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PRINCIPLES OF MARKETING

BCOE-141

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**Sample Preview
of the
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QUESTION PAPER

June – 2024

(Solved)

PRINCIPLES OF MARKETING

BCOE-141

Time: 3 Hours]

[Maximum Marks: 100

Note: Attempt any five questions. All questions carry equal marks.

Q. 1. How is marketing different from selling? Explain in detail the relevance of marketing along with the main components of marketing mix.

Ans. Ref.: See Chapter-1, Page No. 6, Q.No. 1 and Page No. 7, Q.No. 5.

Q. 2. Explain various bases for segmenting consumer markets with the help of examples.

Ans. Ref.: See Chapter-3, Page No. 19, 'Bases for Segmenting Consumer Markets'.

Q. 3. What do you understand by the concept of New Product Development (NPD)? Highlight the various steps involved in NPD process with the help of examples.

Ans. Ref.: See Chapter-6, Page No. 50, 'New Product Development'.

Q. 4. Discuss various methods of price determination of a product with the help of examples.

Ans. Ref.: See Chapter-8, Page No. 69, 'Basic Methods of Price Determination'.

Q. 5. Explain the role of middlemen in marketing. Discuss various functions of channels of distribution giving suitable examples.

Ans. Middlemen, also known as intermediaries or distribution channel members, play a crucial role in marketing by facilitating the flow of goods and services from producers to consumers. Their primary function is to bridge the gap between the manufacturer and the final consumer, making the distribution process more efficient and accessible. Here are the key roles they play:

1. Facilitating Distribution: Middlemen help manufacturers reach a broader market by distributing products to various retailers or directly to consumers. They are often responsible for breaking down bulk quantities into smaller, more manageable amounts suitable for sale in retail outlets. Without middlemen, producers would have to handle the logistics of reaching each customer or retailer individually, which is often inefficient.

2. Reducing Transaction Costs: Middlemen reduce the number of transactions required between manufacturers and consumers. For instance, instead of a manufacturer selling individually to hundreds of stores, they can sell to a few wholesalers or distributors, who then manage relationships with many retailers. This consolidation minimizes transaction costs, including time, effort, and financial expenses associated with dealing with multiple buyers or sellers.

3. Information and Market Intelligence: Middlemen provide valuable market intelligence to producers, such as feedback on consumer preferences, demand trends, and competitive activity. Retailers and wholesalers often have close contact with customers and can relay this information back to manufacturers, helping them adapt their products or marketing strategies to better meet market needs.

4. Providing Storage and Inventory Management: Middlemen often take on the responsibility of storing goods before they are sold. Wholesalers, for example, maintain inventories so that products are readily available when needed by retailers or consumers. This reduces the burden on manufacturers to store large quantities of products and ensures that goods are available closer to the point of sale.

5. Financing and Risk Taking: Many middlemen offer financing by purchasing products from manufacturers upfront, absorbing the risks associated with unsold inventory, price fluctuations, and damage to goods. By doing so, they assume some of the financial burden and risk, making it easier for producers to maintain cash flow and avoid potential losses.

6. Promotion and Sales Support: Middlemen, particularly retailers, contribute to the promotion and sale of products. They use their local knowledge and customer relationships to push sales, sometimes even offering after-sales services. They may also participate in advertising and promotional campaigns, further enhancing the visibility of the products they sell.

7. Assortment and Convenience for Consumers:

By offering a wide variety of products from different manufacturers, middlemen provide consumers with the convenience of one-stop shopping. Retailers, in particular, create product assortments that meet the diverse needs of consumers, saving them time and effort.

8. Price Stabilization: Middlemen help stabilize prices by balancing supply and demand. By purchasing in large quantities during times of surplus and releasing products during shortages, they can mitigate drastic price fluctuations, benefiting both producers and consumers.

Types of Middlemen in Marketing

1. Wholesalers: They buy products in bulk from producers and sell them in smaller quantities to retailers or other businesses. They usually operate in the B2B market.

2. Retailers: They purchase products from wholesalers or directly from manufacturers and sell them to the final consumer. Retailers are the most direct link to the consumer market.

