production:** Before setting the price, managers try to explore "Will customers buy the product at that price?" to fit the realities of the marketplace. This helps them to determine various product models that can be produced to fit different market segments, e.g. Samsung offers Samsung Grand for a medium-income group and Galaxy S7 Edge for a high-income group of consumers.
- (vi) **To Establish Consistency with the Other Variables in the Marketing Mix:** Pricing decisions and policies directly influence the nature and quality of product, its packaging, promotion policies, channels of distribution, etc. For instance, a firm may decide to improve the quality of a product, increase the number of accompanying services and spend more on promotion and packaging etc.
- (vii) **Helpful in Maintaining System of Free Enterprise and Long Run Survival of Firms:** Pricing is the key activity in the economy of a country which permits system of free enterprise. It influences factor prices, *i.e.* Wages, interest, rent and profit, by regulating production and allocating resources in a better way. The firms which are not able to market their products at good prices cannot survive in the long run as they are not able to pay for various factors of production. So pricing weeds out inefficient firms and shows way to long run survival.
- (viii) **Improvement in Company's Image:** A company's image is important to its success and pricing helps to make that image. A firm with an established reputation for quality at existing price lines may introduce a new product at either higher or lower prices to attract different market segments. Buyers who are aware of its prestige might desire to purchase its products because price no longer remains a limiting factor for them. For example different models of Apple mobiles have good demand in the market in spite of being high priced.

2. Importance of Pricing to Consumers: Pricing is significant for consumers in the following manner:

- (i) **Helpful in Decision-making:** Goods and services offered by various producers at different prices help the consumer to make rational and informed buying decisions. For example, a person may choose to buy a T.V. from one shop which offers the product at ₹ 20,000 or from another shop which offers the same T.V. at ₹ 21,500 but gives free repair services for five years.
- (ii) **Helps in Satisfaction of Needs:** Goods and services offered by different producers at different prices help the consumer to take that buying-decision which will give him/her maximum satisfaction. By doing a market survey and comparing the prices of different variants available vis à vis his or her budget, the consumer tries to make the best choice. It gives value for his/her money and maximizes satisfaction and welfare.
- (iii) **Helps Determine the Purchasing Power and Standard of Living of the Consumer:** If a consumer purchases expensive, luxury items, it implies that he/she has a higher purchasing power and enjoys good standard of living. On the other hand, if a consumer purchases only low-priced, essential items, then he/she has a lower

purchasing power and standard of living. This tendency generally persuades consumers to buy branded goods to flaunt their status.

- (iv) **Enhancement in Social Welfare:** Pricing decisions affect the competitive strength of the firm in the market. Since each firm tries to outsell others through price reduction and better quality products in competitive market, consumers are benefitted. In this way, quality goods are available at competitive price which maximize social welfare.

2.2 Factors Affecting Pricing

The decisions related to price and pricing policies of a firm are affected by several factors present in marketing environment. A firm plans production keeping in view the customers' needs, market characteristics, competing firms, behaviour of suppliers and distributors for its product and certain legislative factors. These factors give important inputs to the management for marketing decisions. A firm also gives due consideration to these factors while determining price of the product. These are studied under two categories:

- (i) Internal factors
- (ii) External factors.



Factors Affecting Pricing Decisions

2.2.1 Internal Factors

Internal factors are the forces which are within the control of a firm up to certain extent. The firm can regulate and change these factors as per the requirement. For example all the P's of marketing mix, procurement of raw material, employment of labour and cost of production etc. not only determine the success of firm's operations, but also have great influence on product pricing. The factors can be discussed as following:



Internal Factors of Pricing

1. **Objectives:** A firm may have various objectives. Pricing contributes in achieving them. Firms may pursue different objectives such as maximizing revenue, maximizing profit, maximizing market share or maximizing customer satisfaction. The pricing policy should be established only after clear consideration of the firm's objectives.
2. **Top Management:** Usually, it is the top management that takes a firm's pricing decisions. But pricing activities are so crucial for future sales and profits that a marketing manager has to remain involved with the pricing. The role of the marketing manager is to assist the top management in price determination and ensure that pricing takes place within the policies laid down by top management.

3. **Marketing Mix:** Other elements of marketing mix, product, place, promotion, price and politics are influencing factors for pricing. Since these are interconnected, change in one element will influence the other.

Marketing experts view price as only one of the many important elements of the marketing mix. A shift in any one of the elements has an immediate effect on the other three—Production, Promotion and Distribution

4. **Product Differentiation:** The price of the product also depends upon the characteristics of the product. In order to attract the customers, different characteristics are added to the product, such as quality, size, colour, attractive package, alternative uses, etc. Generally, customers pay more price for the product which is of the new style, fashion, better package, etc.

5. **Cost:** The price must cover the cost of production including materials, labour, overhead, administrative and selling expenses and a reasonable profit. The most important factor is the cost of production. In deciding to market a product, a firm may try to decide what prices are realistic, considering current demand and competition in the market.

2.2.2 External Factors

External factors are forces which are beyond control of the firm. A firm cannot alter or change these factors or forces for its advantage. These factors can be discussed as following:

1. **Demand:** The nature and condition of demand should be considered when fixing the price. Composition of the market, the nature of buyers, their psychology, their purchasing power, standard of living, taste, preferences and customs have large influence on the demand. Therefore the management has to weigh these factors thoroughly. If the demand for a product is inelastic, it is better to fix a higher price for it. On the other hand, if demand is elastic, lower price may be fixed.
2. **Economic Conditions:** Price is affected by the general economic conditions such as inflation, deflation, trade cycle, etc. In the inflationary period the management is forced to fix higher price. In recession period, the prices are reduced to maintain the level of turnover. In boom period, prices are increased to cover the increasing cost of production and distribution.
3. **Government Regulations:** If Government policies exert regulatory pressures, promote anti-price rise sentiment, etc. then the companies cannot fix a higher price to capture the market. On the other hand, if government policies are supportive and promote businesses through healthy competition in the market, then firms can fix higher prices.
4. **Competition:** The number of substitutes available in the market and the extent of competition and the price of competition etc. are to be considered while fixing a firm price.
5. **Suppliers:** Pricing decisions take into consideration three parties—the supplier of raw material, the manufacturer and the final consumer. If the supplier charges a high price for inputs, the manufacturer shifts this burden to the consumer by charging a higher price for the final product. On the other hand, if a manufacturer is making large profit on a particular product, suppliers will also try to cash in on these profits by charging a higher price for the raw material. When this happens, the manufacturer would only want to absorb the additional cost and not increase the prices further.
6. **Buyers:** Buyer's behavior also affects the pricing decisions. If they are habitual of the product the price may be fixed high. Similar pricing decisions are taken by the firm, if buyers have a particular perception of the product being a symbol of prestige/ status or utility, e.g. luxury cars.

