



# NATURE AND SCOPE OF MARKETING

## Unit 1

# Introduction

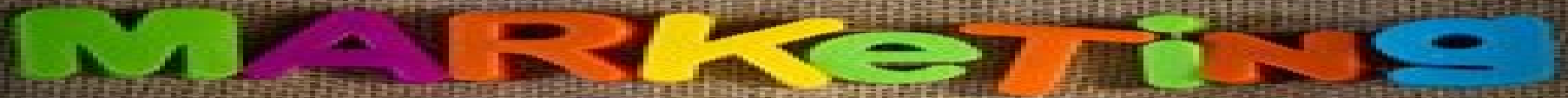
- Main objective of any business organization is to satisfy the needs and wants of the society
- Production or purchase is of no meaning if a firm is unable to market its goods and services
- Marketing is the focal point of all business activities

# Introduction

- Marketing is an ancient art & is everywhere.
- Formally or informally, people & organizations engage in a vast numbers of activities that could be called marketing.
- Good marketing has become an increasingly vital ingredient for business success.
- It is embedded in everything we do- from the clothes we wear, to the web sites we click on, to the ads we see.

# Marketing Defined

- The term Marketing has been derived from the word Market
- Market is a place or geographical area where buyers and sellers meet and enter into transactions involving transfer of ownership of goods and services

The word "MARKETING" is displayed in large, colorful, 3D block letters. The letters are arranged in a slightly staggered, horizontal line. The colors of the letters are: M (green), A (purple), R (orange), K (yellow), E (light green), T (orange), I (light green), N (orange), and G (blue). The letters are set against a dark, textured background that resembles a coarse fabric or burlap.

# Marketing Defined

- Traditional View

Performance of business activities that direct the flow of goods and services from producers to consumers or users

- Modern View

A business process through which products are matched with the markets and through which transfer of ownerships are effected

# Marketing Defined

- The American Marketing Association has defined marketing as “an organizational function & a set of processes for creating, communicating & delivering value to the customers & for managing customer relationships so as to benefit the organization & the stake holders.



# Marketing Defined

- “The process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.”
- According to **Philip Kotler**, “Marketing is a social process by which individuals and groups obtain what they need and want through creating, offering, freely exchanging products and services of value with others”



# WHAT IS MARKETED

GOODS

SERVICES

EVENTS

EXPERIENCES

PERSONS

PLACES

PROPERTIES

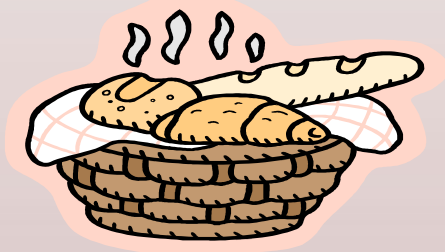
ORGANIZATIONS

INFORMATION

IDEAS



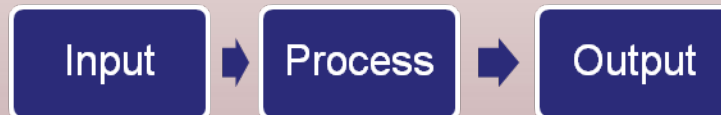
# What are Consumers' Needs, Wants, and Demands?



Needs - state of felt deprivation including physical, social, and individual needs i.e hunger  
Wants - form that a human need takes as shaped by culture and individual personality i.e. bread  
Demands - human wants backed by buying power i.e. money

# NATURE OF MARKETING

- Exchange is the essence of marketing.
- Marketing is customer/ consumer oriented.
- Marketing starts and ends with customers/ consumers.
- Modern marketing precedes and succeeds production.
- Marketing is goal oriented and the goal being profit maximization through satisfaction of human needs.
- Marketing is a science as well as an art.
- Marketing is the guiding element of business (It tells what, when, how to produce; Marketing is capable of guiding and controlling business.
- Marketing is a system .
- Marketing is a process, i.e., series of interrelated functions.



# 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.

# Scope of Marketing

- **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 activities 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 within the limit of that budget.
- **After Sales services:** Marketing covers after sales services given to customers, maintaining good relationships with customers, attending their queries and solving their problems.

# Core Concepts/ Philosophies of Marketing

## Traditional Concepts

- Exchange concept
- Production concept
- Product concept
- Selling concept

## Modern Concepts

- Marketing concept
- Societal concept
- Holistic marketing concept

# Core Concepts/ Philosophies of Marketing

- **Exchange Concept** holds that the exchange of a product between seller & buyer is the central idea of marketing. Exchange is an important part of marketing, but marketing is a much wider concept.
- **Production Concept** is one of the oldest concepts in business. It holds that consumers will prefer products that are widely available & inexpensive. Manager of production oriented business concentrate on achieving high production efficiency low cost & mass distribution.

