

ELEMENTS OF MARKETING MANAGEMENT

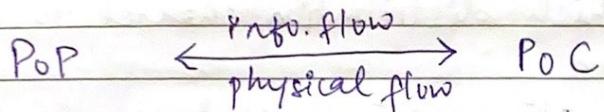
* Market :-

The word 'market' is derived from latin word 'mercatus' which means to trade.

Definition - Market is a place where product or services are exchanged by consumers and sellers in return for a price (money).

* Marketing :-

Link between point of production (PoP) and point of consumption (PoC).



Definition - According to American Marketing Association (AMA), 'marketing' is the process of planning & executing the conception, pricing, promotion & distribution of ideas, goods & services to create exchanges that satisfy individual & organisational goals.

In other words, marketing refers to choosing target market ; getting, keeping & growing customers ; creating, delivering & communicating superior customer value.

* Marketing Management :-

Definition - When we implement management

principles like planning, organizing, directing (leadership), budgeting, motivation & controlling for marketing the goods & service. It is called marketing management. Applying management domains in marketing makes the flow from P.O.P to P.O.C.

* Marketing Mix :-

Marketing mix refers to the 4 fundamental elements in marketing management -

- (1) Product - which product / service to offer?
- (2) Place - which distribution channel to select?
- (3) Pricing - at what price?
- (4) Promotion - how to communicate?



4 P's of Marketing

According to Philip Kotler, 'marketing mix' is a set of marketing tools that the firm uses to pursue its marketing objectives in the target market.

* 4 C's of Marketing in relation to 4P's :-

4P's	4C's
① Product	Consumer problem solution
② Place	convenient (for consumers)
③ Price (revenue)	cost (expense) (affordable)
④ Promotion	communicate (easy to understand)

* Evolution of Marketing Concepts :-

1. Exchange - seller ↔ buyer
2. Production - Availability (Balaji wafer, Parle-G)
3. Product - quality (Toyota)
4. Selling - forcefully asking consumer to buy
5. Market - consumer focus (consumer is king)
(Dell v/s IBM)
6. Societal

Marketing caters to the needs of the consumer.

Therefore marketing concepts evolve over a period of time. The following are some major concepts

evolved so far -

1. Exchange -

This is the oldest form of marketing. The central idea here is exchange of ownership [title to good] between seller and buyer. Over the period of time, other considerations like consumer care, value satisfaction, creative selling etc. faded this concept. focus here is 'exchange'.

2. Production - Focus here is the 'quantity'. Here the marketing strategy is consumer will prefer & buy those products which are widely and easily available. Therefore companies give attention to improve production efficiency & to achieve wide distribution coverage.

Eg: Many food, beverages follow this concept like Lays, Balaji wafers etc.

3. Product - Focus on 'quality'. The followers of this concept believe that an enterprise can win market only through product excellence. They believe that product with high quality, good performance & sustainable features always have buyers in market.