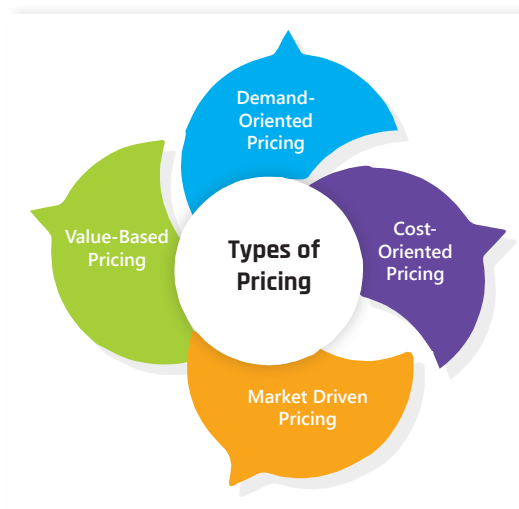


External Factors of Pricing

2.3 Types of Pricing

Firms, in a competitive market aim at profit maximization and long-term growth. For devising a unique pricing policy for their product they have to methodically analyse the market situations. Generally pricing can be put into following four categories:

1. Demand-oriented pricing
2. Cost-oriented pricing
3. Competition-oriented pricing or market driven pricing
4. Value-based pricing



2.3.1 Demand-Oriented Pricing



Demand-Oriented Pricing

When customer demand sets up the price of a product in the market, it is called Demand-oriented pricing. There is an inverse relationship between the price and quantity demanded of a commodity. Higher is the price of a product, lower will be its demand and lower is the price of a product, higher will be its demand in a market. The basic equilibrium price is determined by the forces of demand and supply. It is fixed at the level where quantity demanded and quantity supplied is equal.

Some demand-based methods of pricing are given below:

1. **Perceived Value Pricing:** Perceived value pricing uses buyers perception of value and not the sellers cost as the key to pricing. The company uses the non-priced variable in the marketing mix to build up perceived value in the buyer's mind. Price is set to match the perceived value. Different buyers often have different perceptions of the same product on the basis of its value to them. A cup of tea is priced differently by hotels and restaurants of different categories because buyers assign different values to the same items. A company using perceived value pricing must find out what value the buyers assign to different competitive offers in terms of product quality, features and attributes like colour, size, durability and looks etc. For example, consumers would pay differently for the normal size coca-cola in different surroundings such as at a family restaurant at a 5-star hotel, in a cinema hall, at a fast food stall, etc.



Types of Demand-Oriented Pricing

2. **Differential Pricing:** The different customers have different desires and wants. Intensity of the demand for the product would also be different. Following factors affect the differential pricing methods:



Differential Pricing

- (i) **Time of Purchase:** The Taxi charges vary on the basis of time of the day. There are night charges and day charges. Hotels charge different amount for different seasons.
- (ii) **Location:** The similar products can be sold at different prices to the customers in different places. Factor of place is the determinant of price in such situation. One has to travel a lot to get the same product at a lower rate which is time consuming and may not be economically desirable.
- (iii) **Product Version:** A book can be sold for different prices. By binding the book with attractive leather cover, the seller can demand a higher price than the ordinary book. The cost of the product will have a slight variation but the price could have huge variation in such situations. Slightly different versions of products could be sold on high prices in the market.

- (iv) **Customer:** In a theatre, there are different classes for viewing film. But the film is same for all the customers. Some customers are willing to pay more for a comfortable seat. At the same time some customers are not willing to pay higher cost for the same film.
- (v) **Bargaining Ability:** Bargaining ability of the customer is another factor for low and high price of a product. Those who have the ability to bargain well can get the product at a lower cost and others will have to shell out more money for the same product.

3. **Skimming Pricing:** Skimming involves setting a very high price for a new product initially and to reduce the price gradually as competitors enter the market. It is remarked, launching a new product with high price is an efficient device for breaking up the market into segments that differ in price elasticity of demand. The initial high price serves to skim the cream of the market, that is, relatively insensitive to price. In the case of text books, this method is followed by having a high price for the first edition and lesser prices for subsequent editions. When an item is clearly different and the right price is not apparent, this method may be used. This approach to pricing is an experimental search for the right price and it may result in a market determined price. The method starts with a high price (skim price) and moves the price downward by steps until the price is reached. The idea is that when one is unsure about what price to charge, it is advantageous to begin with too high an initial price and move systematically downwards. This procedure is thought better than starting the price experiment at too low a price and subsequently increasing it. It is, therefore an automatically administered price. This skimming pricing policy is very effective under the following conditions:
- (i) Where the demand is relatively inelastic, as the customers know little about the product and close rivals are few.
 - (ii) Where the market can be broken down into segments with different price elasticity of demand.
 - (iii) Where little is known about price elasticity of the product.
 - (iv) Where there is minimum risk and one can move up in the prices.
 - (v) Where the firm is making an effort to up market its product so as to improve further on quality, service and expenditure on marketing costs and so capitalizes on its efforts.
4. **Penetration Price Policy:** As opposed to the concept of skimming price strategy, the penetration pricing, intends to help the product penetrate into markets to hold a position. This can be done only by adopting a low price in the initial period or till such time the product is finally accepted by customers. This is an attempt to set new product price low, relative to the cost. It involves setting low initial price to establish market share, prompt the competitors and/or to capitalize production economies. By setting low initial prices, the competitors are kept away and this makes possible for the firm to enlarge its share by generating larger sales volume. This method of pricing is most common and is desirable when sales volume of the product is very sensitive to price, when a large volume of sales is to be effected, when product faces a threat from competitors and when stability of price is sought for. The conditions favoring penetration pricing policy are:
- (i) Where there is high price elasticity of demand, *i.e.*, the firm is depending on low prices to attract more customers to new product.
 - (ii) Where large economies are possible, it is because larger sales volume means lower unit.
 - (iii) Where there is a strong threat of competition and only a low price can ward off the potential entrants to the market.
 - (iv) Where there is utilized capacity: it is because the price policy that increases the demand has no meaning unless the firm is in a position to meet the demand created.
 - (v) Where market segments are not there so that high price may be accepted.
 - (vi) When substitute product is available in the market.

2.3.2 Advantages and Disadvantages of Demand-based Pricing

Advantages:

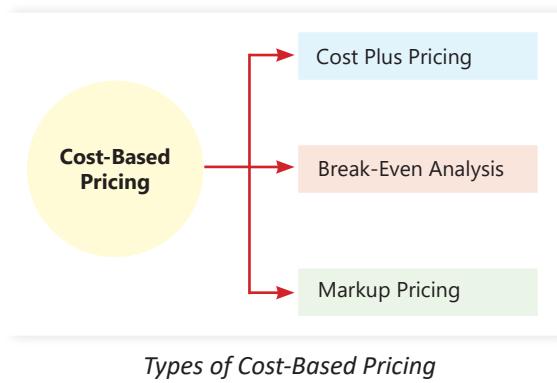
- (i) It is based on supply and demand. It means that the public (buyers) are getting the best deal
- (ii) Potential for higher profits.
- (iii) It also promotes innovation.

Disadvantages:

- (i) Management must be able to estimate demand at different price levels, which may be difficult to do accurately.
- (ii) Segments must be separate enough so that those who buy at lower prices cannot sell to those who buy at higher prices.



2.3.3 Cost-Based Pricing



The policy of setting price essentially on the basis of the total cost per unit is known as cost-oriented pricing policy. In this the marketer mainly takes production costs as the key factor for determining the initial price, but normally overlooks the target market's demand for that product.

1. **Cost Plus Pricing:** This is the most common method used for price. Cost plus pricing is a cost-based method for setting the prices of goods and services. This type of pricing is most common type of product pricing. In this approach the cost estimates of a product is made and margin of profit is added to determine the price. The formula for its calculation is:

$$\text{Selling Price} = \text{Unit total cost} + \text{Desired unit profit}$$

Cost plus pricing is advantageous as it tells firm what prices competitors are charging in the market, but it ignores replacement costs issue.