3. Agents/Brokers: These intermediaries do not take ownership of the products but act on behalf of either the buyer or the seller to facilitate transactions. They earn commissions for their services.

Also Add: Ref.: See Chapter-11, Page No. 93, 'Functions of Channels of Distribution'.

Q. 6. Discuss the concept of promotion mix. Explain the components of promotion mix with the help of examples.

Ans. Ref.: See Chapter-14, Page No. 123, 'Concept of Promotion Mix' and Page No. 124, 'Components of Promotion Mix'.

Q. 7. Discuss the characteristics of services. Explain the challenges associated with services marketing with the help of examples.

Ans. Ref.: See Chapter-17, Page No. 160, Q. No. 1 and Page No. 158, 'Challenges in Marketing of Services'.

Q. 8. Write short notes on any four of the following:

(a) Rural Marketing

Ans. Ref.: See Chapter-18, Page No. 167, 'Rural Marketing'.

(b) Product Life Cycle (PLC)

Ans. Ref.: See Chapter-6, Page No. 52, 'Product Life Cycle (PLC)'.

(c) Social Marketing

Ans. Ref.: See Chapter-19, Page No. 176, 'Social Marketing'.

(d) Market Positioning

Ans. Ref.: See Chapter-3, Page No. 21, 'Positioning'.

(e) Digital Marketing

Ans. Ref.: See Chapter-20, Page No. 184, 'Digital Marketing'.

(f) Branding

Ans. Ref.: See Chapter-7, Page No. 59, 'Branding'.

Sample Preview of The Chapter

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PRINCIPLES OF MARKETING

BLOCK-1: BASIC CONCEPTS OF MARKETING



Nature and Scope of Marketing

INTRODUCTION

In the present era, all business activities focus on satisfying customer's needs so that their continued success over a long period of time can be ensured. Basically, marketing means the continuing process of identifying the needs/desires of consumers and then converting these into products and services. The products offered by the company must be able to satisfy the needs of potential consumers and only they will demand it. There are five marketing concepts under which marketing activities of a business enterprise are performed. These are Production concept, Product concept, Selling concept, Marketing concept and Societal concept. It is important that every business enterprise must consider societal needs to remain profitable in the long run and therefore, its production/marketing activities must produce such products which benefit the whole society.

CHAPTER AT A GLANCE

THE MEANING OF MARKETING

Marketing is much wider than selling. Its focus is on the customer. Every business organization performs two important functions: first, producing goods and services and then making these products/services available to its customers. The way these two functions are organized, goes on to determine the success/failure of the business. The American Marketing Association defines marketing as an organizational function and a set of process for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

In fact, marketing is a continuing process of knowing and converting the needs of consumers into products and services. It also makes efforts to create demands for these products/services and thereafter meets these demands by establishing an efficient distribution system. Every aspiring entrepreneur

must first try to understand the needs of its potential customers and then only move on to produce the kind of product which can meet these needs. Marketing, in the words of American marketing author, Philip Kotler, is a human activity directed at satisfying needs and wants through exchange processes. Therefore, it is clear that proper understanding of the needs of the consumers constitute the most fundamental concept in marketing. It is because that only after understanding the requirements of potential consumers, appropriate kind of product/services should be produced so that these have the capacity to satisfy these requirements.

In his definition of marketing Philip Kotler has mentioned about an exchange process. We know that our wants and needs are unlimited but we have limited ability/money to buy the products/services which can satisfy these needs. So, we have to select the things which we need more desperately, keeping in view the amount of money we have to spend on buying these. So, the needs, in respect of which we can buy product/services with the money we have, get converted into demand and only then there is exchange of goods for money. In this way, it can be concluded that marketing is a process in which first, consumer needs are identified, then steps are initiated for producing products/services to satisfy these needs and then these products/services are provided to the final users.

After providing the products/services to the consumers, efforts are made to have their feedback so that suitable changes could be brought in the products/services. All these activities are performed by the business organisation with a view to earn profit and it is also ensured that the resources available to the organisation are utilized in an optimum manner. The process goes on till the existence of the business organisation. Besides consumer satisfaction, nowadays, business organizations also work on various other related issues, such as identifying valuable customers, and keep their focus on customer delight. They make efforts to build customer loyalty and try to maintain good relations with their customers.

