

Internal Assessment Test – 3

Sub:	Marketing Management	Code:	18MBA15
Date:	30.01.2019	Duration:	90 mins
		Max Marks:	50
		Sem:	I
		Branch:	MBA

		Marks	OBE	
			CO	RBT
Part A - Answer Any Two Full Questions (15*02=30 Marks)				
1	(a) Decide which of the 4Ps could be more important for a businessman supporting your decision in two line.	[02]	CO5	L5
	(b) Discuss “any 5 pricing objectives” that a marketer can consider before setting a price for his products.	[05]	CO4	L2
	(c) Summarize the various steps involved in “the process of pricing”.	[08]	CO4	L5
2	(a) Explain the concept of “Integrated Marketing Communication”.	[02]	CO4	L4
	(b) Apply the “steps in developing effective communication” for any packaged-food of your choice.	[05]	CO5	L3
	(c) Examine how the “AIDA model” can be applied by a marketer of Smart Watches	[08]	CO5	L4
3	(a) Define “Sales Promotion” underlining the two most important keywords involved in it?	[02]	CO4	L1
	(b) Examine how a Smartphone manufacturer can implement various “Sales Promotion Techniques” for its customers?	[05]	CO5	L1
	(c) Summarize the various steps involved in the process of “Personal Selling” using a neat diagram.	[08]	CO4	L5
Part B - Compulsory (01*20=20 marks)				
4.	Hotel Darshan in Bangalore was facing a problem of low demand for its rooms due to off-season. The Managing Director (MD) of the hotel, Mr. Manjunatha was very much worried about it. He called upon the Marketing Manager, Mr. Devaraj for his advice. Devraj suggested the MD, that the hotel should announce an offer of “3 Days and 2 Nights Hotel Stay Package” with free breakfast and one-day sight-seeking trip to Brindavan Gardens and Mysore Maharaja Palace. The MD liked the suggestion very much and directed the Marketing Manager to implement the strategy.			
	In the context of the above case,			
	(a) <u>Identify the promotional tool</u> which can be used by the hotel through which a large number of prospective tourists who come to Bangalore from all over the country can be reached, informed and persuaded to use this special offer and <u>discuss</u> how this can be implemented.	[10]	CO5	L1
	(b) Select <u>other promotional tools</u> that can supplement the above identified one and explain how they can be implemented.	[10]	CO5	L5

Course Outcomes		PO1	PO2	PO3	PO4	PO5
CO1:	Develop an ability to assess the impact of the environment on marketing function.					
CO2:	To formulate marketing strategies that incorporate psychological and sociological factors which influence buying.					
CO3:	Explain how companies identify attractive market segments, differentiate and position their products for maximum competitive advantage in the market place.					
CO4:	Build marketing strategies based on product, price, place and promotion objectives.					1b 1c 2a 3a 3c
CO5:	Synthesize ideas into a viable marketing plan.					1a 2b 2c 3b 4a 4b

Cognitive level	KEYWORDS
L1	List, define, tell, describe, identify, show, label, collect, examine, tabulate, quote, name, who, when, where, etc.
L2	Summarize, describe, interpret, contrast, predict, associate, distinguish, estimate, differentiate, discuss, extend
L3	Apply, demonstrate, calculate, complete, illustrate, show, solve, examine, modify, relate, change, classify, experiment, discover.
L4	Analyze, separate, order, explain, connect, classify, arrange, divide, compare, select, explain, infer.
L5	Assess, decide, rank, grade, test, measure, recommend, convince, select, judge, explain, discriminate, support, conclude, compare, summarize.

PO1 – Theoretical Knowledge; PO2 – Effective Communication Skills; PO3 – Leadership Qualities; PO4 – Sustained Research Orientation; PO5 – Self-Sustaining Entrepreneurship