2. **Markup Pricing:** Markup is the difference between the cost of a good or service and its selling price. This pricing policy is generally adopted by the resellers who obtain the product from producers or wholesalers use a percentage increase on the top of product cost to arrive at an initial price. Retailers apply a set percentage for each product category according to their marketing objectives. For example at the time of annual sale firms adopt mark-up pricing on their products. The advantage of mark-up pricing is that this method helps firms fight the inflation effects throughout the periods of increasing cost.
3. **Break-even Analysis and Target Profit Pricing:** Another cost-oriented pricing approach is break-even pricing or a variation called target profit pricing. The firm tries to determine the price at which it will break even or make the target profit it is seeking. Such pricing is used by General Motors, which prices its automobiles to achieve a 15 to 20 percent profit on its investment. This pricing method is also used by public utilities, which are constrained to make a fair return on their investment. Break-even analysis uses market demand as a basis of price determination. The formula for its calculation is:

$$\text{BEP} = \text{Total Fixed Cost} / \text{Selling Price per unit} - \text{Variable cost per unit}$$

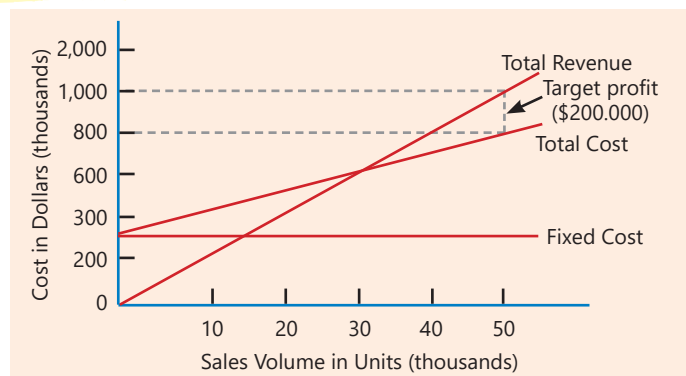
The equilibrium establishes at a point where total revenue is equal to total cost and the firm enters into "Break-even", a situation of "no profit, no loss."

This can be explained with the help of a numerical example also. If fixed expenses in a production unit are ₹ 54,000, variable cost per unit is ₹ 15 and selling price per unit is ₹ 20 find out BEP quantity. What should be the selling price if Break-even output is brought down to 6,000 units?

Answer: $\text{BEP} = \text{Total Fixed Cost} / \text{Selling Price per unit} - \text{Variable cost per unit}$
 $= 54,000 / 20 - 15 = 10,800 \text{ units}$

Target pricing used the concept of a break-even chart, which shows the total cost and total revenue expected at different sales volume levels.

In the adjacent Fig., the fixed costs are \$300,000 regardless of sales volume. Variable costs are added to fixed costs to form total costs, which rise with volume. The total revenue curve starts at zero and rises with each unit sold. The slope of the total revenue curve reflects the price of \$20 per unit. The total revenue and total cost curves cross at 30,000 units. This is the



Break-Even for Target Pricing

break-even volume. At \$20, the company must sell at least 30,000 units to break even that is, for total revenue to cover total cost. Break-even volume can be calculated using the following formula:

$$\text{Break - Even Volume} = \frac{\text{Fixed Cost}}{\text{Price} - \text{Variable Cost}} = \frac{\$300,000}{\$20 - \$10} = \$30,000$$

If the company wants to make a target profit, it must sell more than 30,000 units at \$20 each. Suppose the toaster manufacturer has invested \$1,000,000 in the business and wants to set price to earn a 20 percent return or \$200,000. In that case, it must sell at least 50,000 units at \$20 each. If the company charges a higher price, it will not need to sell as many toasters to achieve its target return. But the market may not buy even this lower volume at the higher price. Much depends on the price elasticity and competitors' prices.

2.3.4 Advantages and Disadvantages of Cost-based Pricing

Advantages:

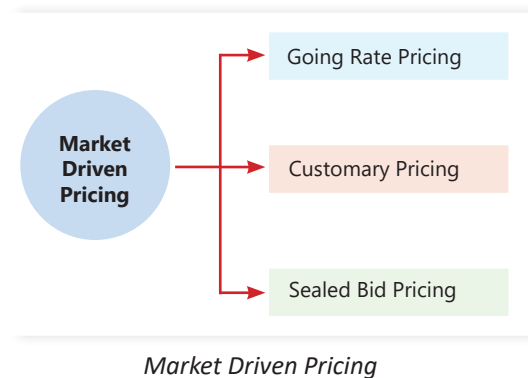
- (i) It is easy to apply because it's based on cost data.
- (ii) Mark-ups can be based on industry standards, individual expert opinions or widely accepted rules of thumb.
- (iii) Cost-plus pricing almost guarantees that you will not sell at a loss, so a cost-plus figure generally provides a basis for the lowest price acceptable.
- (iv) You are not required to follow the ups and downs of prices in the market.

Disadvantages:

- (i) Businesses that cannot identify their costs accurately may set prices at a level that does not recover actual costs.
- (ii) Cost-plus pricing takes into account the cost and profit side of buying and selling, but it neglects demand.
- (iii) Cost figures are generally based on an assumption of sales/production numbers.

2.3.5 Competition-Based Pricing or Market Driven Pricing

It is the policy of fixing the prices mainly on the basis of prices fixed by competitors. This policy does not necessarily mean setting of same price. With a competition-oriented pricing policy, the firm may keep its price higher or lower than that of competitors.



1. **Going Rate Pricing (Prevailing Price or Follow the Crowd):** Under this method, prices are maintained at par with the average level of prices in the industry. *i.e.*, under this method a firm charges the prices according to what competitors are charging. The firm accepts the price prevailing in the industry in order to avoid price war. This method is also called acceptance pricing or parity pricing. This is most common with products that do not vary much from one supplier to another, like steel or toilet soap.

2. **Customary Pricing:** In the case of some commodities the prices get fixed because they have prevailed over a long period of time. Examples are the price of cup of tea or coffee. In short the prices are fixed by custom. The price will change only when the cost changes significantly. It is also called conventional pricing.
3. **Sealed bid Pricing:** In all business lines when the firms bid for jobs, competition based pricing is followed. Costs and demand are not considered at all. The firm fixes its prices on how the competitors price their products. It means that if the firm is to win a contract or job, it should quote less than the competitors. A bid price is the highest price that a buyer (*i.e.*, bidder) is willing to pay for a good. It is usually referred to simply as the bid. In bid and ask, the bid price stands in contrast to the ask price or offer and the difference between the two is called the bid/ask spread.

2.3.6 Advantages and Disadvantages of Competition-based Pricing

Advantages:

- (i) Pricing to gain market share and attract and hold as many customers as possible.



- (ii) Base prices on competition, if product is comparable to competitor's product.
- (iii) Larger firms price product the same, smaller firms follow the lead of large firms.
- (iv) Penetration pricing: price set lower than competition to lure customers away.

Disadvantages:

- (i) Less attention to product cost or demand risk ignoring own production costs if you focus too closely on the prices set by competitors.
- (ii) Must constantly update market research, greater time commitment.
- (iii) Easy for competition to mimic your pricing strategies.

2.3.7 Value-based Pricing

Under this policy the price is based on value to the customer. The following are the pricing methods based on customer value.

1. **Perceived Value Pricing:** Another method is judging demand on the basis of value perceived by the consumers in the product. Thus perceived value pricing is concerned with setting the price on the basis of value perceived by the buyer of the product rather than the seller's cost.
2. **Value for Money Pricing:** This is now seen as more than a pricing method. Under this method price is based on the value which the consumers get from the product they buy. It is used as a complete marketing strategy. Videocon did it when it launched 63 cm flat screen Bazooka when BPL's HR and Onida's KY Series models were dominating the flat sit-in TV segment. Bazooka perceived value was ₹ 25,000/-, but driven by value for money strategy, Videocon priced Bazooka at ₹ 21, 000/- only.

