UNIT 1
Marketing Management: The Development of a Concept

1. DEFINITION OF MARKETING MANAGEMENT

What is Marketing Management?

Marketing Management is the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.

The American Marketing Association (AMA) defines marketing as, "The process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives"

Marketing Management is the process of planning, organizing, implementing, and controlling marketing activities to achieve organizational goals while satisfying customer needs.

Key Components:

- Planning: Deciding what products to offer, which customers to target, and how to reach them.
- Organizing: Arranging resources (people, money, technology) to execute marketing plans.
- Implementing: Putting marketing strategies into action through day-to-day activities.
- Controlling: Monitoring results and making adjustments to improve performance.

Example:

When Tata Motors launched the Nano car, marketing management involved:

- Planning: Identifying the need for an affordable car for Indian families
- Organizing: Setting up production, distribution networks, and advertising teams
- Implementing: Running TV ads, setting up dealerships, training sales staff
- Controlling: Monitoring sales figures and adjusting strategies based on market response

The Concept of Exchange

Exchange is the core concept of marketing. It occurs when two or more parties give something of value to each other to satisfy their respective needs.

Conditions for Exchange:

1. At least two parties must exist
2. Each party has something of value to the other
3. Each party is capable of communication and delivery
4. Each party is free to accept or reject the exchange
5. Each party believes it's appropriate to deal with the other

Example: When you buy a laptop from a retailer, you exchange money for the laptop. Both parties benefit - you get the laptop you need, and the retailer gets money for their business.

Needs vs. Wants

Needs: Basic human requirements for survival and well-being

- Physical needs: Food, water, shelter, clothing
- Social needs: Belonging, affection, friendship
- Individual needs: Knowledge, self-expression, achievement

Wants: Specific forms that needs take based on culture, personality, and individual preferences

- Need: Thirst (basic requirement)
- Want: Coca-Cola (specific preference influenced by advertising and taste)

Example:

Need: Transportation to work

Want: A BMW car (influenced by brand image, status, and personal preference)

Economic Utility

Economic Utility refers to the satisfaction or benefit that consumers derive from consuming a product or service. Marketing creates four types of utility:

i) Form Utility

Creating products in the form that customers want

Example: Amul converting milk into various products like butter, cheese, ice cream

ii) Place Utility

Making products available where customers want them

Example: Flipkart delivering products to customers' doorsteps across India

iii) Time Utility

Making products available when customers want them

Example: 24/7 pharmacies like Apollo Pharmacy providing medicines round the clock

iv) Possession Utility

Facilitating the transfer of ownership from seller to buyer

Example: Easy EMI options by Bajaj Finserv making expensive products affordable

2. EVOLUTION OF MARKETING

Marketing has evolved through distinct eras, each characterized by different business philosophies and consumer relationships.

1. Production Era (1860s-1920s)

Philosophy: "Produce what you can sell"

Characteristics:

- Focus on manufacturing efficiency and product quality
- Limited product variety
- Sellers' market (demand exceeded supply)
- Little concern for customer preferences

Key Belief: If we build it well and efficiently, customers will buy it.

Example: Early automobile industry where Henry Ford said, "Customers can have any color car as long as it's black." The focus was on mass production efficiency rather than customer choice.

Indian Context: During the License Raj era (1947-1991), companies like Ambassador cars and Bajaj scooters had waiting lists because supply was limited. Companies focused on production rather than customer satisfaction.

2. Sales Era (1920s-1950s)

Philosophy: "Sell what you produce"

Characteristics:

- Emphasis on aggressive selling and promotion
- Supply began to exceed demand
- Focus on pushing products to customers
- High-pressure sales techniques

Key Belief: Customers will not buy enough unless we persuade them through intensive selling efforts.

Example: Door-to-door salespeople, encyclopedia sales, vacuum cleaner demonstrations in homes.

Indian Context: LIC (Life Insurance Corporation) agents going door-to-door to sell insurance policies, often using persuasive tactics to convince people about the importance of life insurance.

3. Marketing Era (1950s-Present)

Philosophy: "Produce what customers want"

Characteristics:

- Customer-centric approach
- Market research and segmentation
- Integrated marketing approach
- Long-term customer relationships

Key Belief: Organizational goals are achieved by determining customer needs and satisfying them better than competitors.

Example: Companies like Apple conducting extensive market research to understand what customers want in smartphones and then developing products accordingly.

Indian Context: Companies like Hindustan Unilever conducting extensive research to understand Indian consumers' preferences and developing products like Wheel (affordable detergent) and Fair & Lovely (now Glow & Lovely) specifically for Indian skin types and preferences.