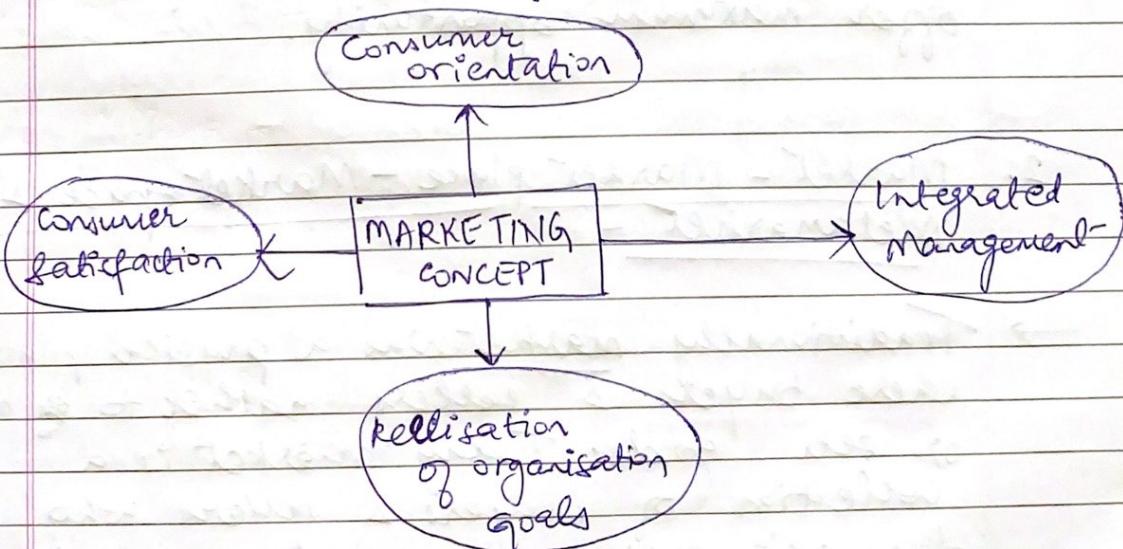
Eg: Cement, Toyota

4. Selling - Focus on aggressive selling. Many organisations believe that ultimate objective of marketing is selling the product. Selling is the big push factor to achieve marketing objective. They use heavy advertising, high

power personal selling, large scale promotion, heavy price discount and strong publicity for promoting their selling concept. The selling concept is called marketing mayopia because actual customer needs are ignored. (Marketing mayopia - coloured / crooked perception of marketing that ignore actual customer needs)

Eg: In India Reliance very often follows selling concept. The introduction & marketing strategy of Tio is one such example.

5. Marketing | Market - focus on 'customer'. This is the modern marketing concept where the central focus is customer's actual needs. Today Dell designs computer / laptops acc. to consumer needs unlike IBM & hence Dell is successful. IBM designs products acc. to their own ideas. The foll. diagram shows the marketing concept -



6. Societal Concept - This concept believes in sustainable product. The societal concept caters to 3 P's - product, people & planet [use green energy]. This concept is also called green marketing.

Eg: Nexon EV

* Fundamental / Core Marketing Concepts :- (Technologies)

1. Market Segmentation & Target Market

No marketer can satisfy everyone in the marketing. Therefore marketer resolve to market segmentation & targetting. Market segmentation is process of dividing market acc. to some demographic profile & economic conditions. Target market means when the company chooses a particular segment that offer maximum opportunity.

2. Market - Market place - Market space & Metamarket -

→ Traditionally market was a physical place where buyers & sellers gather to buy or sell goods. Today market is a collection of buyers & sellers who transact over a particular product or product class.

→ Metamarket - cluster of complementary goods & services.
Eg: Automobile market with components, spare parts, insurance etc.

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→ Market place is a physical place where buyers go to buy product. Eg: convenience store, mall, supermarket, hypermarket, departmental store etc. Diff b/w all these types of market place is by size of store (sq. feet) i.e. floor size.

Convenience store $< 1000 \text{ ft}^2$

Supermarket / Dept store $< 10000 \text{ ft}^2$

Hyper-market $< 1 \text{ lakh ft}^2$

Greater than this \Rightarrow MALL $> 1 \text{ lakh ft}^2$

Market space is digital, such as online shopping.
Eg: Flipkart, Amazon.

3. Needs, Wants & Demands

Needs	Wants	Demands
Basic human requirement. Eg: food, shelter	Effective desire	Want + ability to pay for it i.e. purchasing power

4. Product-offering-Brand

- Product is a commodity which is a combination of tangible & intangible features.
- Companies address consumer needs by putting forth a value proposition, instead of benefits offered to the customer

- The intangible value proposition is made physical by an offering which can be a combination of product, services, info & experience.
- Brand is an offering from a well known source. Eg: MCX has strong brand value Titan watch.
- A brand is created when a customer can recall the product instantly.