2.3.8 Advantages and Disadvantages of Value-based Pricing

Advantages:

- (i) It takes into account industry structure, segmentation, competitor pricing practices and substitutes and alternatives, all of which can make pricing more coherent and complex.
- (ii) Value-based pricing can be the only way to price new products or "breakthrough" products.
- (iii) Pricing can be based on several customer-focused methods: expert opinion, customer surveys, price experiments (for example by using conjoint-analysis theories and techniques) and analysis of past, present and expected market data and conditions.

Disadvantages:

- (i) It requires more data gathering and analysis than market-based or cost-plus approaches.
- (ii) The process for determining price is more complex than other approaches because it uses soft market data in addition to "hard" market data.
- (iii) Most methods used to gather data for this type of pricing are relatively specialized and require expertise to convert raw data to information to knowledge (*i.e.*, needing adequate level of resources and systematic business intelligence and customer insight process in place). Thus, small and mid-size companies find it difficult to do (outsourcing always a possibility).

2.4 Major Pricing Methods

It is very difficult to ascertain precisely as to which pricing policy a firm practices because mostly, a firm uses a combination of different policies at once. It is also because not all the policies may be in explicit form. The major pricing policies followed by business enterprises are discussed below:

1. **Competitive Pricing:** In this, the management of a firm fixes the price at the competitive level in certain situations. This method is used when the market is highly competitive and the product is not differentiated significantly with

respect to competing products. For example, when Coca-Cola introduced the 200 ml beverage bottles for ₹ 8 only, rival Pepsi followed suit to tackle the competition.

2. **Penetration Pricing:** This is the practice of charging a low price right from the beginning to stimulate the growth of the market and to capture large share of it. Since the price is lower, the product quickly penetrates the market and consumers with low income are able to purchase it.

For example, the makers of Nirma detergent powder used penetration pricing to enter the market and raise its market share quickly at the cost of Surf.

3. **Premium Pricing:** Premium pricing strategy establishes a price higher than the competitors. It's a strategy that can be effectively used when there is something unique about the product or when the product is first to market and the business has a distinct competitive advantage. Premium pricing can be a good strategy for companies entering the market with a new market and hoping to maximize revenue during the early stages of the product life cycle.

For example, consumers are ready to pay high prices for Van Heusen shirts in comparison of local brands.

4. **Economy Pricing:** Economy pricing is a familiar pricing strategy for organizations that include Wal-Mart, whose brand is based on this strategy. Companies take a very basic, low-cost approach to marketing—nothing fancy, just the bare minimum to keep prices low and attract a specific segment of the market that is very price sensitive.

5. **Everyday Low Pricing (EDLP):** Pricing strategy that promises consumers the lowest available price without coupon clipping, waiting for discount promotions or comparison shopping also called value pricing. EDLP saves retailers' time and expense of periodic price markdowns, saves manufacturers the cost of distributing and processing coupons and is believed to generate shopper loyalty. A manufacturer's successful EDLP wholesale pricing strategy may reduce volatility in production and shipping quantities and decrease the number of time-degraded product units that consumers receive. EDLP has been championed by Wal-Mart and Procter & Gamble.

For example, in vegetable market prices of vegetables are different every day.

6. **Psychological Pricing:** Here manufacturers fix their prices of a product in the manner that it may create an impression in the mind of consumers that the prices are low. E.g. Prices of Bata shoe as ₹ 99.99. This is also called odd pricing.

7. **Leader Pricing:** Under this method of pricing, the prices of one or a few items may be cut temporarily to attract customers. Such products are called "loss leaders." Loss-leader products are mostly popular, highly advertised and purchased products. The rationale behind this method is that customers will come to the store to buy the advertised loss-leader product and then stay to buy other regular-priced products of the same company, leading to increased volume of sales.

8. **Market Skimming:** In pricing under this pricing method, a seller may charge higher prices during the initial stages of the product life, that is, during the introduction of the new product in market. This is done to recover the initial investment on the product quickly and reap higher profits during the introduction stage, because of fear of competition at a later stage in the product-life-cycle, e.g. Apple's iPhone-7 is highly priced in the market.

9. **Monopoly Pricing:** Monopolistic conditions exist where a product is sold exclusively by one producer or a seller. When a new product moves to the market, its price is monopoly price. There is no problem because there is no competition or substitute. Monopoly price will maximize the profits, as there is no pricing problem.

10. **Geographical Pricing:** The distance between the seller and the buyer is considering geographic pricing.

- (i) **Free On Board or Freight On Board (F.O.B.) Pricing:** In FOB (original) pricing, the buyer will have to incur the cost of transit and in FOB (destination) the price influences the cost of transit charges.



Major Pricing Methods

- (ii) **Zone Pricing:** Under this, the company divides the market into zones and quotes uniform prices to all buyers who buy within a zone. The prices are not uniform all over India. The price in one zone varies from that of another one. The prices are uniform within a zone. The price is quoted by adding the transport cost.
- (iii) **Base Point Pricing:** Base point policy is characterized by partial absorption of transport cost by the company. One or more cities are selected as points from which all shipping charges are calculated.
11. **Time-Based Pricing:** Time-based pricing refers to a type offer or contract by a provider of a service or supplier of a commodity, in which the price depends on the time when the service is provided or the commodity is delivered. The rational background of time-based pricing is expected or observed change of the supply and demand balance during time. Time-based pricing includes fixed time of use rates for electricity and public transport. Time-based pricing is the standard method of pricing in the tourist industry. Higher prices are charged during the peak season or during special-event periods. In the off-season, hotels may charge only the operating costs of the establishment, whereas investments and any profit are gained during the high season.
12. **Team pricing:** In this type of pricing companies sell a package or set of goods or services for a lower price than they would charge if the customer buys all of them separately. This is also called product bundling. Common examples of such pricing may be option packages on new cars, value meals at restaurants and holiday trips.

At a Glance

- Price is one of the most important elements of the marketing mix. This is the only element which generates revenue for an organization and determines its growth.
- Price is the amount of money needed to acquire some combination of goods and its accompanying services.
- Price stabilization as an objective is prevalent in industries that have a price leader.
- Resource mobilizing means the creating resources for either self development or reinvestment in the firm.
- Pricing policy of a firm is a major determinant of a firm's success as it affects the firm's competitive position and share in the market.
- Price also helps in determining the quantum of production which should be carried out by the firm.
- Pricing decisions and policies directly influence the nature and quality of product—its packaging, promotion policies, channels of distribution, etc.
- The firms which are not able to market their products at good prices cannot survive in the long run as they are not able to pay for various factors of production.
- A firm plans production keeping in view the customers' needs, market characteristics, competing firms, behaviour of suppliers and distributors for its product and certain legislative factors.
- Internal factors are the forces which are within the control of a firm up to certain extent. The firm can regulate and change these factors as per requirement.
- External factors are forces which are beyond control of the firm. A firm cannot alter or change these factors or forces for its advantage.
- When customer demand sets up the price of a product in the market, it is called demand-oriented pricing.
- Perceived value pricing uses buyer's perception of value and not the seller's cost as the key to pricing.
- Skimming involves setting a very high price for a new product initially and to reduce the price gradually as competitors enter the market.
- As opposed to the concept of skimming price strategy, the penetration pricing, intends to help the product penetrate into markets to hold a position.
- Markup is the difference between the cost of a good or service and its selling price.

