Unit I

Introduction to Marketing Management.

Introduction:

The modern view assumes that marketing means identifying, anticipating and satisfying consumer's needs and desires. Thus, marketing creates place utility, time utility and possession utility. Marketing is a human activity directed at satisfying needs and wants through exchange processes.
A need is a state of felt deprivation. Marketers create wants on the basis of needs. For example, food is an essential to satisfy the hunger needs. Marketers produce various types of food such as Pulao, Sweets, Tea, and Coffee etc. to create wants. Creating wants means creating demand for a product by providing an opportunity for choice or selection. Here, the buyers have an opportunity to select out of the four alternatives–Pulao, Sweets, Tea or Coffee to satisfy their hunger needs. The exchange process means the transfer or
transaction of goods which cannot be made free of cost i.e. it should be on payment basis.
The process of marketing starts with the identification of needs and wants through market survey and converting them into products or services and distributing the same to ultimate consumers through buyer oriented channel with suitable sales promotion technique at logical price to make a reasonable profit.

DEFINITION OF MARKETING:

1. Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user".–Committee of the American Marketing Association.
2. Marketing is a total system of interacting business activities designed to plan, promote and distribute want satisfying products and services to present and potential consumers"–W. J. Stanton.
3. Marketing is the business function that identifies customers' needs and wants, determines which target markets the organisation can serve best, and designs appropriate products, services, and programmes to serve these markets"–(Kotler and Armstrong, 1996).

SCOPE OF MARKETING:

Marketing has a very wide scope it covers all the activities from conception of ideas to realization of profits. Some of them as discussed as below :

- **Study of Consumer wants and needs :** Goods are produced to satisfy consumer wants.
Therefore study is done to identify consumer needs and wants. These needs and wants motivates consumer to purchase
- **Study of Consumer Behaviour** : Marketers performs study of consumer behaviour. Analysis of buyer behaviour helps marketer in market segmentation and targeting.
- **Product planning and development** : It includes the activities of product research, marketing research, market segmentation, product development, determination of the attributes, quantity and quality of the products.
- **Branding** : Branding of products is adopted by many reputed enterprises to make their products popular among their customer and for many other benefits. Marketing manager has to take decision regarding the branding policy, procedures and implementation programs
- **Packaging** : Packaging is to provide a container or wrapper to the product for safety, attraction and ease of use and transportation of the product

- **Channels of Distribution** : Decision regarding selection of most appropriate channel of distribution like wholesaling, distribution and retailing is taken by the Marketing Manager and Sales Manager.
- **Pricing Policies** : Marketer has to determine pricing policies for their products. Pricing policies differs from product to product. It depends on the level of competition, product life cycle, marketing goals and objectives etc
- **Sales Management** : Selling is a part of marketing. Marketing is concerned about all the selling activies like customer identification, finding customer needs, persuading customer to buy products, customer service etc
- **Promotion:** Promotion includes personal selling, sales promotion and advertising, right promotion mix is crucial in accomplishment of marketing goals
- **Finance :** Marketing is also concerned about the finance, as for every marketing activity be it packaging, advertising, sales force budget is fixed and all the activities have to be completed with in the limit of that budget
- **After sales service** : Marketing covers after sales services given to customers, maintaining good relationships with customers, attending their queries and solving their problems.

MARKETING CONCEPTS:

Different organizations have different perceptions of Marketing. These differing perceptions have led to the formation of different concepts of Marketing. There are five alternative concepts under which organizations conduct their marketing activities: the production concept, the product concept, the sales concept, the marketing concept, and the societal marketing concept.

1. The Production Concept:

The production concept holds that consumer will favour products that are available and highly affordable. Here, production and technology dominate the thinking process of key people. They believe that marketing can be managed by managing production. The concept holds that consumer would, as a rule, support those products that are produced in great volume at a low unit cost. Naturally in such organizations all efforts gets focused on production. Organizations favouring this concept are impelled by a drive to produce all they can. They do achieve efficiency in production but they do not get best of customer patronage. Customers after all are motivated by a variety of alternatives in their purchases. However, production concept as a philosophy work undertow situations

1. When the demand for the product exceeds the supply, management should look for ways to increase production
2. When the products cost is too high, improved productivity is needed to bring it down.