5. Value & Satisfaction

- The offering will be successful only if it delivers value & satisfaction to the target buyer
- ~~satisfaction~~ satisfaction is achieved when the buyer derives max. utility from product.
- Value = ratio of benefit & cost

$$\text{Value} = \frac{\text{Benefit}}{\text{Cost}} \quad [\text{BCR - Benefit Cost ratio}]$$

$$\text{BCR} = \text{Val} > 1 \Rightarrow +\text{ve Net Present Value}$$
- A company increases value by -
 - (i) ↑ benefit & ↓ ~~cost~~ cost
 - (ii) simultaneously

Company increases value by

- ↑ benefit
- ↓ cost
- simultaneously
- ↑ benefit & ↓ cost
- In terms of inflation, rise in benefit > rise in cost

6. Transaction & Exchange

- A transaction is a process or tradeoff value b/w 2 parties. It can be in form of barter (goods exchange) or money
- Exchange : change of ownership (title to goods)

7. Relationship & Network

- Building relationships in market helps in sustaining the business.
- The aim is to build mutually satisfying long-term relationships with key parties like customers, suppliers, distributors (retailer & wholesaler), govt. etc.
- Marketing network consists of a company & its supporting stakeholders.
- Digital Marketing - modern day, huge role

8. Competition

- Includes all the actual & potential rival offering substitutes that a buyer might consider before choosing his/her buying options.
- Levels of competition -
- (i) Brand competition - similar product & services offered by companies at similar prices
 Tata v/s Maruti, not Mercedes.

(ii) Industry Competition - companies offering same class of products
Tata cars compete with all other automobile players including scooters, bikes etc.

(iii) Firm competition - companies offering product to serve same need.

(iv) Generic competition - all companies competing for customers' money.
Tata companies in some target consumers in compact class.

Intense competition \Rightarrow low profits in industry

5 forces that determine level of comp in industry

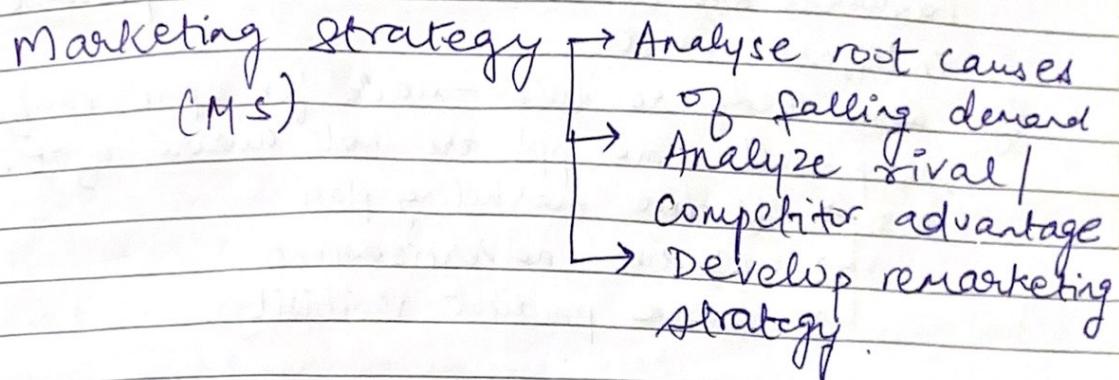
- Intensity of rivalry b/w present competitors
- threat of new entrants
- threat of ~~sustained~~ cheap products
- threat of bargain in buyer
- threat of supplier bargain

* Types of Demand & Corresponding Marketing Strategies:

① Falling Demand:

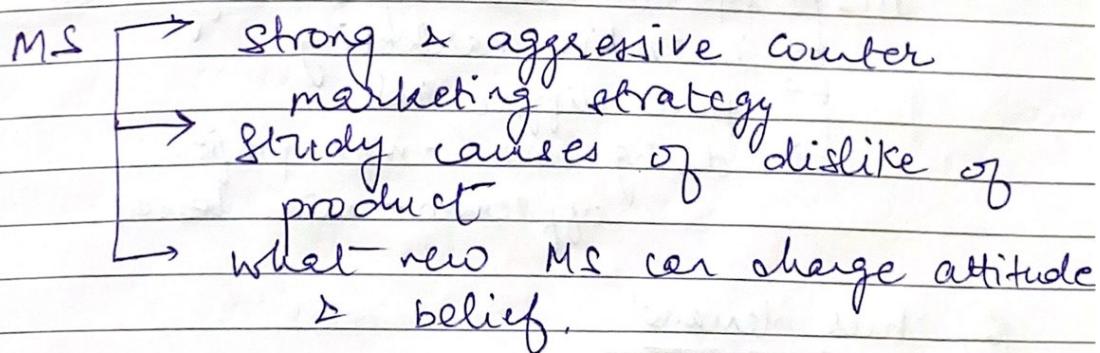
Consumer demand decreases over a period of time.