- Penetration pricing is the practice of charging a low price right from the beginning to stimulate the growth of the market and to capture large share of it.
- In FOB pricing, the buyer will have to incur the cost of transit and in FOB the price influences the cost of transit charges.
- Time-based pricing refers to a type offer or contract by a provider of a service or supplier of a commodity, in which the price depends on the time when the service is provided or the commodity is delivered.
- Team pricing companies sell a package or set of goods or services for a lower price than they would charge if the customer buys all of them separately.

Glossary

- 1. Price** : Price is the amount of money charged for a product or service.
- 2. Price Stabilization** : Price stabilization as an objective is prevalent in industries that have a price leader.
- 3. Resource Mobilization** : Resource mobilizing means creating resources for either self development or reinvestment in the firm.
- 4. Internal Factors** : These are the forces which are within the control of a firm up to certain extent. The firm can regulate and change these factors as per the requirement.
- 5. External Factors** : These are forces which are beyond control of the firm. A firm cannot alter or change these factors or forces for its advantage.
- 6. Perceived Value Pricing** : Perceived value pricing uses buyer's perception of value and not the seller's cost as the key to pricing.
- 7. Differential Pricing** : The different customers have different desires and wants. Intensity of the demand for the product would also be different. Several factors affect the differential pricing method.
- 8. Skimming Pricing** : Skimming involves setting a very high price for a new product initially and to reduce the price gradually as competitors enter the market.
- 9. Penetration Price Policy** : As opposed to the concept of skimming price strategy, the penetration pricing intends to help the product penetrate into markets to hold a position.
- 10. Cost Plus Pricing** : This is the most common method used for price. Cost plus pricing is a cost-based method for setting the prices of goods and services.
- 11. Markup Pricing** : Markup is the difference between the cost of a good or service and its selling price.
- 12. Prevailing Price** : Under this method, prices are maintained at par with the average level of prices in the industry. *i.e.*, under this method a firm charges the prices according to what competitors are charging.
- 13. Customary Pricing** : In the case of some commodities the prices get fixed because they have prevailed over a long period of time.
- 14. Sealed Bid Pricing** : In all business lines when the firms bid for jobs, competition-based pricing is followed. Costs and demand are not considered at all.
- 15. Perceived-Value Pricing** : Another method is judging demand on the basis of value perceived by the consumers in the product.
- 16. Value for Money Pricing** : Under this method price is based on the value which the consumers get from the product they buy.
- 17. Competitive Pricing** : In this, the management of a firm fixes the price at the competitive level in certain situations.
- 18. Penetration Pricing** : This is the practice of charging a low price right from the beginning to stimulate the growth of the market and to capture large share of it.

- 19. Premium Pricing** : Premium pricing strategy establishes a price higher than the competitors.
- 20. Economy Pricing** : Economy pricing is a familiar pricing strategy for organizations that include Wal-Mart, whose brand is based on this strategy.
- 21. EDLP** : Pricing strategy that promises consumers the lowest available price without coupon clipping, waiting for discount promotions or comparison shopping also called value pricing.
- 22. Psychological Pricing** : Here manufacturers fix their prices of a product in the manner that it may create an impression in the mind of consumers that the prices are low.
- 23. Leader Pricing** : Under this method of pricing, the prices of one or a few items may be cut temporarily to attract customers.
- 24. Market Skimming** : In pricing under this pricing method, a seller may charge higher prices during the initial stages of the product life, that is, during the introduction of the new product in market.
- 25. Time-Based Pricing** : Time-based pricing refers to a type offer or contract by a provider of a service or supplier of a commodity, in which the price depends on the time when the service is provided or the commodity is delivered.
- 26. Team Pricing** : In this type of pricing companies sell a package or set of goods or services for a lower price than they would charge if the customer buys all of them separately.

Exercises

CBSE Textbook Questions with Answers

Knowledge Assessment 1

State whether the following statements are true or false.

1. The main elements of the marketing mix are Price, Product, Place and Promotion.
2. Price is marketers' assessment of the value customers see in the product or service and are willing to pay for a product or service.
3. For a given level of production, higher price means a higher revenue and higher profitability.
4. Highly priced commodities generally witness an increasing sale trend.
5. The wrong price can positively affect sales and cash flow to the firm.
6. Goods and services offered by various producers at different prices help the consumer to make rational and informed buying decisions.
7. The firms which are not able to market their products at good prices are able to pay for various factors of production adequately.
8. If prices are too high, the business is lost. If prices are too low, the firm may be lost.
9. A consumer purchasing expensive and branded items implies that he/she has a higher purchasing power and enjoys good standard of living.
10. To flaunt their status consumers generally buy cheaper goods.

Answers:

1. True 2. True 3. True 4. False 5. False 6. True 7. False 8. True 9. True 10. False

Knowledge Assessment 2

Make the right choice.

- Price indicates the which a buyer is ready to exchange for purchase of certain good or service.
(a) Satisfaction (b) Money value
- Buyers who are aware of Firm's might desire to purchase its products because price no longer remains a limiting factor.
(a) Location (b) Prestige
- Availability of quality goods at competitive price social welfare in society.
(a) neutralizes (b) minimizes (c) maximizes
- Generally price will be set relatively by the firm if manufacturing is expensive, distribution and promotion are exclusive.
(a) high (b) low
- Management of a firm can make estimates of at different levels of production at different prices and can choose the best combination of production, volume and price.
(a) cost (b) profit

Answers:

1. (b) Money value 2. (b) Prestige 3. (c) maximizes 4. (a) high 5. (b) profit

Knowledge Assessment 3

Fill in the blanks.

- The decisions related to price and pricing policies of a firm are affected by present in marketing environment.
- Firms may pursue different objectives such as maximizing revenue,, maximizing market share or maximizing customer satisfaction.
- If the cost of acquiring material and of the product is high, the price of the product in the market will also be higher.
- The product price should be such that it covers the on the other elements of the marketing mix.
- If buyers are habitual of the product the price may be fixed
- Favourable market-conditions due to or inflationary trend, encourage firms to fix higher prices of their products.
- If the supplier charges a high price for inputs, the manufacturer shifts this burden to the by charging a higher price for the final product
- If the demand for a product is inelastic firms fix a of the product.
- Supportive government policies businesses through healthy competition.
- Competitive firm tries to outsell others offering and better quality products in the market.

Answers:

1. Several factors 2. Maximizing profit 3. Manufacturing cost 4. Expenses 5. High
6. Bullish attitude 7. Consumer 8. High price 9. Promote 10. Lesser price

Exercise Questions

A. Short Answer Type Questions.

- Define price and pricing.

Ans. Price is the value that is put to a product or service and is the result of a complex set of calculations, research and understanding and risk-taking ability. Pricing is a process of fixing the value that a manufacturer will receive in the

exchange of services and goods. Pricing method is exercised to adjust the cost of the producer's offerings suitable to both the manufacturer and the customer.

2. How does pricing help in improving company's image?

Ans. Pricing can play a significant role in creating and maintaining a brand image. High prices can convey a sense of exclusivity, luxury and prestige, while low prices can convey accessibility, affordability and value. However, it's important to note that pricing can also be used as a differentiator for a brand. For example, a company that positions itself as a premium, high-end brand may charge more for its products and services than a company that positions itself as a budget-friendly, value-driven brand.

3. How does pricing maximize social welfare in society?

Ans. Pricing maximizes social welfare by efficiently allocating resources based on supply and demand signals, promoting innovation through market incentives and facilitating the distribution of goods and services according to consumer preferences, ultimately contributing to economic efficiency and societal well-being.

4. Discuss the role of top management in price-determination.

Ans. Top management plays a crucial role in price determination by setting overall business strategy, considering costs, analyzing market conditions and aligning pricing with organizational goals. Their decisions impact profit margins, market competitiveness and customer perception, making effective price-setting a strategic leadership responsibility.

