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**Question # 1 Answer.**

**Difference between Product and Service**

**Product:** According to phillip kotler, anything can be a product if it has following features:

* Set of tangible attributes
* Got a specific shape
* Performs some specific function/functions

Or we can say every tangible item from a needle to a plane can be called as a “product”

The obvious difference between product and service marketing is that products are tangible, and services are intangible.

**Service:** While services are always,

**Intangible:** Something that cannot be seen, or touched, their effect can only be felt, e.g. teaching, transportation, banking, insurance etc.

**Inseparable:** Services cannot be separated from the service provider, as in case of products, the products and producer are separated, e.g. Nokia is the company and n79 is the product, but services are the integral part of the personality of a service provider you cannot separate it.

**Perishable:** It means something which cannot be stored, as services are intangible, hence they carry no tangible shape, so they cannot be stored, and it’s also due to inseparability feature, so we can say that services are produced

And consumed simultaneously, they cannot be stored.

**Not transferable**

* As services are the integral part of the personality of a service provider, hence their ownership cannot be transferred to other people, and
* It is also due to the intangible, feature of the services.
* Services are hired, while products are purchased.
* When you go to hotel for week holidays, you pay the rent for living there, you do not became the owner.

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|  | PRODUCT MARKETING | SERVICE MARKETING |
| Meaning | Product marketing refers to the process in which the marketing activities are aligned to promote and sell a specific product for a particular segment. | Service marketing implies the marketing of economic activities, offered by the business to its clients for adequate consideration. |
| Marketing mix | 4 P’s | 7 P’s |
| Sells | Value | Relationship |
| Who comes to whom? | Products come to customers | Customers come to service |
| Transfer | It can be owned and resold to another party. | It is neither owned nor transferred to another party. |
| Returnability | Products can be returned. | Services cannot be returned after they are rendered. |
| Tangibility | They are tangible, so customer can see and touch it, before coming to the buying decision. | They are intangible, so it is difficult to promote services. |
| Separability | Product and the company producing it, are separable. | Service cannot be separated from its provider. |
| Customization | Products cannot be customized as per requirements. | Services vary from person to person, they can be customized. |
| Imagery | They are imagery and hence, receive quick response from customers. | They are non-imagery and do not receive quick response from customers. |
| Quality comparison | Quality of a product can be easily measured. | Quality of service is not measurable. |

1. **Q # 1**

**The**[**Marketing**](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/marketing/index.html)**Exchange:**

**The exchange process is the act of obtaining a desired object from someone by offering something of**[**value**](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/value/index.html)**in return.** The exchange between the person in need (i.e., someone who offers money or some other personal resource) and the organization selling the [product](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/product/index.html), [service](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/service/index.html), or idea results in a transaction. The top goal of any marketing organization is to facilitate and help increase sales transaction by convincing potential [consumers](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/consumer/index.html) and existing customers to buy their company's product or service.

With the emergence of the Internet and [e-commerce](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/e-commerce/index.html) during the 1990s, the nature of the [marketing exchange](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/marketing-exchange/index.html) for businesses and customers has changed drastically. Today's consumers have access to far more and far better information. They also have many more choices. Businesses must provide [personalized](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/personalized/index.html), relevant and high [quality](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/quality/index.html) content that competes with a fast, ever-changing competitive landscape. .

**Trade-Off**[**Analysis**](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/analysis/index.html)**:**

The exchange process allows the parties to assess the relative trade-offs they must make to satisfy their respective needs and wants. For the marketer, analysis of these trade-offs is guided by company policies and objectives.

**For example.** A company may engage in exchanges only when the [profit margin](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/profit-margin/index.html) is 10% or greater. Buyers also have personal policies and objectives that guide their responses in an exchange. Unfortunately, buyers seldom write down their personal policies and objectives. Even more likely, they often do not understand what prompts them to behave in a particular manner. This is the mystery, or the "black box," of buyer behavior that makes the exchange process so unpredictable and difficult for marketers to understand.

Marketers can, however, attempt to understand the qualities of their products and how consumers view these qualities in relation to their perceived [benefit](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/benefit/index.html). One such technique to understand this [consumer behavior](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/consumer-behavior/index.html) is known as [perceptual mapping](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/perceptual-mapping/index.html), which is a technique that uses diagrams in an attempt to visually display the [perceptions](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/perception/index.html) of consumers. These ideas will be explored in greater detail in later chapters.

[**Negotiation**](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/negotiation/index.html)

There tends to be some negotiation between the parties in the exchange process. Individuals on both sides attempt to maximize rewards and minimize costs in their transactions so as to obtain the most profitable outcomes. Ideally, all parties achieve a satisfactory level of reward. In each transaction, there is an underlying philosophy in respect to how the parties perceive the exchange. Sometimes deception and lying permeate the exchange. Other exchanges may be characterized as equitable, where each party receives about the same as the other—the customer's need is satisfied and the business makes a reasonable profit.

