

Q. Why price war is not beneficial for small companies?

Price war is a state of intense competition over the price of product. One competitor reduces the price, the other will lower its price to match, and then a cycle of price reduction starts. This can lead to selling of product below the cost. Normally, smaller companies cannot compete and shut down. Typically, the smaller, more marginal firms will be unable to compete and will shut down. The remaining firms absorb the market share of the terminated ones. The main losers then, are the marginal firms and the people that invested in them.

Q. Explain how Marketers can prolong the lives of many products in the maturity or decline stages of the PLC? Also how can they move those products back to their growth stage?

In the decline stage of the marketing product development cycle, owners reduce or stop marketing efforts and expenses. The plan is to lower the marketing efforts while your competitors discontinue theirs. If you keep selling the product while your competitor stops selling, then you can get the market share which your competitor left.

Q. The first step in the product development process is generation of ideas. Discuss what the internal and external sources of ideas are. Why external sources are considered to be more important than internal source?

Internal sources:

New product ideas can come from several sources. They may come from internal sources: marketing managers, researchers, sales personnel, engineers, or other organizational personnel. Brainstorming and incentives or rewards for good ideas are typical intrafirm devices for stimulating the development of product ideas.

External sources:

Direct observation of competitors' products, customers' evaluations of their product features, and the grapevine of suppliers and other who serve competitors often contributes ideas.

External sources are more important as compare to internal sources as internal sources are only based on employees and external sources are based on information from market situation , external idea sources are highly valued in new product development literature.

Q. Packaging can increase the sales of products but it can act vice versa as well. Explain it with examples.

Packaging is very important element in marketing mix. The objectives and goals of packaging are many.

Mostly good packaging enhance product sale. But if packaging is not done with planning or care then it can sabotage all the effort. Because mostly packaging is done for the safety of the product and its transportation purposes. Suppose if the box or carton in which a perishable product is enclosed it leaks then what will be the impression of that product on customers. It will defame the product and company/brand.

The objectives that are gotten by packaging and

- labeling are
- 1- Safety
 - 2- Agglomeration
 - 3- Information
 - 4- Advertising through labeling
 - 5- Marketing by attractive packaging

Q. Discuss any five features of market oriented firms

Creating a spirit of open-mind inquiry;
Carefully analyzing rivals' actions;
Listening to staff on the front lines;
Seeking out latent needs;
Active scanning of the periphery of the market;
Encouraging continuous experimentation”
Demonstrate leadership commitment;
Understand the need for change;
Mobilize commitment at all levels;
Shape the vision;
Align structures, systems and incentives;
and Sustain the change

The market driven organisation has increased capability for creating and maintaining relationships with customers: the market relating capability. Such a relationship orientation pervades all parts of the organisation's mind set, values and norms.

Q. Define horizontal integration and explain the possible advantages of horizontal integration?

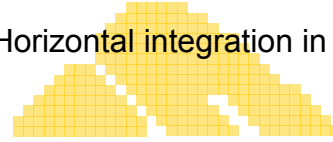
Horizontal Integration

In microeconomics and strategic management, **horizontal integration** is a theory of ownership and control. It is a strategy used by a business or corporation that seeks to sell

one type of product in numerous



markets. To get this market coverage, several small subsidiary companies are created. Each markets the product to a different market segment or to a different geographical area. This is sometimes referred to as the horizontal integration of marketing. The horizontal integration of production is where a firm has plants in several locations producing similar products. Horizontal integration in marketing is much more common than horizontal integration in production

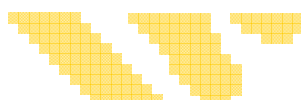


Q. Describe quantity discounts and its types.

Quantity discounts - These are price reductions given for large purchases. The rationale behind them is to obtain economies of scale and pass some (or all) of these savings on to the customer. In some industries, buyer groups and co-ops have formed to take advantage of these discounts. Generally there are two types:

- Cumulative quantity discounts** (also called accumulation discounts). These are price reductions based on the quantity purchased over a set period of time. The expectation is that they will impose an implied switching cost and thereby bond the purchaser to the seller.

- Non-cumulative quantity discounts**. These are price reductions based on the quantity of a single order. The expectation is that they will encourage larger orders, thus reducing billing, order filling, shipping, and sales personal expenses.



Q. The first step in the product development process is generation of ideas. Discuss what are the internal and external sources of ideas? Why external sources are considered to be the more important than internal source?