5. What do you understand by market skimming pricing?

Ans. Market skimming pricing is a strategy where a company sets a high initial price for a product to maximize revenue from early adopters and capitalize on the product's perceived uniqueness, gradually lowering the price over time as demand broadens. This approach is often used for innovative or premium products in the introductory phase of their life cycle.

6. What do you understand by Value-based pricing?

Ans. Value-based pricing is a strategy where the price of a product or service is set based on the perceived value it delivers to customers, rather than on production costs or market conditions. It focuses on aligning the price with the benefits and value the customer receives, potentially allowing for higher prices for products with unique or superior features.

7. Discuss Competition-oriented pricing with an example.

Ans. Competition-oriented pricing in India involves setting prices based on the prevailing rates in the market or the prices charged by competitors. For instance, in the Smartphone industry, if Company A introduces a new model at a certain price point, competitors like Company B might adjust their prices to stay competitive and maintain market share. This strategy is commonly seen in dynamic markets where companies closely monitor and react to the pricing strategies of their rivals.

8. Explain Break-even pricing.

Ans. Break-even pricing is a strategy where a company determines the price at which total revenue equals total costs, resulting in no profit or loss. To calculate the break-even point, fixed costs are divided by the difference between the selling price per unit and variable cost per unit. This approach helps businesses ensure they cover all costs before making a profit.

9. What do you mean by cost based pricing?

Ans. Cost-based pricing is a pricing strategy where the selling price of a product is determined by adding a markup to the cost of production. This approach involves calculating the total cost per unit, which includes both variable and fixed costs and then adding a desired profit margin. The formula for cost-based pricing is:

$$\text{Selling Price} = \text{Cost Per Unit} + \text{Markup}$$

10. Discuss the concept of penetration pricing with an example.

Ans. Penetration pricing is a strategy where a company initially sets a low price for a new product to quickly gain market share. For example, a new Smartphone entering the market might be priced lower than competitors to attract a large customer base quickly.

B. Long Answer Type Questions.

1. Discuss all the four elements of marketing mix.
2. "If prices are too high, the business is lost. If prices are too low, the firm may be lost." Comment on the statement.
3. Which aspects related to production a business should take into account, while setting price of a product?
4. How does price determine firm's Competitive Position and Market share?
5. How is pricing significant for a firm? Discuss.
6. Pricing is important for consumers in decision making. Explain how?
7. Generally price will be set relatively high by the firm if manufacturing is expensive, distribution and promotion are exclusive." Explain the statement.
8. What do you understand by external factors affecting price of a product?
9. What is meant by internal factors affecting price of a product?
10. Product Differentiation causes price variation in firm's products. Explain the statement.
11. Discuss the coordination of all elements of marketing-mix in a firm.
12. How does the market demand for a product have a direct impact on its pricing?
13. 'Economic conditions and Government regulations play a vital role in determination of product price.' Comment.
14. Differentiate Leader pricing and Psychological pricing.
15. Differentiate Cost plus Pricing and Markup Pricing.

Additional Questions with Answers

I. Choose the correct option.

(1 Mark)

1. What is the definition of price in marketing terms?
(a) The cost of production (b) The value of a product
(c) The amount of money charged for a product or service
(d) The total revenue generated by a business
2. Which of the following is NOT considered a component of price?
(a) Discounts (b) Marketing mix (c) Taxes (d) Profit margin
3. How does price play a role in the marketing mix?
(a) It is unrelated to other elements (b) It influences product features
(c) It affects only promotion strategies (d) It has no impact on distribution channels
4. In the context of marketing, what does the term "perceived value" refer to?
(a) The actual cost of production (b) The value customers associate with a product
(c) The market share of a product (d) The quantity of units sold
5. What is the primary purpose of setting prices in marketing?
(a) To maximize production costs (b) To establish a premium image
(c) To cover costs and generate profit (d) To imitate competitor pricing
6. What external factor influences pricing by affecting the cost of production?
(a) Government regulations (b) Market demand
(c) Economic conditions (d) Technological advancements
7. How does consumer perception impact pricing decisions?
(a) Determines production costs (b) Influences demand
(c) Sets industry standards (d) Guides competition-oriented pricing



8. Which factor involves considering the price elasticity of demand for a product?
 - (a) Competitive forces
 - (b) Market demand
 - (c) Cost structure
 - (d) Legal constraints
9. Which pricing method involves setting prices based on the perceived value to customers?
 - (a) Cost-plus pricing
 - (b) Penetration pricing
 - (c) Skimming pricing
 - (d) Value-based pricing
10. In cost-plus pricing, what is the markup percentage typically based on?
 - (a) Competitor prices
 - (b) Variable costs
 - (c) Fixed costs
 - (d) Market demand
11. What is the primary objective of skimming pricing?
 - (a) Gain market share quickly
 - (b) Cover production costs
 - (c) Maximize short-term profits
 - (d) Attract price-sensitive customers
12. What is the primary aim of penetration pricing for a new product?
 - (a) Maximize short-term profits
 - (b) Quickly gain market share
 - (c) Maintain a premium image
 - (d) Gradually lower prices over time
13. How does psychological pricing impact consumer perception?
 - (a) Emphasizes product features
 - (b) Influences emotions and perceptions
 - (c) Matches competitor prices
 - (d) Reflects production costs
14. Which pricing strategy is most suitable for innovative or technologically-advanced products?
 - (a) Penetration pricing
 - (b) Cost-based pricing
 - (c) Skimming pricing
 - (d) Value-based pricing
15. What pricing strategy involves setting different prices for different customer segments or regions?
 - (a) Cost-plus pricing
 - (b) Geographical pricing
 - (c) Psychological pricing
 - (d) Skimming pricing
16. How does the product life cycle influence pricing decisions?
 - (a) Dictates production costs
 - (b) Determines market demand
 - (c) Guides pricing strategy at different stages
 - (d) Sets legal constraints

Answers:

1. (c) The amount of money charged for a product or service
2. (b) Marketing mix
3. (b) It influences product features
4. (b) The value customers associate with a product
5. (c) To cover costs and generate profit
6. (c) Economic conditions
7. (b) Influences demand
8. (b) Market demand
9. (d) Value-based pricing
10. (b) Variable costs
11. (c) Maximize short-term profits
12. (b) Cover production costs
13. (b) Influences emotions and perceptions
14. (c) Skimming pricing
15. (b) Geographical pricing
16. (b) Guides pricing strategy at different stages

II. Fill in the blanks.**(1 Mark)**

1. Pricing is the process of determining the for a product or service.
2. The price represents the a customer must pay to acquire the product.
3. conditions, such as inflation or recession, can impact the overall cost structure and influence pricing decisions.
4. constraints, like taxation and pricing regulations, can affect the pricing strategies adopted by businesses.
5. The level of in the market plays a crucial role in determining the price elasticity of demand.
6. pricing involves setting prices based on the perceived value of a product to customers.

7. In pricing, the selling price is determined by adding a markup percentage to the cost of production.
8. pricing is a strategy where a low initial price is set for a new product to quickly gain market share.
9. pricing aims to set prices high initially and then gradually lower them over time.
10. The cycle of a product influences the pricing strategy, with different approaches at introduction, growth, maturity and decline stages.
11. pricing involves setting different prices for different customer segments or regions.
12. Geographical pricing considers factors such as and distribution costs when setting prices for different locations.
13. pricing strategies focus on the psychological impact of price on consumer perception.
14. In pricing, the price is set based on the costs of production and distribution, with a markup added.
15. The elasticity of demand measures how sensitive the quantity demanded is to changes in price.
16. pricing involves setting prices to match or closely align with competitors in the market.
17. The break-even point is the level of sales at which total revenue equals costs.
18. During the stage of the product life cycle, pricing strategies may involve recovering development and marketing costs.
19. In pricing, prices are adjusted based on changes in the overall level of inflation or deflation.
20. Value-based pricing aligns the price with the and benefits perceived by the customer.