2. The Product Concept:

The product concept is somewhat different from production concept. Whereas the production concept seeks to win markets and profits via high volume of production and low unit costs, the product concept seeks to achieve the same result via product excellence – improved products, new products and ideally designed and engineered products. It also places emphases on the quality assurance. Organizations that are guided by product concept believe that consumers automatically go for products of high quality. They concentrate on achieving product excellence. They spend considerable amount of money and time on research and development activities in order to produce product of excellence. Yet, in many cases these organizations fail in the market because they do not study the market and the consumers in depth. They totally get engrossed with the product and almost forget the consumer, for whom the product is manufactured, they fail to find what the consumers actually need and would gladly accept.

3. **The Sales Concept:**

The sales or selling concept says that consumers will not buy enough of the organizations product unless it undertakes the large scale selling and promotion effort. It cannot expect its products to get picked up automatically by the customers. The company has to consciously push its products. Aggressive promotion and advertising, price discounts and publicity and public relations are the tools that increase sales. However, sales without satisfaction of consumers may be counter productive in the long run.

4. **The Marketing Concept:**

The marketing concept represents a radically new approach to business and is the most advanced of all the ideas of marketing that have emerged over years. Only marketing concept is capable of keeping the organization free from "marketing myopia". All others viz. exchange concept, production concept, product concept and selling concept suffers from marketing myopia in one form or the other. The marketing concept has four major distinguishing features

a) Consumer orientation: An overwhelming emphasis on the consumer and his needs is the first distinguishing characteristic of marketing concept. It enables the firm to look at a business activity from the point of view of customer.

b) Integrated management action: Integrated management action simply means that all the different management functions are tightly integrated with one another, keeping marketing as the pivot. For example, marketing department may have identified that there is going to be increase in the demand of certain product with some modifications. This information is sent to the manufacturing department that in turn informs purchase, inventory and other related departments, so as to produce the best benefits and satisfaction to the consumers.

c) Consumer satisfaction: Marketing concept is a means for fulfilling consumer's needs. It emphasizes that just consumer orientation of firm is not enough; it is essential that such an orientation lead to consumer satisfaction and no firm can afford to ignore it.

d) Realizing organizational goals including profits: The marketing concept treats consumer satisfaction as pathway of attainment of other goals of the organization. The firm tries its maximum to control costs and simultaneously ensure quality, optimize productivity and maintain a good organization climate and profitability.

5. **The Societal Marketing Concept:**

The societal marketing concept holds that the organization should determine the needs, wants and interests of target market. It should then deliver superior value to the consumers in a way that maintains and improves the consumers and society's well being. It questions whether the pure market concept is adequate in an age of environmental problems, resource shortages, rapid population growth, worldwide economic problems and neglected social services. Consider, for example, most of the industries are just garbaging the by-product in the soil or are drained away in the river causing water and soil pollution. This causes lot of health related problems to the people. Such concerns led to the emergence of societal marketing concept. The societal marketing concept calls on business people to balance three considerations in setting their marketing policies: company profits, consumer's wants and society's interests.

MARKETING MIX:

Marketing mix is the mixture of the essential elements of marketing in order to enhance consumer satisfaction. Marketing mix is the mixture of 4Ps' – Product, Pricing, Promotion and Place (Physical distribution and channel of distribution). To attain success in marketing effort, the various components should be well coordinated. Marketing mix offers an optimum combination of all marketing elements so that we can achieve company goals such as profit, return on investment, sales volume, and market shares and so on. The market mix will naturally be changing according to changing marketing conditions and also with changing environmental factors such as technical, social, economic, and political and competition.

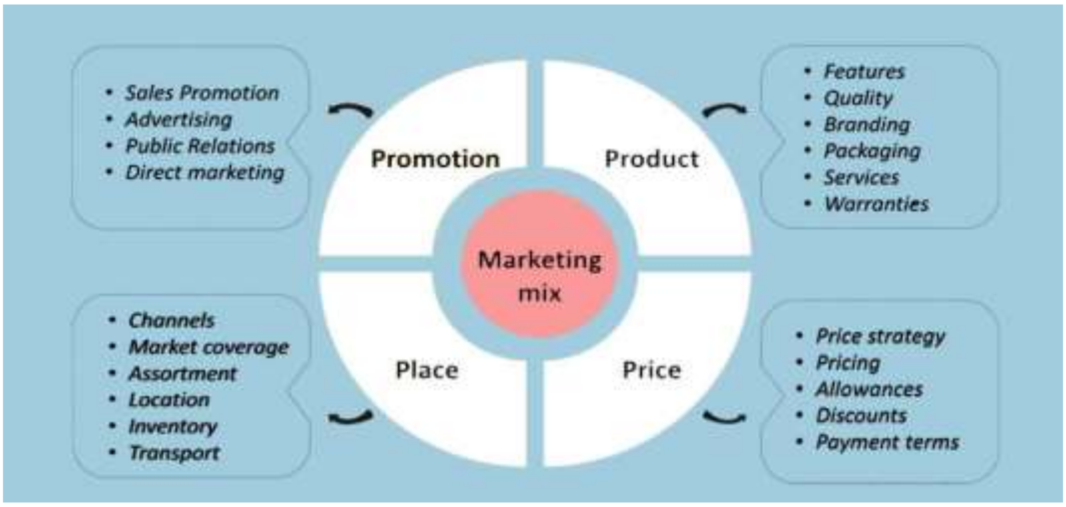
Elements of Marketing Mix: The elements of marketing mix are described below:

