**BISMA**

**Model Answer Paper**

**MBA IV Sem**

**Marketing of Services**

**Section A**

**Q.1 Long Questions**

1. Define Services? Discuss the difference between goods and services.
2. What do you mean by positioning a service? Discuss in detail the basis of targeting and targeting strategies.
3. Explain the factors that are considered for setting pricing of services?
4. What are the different objectives of service promotion.discuss the role of marketing communication.

**Section B**

**CASE STUDY**

###### **Case I: CHEMCO CASE**

**Started in 1965, ChemCo is a leading manufacturer of car batteries in the U.K. market. Since then, it has been under the charge of Mr. Jones, the founder-owner of the firm. In 1999, the company decided to go for a diversification by expanding the product line. The new product was batteries for fork-lift trucks. At the same time, Mr. Marek was appointed the Senior Vice President of marketing in the company. However, soon after its successful diversification into fork-lift batteries, the sales in this segment began dropping steadily. Mr. Marek wanted to introduce some radical changes in the advertising and branding of the new business but the proposal was turned down by the old-fashioned Mr. Jones.
At this juncture in 2002, the firm is losing heavily in the fork-lift batteries business and its market share in car batteries is also on a decline. Mr. Jones has asked Mr. Marek to show a turnaround in the company within a year. What steps should Mr. Marek take to take the company out of its troubles?**

**MBA IV**

**CONSUMER BEHAVIOUR AND MARKET RESEARCH**

**SOLUTION**

**Q1. Define Services? Discuss the difference between goods and services.**

## Definition

A type of [economic](http://www.investorwords.com/1639/economic.html) [activity](http://www.investorwords.com/92/activity.html) that is intangible, is not stored and does not [result](http://www.investorwords.com/7202/result.html) in [ownership](http://www.investorwords.com/16088/ownership.html). A service is consumed at the [point of sale](http://www.investorwords.com/3725/point_of_sale.html). Services are one of the two key components of [economics](http://www.investorwords.com/1648/economics.html), the other being [goods](http://www.investorwords.com/2209/goods.html). Examples of services [include](http://www.investorwords.com/9996/include.html) the [transfer](http://www.investorwords.com/5048/transfer.html) of goods, such as the postal service delivering mail, and the use of expertise or [experience](http://www.investorwords.com/13271/experience.html), such as a [person](http://www.investorwords.com/14646/person.html) visiting a [doctor](http://www.investorwords.com/9484/doctor.html).

### Comparison Chart

| **BASIS FOR COMPARISON** | **GOODS** | **SERVICES** |
| --- | --- | --- |
| Meaning | Goods are the material items that can be seen, touched or felt and are ready for sale to the customers. | Services are amenities, facilities, benefits or help provided by other people. |
| Nature | Tangible | Intangible |
| Transfer of ownership | Yes | No |
| Evaluation | Very simple and easy | Complicated |
| Return | Goods can be returned. | Services cannot be returned back once they are provided. |
| Separable | Yes, goods can be separated from the seller. | No, services cannot be separated from the service provider. |
| Variability | Identical | Diversified |
| Storage | Goods can be stored for use in future or multiple use. | Services cannot be stored. |
| Production and Consumption | There is a time lag between production and consumption of goods. | Production and Consumption of goods occurs simultaneously. |

**Q2. What do you mean by positioning a service? Discuss in detail the basis of targeting.**

**Answer. Definition:**Positioning defines where your product (item or service) stands in relation to others offering similar products and services in the marketplace as well as the mind of the consumer.

. **Description:**A good positioning makes a product unique and makes the users consider using it as a distinct benefit to them. A good position gives the product a USP (Unique selling proposition). In a market place cluttered with lots of products and brands offering similar benefits, a good positioning makes a brand or product stand out from the rest, confers it the ability to charge a higher price and stave off competition from the others. A good position in the market also allows a product and its company to ride out bad times more easily. A good position is also one which allows flexibility to the brand or product in extensions, changes, distribution and advertising.

**Basis of targeting**

The list below refers to what’s needed to evaluate the potential and commercial attractiveness of each segment.

* **Criteria Size:** The market must be large enough to justify segmenting. If the market is small, it may make it smaller.
* **Difference:** Measurable differences must exist between segments.
* **Money:** Anticipated profits must exceed the costs of additional marketing plans and other changes.
* **Accessible:** Each segment must be accessible to your team and the segment must be able to receive your marketing messages
* **Focus on different benefits:**Different segments must need different benefits.

Q3. Explain the factors that are considered for setting pricing of services.