Answers:

- | | | | | | |
|--------------------|-------------------|------------------------|------------------|--------------------------|----------------|
| 1. Cost | 2. Amount | 3. Economic | 4. Legal | 5. Competition | 6. Value-based |
| 7. Cost-plus | 8. Penetration | 9. Skimming | 10. Product life | 11. Differentiated | |
| 12. Transportation | 13. Psychological | 14. Cost-based | 15. Price | 16. Competition-oriented | |
| 17. Total | 18. Introductory | 19. Inflation-adjusted | 20. Value | | |

III. State whether the following statements are true or false.**(1 Mark)**

1. Pricing is the process of determining the cost of a product.
2. The sole purpose of pricing is to maximize profits.
3. Pricing decisions are solely influenced by production costs.
4. Market demand is an internal factor influencing pricing decisions.
5. Legal constraints do not play a role in pricing decisions.
6. Technological advancements have no impact on pricing strategies.
7. Value-based pricing focuses on setting prices based on competitors' rates.
8. Skimming pricing involves setting a low initial price for a new product.
9. Cost-plus pricing considers only variable costs in its calculation.
10. Penetration pricing aims to maintain a premium image for a new product.
11. Psychological pricing emphasizes the psychological impact of pricing on consumers.
12. The product life cycle has no influence on pricing decisions.
13. Geographical pricing involves setting the same price for a product in different regions.
14. The primary aim of penetration pricing is to maximize short-term profits.
15. The cost structure has no impact on the choice of pricing methods.

Answers:

- | | | | | | | |
|-----------|----------|-----------|----------|-----------|-----------|-----------|
| 1. False | 2. False | 3. False | 4. False | 5. False | 6. False | 7. False |
| 8. False | 9. False | 10. False | 11. True | 12. False | 13. False | 14. False |
| 15. False | | | | | | |



IV. Short Answer Type Questions–I**(2 Marks)**

1. What is the significance of pricing in marketing?
2. Define cost-plus pricing.
3. How does demand elasticity affect pricing decisions?
4. Explain the concept of skimming pricing.
5. What role do production costs play in pricing decisions?
6. How does competitive pricing impact market positioning?
7. Define value-based pricing.
8. What is the break-even point in pricing?
9. How does psychological pricing influence consumer perception?
10. Explain the concept of penetration pricing.
11. Why is pricing of new products different from established ones?
12. How does price affect a product's positioning in the marketing mix?

V. Short Answer Type Questions–II**(2 Marks)**

1. Define pricing and its significance in marketing.
2. Name two external factors that influence pricing decisions.
3. How does consumer perception impact pricing strategies?
4. Briefly explain the role of market demand in pricing decisions.
5. Define value-based pricing and provide an example.
6. What is cost-plus pricing and how is the markup percentage determined?
7. Explain the primary objective of skimming pricing.
8. What is the purpose of penetration pricing for a new product?
9. How does psychological pricing influence consumer behavior?
10. Identify a pricing strategy suitable for innovative or technologically advanced products.
11. Explain the concept of geographical pricing.
12. How does the product life cycle affect the pricing strategy for a new product?

VI. Long Answer Type Questions–I**(4 Marks)**

1. Explain the concept of pricing and its significance in the marketing mix.
2. Discuss the role of pricing in influencing consumer behavior and purchasing decisions.
3. How does effective pricing contribute to the overall success and profitability of a business?
4. Explore the external factors that can impact pricing decisions, with a focus on government regulations and economic conditions.
5. Discuss the importance of understanding customer perception and market demand in pricing decisions.
6. How does the competitive environment influence pricing strategies in the market?
7. Compare and contrast cost-based pricing and value-based pricing methods, highlighting their advantages and disadvantages.
8. Explain the concept of skimming pricing and provide an example of a product or industry where this strategy is commonly employed.
9. Discuss the psychological pricing method and its impact on consumer behavior.
10. Elaborate on the objectives and advantages of penetration pricing for the launch of new products.

VII. Long Answer Type Questions–II**(5 Marks)**

1. Explain the concept of pricing and its significance in the marketing mix. How does an effective pricing strategy contribute to the overall success of a product in the market?
2. Discuss the external factors that influence pricing decisions in a business environment. How do economic conditions and technological advancements impact the pricing strategy of a company?
3. Examine the various methods of pricing, with a focus on cost-plus pricing and value-based pricing. Compare and contrast these two approaches, highlighting their advantages and limitations.
4. Evaluate the significance of psychological pricing in influencing consumer behavior. Provide examples of how psychological pricing strategies can be employed by businesses to enhance their competitive position in the market.
5. Explore the concept of geographical pricing and its relevance in a globalized market. Discuss the factors that influence the determination of prices in different regions and the implications for businesses operating on an international scale.
6. Analyze the importance of the product life cycle in shaping pricing decisions. Provide examples of how pricing strategies may evolve at different stages of a product's life cycle, considering factors such as introduction, growth, maturity and decline.
7. Explain the concept of value-based pricing and its alignment with customer perceptions of product value. How can businesses create and communicate value to justify premium pricing in a competitive market?

Previous Years' Board Questions**I. Answer the following questions.****(1 Mark)**

1. For an inelastic demand of products, which type of price will be fixed by you? (CBSE 2022)
(a) Low (b) Moderate
(c) High (d) As decided by the Government
2. is the amount of money charged for a product or service. (CBSE 2022)
3. Intensity of demand for the product would be different with different desires and wants. Identify the type of method of pricing (CBSE SP 2018-19)
(a) Skimming pricing (b) Perceived value price.
(c) Differential pricing (d) Penetration price policy
4. Which pricing method are customary pricing and price lining examples of? (CBSE SP 2020-21)
(a) Dual pricing (b) Leader pricing (c) psychological pricing (d) Prestige Pricing
5. The least cost per customer is a feature of: (CBSE SP 2018-19)
(a) Consumer promotion (b) Trade promotion (c) Advertising (d) Personal selling
6. If the demand for a product is inelastic firms fix a price of the product which will be (CBSE SP 2019-20)
(a) High (b) Low (c) To cover the cost (d) None of these
7. Which type of pricing policy is suitable where little is known about the price elasticity of the product? (CBSE SP 2019-20)
(a) Differential pricing (b) Penetration pricing
(c) Perceived value pricing (d) Skimming pricing
8. How are the price and quantity demanded of a product related to each other? (CBSE SP 2022-23)
(a) Directly (b) Falling (c) Inverse (d) Moving upward