Eg: HP laptop → Dabur products



② Negative Demand:

Consumers dislike product hence leading to negative demand.



③ Latent Demand:

There is some segment in society that share a strong need which cannot be satisfied

with existing product.

- MS → Estimate the size of segment of society who cannot be satisfied
- Do target marketing
- 'Development marketing strategy'

(4) No demand.

Consumers are either unaware about product or indifferent to it.

Eg: Some beds are tailor-made for spine comfort, to sleep well. Some ppl are not aware of it.

- MS → effective marketing plan
- effective advertisement
- increase product visibility

(5) Irregular demand

Some companies face demand that varies on a seasonal, daily or hourly basis.

MS → synchro marketing strategy

- innovative marketing
- price differential
- during season - max. profit.
off season - min. losses.

(6) Full demand

Product creates substantial demand & company management is pleased with volume of business. They are happy but cannot be complacent.

- MS → maintain current demand level
- preserve product quality
- measure consumer satisfaction continuously

Eg: Maruti Alto is the most sold & running product of Maruti.

(7) Over-full demand

We need a de-marketing strategy here. Old version is phased out & newer version is launched.

(8) Unwholesome demand

Not good for health of consumer. But market has great demand for the product.

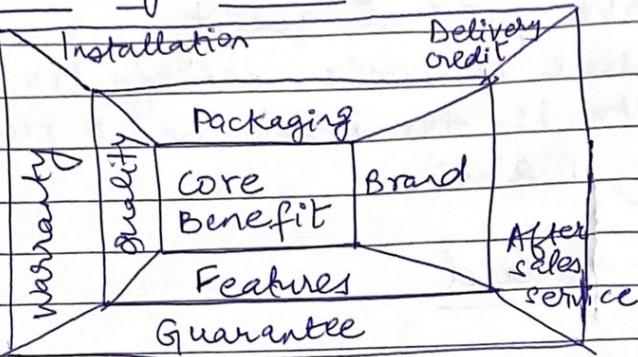
Eg: tobacco, cigarette

- MS → send fear/warning message
- reduce availability of product
- create press hype / awareness about hazards of product.

PRODUCT

Product is a powerful weapon that carry the image of the company. Product is anything that can be offered to market to satisfy consumer needs. Product include physical goods, services, events, info, ideas etc.

levels of Product



Innermost square - Core Product

Middle square - Actual Product

Outermost square - Augmented Product

Eg: How hotels compete in market?

Core Benefit - Must get rest & good sleep.

Basic product - In hotel customer expects bed, towel, bathroom, fan etc.

Expected product - clean bed, fresh towel, working lamp etc is expected by customers.

Augmented product - Today customers expect some freebies; complimentary breakfast etc.

Potential Product - Here competitors go a step ahead in offering discount coupons in shopping malls.

Product Mix

Product mix is sum of all products & variants offered by a company. It refers to different product line a company carries.

- Assignment - Product mix of any company of e.g. specialization & prod. strategy involved.

1. Width - It refers to diff. product lines a company carries. For eg: Tata has consultancy, motor vehicle, Beverages, Power, chemicals, Steel etc.
2. Length - length of product mix refers to the no. of total items offered under each prod. line
3. Depth - No of versions or variants offered under each product.
4. Consistency - Refers to how closely the various product lines are in end use, prod. requirement, distribution channel etc.

Eg: TATA GROUP.

Width	Consultancy	Power	Beverage	motor vehicle	Chemical
				① Nano ② Harrier ③ Jaguar ④ Tata Petrol Diesel ⑤ Nexus Electric ⑥ EV	Depth.

The main task in prod. management is prod. strategy. It means managing various prod. lines & answer the foll. questions -

- (i) How many diff. prod. line should firm offer?

- (ii) Within each prod. line what should be the competition?
- (iii) How ~~to~~ to position the product?