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		Branch:	MBA				

		Marks		OBE	
		CO	RBT		
Part A - Answer Any Two Full Questions (15*02=30 Marks)					
1 (a)	Decide which of the 4Ps could be more important for a businessman supporting your decision in two lines. Price – brings revenues & profits, attracts customers, differentiates products	[02]	CO5	L5	
1 (b)	Discuss “any 5 pricing objectives” that a marketer can consider before setting a price for his products. Any 5 from the below 1. Survival Survival can be the short-term objective of an organization’s pricing strategy to compete in the fiercely competitive environment. Organizations feel that a reduction in the price can be compensated with the increase in sales volume. However, no company can exist in the market in the long run, if it sets its prices merely for survival. It has to focus on improving its performance and capabilities and thereby attaining profits. 2. Profit The fundamental objective of organizations is to maximize their profits. Their profits are directly dependent on the prices of their products because pricing, to a certain extent, is a controllable factor in the profit equation. Therefore, they adopt pricing strategies that will maximize their profits. Generally, companies arrive at a price after evaluating several pricing alternatives and choose the alternative that produces the maximum profits under the given circumstances. Firms quantify their objectives either in absolute rupee terms or in the percentage change in profits compared to those of the previous period so that it can be measured easily. 3. Return on investment The objective of pricing products of an organization can be to attain a specified return on their investments. Usually, data used to arrive at the returns on investment is not available at the time when prices are set. Therefore, organization adopts a trial and error method wherein the company arrives at the best pricing alternative to leverage the maximum return on investment. 63 4. Market Share The objective of pricing the products and services of many organizations is to either increase or maintain the market share. Organizations usually focus on increasing their market share because they believe that such an increase results in higher profits. However, it is interesting to note that the growth rate of a firm’s market share is independent of the industry’s performance in which the firm is operating. Absolute sales volume of a company might increase though its relative	[05]	CO4	L2	

market share is decreasing. For example, after the entry of many other foreign players in the Indian passenger car market, the market share of Maruti Automobiles decreased, though its absolute sales kept on increasing. This phenomenon is usually seen when the total market for a product increases.

5. Status quo

Organizations can maintain status quo as their pricing objective. Firms adopt a status quo approach to pricing to maintain a certain level of stability in its prices or to maintain the market share. Maintaining status quo helps the company to reduce potential threats in the form of competition by stabilizing the demand for the company’s products.

6. Product quality

Firms try to set the prices of their products to reflect the product’s quality leadership in the market. Firms set high prices for their products so as to cover the high R&D costs incurred in improving the quality of the product. It is also important for marketers to communicate the product quality to the intended audience, as customers will be inclined to pay a high price only when they are assured of the product quality. When the company increases the price of the product, it is also important to improve the relative quality of the product.

(c) Summarize the various steps involved in “the process of pricing”.

[08]

	CO4	L5

1. Setting Pricing Objectives

Before setting the pricing objectives, a marketer should first decide his target market as well as the positioning strategies for his product or service. Once he knows which market he is serving, it becomes easy for him to fix the price of the product. The pricing objectives should actually be in line with the company’s overall objectives. The objective behind setting the price of a product or service can be any of the following.

- a) Survival
- b) Profit
- c) Return-on-Investment
- d) Market share
- e) Status quo
- f) Product quality

If a company has multiple objectives, they should be consistent with one another.

2. Factors Affecting Demand Determination

1. Unique value effect: When the product is a new innovation and offers a unique value proposition to customers, they are less price sensitive.

2. Substitute awareness effect: When customers lack knowledge about the substitutes available for the product, they tend to be less price sensitive.

3. Difficulty in comparison: Customers are less price sensitive when it becomes difficult for them to compare the product with substitute products in terms of features, quality, etc.

4. Total expenditure effect: When the expenditure on the product is very little compared to the overall income of the customer, they are less price sensitive.

5. End benefit effect: Customers are less price sensitive, when the cost incurred on the product is too little compared to the total cost of the end product.

6. Shared cost effect: When the cost of the product is partly borne by another party, customers are less price sensitive.

7. Sunk investment effect: Customers are less price sensitive, when the products are purchased as an extension of products that were purchased in the past.

8. Price quality effect: When the product is considered to be of high quality or to be an exclusive product, the buyers are not price sensitive.

9. Inventory effect: Buyers are less sensitive to price changes of the products which they cannot store.

Analyzing the pricing of the competitors

Competitors may react to price changes in three ways. One way is to maintain the status quo, i.e. not react in any way to the price changes. Another way is to set the prices equal to that of the company. A third way for competitors to react is to attack the price changes by setting their prices lower than that of the company.

