

Summary

Chapter 1

Nature and scope of Marketing

Learning Objectives:

- Meaning, concept and basics of Market
- Features and types of Markets
- Core Marketing concept
- Meaning and definition of Marketing
- Marketing features, its importance, and its scope
- Approaches to the study of marketing
- Marketing process and evolution of marketing concepts
- Social marketing concept

A. Market

1. **Meaning of Market-** The word 'market' is derived from the Latin word "Marcatus" meaning goods or trade or a place where business is conducted. Traditionally market refers to a physical location where buyers and sellers gather to exchange their goods. In the market, ownership and possession of products are transferred from the seller to the buyer and money acts as a medium of exchange and measure of value.
2. **Concepts of Market:**
 - i. **Place concept-** A market is a convenient meeting place of buyers and sellers to gather together to conduct buying and selling activities. Examples: Vegetable/Fruit market.
 - ii. **Area concept-** A market develops in any area, small or large, the moment there are three pre-requisites for exchange:
 - (a) Two or more individuals have unmet wants,
 - (b) They have products to meet the demand, and
 - (c) They have some means of communication such as telephone, fax, correspondence, electronic mail or Internet.Example: Money market is a highly-organized market for the entire nation without any central meeting place for borrowers or lenders of money.
 - iii. **Demand concept-** Today, a market is equated with the total demand. Hence, market means a group of people having unmet wants, purchasing power and the will to spend their income to satisfy those wants.

3. Features of the Market:

- I. Market refers to a particular place or any convenient place, region, state, nation and world.
- II. Buyers (demand) and sellers (supply) are the two sides of the market.
- III. The requirements of the market are needs of the people, their capacity to spend money, their willingness to part with money, and the availability of goods and services.
- IV. The transaction can be completed either personally or through agents and through modern communication facilities like fax and Internet.
- V. In the free market system, interaction of forces of demand and supply determine price.
- VI. Factors affecting the exchange process are: (a) demand and supply, (b) price, (c) market information with sellers and buyers, (d) legal control and regulations to ensure fair price.
- VII. If buyers' expectations are fulfilled, seller will get repeated orders. If dissatisfied, buyers will switch to rival brands.
- VIII. Consumer service and satisfaction become the focus and through demand satisfaction, profit is made even against keen competition.

4. Types of Market:

- a) **Selling Area Covered:** Local, Regional, National and International market.
- b) **Commodities Traded:** Cotton market, Tea market, Bullion market, etc.
- c) **Nature of Dealings:** In spot market, goods are bought and sold immediately, but in the case of future market, actual buying and selling take place at a future time as agreed by the buyer and seller.
- d) **Nature of Goods Sold:** Consumer goods are meant for direct consumption/use of consumers, whereas industrial goods are generally needed by manufacturers in the process of production.
- e) **Based on time interval,** markets may be classified into Short term market and Long term market. Example: Money market for short term period and capital market for long term funds.
- f) **Volume of Business Transactions:** The market may be a Wholesale market or Retail market according to the nature and volume of business.
- g) **Competition:** The market may be Competitive market or Monopolistic market.
- h) **Functioning of the Market:** The market may be an Unorganized market or an Organized market. Example:

Regulated markets run by State Governments are organized markets for agricultural produce.

- i) **Dominance of the Parties:** The market may be Sellers' market or Buyers' market depending upon the demand and supply of product and services.
- j) **Sellers Position:** Primary market where farmers sell the produce to the traders or Secondary market where buying and selling take place between traders. In the case of Terminal market, the produce is assembled for export or for consumption of the local population.

5. **Classification of Goods:** There are three types of goods as shown below:

- 1. **Manufactured goods** may be consumer goods needed for use or consumption by consumers or industrial goods needed for use by producers in the process of production.
- 2. **Agricultural goods** may be in the form of raw materials for industry (cotton, sugarcane) or consumer goods for immediate consumption.
- 3. **Natural raw materials** are the free gifts of nature and they are the raw materials of industry such as iron ore.

B. Marketing

Core Marketing Concepts

- 1. **Meaning of Marketing-** Marketing is a comprehensive term and it includes all resources and a set of activities necessary to direct and facilitate the flow of goods and services from producer to consumer. Marketing starts with identification of customer's wants and then satisfying those wants through products and services. The modern concept of marketing is customer-oriented and focuses on earning profit through customer satisfaction.