Products are manufactured in factories but are positioned in heart of consumer.

- (iv) What should be brand policy & how to develop brand equity?
- (v) How to plan for new products?
- (vi) How to do product differentiation?
- (vii) How to manage product quality?
- (viii) How to manage new product development?

The new product can arise out of technological innovation or out of market oriented motivation.

Stages in New Product Development

- ① Generation of New Ideas.
- ② Idea Screening
- ③ Concept Testing
- ④ Business / market Analysis
- ⑤ Prototype. (Actual Product Development)
- ⑥ Actual marketing
- ⑦ Commercialization.

① Gen. of New Ideas.

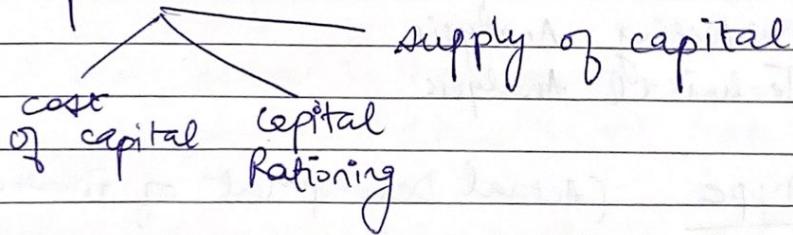
Ideas come from

- Socio-Economic problems
- Substitutes available in market via product modification
- expert opinion through brain storming.
- Absolute new technology

② Idea Screening

In this stage, new product ideas are evaluated.

- (i) Cost Benefit Analysis - [tools used are break even analysis] (graph)
- (ii) Survey
- (iii) Capital



- (iv) Working capital (liquidity)
- (v) Excess capacity
- (vi) How to procure raw materials?
- (vii) Are there any patent infringement?
- (viii) What is approx size of market?

(3) Concept Testing

After new prod. idea passes through screening the very product concept is tested. Ans. the foll. que

- (i) whether prospective consumer understand prod. idea?
- (ii) whether they actually need such a product?
- (iii) Is it a prod. that already exists?

(4) Business Market Analysis

~~@@~~ This stage is very imp. wherein large no. of analysis -

- (i) financial Analysis
- (ii) Economical Analysis
- (iii) Marketing Analysis
- (iv) Technical Analysis

(5) Prototype (Actual Development of Product)

Market acceptance is very difficult, so companies don't go for large scale production straightaway. Firms develop new product idea into physical product on pilot basis.

(6) Test Marketing

Go for large scale production if the test market response is good.

⑦ Commercialisation.

Last stage of new product development. The company management gives approval for large scale manufacturing. New product is ready across the market.

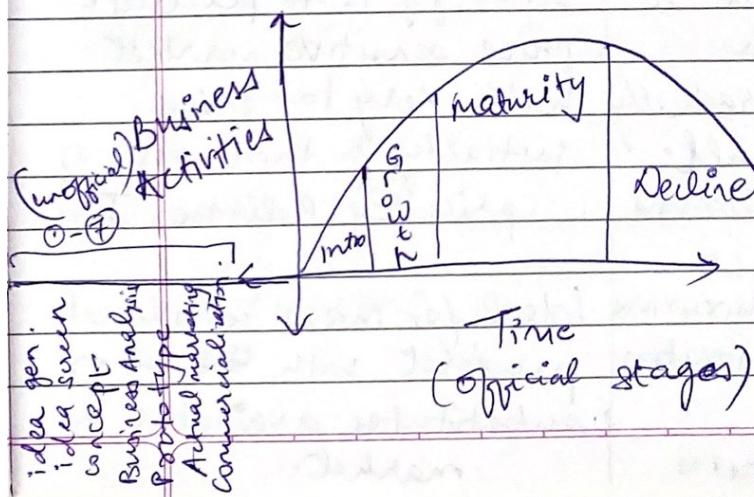
Product Life Cycle (PLC)

The innovation of a new product & its degeneration into a common product is called product life cycle (PLC).

Gen of New ideas ← to → Commercialisation are unofficial stages of PLC. Happens internally in company, consumer doesn't know.