Answer: Pricing is often one of the most difficult things to get right in business. There are several factors a business needs to consider in setting a price:

* **Competitors** – a huge impact on pricing decisions. The relative market shares (or market strength) of competitors influences whether a business can set prices independently, or whether it has to follow the lead shown by competitors
* **Costs**– a business cannot ignore the cost of production or buying a product when it comes to setting a selling price. In the long-term, a business will fail if it sells for less than cost, or if its gross profit margin is too low to cover the fixed costs of the business.
* **The state of the market for the product** – if there is a high demand for the product, but a shortage of supply, then the business can put prices up.
* **The state of the economy** – some products are more sensitive to changes in unemployment and workers wages than others. Makers of luxury products will need to drop prices especially when the economy is in a downturn.
* **The bargaining power of customers in the target market**– who are the buyers of the product? Do they have any bargaining power over the price set? An individual consumer has little bargaining power over a supermarket (though they can take their custom elsewhere). However, an industrial customer that buys substantial quantities of a product from a business may be able to negotiate lower or special prices.
* **Other elements of the marketing mix**– it is important to understand that prices cannot be set without reference to other parts of the marketing mix. The distribution channels used will affect price – different prices might be charged for the same product sold direct to consumers or via intermediaries. The price of a product in the decline stage of its product life-cycle will need to be lower than when it was first launched.

Whether you are starting out or starting over, here are five factors to consider when pricing your products and services.

## 1. Costs

First and foremost you need to be financially informed. Before you set your pricing, work out the costs involved with running your business. These include your fixed costs (the expenses that will come in every month regardless of sales) and your direct costs (the expenses you incur by producing and delivering your products and services).

## 2. Customers

Know what your customers want from your products and services. Are they driven by the cheapest price or by the value they receive? What part does price play in their purchase decision?

Also look at what you are selling, are your current customers buying high-end or low-end products and services? This information will help you determine if your price is right, what level of service or inclusions you should be offering and lastly if you are targeting the right market. It may be that you need to change your market to make your business more profitable.

## 3. Positioning

Once you understand your customer, you need to look at your positioning. Where do you want to be in the marketplace? Do you want to be the most expensive, luxurious, high-end brand in your industry, the cheapest, beat it by 10% brand or somewhere in the middle? Once you have decided, you will start to get an idea of your ideal pricing.

## 4. Competitors

This is one of the key times you can give yourself permission to do a little competitor snooping. What are they charging for different products and services? What inclusions and level of service are they offering for those prices? What customers are they attracting with their pricing? And how are they positioned in the marketplace? The answers to these questions will give you an industry benchmark for your pricing.

## 5. Profit

One of the most important questions business owners neglect to ask themselves is, “How much profit do I want to make?” They tend to look at what others charge and then pull a figure out of the air to be competitive without giving consideration to how much profit they want and need.

Q4. What are the different objectives of service promotion.discuss the role of marketing communication.

## Answer: Different objectives of service promotion

##  Increase Business

Marketing promotions are used primarily to attract new customers to a business. This can be done through a variety of promotional actions, such as running targeted advertising campaigns, holding special events, or launching a social media blitz. The objective is to reach potential new customers and give them an incentive to patronize your business.

## Increase Sales

Once people become customers of a business, another promotional marketing objective is to encourage them to increase their spending. An example of this marketing objective in practice is the use of a customer “rewards” card that tracks what the customer purchases and generates coupons for similar products. In this sense, the objective of the marketing tactic is to get customers to buy additional products, or more expensive products, than the ones that initially brought them to your business.

## Repeat Business

The objective of retention marketing promotion is to turn one-time customers into repeat customers. This can be done through collecting customer contact information and putting the one-time buyers on a direct-mail or email advertising list. These customers then receive special offers, advance notice of sales, special perks, and “two-for-one” offers designed to keep them coming back.

## Brand Awareness

To keep its name in front of consumers and reinforce its image, a small business should have a marketing objective of building brand awareness. This can be accomplished in part by being consistent in all marketing messages and using inexpensive promotional products. An example: give-away items such as refrigerator magnets, ink pens, coffee cups and calendars imprinted with the company logo or image. People who take these items have a constant message in front of them, bolstering brand awareness of the business.

## New Product Introduction

The objective of promoting a new product launch through marketing initiatives is to expand a company’s reach into new markets, while still retaining its existing customer base. An example of this approach is a cleaning company that expands its services to include handyman-type home repairs. The objective of the marketing promotion would be to attract new customers seeking home repair services, while cross-selling existing customers who already use the company for their cleaning needs.

**Section B Case Study**

###### **Case I: CHEMCO CASE**

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 **Solution**

**Situation Analysis:**

**Company**

* **Established player in car batteries**
* **Losing heavily in fork-lift truck batteries**
* **Old fashioned owner resistance to change**

**Competition**

* **Low priced competitors**
* **Foreign competitors gaining market share**

**Customers**

* **High quality product, but low end customers care more about price than quality**

**Problem Definition:**

* **Mismanaged product diversification in a price sensitive market**

**Alternatives:**

* **Alternative 1: Establish an Off-Brand for the fork-lift business**
* **Alternative 2: Educate the customer market about product quality**
* **Alternative 3: Exit the fork-lift battery business**

**Criteria for evaluation of alternatives:**

* **Establishing the firm's quality image**
* **Increase in market share**
* **Increase in sales**
* **Cost of the product**