Every new product development starts with idea generation. Idea generation is process to produce large number of idea are produce. It should be ongoing process.

During idea one should not criticize the ideas of others. Following are few ways for idea generation

Brainstorming session: In this whole team participate and everyone can give any idea there will b no criticism on any idea.

Idea can be obtained by basic research and SWOT analysis Idea

can be obtained from customers, Retailer's & Focus groups

Q. What is conjoint analysis? Why it is often used by marketers while introducing new product?

Conjoint Analysis and Reason of Why Marketers Use This While Introducing New Product:

It is a statistical technique hat is originated in mathematical psychology. It is used in many of the social sciences and applied sciences like marketing, operations research and product management.

The main objective of conjoint analysis in marketing is to determine what combination of a limited number of attributes is mostly preferred by the public. It is often used in testing customer acceptance of a new product designs and assessing the appeal of advertisements used in product positioning. There are few steps for conducting conjoint analysis.

The basic steps are:

1. Select feature to be tested.
2. Show these features combination to the potential customers.
3. Input data from a representative sample of potential customers into the statistical software and select the conjoint analysis procedure; the software will produce the utility functions for each feature.
4. Incorporate the most preferred features into a new product and advertisement.

It is very useful market analysis as we can determine the customer needs and their interest their liking and disliking and will lead to success of the product to be launched. That is why it is mostly used by the marketers while introducing a new product.

Q. Companies try increase their liquidity. Why companies use cash discounts? What are different options available to offer cash discount?

1) Cash discounts for prompt payment - These are intended to speed payment and thereby provide liquidity to the firm. They are sometimes used as a promotional device.

•2/10 net 30 - this means the buyer must pay within 30 days, but will receive a 2% discount if they pay within 10 days.

•3/7 EOM - this means the buyer must pay by the end of the month, but will receive a 3% discount if they pay within 7 days.

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•2/15 net 40 ROG - this means the buyer must pay within 40 days of receipt of goods, but will receive a 2% discount if paid in 15 days.

Q. Describe the characteristics of early majority customers.

Early Majority. They are very careful people and take time to adopt things. They tend to collect information about the change or the product, study carefully and then adopt on the basis of their merits.

Q. Psychological pricing is gaining importance day by day with the changing views of customers. In your own sense what are the different hypothesis that lead to the building the process of psychological pricing?

Psychological pricing or **price ending** is a marketing practice based on the theory that certain prices have a psychological impact. The retail prices are often expressed as "odd prices": a little less than a round number, e.g. \$19.99 or \$2.98. The theory is this drives demand greater than would be expected if consumers were perfectly rational.

Psychological pricing is one cause of price points. It is a method to show price in less value figures to customers like if price is 100 then you will not enter into 3 digit price you just make it round about like 99.90.

Q. List any five characteristics of a good brand name.

A **good brand** name should:

- ❖ Be legally protectable
- ❖ Be easy to Pronounce
- ❖ Be easy to Remember
- ❖ Be easy to Recognize
- ❖ Attract Attention
- ❖ Suggest product Benefits (e.g.: Easy-Off) or suggest usage
- ❖ Suggest the company or product Image
- ❖ Distinguish the product's Positioning relative to the competition.

Q. While developing a new product companies can use many sources to generate ideas for new product. Explain how competitors can be a good external idea source?

Competitors can be an external source of idea generation. For example competitors can be kept from seeing new product ideas generated by customers. You can get information and ideas about the customer response to the competitor's product and you can know what customer is demanding in this way you can get the idea of new product.
Observe

competitors ads and other communications to get clues about their new products. Competitors sales must be considered while decided whether to develop the product or not.

Q. Retailing is the dead end of product distribution. Explain it?

Retailers are at the end of distribution chain as they sell to end users in this way they end the distribution of a product. They directly interact with the end users of the product and end the distribution process.

Q. Describe product type of all the followings & give logical reasons to support your answer.

- Furniture
- Cars
- Soap
- Mango
- Rice

Furniture = Durable Goods: goods that survive multiple use occasions, often further subdivided into 'white goods'

• (refrigerators and cookers, for example) and 'brown goods' (such as furniture, as well as electrical/electronic devices)

Cars = specialty,

Consumer goods with unique characteristics and brand identification. Customers make special efforts to buy such products.