9. What is indicated by price, which a buyer is ready to exchange for purchase of certain goods/services? (CBSE SP 2020-21)
- (a) Satisfaction (b) Money value (c) Purchasing power (d) Marketer's assessment
10. What price will be fixed for a product having more features and attributes? (CBSE SP 2020-21)
- (a) Higher (b) Lower (c) Moderate (d) Profit maximization
11. What out of the following must be supporting other elements of marketing mix? (CBSE SP 2020-21)
- (a) Pricing (b) Price (c) Product (d) Revenue
12. How does availability of quality goods at a competitive price affect social welfare in society? (CBSE SP 2020-21)
- (a) Neutralizes (b) Minimizes (c) Maximizes (d) No effect
13. Normally seen on Liberty shoes, price tag shows that the selling price of the pair is ₹ 699 or ₹ 799 or so. Identify the pricing method adopted by Liberty shoes Ltd. as discussed. (CBSE SP 2020-21)
- (a) Psychological pricing (b) Leader pricing (c) Premium pricing (d) Price lining
14. During COVID-19 pandemic situation, worldwide prices of sanitizer, masks & PPE kits are regulated by the Government policies. Identify the factor discussed in the statement. (CBSE SP 2020-21)
- (a) Promotional Programs (b) Internal factors (c) External Factors (d) Market conditions
15. Identify the correct option for the acronym 'PPP'. (CBSE SP 2020-21)
- (a) Purchasing Power Parity (b) Purchasing Power Pair
(c) Purchase Power Pair (d) Purchase Power Parity
16. X Beauty Salon charges a higher price for its services like haircut, manicure, facial, pedicure, etc. but charges a lower price for a package including all these services. Identify the pricing policy. (CBSE SP 2022-23)
- (a) Psychological Pricing (b) Leader Pricing (c) Team Pricing (d) Individual Pricing
17. Coffee is priced differently by different hotels because buyers assign some values to each. This is an example of (CBSE SP 2022-23)
- (a) Perceived value pricing (b) Differential pricing
(c) Competition oriented pricing (d) Skimming pricing
18. Adding a standard profit to the cost of the product refers to (CBSE SP 2022-23)
- (a) Premium pricing (b) Price elasticity (c) Break-even price (d) Cost-plus pricing
19. price policies are considered when substitute products are marketed. (CBSE SP 2022-23)
- (a) Marketing Skills (b) Elasticities (c) Market Skimming (d) Market Penetration
20. The price setting method which most closely corresponds to the concept of product positioning is: (CBSE SP 2022-23)
- (a) Cost-Plus Pricing (b) Going rate pricing (c) Perceived Value Pricing (d) Psychological Pricing
21. X Beauty Salon charges a higher price for its services like haircut, manicure, facial, pedicure etc. but charges a lower price for a package including all these services. Identify the pricing policy. (CBSE SP 2022-23)
- (a) Psychological Pricing (b) Leader Pricing (c) Team Pricing (d) Individual Pricing
22. Coffee is priced differently by different hotels because buyers assign some values to each. This is an example of (CBSE SP 2020-21)
- (a) Perceived value pricing (b) Differential pricing
(c) Competition oriented pricing (d) Skimming pricing

23. It involves putting the names of all entrants in a computer and deciding winners by chance. (CBSE SP 2023-24)
(a) Sweepstakes (b) Free prize draws (c) Competition (d) Prize promotion
24. All of the following are true about price except: (CBSE SP 2023-24)
(a) Price is independent of the other elements of the marketing mix
(b) Price is the monetary value of a product
(c) Price is most flexible tool in the marketing mix
(d) Price is marketing mix element which produces revenue
25. Adding a standard profit to the cost of the product refers to (CBSE SP 2023-24)
(a) Premium pricing (b) Price elasticity (c) Break-even price (d) Cost-plus pricing
26. price policies are considered when substitute products are marketed. (CBSE SP 2023-24)
(a) Marketing Skills (b) Elasticities (c) Market Skimming (d) Market Penetration
27. A company is operating at a break-even level of output producing 5,000 units. The selling price per unit ₹ 20 and variable cost is ₹ 15 per unit. The fixed cost of the company would be: (CBSE SP 2023-24)
(a) ₹ 50,000 (b) ₹ 25,000 (c) ₹ 5000 (d) ₹ 75,000
28. The price setting method which most closely corresponds to the concept of product positioning is: (CBSE SP 2023-24)
(a) Cost-Plus Pricing (b) Going rate pricing (c) Perceived Value Pricing (d) Psychological Pricing

II. Very Short Answer Type Questions

(1 Mark)

1. ABC Ltd. Company, manufacturer of electronic appliances entered into a formal agreement with the distributors of products, not to sell below the fixed price in any situation. Identify the concept of pricing stated here.
(CBSE SP 2022-23, 2023-24)
2. Distinguish between Skimming pricing and Penetration pricing policy on any two basis. (CBSE 2023-24)

III. Short Answer Type Questions-I

(2 Marks)

1. A consumer has to pay different price for a normal size soft drink in a cinema hall and at a fast food stall. Identify and explain the pricing method stated above. (CBSE 2020)
2. Explain transactional function. (CBSE 2020)
3. Explain the advantages of cinema advertising. (CBSE 2020)
4. List the conditions favouring penetration pricing policy. (CBSE 2020)
5. Why is pricing important for the consumers in the process of decision making? (CBSE 2020, CBSE SP 2018-19)
6. Discuss the advantages of Demand Based Pricing. (CBSE SP 2019-20)
7. Identify and explain the type of pricing strategy, which is determined on the basis of customers perception of value rather than the sellers cost. (CBSE SP 2019-20)
8. Distinguish between Skimming pricing and Penetration pricing policy on any two basis. (CBSE SP 2022-23)

IV. Short Answer Type Questions-II

(3 Marks)

1. How is price significant for firms? (CBSE 2020)
2. Explain 'Profitability' objective of pricing. (CBSE SP 2018-19)
3. Explain any 3 factors influencing marketing mix. (CBSE SP 2018-19)
4. Explain any 3 factors affecting pricing decisions of a firm. (CBSE SP 2018-19)
5. List and explain ways in which price discrimination occurs. (CBSE SP 2018-19)

6. Explain the factors affecting the differential pricing method. (CBSE SP 2018-19)
7. How does price play a significant role for firms? (CBSE SP 2020-21)
8. Discuss the three types of Cost oriented pricing. (CBSE SP 2020-21)

V. Long Answer Type Questions-I

(4 Marks)

1. Discuss the factors of the pricing method where intensity of the demand for the product would be different. (CBSE SP 2020-21)
2. List any four grounds on the basis of which price discrimination occurs. Illustrate each with the help of an example. (CBSE SP 2022-23, 2023-24)

VI. Long Answer Type Questions-II

(5 Marks)

1. Explain various internal factors to be kept in consideration while deciding price of a product. (CBSE 2020)
2. "Pricing is not an end in itself but a means to achieving certain objectives of the marketing department of a firm." Discuss. (CBSE SP 2020-21)
3. "Economic conditions and government regulations play a vital role in determining product price." Comment. (CBSE SP 2020-21)
4. Discuss the following major pricing policies:
(a) Premium pricing (b) Team pricing (CBSE SP 2018-19)



1. Make a PPT on the topic "Objectives of Pricing."
2. Find out the price and availability of masks, sanitizers, etc. on and after 24th March, 2020 till date. Now, make a presentation on "why is the price of three layer masks prescribed by doctors is available for more than ₹ 100?" Also, include in the presentation: "why market is flooded with masks @ ₹ 10. Each?"

Suggested Learning Activities

1. Identify different manufacturing and service organizations and gather information regarding their objectives associated with pricing.
2. Identify and enlist different internal and external factors affecting product price in different types of firms.
3. Prepare a list of various pricing policies that have been adopted by ten manufacturing and a service firms.

About the Book

Marketing will teach the students how to analyse consumer demand and promote products for consumers. This will allow students to work in many different areas of sales and services. For teaching marketing concept, the book is tailored with particular objective in order to effectively prepare the students for their marketing career, which can range from marketing executives to the other upper ladder in marketing domain.

The book will give students a vast and wide insight of the traditional and contemporary aspects of marketing. The input of basic fundamentals, coupled with the practical knowledge given in the book will help students in understanding contemporary marketing tactics and strategies.



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