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MARKETING CONCEPTS

The success of any business organization primarily depends on marketing because it is among the most important functions of the organization. The business can succeed only when the required products/services are produced and then, these are made available to the customers. Marketing activities are performed under different marketing concepts, which include Production concept, Product concept, Selling concept, Marketing concept and Societal concept.

Production Concept: Many companies believe that consumers will demand those products which are available at low prices. So, they focus on large scale production at low prices. These organizations only have a Sales Department whose job is to sell the goods produced at the prices to be decided by the production/finance departments. This type of concept can be used when:

- By increasing production, the organisation can get economies of scale and reduce the cost of production per unit; and
- There is more demand for such products in the market as compared to its supply, so that, by increasing production, the gap between demand and supply can be reduced and there would be increased sales of the product.

Product Concept: As per this concept, consumers will buy the products which perform well and are durable. Companies adopting product concept, must focus on developing superior products and these products could be bought even at higher prices.

Selling Concept: Selling concept says that consumers themselves do not buy and they must be persuaded to make purchases. Even better quality products do not result in increased sales. So, these companies concentrate on their sales and to survive and grow, they make efforts to maximize their sales by launching sales promotional programmes. There are many such products which need extensive promotional efforts for selling. Such products include insurance policies, health programmes, electronic products etc. The success of production/marketing efforts is reflected by sales. But it is also important that post-sales, it should also be monitored that the consumers who had bought the products derive satisfaction after consuming the products. This is very significant because only satisfied consumers would like to buy the product again.

Some companies keep looking for new customers instead of keeping track on the satisfaction of the existing customers because while selling their products, they might also have resorted to certain unfair methods to attract new consumers in order to increase their sale. In this way, the onus is more on the Sales Department of the company adopting the selling concept, as compared to the production and product concepts. One more thing to be understood is the difference between a customer and a consumer. A person who purchases a product is a customer but such a purchase may be either for its re-selling or for using the product himself. On the other hand, a consumer is one who actually consumes the product.

Marketing Concept: In the present era, customer is the king. In marketing concept, Companies make efforts to first understand needs and desires of the consumers and then such products/services are designed which can satisfy these needs. Company's other departments such as finance and production departments, etc. work together and bring out such products which the consumers need. This is done to create a large customer base and also ensure long term profits. These companies think that a satisfied customer may bring in many others and hence generate revenues for the company. The fruits of this concept could be derived in the long run, but in the short run, total sales may not increase or even register a decline, leading to decreased earnings for the company. Many such companies which intend to make large profits in a short period, therefore, may not adopt the marketing concept.

Societal Concept: This concept says that companies must recognise/provide the expected satisfaction better than its competitors. So, here, the marketing concept gets combined with the social changes so that the company is able to consider the needs of the society as well and its marketing related activities become relevant for the whole society. A lot is being said these days about the increasing social relevance of business houses. Nowadays it is believed that companies should consider the needs/desires of its customers, produce such goods which can provide maximum satisfaction to consumers and also recognize the well being of the society. All this has attracted the attention of business houses primarily due to the environmental degradation being caused due to the over-exploitation of resources by them. It is being increasingly felt that all marketing efforts must be accountable to the society. Here, the focus is on doing what is good for the whole society. When a company makes its future strategies/goals, it also focuses on remaining profitable in the long run. Such a concept can be adopted by incorporating a balance between customer satisfaction, the interests of the society and the profitability of the business. Also, such a societal concept would enhance the reputation of the company.

EVOLUTION OF MARKETING

Earlier, there were artisans/craftsmen who were primarily engaged in making products which were demanded by other people who were living in the same vicinity and these products were exchanged with the produce of those others in the form of barter system. In this way, the concept of marketing got evolved from the barter system. Thereafter, marketing started occupying the form of a significant economic activity due to several other factors, including increase in population, Industrial Revolution and better communication/transport facilities. The industrial revolution enabled larger scale production and goods were started to be delivered to distant places. The focus was on higher production. This also led to more and more producers started establishing factories and a situation was reached in which all that what was being produced

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could not be sold. Then, companies started carrying out improvements in products. Thereafter, they began to think about the needs of consumers and produce those things which consumers prefer. So, the marketing concept and societal concept emerged on the scene.