(i) Product: Product means anything which can satisfy consumers needs and wants through exchange process. It provides economic utility and socio-psychological advantages. The marketer may offer a single product or several products. The marketer should also revise the product design, make improvements in the products frequently so as to suit the changing tastes, habits and preferences of the consumers. Packaging and branding decisions are also included in product decision.

(ii) Price: Price is the value which is paid by the buyer to the manufacturer in exchange of the products and services. The marketer has to take into consideration the cost factors, profit margin, the possibility of sales at different price level and the competitors pricing policy as well as number of competitors.

(iii) Promotion: The marketers should provide information to the customers about its products and services and motivate customers to buy. Advertising, personal selling, publicity and other sales promotional programs are the various promotional activities. All these activities increase the volume of sales by expending as well as retaining the market share for the products. Basically, promotion deals with no price competition in the market. Promotion is done for three purposes – (a) informing, (b) persuading and (c) influencing consumers.

(iv) Physical Distribution: Distribution is the delivery of the product and transfer of ownership to the buyers and consumers. It includes channels and outlets through which products move to the buyer and arranging their physical movement to different market segments. It depends upon the middlemen, products and services, channels of distribution etc. It maintains the flow of products and services from the producers to the buyers. The combination of all the ingredients of marketing mix is shown in the following figure:



MARKETING ENVIRONMENT:

Meaning of Marketing Environment:
The marketing environment refers to all internal and external factors, which directly or indirectly influence the organization's decisions related to marketing activities. Internal factors are within the control of an organization; whereas, external factors do not fall within its control. The external factors include government, technological, economical, social, and competitive forces; whereas, organization's strengths, weaknesses, and competencies form the part of internal factors.

Marketers try to predict the changes, which might take place in future, by monitoring the marketing environment. These changes may create threats and opportunities for the business. With these changes, marketers continue to modify their strategies and plans.

2. Features of Marketing Environment:

2.1. Specific and General Forces: It refers to different forces that affect the marketing environment. Specific forces include those forces, which directly affect the activities of the organization. Examples of specific forces are customers and investors. General forces are those forces, which indirectly affect the organization. Examples of general forces are social, political, legal, and technological factors.
2.2 Complexity: It implies that a marketing environment include number of factors, conditions, and influences. The interaction among all these elements makes the marketing environment complex in nature.
2.3. Vibrancy: Vibrancy implies the dynamic nature of the marketing environment. A large number of forces outline the marketing environment, which does not remain stable and changes over time. Marketers may have the ability to control some of the forces; however, they fail to control all the forces. However, understanding the vibrant nature of marketing environment may give an opportunity to marketers to gain edge over competitors.
2.4. Uncertainty: It implies that market forces are unpredictable in nature. Every marketer tries to predict market forces to make strategies and update their plans. It may be difficult to predict some of the changes, which occurs frequently. For example, customer tastes for clothes change frequently. Thus, fashion industry suffers a great uncertainty. The fashion may live for few days or may be years.
2.5. Relativity: It explains the reasons for differences in demand in different countries. The product demand of any particular industry, organization, or product may vary depending upon the country, region, or culture. For example, sarees are the traditional dress of women in India, thus, it is always in demand. However, in any other western country the demand of saree may be zero.

3. Types of Marketing Environment: The sale of an organization depends on its marketing activities, which in turn depends on the marketing environment. The marketing environment consists of forces that are beyond the control of an organization but influences its marketing activities. The marketing environment is dynamic in nature.
Therefore, an organization needs to keep itself updated to modify its marketing activities as per the requirement of the marketing environment. Any change in marketing environment brings threats and opportunities for the organization. An analysis of these changes is essential for the survival of the organization in the long run.
A marketing environment mostly comprises of the following types of environment:
1. Micro Environment
2. Macro Environment