4 main stages in PLC are
 Introduction → Growth → Maturity → Decline

Diff marketing strategies in diff stages of PLC.



Actions / Features	Introduction	Growth	Maturity	Decline
Customers	Innovators (early adopters)	Mass Market	Retaining mass market	Loyal customers stay lagged
Competition	Few	Growing	Stable	Less
Sales	Low	Rapidly rising	Peak	Declines
Cost	High cost per customer	Average cost per customer	low cost per customer	low cost per customer
Profit	Low	Rapidly rising	Stable	Declining
Price	cost plus	penetration	competitor's price	price cut

MC → Price strategy

	Price Skimming	Price penetration
Meaning:	Here the product is priced very high initially & gradually price will fall. Eg: Sony TV, Siemens	Strategy is to penetrate price sensitive market with very low price initially & then rise of price. Eg: Reliance, Jio
Product Nature:	Ideal for superluxurious product with innovation & technologically advanced features	Ideal for mass consumed product with lot of substitutes available in market.

Consumer
surplus

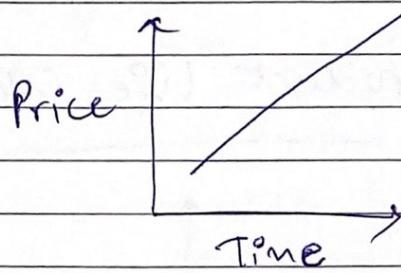
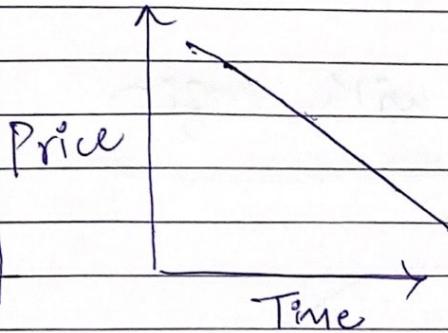
high

low.

Target
Market

upperclass | rich
(upper income)

poor | mass/lower income



→②

Product Strategy

Intro

Basic product

Growth

Guaranteed
warranty
service

Maturity

Diversification
(widen prod.
mix)

Decline

Phase out
Weak
product
from
prod. mix

→③

Distribution

I

Very
selective
distribution

G

more intensive
dist.

M

Intensive
dist.

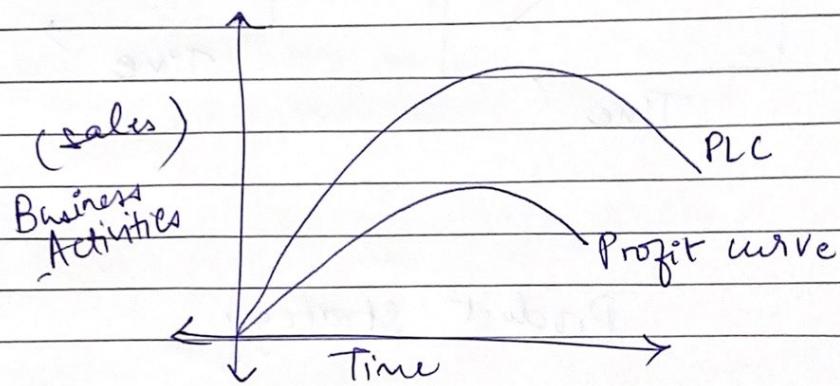
D

Phase out
v. selective
dist.

→ 4) Promotion / Advertisement

I	G	M	D
prod. awareness	mass marketing	stress brand	retain loyal customers

Product life cycle with Profit



These 2 curves help the firm to analyze -

- product category
- sales growth & profit level
- diff. pricing strategies
- type of customer
 - Innovators (ready to try new prod)
 - early adopters (Opinion leaders)
 - early majority (very +ve in approach)
 - late majority (skeptical approach)
 - lagged (traditional & choose new product only after wide market acceptance)

PLC conclusion → Intro. is a period of slow sales growth & low profit.
→ Growth → rapid market acceptance & substantial profit.
→ Maturity → slowdown in sales growth when profit stabilise
→ Decline → slowdown in sales & erode in profit.