4. Selection of a pricing method

Companies have various options for selecting a pricing method. A firm can adopt any of the following pricing methods, namely, mark-up pricing, target return pricing, perceived value pricing, going rate pricing, sealed bid pricing, tender pricing, differentiated pricing, and value pricing.

a) Mark-up pricing

Firms fix a selling price on the products they produce, which normally exceeds the costs incurred in producing these products.

b) Target return pricing

The target return pricing is set by marketers to achieve a specified rate of return on their investments. The companies, which fix a return on their investment, are usually the leaders in their industry.

c) Perceived value pricing

In this type (perceived value) of pricing, marketers set the prices of the products on the basis of their perceived value in the minds of customers. Perceived value is calculated as a weighted average of the products' perceived attribute scores.

d) Going rate pricing

Going rate pricing is a simple method in which a company simply follows the prevailing pricing patterns in the market.

e) Sealed bid pricing

In some markets, business is carried out on the basis of sealed bids rather than on the basis of openly setting prices for products. This type of pricing is more suitable for industrial products.

f) Differentiated pricing

In differentiated pricing, marketers adopt different prices for the same product at different locations or for different types of customers.

g) Value pricing

Value pricing is a method in which marketers offer low prices for high quality products or services.

h) Market skimming

Marketers initially set high prices for their products and recover the costs incurred in developing and producing them as early as possible.

5. The selection of pricing policy

Some of these pricing policies are briefly discussed in the following section.

a) Psychological pricing

Products' prices ending in the number 9 have a significant impact on the psychology of customers. The traditional view of psychological pricing states that the prices of products ending in odd numbers, especially with a 5 or 9, increases consumer sensitivity.

b) Transfer pricing

When one division of an organization transfers or sells goods or services to another division, the price charged for the goods is called transfer pricing. Generally, this happens in multinational companies when one division in a country sells its products or services to another division in another country.

- 2 (a) Explain the concept of “*Integrated Marketing Communication*”.
 Integrated Marketing Communications is a simple concept. It ensures that all forms of communications and messages are carefully linked together.
- (b) Apply the “steps in developing effective communication” for any packaged-food of your choice. Apply the below to the given product
- a) Identifying the Target Audience:
 - b) Determining Communication Objectives:
 - c) Determining the Message:
 - d) Budget Decisions:
 - e) Communication Tools / Mix Decisions:
- (c) Examine how the “*AIDA model*” can be applied by a marketer of Smart Watches
 Apply the below to the given product
 The steps involved in an AIDA model are:
Attention: The first step in marketing or advertising is to consider how to attract the attention of consumers.
Interest: Once the consumer is aware that the product or service exists, the business must work on increasing the potential customer’s interest level. For example, Disney boosts interest in upcoming tours by announcing stars who will be performing on the tours.
Desire: After the consumer is interested in the product or service, then the goal is to make consumers desire it, moving their mindset from “I like it” to “I want it.” For example, if the Disney stars for the upcoming tour communicate to the target audience about how great the show is going to be, the audience is more likely to want to go.
Action: The ultimate goal is to drive the receiver of the marketing campaign to initiate action and purchase the product or service.
- 3 (a) Define “*Sales Promotion*” underlining the two most important keywords involved in it?
 Sales promotion is another important element of promotion mix. It is the activity of offering short-term incentives to attract the customers to improve sales.

[02]

[05]

[08]

[02]

	CO4	L4
	CO5	L3
	CO5	L4
	CO4	L1

(b) Examine how a Smartphone manufacturer can implement various “*Sales Promotion Techniques*” for its customers?

[05]

CO5	L1
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(c) Summarize the various steps involved in the process of “*Personal Selling*” using a neat diagram.

[08]

CO4	L5
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Part B - Compulsory (01*20=20 marks)

4. Hotel Darshan in Bangalore was facing a problem of low demand for its rooms due to off-season. The Managing Director (MD) of the hotel, Mr. Manjunatha was very much worried about it. He called upon the Marketing Manager, Mr. Devaraj for his advice. Devraj suggested the MD, that the hotel should announce an offer of “3 Days and 2 Nights Hotel Stay Package” with free breakfast and one-day sight-seeking trip to Brindavan Gardens and Mysore Maharaja Palace. The MD liked the suggestion very much and directed the Marketing Manager to implement the strategy.

In the context of the above case,

(a) Identify the promotional tool which can be used by the hotel through which a large number of prospective tourists who come to Bangalore from all over the country can be reached, informed and persuaded to use this special offer and discuss how this can be implemented.

[10]

CO5	L1
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(b) Select other promotional tools that can supplement the above identified one and explain how they can be implemented.

[10]

CO5	L5
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