Soap = convenience

Low price and mass promotion, widespread distribution in convenient locations. Mango = perishable. . m not sure about this one

Rice = Commodities: undifferentiated goods (e.g., wheat, gold, sugar)

Q. What types of discounts are given by the company to the distributors and retailers as trade promotion discounts?

Trade discounts (also called functional discounts) –

These are payments to distribution channel members for performing some function . Examples of these functions are warehousing and shelf stocking. Trade discounts are often combined to include a series of functions, for example 20/12/5 could indicate a 20% discount for warehousing the product, an additional 12% discount for shipping the product, and an additional 5% discount for keeping the shelves stocked.

Trade discounts are most frequent in industries where retailers hold the majority of the power in the distribution channel (referred to as channel captains).



Q. Explain the psychology behind a price of Rs9.99 instead of Rs10.00.

The psychology in figures is that how customer perceives these figures if you set price as 10.00 as it is in double digits so customer will think that price is high and if you show price in odd figures such as 9.99 the customer will perceive it as 9.

Q. Mandatory labeling is still a debatable issue yet in the labeling of product. What should you say to in favor of mandatory labeling?

Mandatory labeling is the requirement of consumer products to state their ingredients or components.

Moral purchasing and avoidance of health problems like allergies are two things which are enabled by labeling. It is mandated in most developed nations, and increasingly in developing nations, especially for food products.

Mandatory labeling must be compulsory for eatables and medicines and new invented products so that user can know the side effects of the usage of the product and also some instructions that how to use the product.

Q. Suppose a new detergent has been introduced in the market. List down the stages after which it will enter in the customer's buying preference list?

Idea generation

Idea testing or market test

Technical implementation

Price

Place

Promotions

Q. Suppose Nokia is a market leader in Pakistan and Sony Ericsson is a market

Challenger. What principles Sony Ericsson should follow to target Nokia to gain market share?

Market Challenger

A market challenger is a firm in a strong, but not dominant position that is following an aggressive strategy of trying to gain market share. It typically targets the industry leader (for example, Pepsi targets Coke), but it could also target smaller, more vulnerable competitors. The fundamental principles involved are:

- ❖ Assess the strength of the target competitor. Consider the amount of support that the target might muster from allies.
- ❖ Choose only one target at a time.
- ❖ Find a weakness in the target?? Position. Attack at this point. Consider how long it will take for the target to realign their resources so as to reinforce this weak spot.
- ❖ Launch the attack on as narrow a front as possible. Whereas a defender must defend all their borders, an attacker has the advantage of being able to concentrate their forces at one place.
- ❖ Launch the attack quickly, and then consolidate.

Some of the options open to a market challenger are:

- ❖ price discounts or price cutting
- ❖ line extensions
- ❖ introduce new products
- ❖ reduce product quality
- ❖ increase product quality
- ❖ improve service
- ❖ change distribution
- ❖ cost reductions
- ❖ intensify promotional activity

Q. Why is price considered to be one of the most flexible elements of the marketing mix? Explain what are the factors influencing the price of a product?

Price is considered as most flexible element of the marketing mix because it can be increased or decreased even fixed for a particular product and increase or decrease in price have great impact on the demand of the product and demand have effect on the production.

Factors that influence the price of a product

are: Promotion

Place

Product itself

Demand of the
product Competitors

Time period (in case of seasonal product)

Price is considered the most flexible thing in marketing mix because it helps to achieve strategic as well as business goals and objectives like

- 1- Profitability (to achieve business/financial objectives)
- 2- To adjust price according to customer purchasing power(are customers able to purchase at this price)
- 3- For market positioning www.vuaskari.com

Factors that can influence the price of any product:

Following factors influence the price decisions

- 1- Marketing strategic objectives
- 2- Current Market/economic situation
- 3- Customer's purchasing power
- 4- Cost of the product
- 5- The decision of what pricing strategy you want to adopt e.g. cost plus profit, premium price etc.
- 6- The objectives of the product or brand
- 7- Available resources
- 8- Distribution channels and their relative cost

Q. The key to customer retention is customer satisfaction". Why it is important for the marketers to retain the customer?

It is important to retain customers to capture more market share and increase sales, customers create value for the firm so firms have to retain existing customers by satisfying them. Customer life value must be considered. Customers are the key for the success of organization regular customers create more worth for the organization. So that's why it is important to retain the customers.