# Core Concepts/ Philosophies of Marketing

- **Product Concept** holds that consumers will prefer those products that are high in quality, performance or innovative features. Managers in these organization focus on making superior products & improving them over time.

# Core Concepts/ Philosophies of Marketing

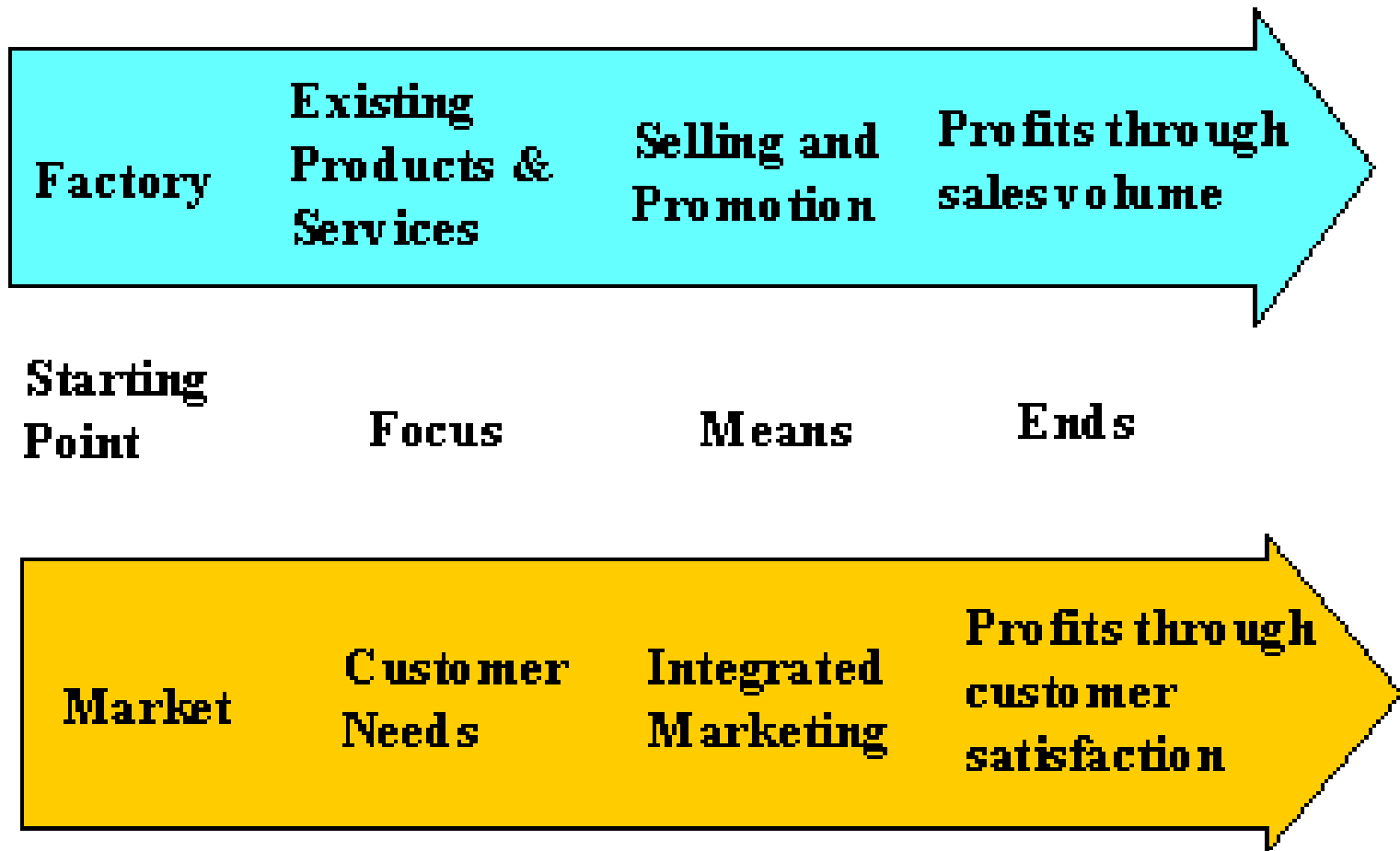
- **Selling Concept** holds that consumers, if left alone, will ordinarily not buy enough of the organizations product and thus the organization must undertake an aggressive selling promotion effort for pushing its products.
- It implies selling what is made, rather than making what can sell.