**Understanding Buyer Behavior Will Jumpstart the Exchange Process:**

When we use the term "buyer", we are referring to an individual, group, or organization that engages in [market](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/market/index.html) exchange. In fact, there are differences in the characteristics of these three entities and how they behave in an exchange. Therefore, individuals and groups are traditionally placed in the consumer category, while organizations are placed in the second category. When potential buyers are not satisfied, the exchange falters and the goals of the marketer cannot be met. As long as buyers have free choice and competitive offerings from which to choose, they are ultimately in control of the marketplace.The potential buyers, in commercial situations, "vote" (with their dollars) for the market offering that they feel best meets their needs. An understanding of how they arrive at a decision allows the marketer to build an offering that will attract buyers. Two of the key questions that a marketer needs to answer relative to buyer behavior are:

* **How do potential buyers go about making purchase decisions?**
* **What factors influence their decision process and in what way?**

The answers to these two questions form the basis for [target market](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/target-market/index.html) selection, and, ultimately, the design of a market offering.

**Purchase Decisions:**

In order to better understand the marketing exchange, it is important for marketers to grasp how consumers go about making purchase decisions. In general, the [consumer decision process](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/consumer-decision-process/index.html) includes the following steps:

1. Need recognition
2. Information search
3. [Evaluation](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/evaluation-of-alternatives/index.html) [of alternatives](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/evaluation-of-alternatives/index.html)
4. Purchase
5. Post-purchase behavior

As the consumer moves through these various phases, internal and external conditions are influencing the consumer's actions throughout the purchasing process. Internal influences include [beliefs](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/belief/index.html), feelings, [demographics](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/demographics/index.html), lifestyle, [motivation](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/motivation/index.html), and [personality](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/personality/index.html). Psychological factors include an individual's perception, [attitude](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/attitude/index.html) and belief, while personal factors include income level, personality, age, occupation and lifestyle. For example, a consumer may enter the purchase decision stage for a particular product, but decide to buy a different [brand](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/brand/index.html) after receiving negative [feedback](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/feedback/index.html) from a trusted friend.

Marketing also plays a role in how consumers perceive brand messaging through lenses such as [culture](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/culture/index.html), lifestyle and personality.

**For Example.**

Brands can ensure that content and other messaging align with the individual consumer's personality profile and motives.

Marketers use a variety of promotional tools to "nudge" consumers who intend to buy but decide to purchase at a later time due to internal or external factors (e.g., loss of job, retail store closing, etc.). To successfully guide consumers through the buying process, marketers attempt to make products and services more appealing by offering credit or payment terms, [sales](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/sales-promotion/index.html)[promotions](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/promotion/index.html), rebates, and other premiums to convince consumers to buy now rather than later. Complimentary perks and services such as add-on features and lifetime [warranties](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/warranty/index.html) are other [tactics](http://oer2go.org/mods/en-boundless/www.boundless.com/marketing/definition/tactics/index.html) used by brands to sell product and service benefits to consumers.

**Now! WHAT IS EXCHANGE?**

The process of paying money or other valuables and getting products and services in return is known as “exchange”

“Exchange” occurs in market.

**Conditions of exchange:**

Two or more than two persons or organizations should be involved, and they must have some need for exchange it always occur voluntarily each party or person may have something of value for other person or party they must communicate with each other.

As we have already studied that buyers go to the market in order to purchase products or hire services in order to fulfill their needs and wants, so they have got a lot of options to purchase a particular product or to hire a particular services, e.g., if you want to purchase a Sim card you can go for Ufone, jazz and Warid, if you want to purchase burger, you can have it from KFC, pizza hut or any other restaurant in Peshawar city, but the thing is that every organization want you to become their customer, or they want you to purchase their products or to hire their services, for that particular reason and purpose, the organizations have to perform the “marketing function” which is aimed at bringing a “matching effect” in between human needs and wants” and in between “products and services” so that to inform convince and remind them to start using or to keep using a particular product and services.

**Question # 2 Answer.**

**Firm VS Industry**Firm and industry are words that are very commonly used yet misunderstood by many. People think they know what they mean when they use these words yet there are people who make erroneous use of the two concepts. This article attempts to clear all doubts to enable readers to have a better understanding of the two terms used in economics.

**Firm**: A firm is more or less similar to the concept of a business establishment. The term is mostly used in relation to companies providing judicial services to clients. These are business establishments referred to as law firms. A firm can be a sole proprietorship or a partnership, but the basic premise is that it is run for making profits. In US alone, there are an equal number of firms and establishments. A firm can operate inside an industry such as a firm that makes and supplies steel to other companies requiring steel while all these companies exist under the steel industry.

**Industry:** In economics, the economy of a country is divided into an umbrella of industries where an industry consists of all organized activities for production and processing of products. However, industry is also described as retail and wholesale depending upon the nature of transactions with the customers. There are also industries in services sector such as the banking industry or the insurance industry. An industry covers all economic activities that are organized and carried on by all individuals, units, firms, businesses, and organizations existing and working inside it.