In this way, starting from the 1890s with the production concept, marketing function has reached a situation in which every company has to consider the needs of the customers as well as the society and to ensure that its marketing activities are relevant for the society also. With economic development taking place everywhere, the marketing concept has also kept pace with it. In most of the developed countries, entrepreneurs are following the marketing concept but the situation in developing countries is somewhat different. This is because of diverse (heterogeneous) types of markets in these countries and all the five marketing concepts may be present in such countries.

We know that the needs and desires of consumers are changing very fast these days and new/improved products are replacing the existing products in the market. Among the chief reasons of such changes taking place in the needs of people are, the improving standard of living of people, life-style changes, etc. So, this leads to the continuous emergence of new/improved goods in the market which can cater to the changing needs of the people. Generally, the market for every product reaches its but it does not apply to the market for every product being sold. There may be very little changes in the demands of the people living in the rural areas as compared to those living the urban areas and metropolitan cities. Similarly, there may be certain goods, the demand for which may undergo changes very fast as compared to many other products, like, for example, cosmetics being used by people belonging to the middle and upper classes of the society. In the same way, there may be certain products whose supply is continuously short and their demand is more than supply. With increasing globalization of markets, many producers, who aim to attract foreign buyers, prepare appropriate product promotion strategies. A very significant feature in the evolution of marketing process relates to the marketing of services. There is an ever increasing market for maintenance of various products so that these can work in an uninterrupted manner. Here, the reliability of the service plays a big role.

DIFFERENCE BETWEEN SELLING AND MARKETING

Selling and marketing are different. Companies focus on short term goals of achieving a big market share in selling. They try to maximize profits by using aggressive sales methods. Here actual needs of the customers are not considered. But, in marketing, the focus is on consumer, not on the product. Companies make efforts to meet the needs and desires of the consumers. They first try to identify the needs of consumers before the actual product is produced. In selling, the company uses aggressive selling techniques to sell its products and try to meet their sales targets. But, in marketing, first needs of consumers

are identified before producing the goods. In this way, the focus of selling is on the needs of the seller and the focus of marketing is on the needs of consumers. Selling concentrates on sales volume and marketing concentrates on long-term profits and the emphasis is on the product but in marketing, the emphasis is on the needs of customers. Selling aims on achieving sales targets and marketing aims on having customer's delight. Here, first of all, the product is produced and then selling strategies are devised, but in marketing, first the needs of consumers are identified and then only the product is devised which can meet these needs.

IMPORTANCE OF MARKETING

Marketing greatly helps business enterprises in improving the quality of their products in terms of the needs/desires of the consumers. In this way, it helps building customer loyalty towards the organisation and creates its brand value and goodwill. All these help the company in ensuring its long run profitability and growth. Therefore, marketing has occupied a prominent position in present day business activities. Successful marketing strategies also ensure achievement of long term business goals of the company. Besides the business organisation, marketing helps in satisfying the needs/desires of the consumers and even country's economy and the society as a whole are positively impacted by marketing. In this way, marketing is very significant for the company, its customers, the economy and the society in which the company operates. There are a number of services in which marketing plays a leading role. These include investment services, health services, banking and so on. The business enterprises procure revenue, the consumers get better quality goods to satisfy their needs, the economy is benefitted by increased employment opportunities, and also overall, it can bring about improvement in the standard of living of the citizens.

Some of the areas in which marketing plays a significant role can be listed as under:

- Marketing activities help in generating employment opportunities, availability of better quality goods and services to the consumers and increased income. So, it adds to the economic growth of the country.
- The business enterprise derives its revenue from the marketing activities which help it in maintaining its profitability as well as survival and growth. The products of the company are designed to meet the requirements of the consumers and this is done by conducting proper studies about the needs of the people and then these goods are made available to them by establishing appropriate distribution system.
- Efficient marketing systems also help in providing the consumers, good quality products easily available at competitive prices.
- Marketing ensures the availability of the right kind of product, at the right place and at the right time to those who need them. In this way, time and place utilities are created by these goods/services.