3. MARKETING CONCEPT

The Marketing Concept is a business philosophy that holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering satisfaction better and more efficiently than competitors. The three core features include:

i. Consumer Orientation

Definition: Placing the customer at the center of all business decisions.

Key Aspects:

- Understanding customer needs before developing products
- Continuous market research
- Customer feedback integration
- Product development based on customer insights

Example:

- Amazon's recommendation system analyzes customer behavior to suggest products they might like, making shopping more personalized and convenient.
- Zomato continuously gathers customer feedback through ratings and reviews to improve restaurant quality and delivery services. They also introduced features like live order tracking based on customer needs for transparency.

ii. Long-Term Profitability

Definition: Focusing on sustainable profits through customer satisfaction rather than short-term gains.

Key Aspects:

- Building customer loyalty
- Repeat purchases and referrals
- Sustainable competitive advantage
- Brand equity development

Example:

- Starbucks invests heavily in customer experience and employee training to build long-term loyalty, even though it increases short-term costs.
- Tata Group's philosophy of ethical business practices and customer trust has built strong brand loyalty over decades. Even though they might sacrifice short-term profits for quality and ethics, this approach has created long-term profitability across their various businesses.

iii. Functional Integration

Definition: Coordinating all business functions (production, finance, HR, R&D) to serve customer needs effectively.

Key Aspects:

- Cross-functional teams
- Shared customer information
- Aligned objectives across departments
- Coordinated decision-making

Example:

- At Toyota, the production team works closely with marketing to understand customer preferences, while R&D develops features based on market feedback, and finance ensures pricing meets customer expectations.
- Infosys integrates its HR, technology, and client service teams to deliver seamless IT solutions. When a client needs a specific skill set, HR recruits accordingly, technology teams develop solutions, and account managers ensure client satisfaction - all working toward the common goal of customer success.

4. SOCIETAL MARKETING CONCEPT

The Societal Marketing Concept holds that organizations should determine the needs, wants, and interests of target markets and deliver superior value in a way that maintains or improves both the consumer's and society's well-being.

Key Principles:

1. Consumer Satisfaction: Meeting customer needs and wants
2. Company Profits: Achieving business objectives
3. Society's Welfare: Contributing positively to society and environment

Unilever's Sustainable Living Plan:

Consumer Satisfaction: Provides quality personal care and food products

Company Profits: Maintains market leadership and profitability

Social Welfare: Lifebuoy's handwashing campaigns in rural India to prevent diseases, reducing healthcare costs for society

Tata Motors' Electric Vehicle Initiative:

Consumer Satisfaction: Provides eco-friendly transportation options like Tata Nexon EV

Company Profits: Captures the growing electric vehicle market

Social Welfare: Reduces air pollution and carbon emissions in Indian cities

Amul's Cooperative Model:

Consumer Satisfaction: Provides fresh, quality dairy products at affordable prices

Company Profits: Maintains strong market position and growth

Social Welfare: Empowers millions of farmers through fair pricing and cooperative ownership

5. MARKETING MYOPIA

Marketing Myopia, a concept introduced by Theodore Levitt in "The Marketing Imagination," refers to the short-sighted approach of businesses that focus too narrowly on their products rather than on customer needs and market opportunities.

Theodore Levitt's Four Conditions for Business Obsolescence:

1. The Belief that Growth is Assured by an Expanding Population

Condition: Companies assume that population growth automatically guarantees business growth.

Problem: This leads to complacency and ignoring changing customer preferences or competitive threats.

Example:

Traditional Kirana Stores: Many family-owned grocery stores believed that India's growing population would ensure their survival. However, the rise of organized retail (Big Bazaar now Reliance Smart Bazaar, Vishal Mega Mart) and e-commerce (Grofers, BigBasket) captured significant market share because they failed to adapt to changing shopping patterns and convenience needs.

2. The Belief that There is No Competitive Substitute

Condition: Companies believe their product has no viable alternatives.

Problem: This blinds them to emerging technologies or alternative solutions.

Example:

Film Photography Industry: Companies like Kodak believed digital photography was just a fad. They focused on improving film quality rather than embracing digital technology. Today, film photography is nearly extinct, replaced by digital cameras and smartphones.

Landline Telephone Services: BSNL and other landline providers believed mobile phones were too expensive for mass adoption. They continued focusing on expanding landline networks while mobile operators like Airtel and Reliance captured the market.