# Core Concepts/ Philosophies of Marketing

- The **Marketing concept** emerged in the mid 1950's. The business generally shifted from a product – centered, make & sell philosophy, to a customer centered, sense & respond philosophy.
- The job is not to find the right customers for your product, but to find right products for your customers.
- The marketing concept holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competitors.
- Every department & every worker should think customer & act customer.

# Selling vs. Marketing Concept



# Core Concepts/ Philosophies of Marketing

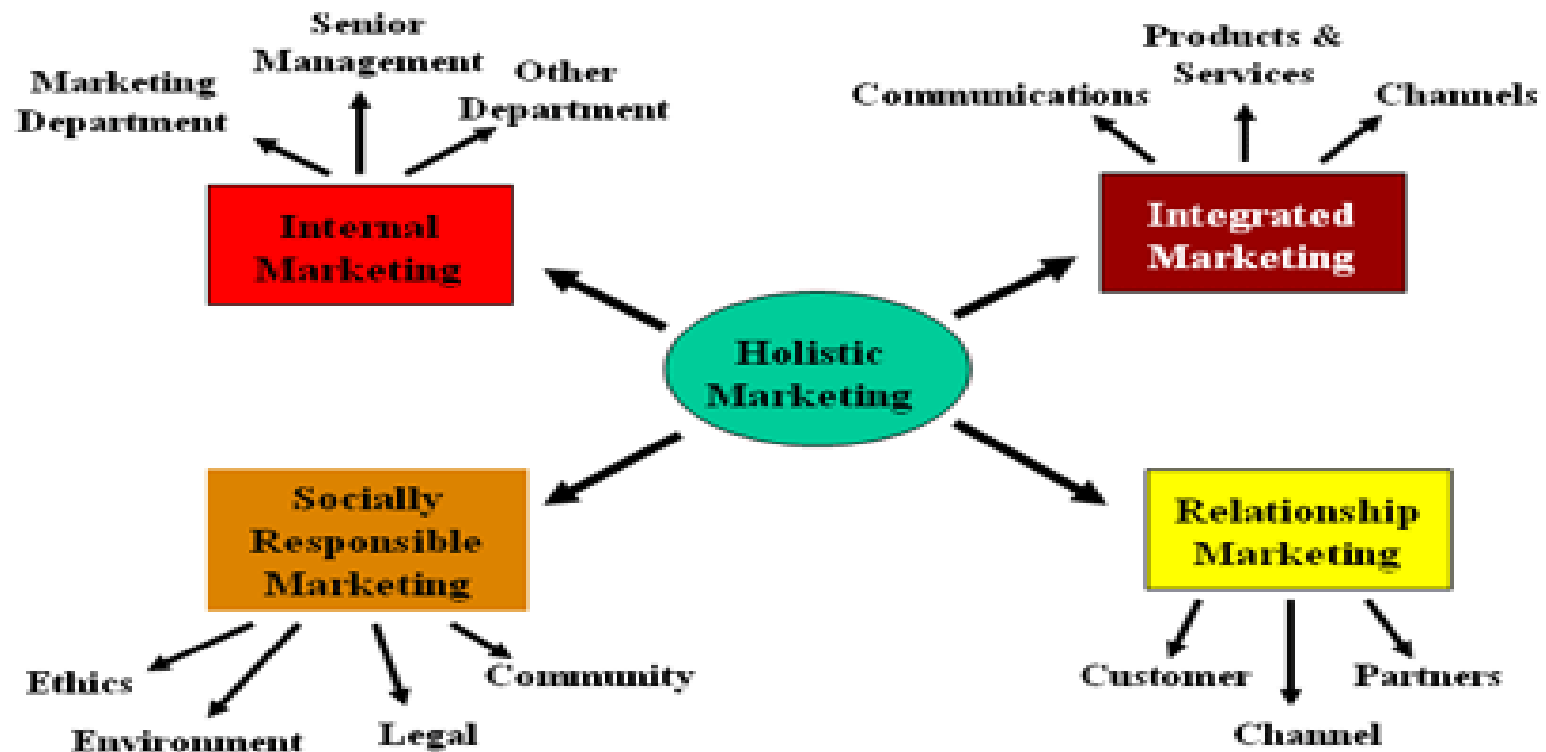
- **Social or Societal Marketing Concept** holds that the organizations task is to determine the needs, wants and interests of target markets and to deliver the desired satisfaction more effectively and efficiently than competitors in a way that preserves or enhances the customers' and the society's well being.
- It involves understanding broader concerns & the ethical, environmental & legal and social context of marketing activities & programs.