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- Marketing provides attractive employment opportunities and also offers an excellent career to the deserving personnel.

MARKETING IN A DEVELOPING ECONOMY

Major characteristics of marketing in a developing economy can be given as under:

- In a developing economy, there is low per-capita income and people spent a large part of income on necessities. So, there is very less scope for marketing.
- Manufacturers concentrate on the selling goods without caring about needs of consumers. Goods are generally in short supply.
- In developing economies, there are few marketing support services.
- Generally people in developing economies remain contended with whatever they get.
- Competition in market is not much, so, everything produced, is sold.

CONCEPT OF MARKETING MIX

There are four basic elements of marketing: Product, price, promotion and physical distribution. A company mixes these four basic elements to produce the kind of product for the market. The company gives such products in the market which has the required qualities. It also decides about pricing, makes efforts to promote the product and to establish a suitable distribution network for providing goods to the target groups easily and timely. These four basic elements of marketing are together called as the four Ps of marketing mix.

Product: Product means the goods or services which the company offers to the consumers. When the company launches a product, it must continuously keep a watch on its effectiveness to meet the desires of customers and then make appropriate changes in the product. It will also help in maintaining the profitability of the company in the long run.

Price: Price is the amount which a customer pays to buy the product offered. It is decided after carefully considering various factors such as the cost, profit margin, sales projections at various price levels, etc.

Promotion: Customers are informed about benefits of purchasing a particular product being offered. Promotion motivates customers to buy the product.

Physical distribution: Different distribution channels are used by the company with the help of which, it makes its products available to customers. The distribution channels which the company can use for selling include wholesalers and retailers. Besides, the products may be sold directly to the consumers depending on the resources available to the company, satisfaction of the desires of the consumers and also the profitability aspects.

In this way, a suitable blend of the above four Ps needs to be decided by the company depending on its available resources and its market positioning strategy. This marketing mix may be different for different

companies. In respect of marketing of services, besides the above referred four Ps, there are three more Ps, making it total seven Ps. The other three Ps are:

- People (management, customer service etc.),
- Process (service delivery process, the ways services are created/consumed) and
- Physical evidence (tangible evidences for the intangible services, like other facilities/comforts).

The marketers must ensure that the company has enough number/type of employees who can make available the desired product to the consumers at the right time and right place so as to maximize their satisfaction. Another theory by Robert F. Lauterborn is known as the four Cs of marketing. The four Cs of this theory include: Consumer (his needs/desires), Communication (interactions with customer), Cost (benefits to customers vis a vis the amount he pays) and Convenience (buying experiences of consumers).

CHECK YOUR PROGRESS

Q. 1. Distinguish between production concept and product concept.

Ans. It is generally thought that consumers prefer the products and services which they can buy easily and at lower costs. Many organisations think that consumers are not really interested in finer aspects of the products and they will demand those products which are available at low prices. So, these organizations focus on large scale production at low prices and then make the goods available to consumers by establishing proper distribution network. They follow market expansion strategy for their survival. In this process, they concentrate on making their production processes more efficient and also try to get maximum benefits of economies of scale of production. On the other hand, the Product concept says that the consumers would buy the products which provide attributes such as durability, good performance and other similar features. The organizations which adopt this concept, must give adequate attention towards developing better/superior products and also continuously keep focus on improving the existing products. They also believe that when their products provide better quality/performance to the consumers, they would buy it despite its higher prices. Such organizations remain more focused on their products, rather than on the needs of the consumers, even in case of launching a new product or a new variant of existing product.

Q. 2. Distinguish between selling concept and marketing concept.

Ans. Many organizations believe that consumers will not buy the products offered by them on their own and they need to be persuaded to make purchases. Even providing good/better products do not result in increased sales. In such cases, the problem does not lie in production but the main issue is how to sell the produce. Therefore, in order to survive and grow, the organisation must make efforts to sell its products and they adopt aggressive strategies to increase their