3. The Belief that Mass Production will Drive Down Costs

Condition: Companies focus solely on production efficiency and cost reduction.

Problem: This leads to ignoring customer preferences for variety, quality, or service.

Example:

Ambassador Cars: Hindustan Motors believed that mass-producing the same Ambassador model would keep costs low and maintain market share. However, customers wanted variety, better features, and modern designs. Maruti Suzuki succeeded by offering multiple models and continuous innovation, while Ambassador went out of production.

4. Preoccupation with Product Rather than Customer Needs

Condition: Companies focus on perfecting their existing products rather than understanding evolving customer needs.

Problem: This prevents them from seeing new market opportunities or customer solutions.

Example:

Traditional Banking: Many public sector banks focused on improving their existing branch-based services rather than understanding customers' need for convenience. Private banks like ICICI and HDFC, and later digital payment companies like Paytm and PhonePe, captured market share by focusing on customer convenience through online banking, mobile apps, and digital payments.

How to Avoid Marketing Myopia:

1. Define the Business in Terms of Customer Needs, Not Products: Companies should define their business by the customer need they serve, not by the product they make. Instead of asking "What product do we make?" ask "What customer need do we fulfill?" Assume that a company owns trains and uses it for both public and cargo transport:

- Wrong Definition: "We are in the railroad business"
- Right Definition: "We are in the transportation business"

2. Focus on the Customer, Not the Product: Put the customer at the center of business thinking rather than the product.

- Understand customer problems and desires
- Continuously research changing customer preferences
- Develop customer-centric organizational culture

3. Take a Long-Term View of Business Growth: Don't be satisfied with short-term success; anticipate future changes and prepare accordingly.

- Invest in research and development
- Monitor emerging technologies and social trends
- Build capabilities for future markets

4. Encourage Innovation and Experimentation: Create a culture that welcomes new ideas and is willing to experiment with different approaches.

- Allocate resources for experimentation
- Accept that some innovations will fail
- Learn from failures and iterate quickly
- Encourage cross-functional collaboration

5. Develop Market Sensing Capabilities: Build systematic capabilities to detect market changes, emerging customer needs, and competitive threats.

- Regular market research and customer feedback
- Environmental scanning for technological changes
- Competitive intelligence gathering
- Scenario planning for different futures

Indian companies that successfully avoided Marketing Myopia:

1. Reliance Industries:

- Started in textiles, expanded to petrochemicals, oil refining, and now digital services (Jio)
- Continuously redefined their business based on market opportunities

2. Mahindra Group:

- Evolved from steel trading to automobiles, IT services, aerospace, and renewable energy
- Focuses on emerging opportunities rather than sticking to traditional products

3. ITC Limited:

- Diversified from tobacco to FMCG, hotels, paperboards, and agri-business
- Reduced dependence on declining tobacco market by entering growth sectors

6. SIGNIFICANCE OF MARKETING IN DIFFERENT INDUSTRIES

6.1 Airline Industry

Characteristics of Airline Industry:

1. High Fixed Costs and Low Variable Costs:

- Expensive aircraft, maintenance, and infrastructure
- Once a flight is scheduled, adding passengers has minimal additional cost
- This creates pressure to maximize seat occupancy

2. Perishable Inventory:

- Empty seats cannot be stored or sold later
- Revenue management becomes crucial
- Dynamic pricing strategies are essential

3. Service Intangibility:

- Customers buy an experience, not a physical product
- Service quality varies and is difficult to standardize
- Customer satisfaction depends on multiple touchpoints

4. High Regulatory Environment:

- Government regulations on safety, routes, and pricing
- International treaties and bilateral agreements
- Environmental regulations increasing

5. Seasonal and Time-Sensitive Demand:

- Business travel peaks on weekdays
- Leisure travel increases during holidays
- Weather and external events significantly impact demand

Marketing of Airline Industry:

1. Revenue Management:

- Dynamic pricing based on demand forecasting
- Different price points for different customer segments
- Advance booking discounts and last-minute premium pricing

2. Customer Segmentation:

- Business travelers (priority on convenience and flexibility)
- Leisure travelers (priority on price and experience)
- Premium customers (priority on luxury and exclusivity)

3. Distribution Channels:

- Direct sales through websites and mobile apps
- Travel agents and online travel agencies (OTAs)
- Corporate travel management companies

4. Brand Positioning:

- Safety and reliability
- Service quality and customer experience
- Value for money
- Network coverage and connectivity

Marketing Strategies of Airline Industry:

1. Frequent Flyer Programs

Purpose: Build customer loyalty and encourage repeat business

Examples:

- IndiGo's 6E Rewards: Offers points for flights that can be redeemed for future travel. Members get priority check-in, extra baggage allowance, and seat selection benefits.
- Air India's Flying Returns: Provides tier-based benefits including lounge access, priority boarding, and bonus miles for elite members.