# Core Concepts/ Philosophies of Marketing

- The **Holistic Marketing Concept** is based on the development, design and implementation of marketing programs, processes and activities that recognizes their breadth and inter-dependencies.
- Holistic marketing is a marketing philosophy that believes '**everything matters**' and that a business cannot exist and excel in vacuum.
- This is an approach which proposes that marketing should be looked from a broad and integrated perspective and not as an isolated management function.
- For more details, please visit:
- <http://www.projectguru.in/publications/concept-of-holistic-mar>

# Components Characterizing Holistic Marketing

## The Holistic Marketing Concept



# Difference between Marketing and Selling

## MARKETING

Focuses on customer's needs

Customer Enjoys Supreme importance

Product Planning and development to match products with markets

Converts customer's needs into products

Profits through customer satisfaction

Consumers determine the price; price determines costs

It assumes: "Let the seller beware" (Caveat Vendor)

## SALES

Focuses on Seller's needs

Product enjoys supreme importance

High pressure selling to sell goods already produced

Converts products into cash

Profits through sales volume

Cost determines the price

It assumes: "Let the buyer beware" (Caveat Emptor)

**SELLING IS MARKETING  
BUT MARKETING  
IS NOT SELLING**





# Marketing Environment

- Businesses do not operate in isolation in the market place.
- There are various factors/ forces, that directly or indirectly influence the organizations business activities.
- All these forces/ factors form the Marketing Environment of an organization.
- The company operates in a complex marketing environment, consisting of uncontrollable forces, to which the company must adapt.

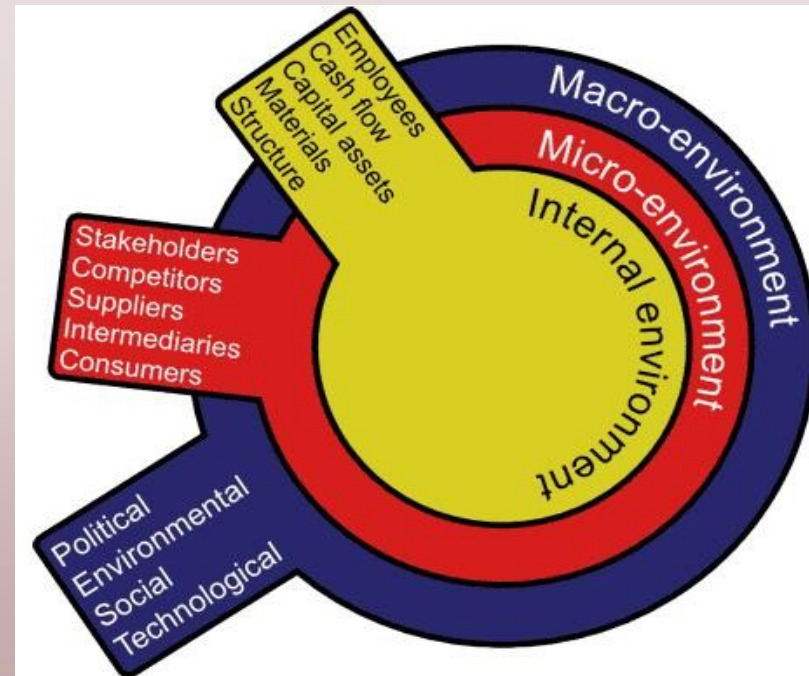
# Marketing Environment

- Marketing is the sum total of trading forces operating in a market place, over which a business has no control, but which shapes the manner in which the business functions and is able to satisfy its customers.
- A marketing environment is what surrounds and creates impact on business organizations.
- Marketing environment is un-controllable and ever changing.



# Marketing Environment

- The key elements of marketing environment are as follows :-
- Internal Environment,
- Micro Environment, and
- Macro Environment.



# Internal Environment

- The internal environment refers to the forces and actors that are within the organization and affects its ability to serve its customers.
- A Company's marketing system is influenced by its capabilities regarding production, financial & other factors. Hence, the marketing management/manager must take into consideration these departments before finalizing marketing decisions.
- It includes marketing managers, sales representatives, marketing budget, marketing plans, procedures, inventory, logistics, and anything within organization which affects marketing decisions, and its relationship with its customers.
- The Research & Development Department, the Personnel Department, the Accounting Department also have an impact on the Marketing Department.
- It is the responsibility of a manager to company-ordinate all department by setting up unified objectives.

# Micro Environment

- The micro environment refers to the forces that are close to the marketing organization and directly impact the customer experience.
- It includes the organization itself, its suppliers, marketing intermediaries, customers, markets or segments, competitors, and publics.
- Happenings in micro environment is relatively controllable for the marketing organization.