Micro Environment: Micro environment refers to the environment, which is closely linked to the organization, and directly affects organizational activities. It can be divided into supply side and demand side environment. Supply side environment includes the suppliers, marketing intermediaries, and competitors who offer raw materials or supply products. On the other hand, demand side environment includes customers who consume products.
Let us discuss the micro environment forces in the following points:

i. Suppliers: It provides raw material to produce goods and services. Suppliers can influence the profit of an organization because the price of raw material determines the final price of the product. Organizations need to monitor suppliers on a regular basis to know the supply shortages and change in the price of inputs.
ii. Marketing Intermediaries: It helps organizations in establishing a link with customers. They help in promoting, selling, and distributing products.
Marketing intermediaries include the following:

a. Resellers: It purchases the products from the organizations and sell to the customers. Examples of resellers are wholesalers and retailers.

b. Distribution Centers: It helps organizations to store the goods. A warehouse is an example of distribution center.

c. Marketing Agencies: It promotes the organization's products by making the customers aware about benefits of products. An advertising agency is an example of marketing agency.

d. Financial Intermediaries: It provides finance for the business transactions. Examples of financial intermediaries are banks, credit organizations, and insurance organizations.

iii. Customers: Customers buy the product of the organization for final consumption. The main goal of an organization is customer satisfaction. The organization undertakes the research and development activities to analyze the needs of customers and manufacture products according to those needs.
iv. Competitors: It helps an organization to differentiate its product to maintain position in the market. Competition refers to a situation where various organizations offer similar products and try to gain market share by adopting different marketing strategies.

Macro Environment:
Macro environment involves a set of environmental factors that is beyond the control of an organization. These factors influence the organizational activities to a significant extent. Macro environment is subject to constant change. The changes in macro environment bring opportunities and threats in an organization. Let us discuss these factors in details:

i. Demographic Environment: Demographic environment is the scientific study of human population in terms of elements, such as age, gender, education, occupation, income, and location. It also includes the increasing role of women and technology. These elements are also called as demographic variables. Before marketing a product, a marketer collects the information to find the suitable market for the product. Demographic environment is responsible for the variation in the tastes and preferences and buying patterns of individuals. The changes in demographic Page 4 of 15 environment persuade an organization to modify marketing strategies to address the altering needs of customers.

ii. Economic Environment: Economic environment affects the organization's costs structure and customers' purchasing power. The purchasing power of a customer depends on the current income, prices of the product, savings, and credit availability.

The factors economic environment is as follows:

a. Inflation: It influences the customers' demand for different products. For example, higher petrol prices lead to a fall in demand for cars.

b. Interest Rates: It determines the borrowing activities of the organization. For example, increase in interest rates for loan may lead organizations to cut their important activities.

c. Unemployment: It leads to a no income state, which affects the purchasing power of an individual.

d. Customer Income: It regulates the buying behavior of a customer. The change in the customer's income leads to changed spending patterns for the products, such as food and clothing.

e. Monetary and Fiscal Policy: It affects all the organizations. The monetary policy stabilizes the economy by controlling the interest rates and money supply in an economy; whereas, fiscal policy regulates the government spending in various areas by collecting the revenue from the citizens by taxing their income.

iii. Natural Environment: Natural environment consists of natural resources, which are needed as raw materials to manufacture products by the organization. The marketing activities affect these natural resources, such as depletion of ozone layer due to the use of chemicals. The corrosion of the natural environment is increasing day-by-day and is becoming a global problem. Following natural factors affect the marketing activities of an organization in a great way:

a. Natural Resources: It serves as raw material for manufacturing various products. Every organization consumes natural resources for the production of its products. Organizations are realizing the problem of depletion of resources and trying best to use these resources judiciously. Thus, some organizations have indulged in de-marketing their products. For example, Indian Oil Corporation (IOC) tries to reduce the demand for its products by promoting advertisements, such as Save Oil, Save India.

b. Weather: It leads to opportunities or threats for the organizations. For example, in summer, demand for water coolers, air conditioners, cotton clothes, and water increases while in winter, the demand for woolen clothes and room heaters rises. The marketing environment is greatly influenced by the weather conditions of a country.

c. Pollution: It includes air, water, and noise pollution, which lead to environmental degradation. Now-a-days, organizations tend to promote environment friendly products through its marketing activities. For example, the organizations promote the usage of jute and paper bags instead of plastic bags.

iii. Socio-Cultural Environment: Socio-cultural environment comprises forces, such as society's basic values, attitudes, perception, and behavior. These forces help in determining that what type of products customers prefer, what influences the purchase attitude or decision, which brand they prefer, and at what time they buy the products. The socio-cultural environment explains the characteristics of the society in which the organization exists. The analysis of socio-cultural environment helps an organization in identifying the threats and opportunities in an organization. For example, the lifestyles of people are changing day-by-day. Now, the women are perceived as an active earning member of the family. If all the members of a family are working then the family has less time to spend for shopping. This has led to the development of shopping malls and super markets, where individuals could get everything under one roof to save their time.