2. Strategic Partnerships and Alliances

Purpose: Expand network reach without additional investment

Examples:

- Vistara-Singapore Airlines Partnership: Code-sharing agreements allowing passengers to book connecting flights seamlessly between India and international destinations.
- SpiceJet's Cargo Partnerships: Collaborating with logistics companies to optimize cargo operations and additional revenue streams.

3. Ancillary Revenue Strategies

Purpose: Generate additional income beyond ticket sales

Examples:

- Seat Selection Fees: Extra charges for preferred seating
- Baggage Fees: Additional charges for excess baggage
- In-flight Services: Paid meals, Wi-Fi, and entertainment
- Travel Insurance and Hotels: Cross-selling travel-related services

4. Digital Marketing and Customer Experience

Purpose: Improve experience of customer through use of digital technologies

Examples:

- IndiGo's Mobile App: Streamlined booking, web check-in, and real-time flight updates
- SpiceJet's Social Media Engagement: Active customer service through Twitter and Facebook for quick problem resolution
- Vistara's Personalized Email Campaigns: Targeted offers based on customer travel history and preferences

6.2 Banking Industry

Characteristics of Banking Industry:

1. Highly Regulated Environment:

- Central bank regulations (RBI in India)
- Compliance requirements for customer protection
- Capital adequacy and risk management norms
- Regular audits and reporting requirements

2. Trust and Credibility Critical:

- Customers entrust their money and financial security
- Reputation and brand image are paramount
- Word-of-mouth and referrals highly influential
- Any negative incident can severely damage trust

3. Relationship-Based Business:

- Long-term customer relationships are valuable
- Cross-selling opportunities across multiple products
- Customer lifetime value is high
- Personal relationships with relationship managers

4. Technology-Driven Transformation:

- Digital banking and mobile applications
- ATM networks and online services
- Artificial intelligence and data analytics
- Cybersecurity and fraud prevention

5. Intense Competition:

- Public, private, and foreign banks competing
- Fintech companies disrupting traditional services
- Neo-banks and digital-only banks emerging
- Price competition on interest rates and fees

Marketing of Banking Industry:

1. Relationship Marketing:

- Building long-term customer relationships
- Personalized service and attention
- Regular communication and follow-up
- Understanding individual financial needs

2. Product Bundling:

- Offering comprehensive financial solutions
- Combining savings, loans, insurance, and investments
- Package deals for different life stages
- Cross-selling complementary products

3. Segmentation Strategies:

- Retail banking (individuals and families)
- Corporate banking (businesses and institutions)
- Priority banking (high-net-worth individuals)
- Rural and agricultural banking

4. Trust Building:

- Transparency in terms and conditions
- Security measures and fraud protection
- Customer testimonials and success stories

- Corporate social responsibility initiatives

Marketing Strategies of Banking Industry:

1. Digital Banking Initiatives:

Purpose: Meet customers' convenience expectations and reduce operational costs

Examples:

- HDFC Bank's PayZapp: Digital wallet and payment solution integrated with banking services
- ICICI Bank's iMobile: Comprehensive mobile banking app with features like video banking, instant loans, and investment options
- State Bank of India's YONO: "You Only Need One" app that combines banking, shopping, and investment services in a single platform

2. Financial Inclusion Programs:

Purpose: Expand customer base in underserved markets

Examples:

- Pradhan Mantri Jan Dhan Yojana: Banks like SBI and PNB opened millions of zero-balance accounts for unbanked populations
- Self-Help Group Linkage: Banks like Canara Bank and Bank of Baroda provide microfinance through women's self-help groups in rural areas
- Business Correspondent Model: Banks use local agents to provide banking services in remote villages

3. Customer Experience Enhancement:

Examples:

- Kotak Mahindra Bank's 811: Digital savings account that can be opened entirely online with video KYC
- HDFC Bank's Branch Transformation: Modern, customer-friendly branch designs with dedicated zones for different services
- Yes Bank's Robo Advisory: AI-powered investment advice and portfolio management services

4. Strategic Partnerships:

Purpose: Leverage external capabilities and reach new customer segments

Examples:

- Paytm Payments Bank: Partnership with Paytm to leverage their digital ecosystem