# Some Factors in Micro Environment

- **Suppliers** are the people who provide necessary resources needed to produce goods & services. Policies of the suppliers have a significant influence over the marketing manager's decisions. A company must build cordial & long-term relationship with suppliers.
- **Marketing Intermediaries** are the people who assist the flow of products from the producers to the consumers; they include wholesalers, retailers, agents, etc. These people create place & time utility. A company must select an effective chain of middlemen, so as to make the goods reach the market in time.
- **Consumers** are the center point of all marketing activities. The main aim of production is to meet the demands of the consumers. Each type of consumer has a unique feature which have to be considered by the marketers before taking the decisions. otherwise the company is bound to fail in achieving its objectives. A company's marketing strategy is influenced by its target consumer
- **Competitors**: A prudent marketing manager has to be in constant touch regarding the information relating to the competitor's strategies. He has to identify his competitor's strategies, build his plans to overtake them in the market to attract competitor's consumers towards his products.
- **Public**: A Company's obligation is not only to meet the requirements of its customers, but also to satisfy the various groups. A public is defined as "any group that has an actual or potential ability to achieve its objectives". The significance of the influence of the public on the company can be understood by the fact that almost all companies maintain a public relation department. A positive interaction with the public increase its goodwill irrespective of the nature of the public. A company has to maintain cordial relation with all groups, public may or may not be interested in the company, but the company must be interested in the views of the public.

# Macro Environment

- Macro environment refers to all forces that are part of the larger society and affects the micro environment.
- It includes demography, economy, politics, culture, technology, and natural forces.
- These are the factors/forces on which the company has no control. Hence, it has to frame its policies within the limits set by these forces:

# Some Factors in Macro Environment

- **Demography** is defined as the statistical study of the human population & its distribution that forms the market. A company should study the population, its distribution, age composition, status, etc before deciding the marketing strategies.
- **Economic Environment:** The economic environment affects a consumer's purchasing behavior either by increasing his disposable income or by reducing it. Eg: During the time of inflation, the value of money comes down. Hence, it is difficult for them to purchase more products.
- **Physical Environment or Natural Forces:** A company has to adopt its policies within the limits set by nature. A man can improve the nature but cannot find an alternative for it. Nature offers resources, but in a limited manner. Companies must find the best combination of production for the sake of efficient utilization of the available resources. Otherwise, they may face acute shortage of resources. Eg: Petroleum products, power, water, etc.
- **Technological Factors:** Every new invention builds a new market & a new group of customers. A new technology improves our lifestyle & at the same time creates many problems.
- **Social & Cultural Factors:** Most of us purchase because of the influence of social & cultural factors. The lifestyle, values, believes, etc are determined among other things by the society in which we live. Each society has its own culture which shapes our behavior. A marketing manager must study the society and culture in which he operates and must try to anticipate the changes and new marketing opportunities.
- **political Factors** includes all laws, government agencies, and groups that influence or limit other organizations and individuals within a society. It is important for marketers to be aware of these restrictions as they can be complex and can profoundly affect a firm's marketing.

# CUSTOMER SATISFACTION

- The most important asset of any organization is its customers.
- Satisfied customers are the lifeblood of any organization.
- Product's perceived performance in delivering value relative to buyer's expectations is customer satisfaction



# Customer Satisfaction



- It is the person's feeling of pleasure or disappointments, resulting from comparing a product's perceived performance (outcome), in relation to his/ her expectations.