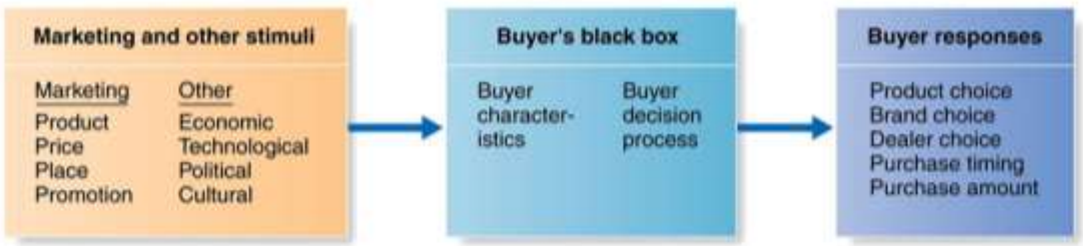
v. Technological Environment: Technology contributes to the economic growth of a country. It has become an indispensible part of our lives. Organizations that fail to track ongoing technological changes find it difficult to survive in today's competitive environment. Technology acts as a rapidly changing force, which creates new opportunities for the marketers to acquire the market share. Marketers with the help of technology can create and deliver products matching the life style of customers. Thus, marketers should observe the changing trends in technology.

CONSUMER MARKET AND BUYING BEHAVIOUR:

Consumers are individuals & households who buy goods and services for personal consumption. All these consumers make up the consumer market.

"Consumer behaviour is the actions a person takes in purchasing and using products and services, including the mental and social processes that precede and follow these actions"

Model of Buyer Behaviour:



MARKET SEGMENTATION

Market segmentation involves grouping your various customers into segments that have common needs or will respond similarly to a marketing action. Each segment will respond to a different marketing mix strategy, with each offering alternate growth and profit opportunities. Some different ways you can segment your market include the following;

- Demographics which focuses on the characteristics of the customer. For example age, gender, income bracket, education, job and cultural background.
- Psychographics which refers to the customer group's lifestyle. For example, their social class, lifestyle, personality, opinions, and attitudes.
- Behaviour which is based on customer behaviour. For example, online shoppers, shopping centre customers, brand preference and prior purchases.
- Geographical location such as continent, country, state, province, city or rural that the customer group resides.

Requirement of Market Segments

 Identifiable – the differentiating attributes of the segments must be measurable so that they can be identified

 Accessible – the segments must be reachable through communication and distribution channels

 Substantial- the segments should be sufficiently large to justify the resources required to target them

 Unique needs : To justify separate offerings, the segments must respond differently to the different marketing mixes

 Durable – the segments should be relatively stable to minimize the cost of frequent changes.

TARGETING

After segmenting the market based on the different groups and classes, you will need to choose your targets. No one strategy will suit all consumer groups, so being able to develop specific strategies for your target markets is very important.

There are three general strategies for selecting your target markets:

 Undifferentiated Targeting: This approach views the market as one group with no individual segments, therefore using a single marketing strategy. This strategy may be useful for a business or product with little competition where you may not need to tailor strategies for different preferences.

Concentrated Targeting: This approach focuses on selecting a particular market niche on which marketing efforts are targeted. Your firm is focusing on a single segment so you can concentrate on understanding the needs and wants of that particular market intimately. Small firms often benefit from this strategy as focusing on one segment enables them to compete effectively against larger firms.

 Multi-Segment Targeting: This approach is used if you need to focus on two or more well defined market segments and want to develop different strategies for them. Multi segment targeting offers many benefits but can be costly as it involves greater input from management, increased market research and increased promotional strategies. Prior to selecting a particular targeting strategy, you should perform a cost benefit analysis between all available strategies and determine which will suit your situation best.

POSITIONING

Positioning is developing a product and brand image in the minds of consumers. It can also include improving a customer's perception about the experience they will have if they choose to purchase your product or service. The business can positively influence the perceptions of its chosen customer base through strategic promotional activities and by carefully defining your business' marketing mix. Effective positioning involves a good understanding of competing products and the benefits that are sought by your target market. It also requires you to identify a differential advantage with which it will deliver the required benefits to the market effectively against the competition. Business should aim to define themselves in the eyes of their customers in regards to their competition.