- Amazon Pay-ICICI Bank Credit Card: Co-branded credit card offering rewards on Amazon purchases
- Ola Money-SBI Partnership: Integration of banking services with ride-sharing app for seamless payments

6.3 Education Industry

Characteristics of Education Industry:

1. Service Intangibility:

- Education is an experiential service, not a physical product
- Quality is difficult to measure immediately
- Outcomes are often realized long after the service is consumed
- Student satisfaction varies based on individual expectations

2. High Involvement Purchase:

- Significant financial investment for families
- Long-term commitment (multiple years)
- Extensive decision-making process involving multiple stakeholders
- High perceived risk due to impact on career prospects

3. Multiple Stakeholders:

- Students (primary consumers)
- Parents (decision influencers and often payers)
- Employers (ultimate evaluators of education quality)
- Society (beneficiary of educated workforce)

4. Information Asymmetry:

- Institutions have more information about their offerings
- Students rely on rankings, word-of-mouth, and marketing materials
- Difficulty in comparing quality across institutions
- Future employment outcomes are uncertain

5. Reputation and Credibility Crucial:

- Alumni success stories influence perception
- Faculty qualifications and research output matter
- Accreditation and rankings provide third-party validation
- Campus infrastructure and facilities create impressions

Marketing of Education Industry:

1. Reputation Management:

- Building and maintaining institutional brand image

- Highlighting faculty achievements and research
- Showcasing successful alumni and their career progression
- Obtaining accreditations and high rankings

2. Student Recruitment:

- Targeting specific demographic and geographic segments
- Using multiple channels to reach prospective students
- Campus visits and open houses for experiential marketing
- Online and offline advertising campaigns

3. Stakeholder Communication:

- Regular communication with current students and parents
- Alumni engagement and networking events
- Industry partnerships and corporate relationships
- Community outreach and social responsibility initiatives

4. Differentiation Strategies:

- Unique program offerings and specializations
- Industry-relevant curriculum and practical training
- State-of-the-art infrastructure and technology
- International collaborations and exchange programs

Marketing Strategies of Education Industry:

1. Digital Marketing and Online Presence:

Purpose: Reach tech-savvy students and provide comprehensive information

Examples:

- IIT Delhi's Virtual Campus Tours: 360-degree online tours allowing prospective students to explore campus facilities from anywhere
- BYJU'S Marketing Strategy: Using engaging video content, celebrity endorsements, and data-driven targeting to reach students and parents across India
- Unacademy's Influencer Marketing: Leveraging popular educators as brand ambassadors and content creators to build trust and reach

2. Industry Partnerships and Placement Focused Marketing:

Purpose: Demonstrate practical value and employment outcomes

Examples:

- Amity University's Corporate Partnerships: Tie-ups with companies like Microsoft, IBM, and Google for curriculum development and guaranteed internships

- VIT University's Industry Integration: Programs co-designed with companies like TCS, Infosys, and Wipro, highlighting placement statistics in marketing materials
- IIM Bangalore's Executive Education: Partnerships with corporations for custom management development programs

3. Alumni Network Leveraging:

Purpose: Use alumni success stories for credibility and word-of-mouth marketing

Examples:

- IIT Alumni Networks: Highlighting successful entrepreneurs like Sundar Pichai (Google), Nikesh Arora (SoftBank), and Sachin Bansal (Flipkart) in marketing materials
- XLRI's Alumni Mentorship Programs: Showcasing how alumni guide current students, creating a value proposition for prospective students
- Symbiosis International University: Using alumni testimonials and success stories across different fields in marketing campaigns

4. Scholarships and Financial Aid Marketing:

Purpose: Make education accessible and attract talented students from diverse backgrounds

Examples:

- Ashoka University's Young India Fellowship: Marketing the program as accessible to students from all economic backgrounds through need-based financial aid
- Manipal University's Merit Scholarships: Promoting various scholarship programs to attract high-achieving students and improve institutional rankings
- BITS Pilani's Work-Integrated Learning Programs: Marketing part-time programs that allow working professionals to earn degrees while maintaining their careers

5. International Collaboration Marketing:

Purpose: Enhance prestige and attract students seeking global exposure

Examples:

- Shiv Nadar University's International Partnerships: Marketing tie-ups with universities in the US, UK, and Europe for student exchange and dual degree programs
- Jindal Global University's Global Curriculum: Highlighting international faculty and globally benchmarked programs in marketing communications
- O.P. Jindal Global University's International Law School: Marketing its collaboration with international law schools and global internship opportunities