☹ Perceived performance below expectations = dissatisfied customer

☺ Perceived performance meets expectations = satisfied customer

😊 Perceived performance exceeds expectations = delighted customer



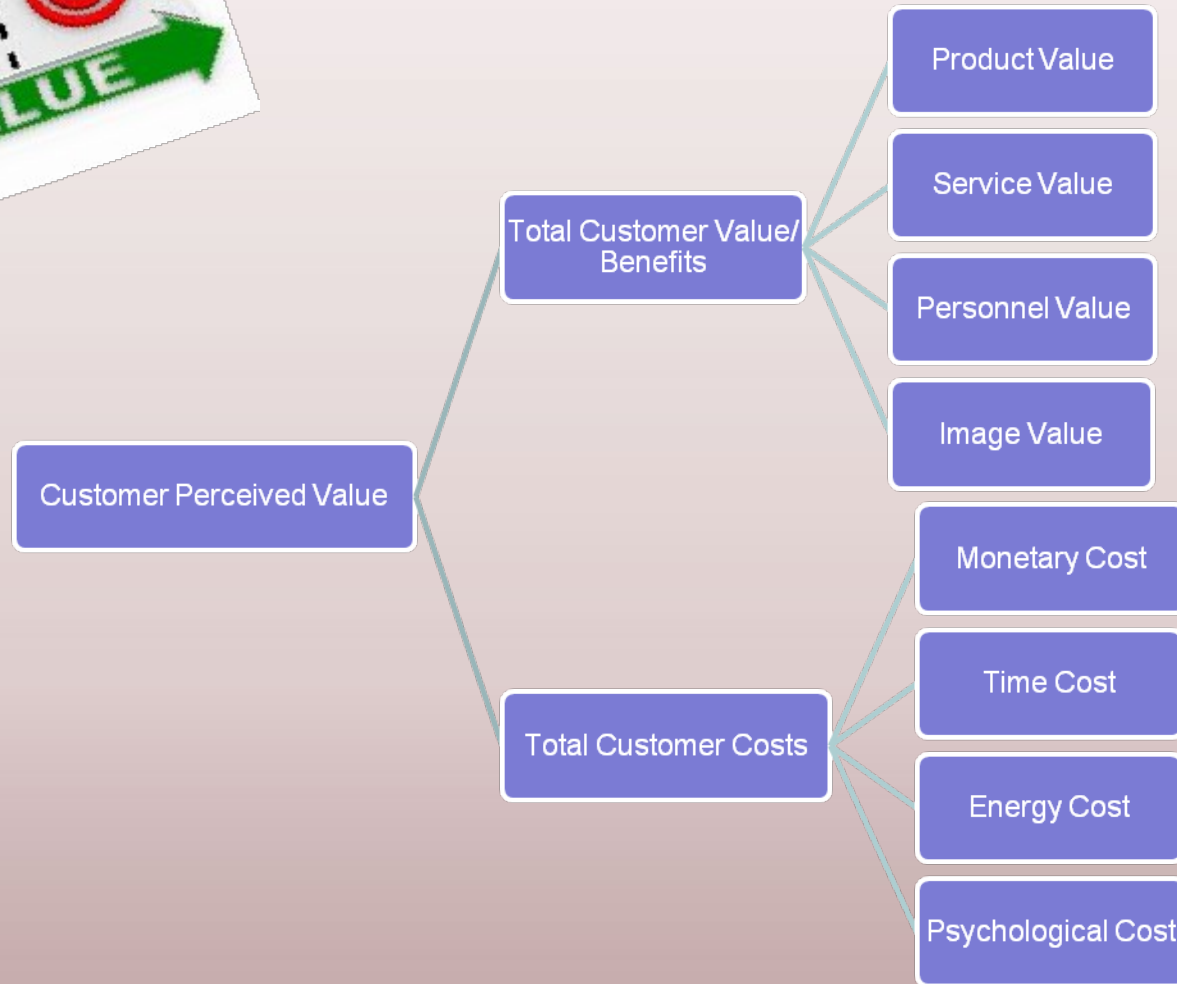
# Customer Value



- Also known as Customer Perceived Value.
- It is the difference between the prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives.
- “The perceived worth of the set of benefits received by a customer in exchange for the total cost of the offering, taking into consideration available competitive offerings and pricings.”
- **Value** is the perception of the benefits associated with a good, service, or bundle of goods and services (i.e., the customer benefit package) in relation to what buyers are willing to pay for them.