**What is the difference between Firm and Industry?**

• Industry refers to a kind of business inside an economy while a **firm is a business establishment inside an industry.**

• **There can be many firms** inside an industry.

• Industry is not an entity while a **firm is a type of company**.

• An industry is a sub sector of an economy whereas a **firm is a type of business.**

• Rules and regulations are made for an industry, and that typically apply to all **firms inside the industry**

1. **Q # 2**

**External environment:** There are 2 levels of external forces:

1. **Macro influences**
2. **Micro influences**

**1. Macro influences:** Macro means “large” and influences means “effects” so macro influences are those external factors which may affect the whole “industry” not only a single firm, e.g., government laws, economic conditions, technology etc.

**2. Micro influences:** Micro means “small” so those environmental factors which will not affect the whole Industry but a single firm, e.g. if the people living in Islamabad mostly love Macdonald’s, or they got higher demand for Macdonald’s, so only Macdonald’s sales would get increase, so it would be a micro factor, but if the demand for fast food gets higher in Islamabad, so demand for Macdonald’s, KFC, chief and pizza hut all Would increase, as it would be a macro influence on Islamabad market.

* **Followings are the factors related to the external macro environment of any organization:**

**Demographics:**

Demography is the study of population and demographics are the statistics describing a particular population, or we can also say that demographics are statistical representation of a population, e.g. what is total population of Afghanistan, what

* Is the number of male population in it, what is the number of females in it, rural and urban population young, kids, old people, farmers, educated uneducated people, income levels, industrialists, doctors, lawyers etc...
* See if the majority of a country consists of highly educated people, it would be difficult to deceive them, or misguide them, we have to produce
* Quality products for them, as they can better understand which product is good and which is not.
* There is a great difference between European and Asian demographics that’s why quality of products produced for European people is much higher than quality of products produced for Asians, because of their demographics.

**ECONOMIC CONDITIONS:**

* Economic conditions of different countries are different from each other, depending upon their employment rate and income level, e.g., people living in Europe they have got higher incomes and good employment opportunities, that’s why their
* Standard of life is also higher from people living in Asia, that why the marketers are producing high quality products and services for them at higher prices because of their strong economic conditions.

1. **Competition:**

Is also one of the external environmental factor, see in Peshawar in telecommunication industry we have got Jazz, Ufone, Telenor and Warid, if Jazz today decrease their rates, so all other firms will be affected as well, so we are affected by the actions and reactions of our competitors and we affect them

Through our actions and reactions, head and shoulder producing company p&g, offered producing shampoos for dry hair, normal hair, shiny hair, damaged hair in response to lever brothers product Sunsilk.

1. **Social and cultural forces:**

Every society has got its own religion and culture and the people living in that society has got a very strong belief in it, e.g., we do have got concept of haram and halal things in our religion, i.e., Islam, e.g., eating pork or drinking beer is haram in Islam, so it’s not a part of our culture as well, so marketers has to take care of social and cultural

* Values of a market in which he is operating, Muslims celebrate Eid, Ramadan, and other events, while Christians celebrate Easter, Christmas, good Friday etc., Hindus celebrate holi, Diwali, etc.
* In our society male, has to play a vital role, as compare to females
* But in Europe females are playing the equal role in society.

1. **Political and legal forces:**

* Government of a country is head of a state, government is there is decide what activates can be business and what activates can be crimes,
* So, all the businesses or industries have to follow the government rules and regulations they have to pay taxes according to the laws of that country, and have to follow the rules and regulations of government, e.g., in Islamabad, if someone wants to
* Start a university, they cannot open it without the permission of ministry of education, if someone wants to start telecommunication business, then he has to seek permission from telecommunication ministry.

**TECHNOLOGY:**

* Technology has got a bigger impact on today’s modern business world, business has develop a lot due to invention of computer technology, air industry, robots, laptops, television, fax machines etc., which have contributed a lot in making world “a global village”

**EXTERNAL MICRO ENVIRONMENT:**

It means an environment which lies externally but will affect only a single firm, it contains following factors:

1. **Firms customers:**

Every firm has got its own customers, if majority of the customers feel that a firm is fulfilling their needs and wants in a better way, by producing the quality goods and services, they would keep using the products and services of that firm, hence only the demand for that firm will increase not for the whole industry, and if the customers are not happy, similarly, only that firm will suffer.

1. **Suppliers:**

Are those persons or organizations which are providing raw materials to producers for making products,

e.g., a car making company needs to purchase tires from another firm, Batteries from another firms and many other parts from other suppliers, as different firms supply their products to different stores here in Kabul, e.g., if today Nestle do not provide their products to a store in Peshawar, and provide it to a store in Punjab, so, only Sales of that store will be affected which is there in Peshawar.

1. **Wholesaler and retailer or middle men:**

These are the companies which are linking the producers with the customers, wholesaler gets products from producer in larger quantities, and retailer gets them in smaller quantities and is directly selling them to customers, so the success of an individual firm depends on the performance of their middlemen performance, so it will affect the single firm.