# Customer Value

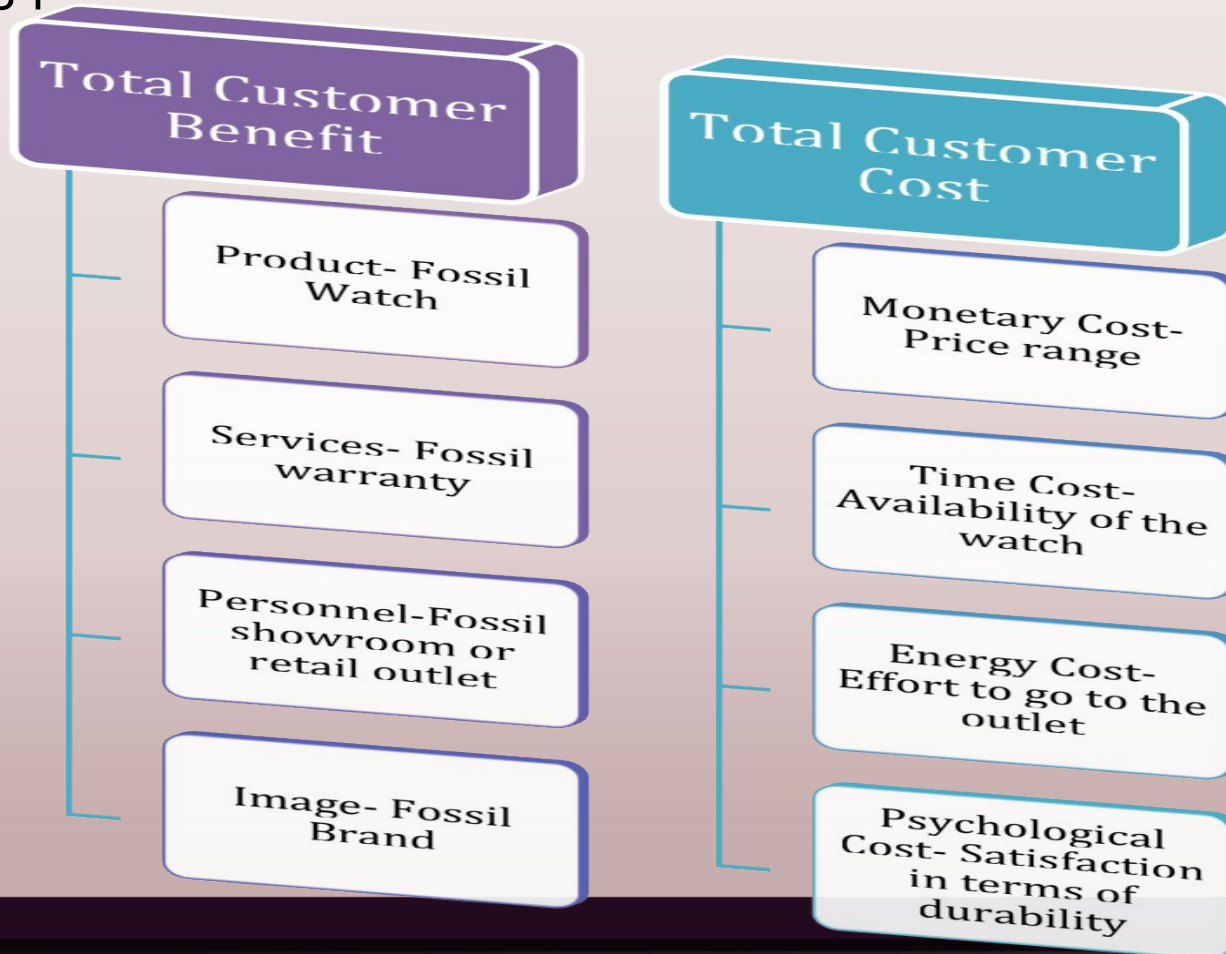


# Customer Value

- **Total customer value** is the perceived monetary value of the bundle or economic, functional, and psychological benefits customers expect from a given market offering.
- **Total customer cost** is the bundle of costs customers expect to incur in evaluating, obtaining , using, and disposing of the given marketing offering.

# Example: Customer Value for “Fossil Watch”

- A customer will derive value from a Fossil Watch, based on following parameters:



# Concept of Value Chain

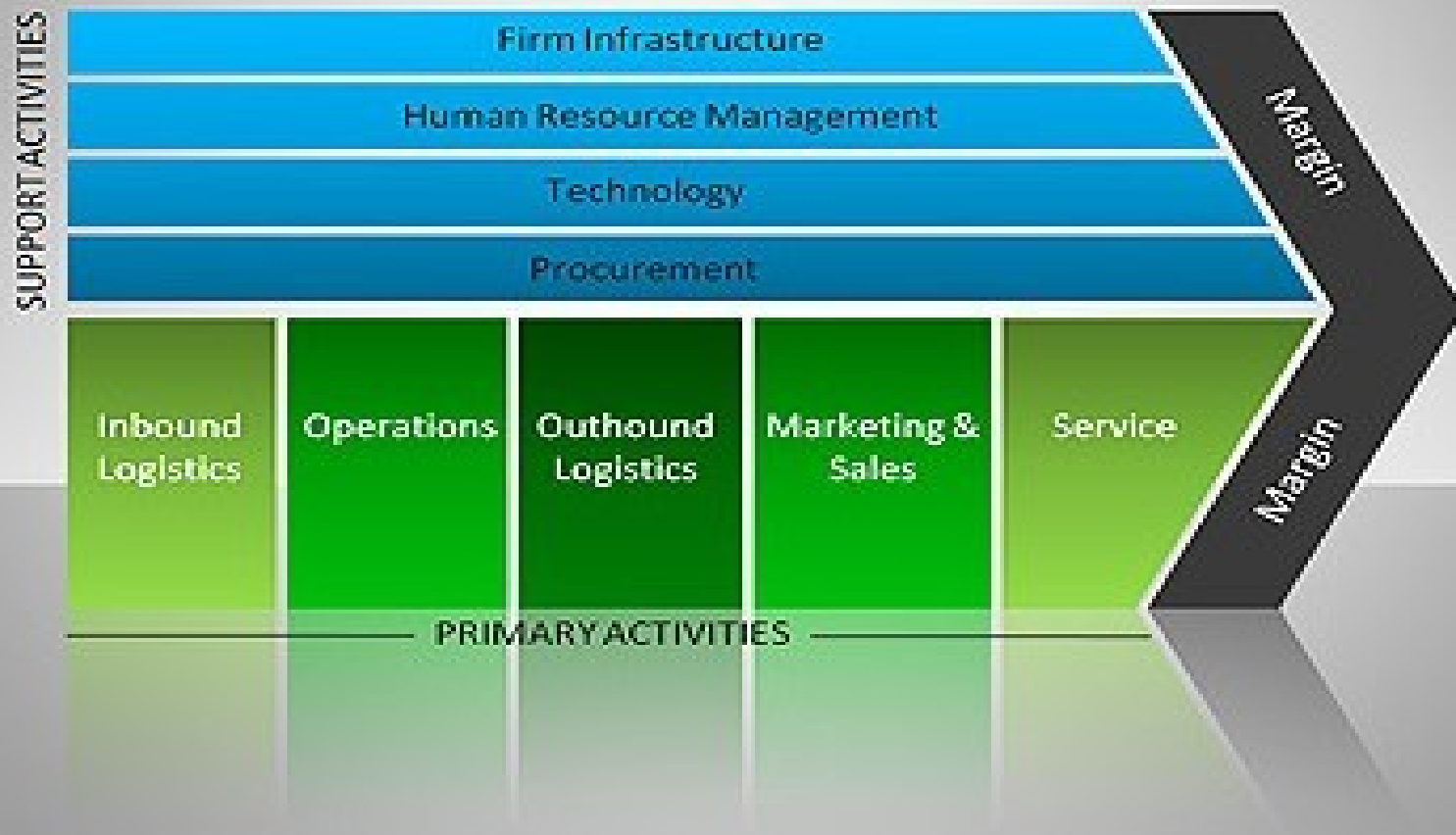
- Underlying purpose of every organization is to provide value to its customers and stakeholders.
- To analyze the specific activities through which firm can create competitive advantage, it is useful to model the firm as a chain of value creating activities.
- Value chain can be understood as the entire series of organizational work activities that add value at each step, beginning with the processing of raw materials and ending with finished products in the hands of end users.



# Concept of Value Chain

- Interlinked value-adding activities that convert inputs into outputs which, in turn, add to the bottom line and help create competitive advantage.
- Michael Porter identified a set of interrelated generic activities, which are common to a wide range of firms, and framed it as a model called Value Chain.
- Michael Porter suggested that the organization is split into '**primary activities**' and '**support activities**'.

# Michael Porter's Model of Value Chain



# Primary Activities

- Porter identified two sets of activities:
  - **Primary activities** are directly concerned with creating and delivering a product. These activities aim at creating value that exceeds the cost of providing the product or service, thus generating a profit margin.
  - **Support Activities** facilitate the primary value chain activities. Support activities assist the primary activities in helping the organisation achieve its competitive advantage.



# Primary Activities

- **Inbound logistics** : Refers to goods being obtained from the organization's suppliers and to be used for producing the end product.
- **Operations** : Process where raw materials and goods are manufactured into the final product. Value is added to the product at this stage as it moves through the production line.
- **Outbound logistics** : Once the products have been manufactured they are ready to be distributed to distribution centers, wholesalers, retailers or customers. Distribution of finished goods is known as outbound logistics.
- **Marketing and Sales**: Marketing must make sure that the product is targeted towards the correct customer group. The marketing mix is used to establish an effective strategy, any competitive advantage is clearly communicated to the target group through the promotional mix.
- **Services**: After the product/service has been sold what support services does the organization offer customers? This may come in the form of after sales training, customer support, repair services, guarantees and warranties.

# Support Activities

- **Procurement:** This department must source raw materials for the business and obtain the best price for doing so. The challenge for procurement is to obtain the best possible quality available (on the market) for their budget.
- **Technology development:** The use of technology to obtain a competitive advantage is very important in today's technological driven environment. This includes research and development, process automation, and other technology development, used to support the value chain activities.
- **Human resource management:** These are the activities associated with recruitment, development and compensation of employees. The organization will have to recruit, train and develop the correct people for the organization to be successful. Staff will have to be motivated and paid the 'market rate' if they are to stay with the organization and add value.
- **Firm infrastructure:** Every organization needs to ensure that their finances, legal structure and management structure work efficiently and helps drive the organization forward. Inefficient infrastructure is waste resources; could affect the firm's reputation and even leave it open to fines and sanctions.