2. **Features of Marketing:**

- I. Marketing activities starts with consumers and ends with consumers by satisfying their needs.
- II. Marketing is a continuous activity and the goods are manufactured and distributed to the consumers as per demand.
- III. Marketing deals with exchange of goods and services with money as the medium of exchange.
- IV. Marketing concept is the societal marketing concept which focuses on three factors: customer demand satisfaction, public interest and profitability.
- V. Marketing creates time, place and possession utilities. The consumer is able to obtain the right product at the right time at the right place as and when he requires.
- VI. Production and marketing are related.

- VII. Marketing facilitates large-scale production, employment opportunities and social welfare.
- VIII. Marketing is an integral part of business.
- IX. Marketing is an integrated process and is based on strategies and plans.
- X. The long-term objective of marketing is profit maximization through customer satisfaction.

3. Modern Definition of Marketing-Modern marketing begins with the customer, not with production, sales, technological landmarks, and it ends with the customer satisfaction and social well-being.

Marketing covers the following:

1. **Seeking:** The purpose of seeking is to discover the customer and customer needs.
2. **Matching:** Marketing is a matching process. Customer demand must be matched with organizational resources and environmental limitations, such as competition, government regulations, general economic conditions, and so on.
3. **Programming:** The marketing programme, called the marketing mix, covering Product, Price, Promotion and Place (distribution) strategies (4 P's) will be formulated and implemented to accomplish the twin objectives of customer satisfaction and profitability.

Marketing is an ongoing process of:

- (1) discovering and translating consumer needs and desires into products and services,
- (2) creating demand for these products and services
- (3) serving the consumer demand with the help of marketing channels, and then, in turn,
- (4) expanding the market even in the face of keen competition.

4. Importance of Marketing- Marketing is the most important or significant activity in our society. Production and marketing are the two pillars of an efficient economy. Rather, production and consumption are the two wheels of an economy which are linked with by the powerful belt of marketing.

5. Importance of Marketing to the Society:

- a) Marketing Helps to Achieve, Maintain and Raise the Standard of Living and Quality of Life of the Society.
- b) Satisfaction of Human Wants.
- c) Marketing Increases Employment Opportunities.
- d) Marketing Helps to Increase National Income.
- e) Marketing Helps to Maintain Economic Stability and Economic Development.
- f) Marketing is a Connecting Link between the Consumer and the Producer.

- g) Marketing removes imbalance of supply by transferring the surplus to deficit areas, through better transport facilities and this brings price stabilization.
- h) Marketing Helps in Creation of Utilities.

6. Importance of Marketing to Individual/Business Firms:

- a) Marketing Generates Revenue to Firms
- b) Marketing Acts as a Basis for Making Decisions
- c) Marketing Helps the Top Management to Manage Innovations and Changes

7. Scope of Marketing- The scope of marketing may be analyzed in terms of marketing performance through various functions as mentioned below. A number of functions are inherent in every marketing process and these functions are to be performed on the basis of various utilities.

8. Functions of Exchange

- a) **Buying Function:** A manufacturer is required to buy raw materials for production purposes. Similarly, a wholesaler has to buy goods from manufacturer for purposes of sales to retailer. A retailer has to sell the goods to consumers. Thus, functions of buying have to be performed at various levels.
- b) **Assembling Function:** Assembling is different and separate from buying. Buying involves transfer of ownership of the goods from seller to the buyer; whereas in assembling, goods are purchased from various sources and assembled at one place to suit the requirements of the buyer. In the case of agricultural produce assembling involves collecting the produce from scattered farms and bringing it to a central place.
- c) **Selling Function:** Selling involves transfer of ownership from seller to the buyer. Selling function is vital to the success of any firm. Its importance has been continuously increasing in all organizations due to the emergence of severe competition. Producing goods is easy but it is very difficult to sell them.

9. Functions of Physical Supply are Transportation, Inventory Management, Warehousing, and Material handling.

10. Facilitating Functions are Financing, Risk-taking, Standardization & Gratings and After-sales service.

11. Marketing Functions- Modern marketing also involves the following functions:

- a) Product Planning
- b) Packaging
- c) Product Pricing
- d) Advertising and Sales Promotion

- e) Distribution
- f) Marketing Research
- g) Management of Sales Force

12. Approaches to the Study of Marketing- Four basic approaches are commonly used to describe the marketing system:

- a) **Commodity Approach-** Under the commodity approach, we study the flow of certain commodity and its journey from the original producer right up to the final customer.
- b) **Functional Approach-** Under the functional approach, we concentrate our attention on the specialized service or functions or activities performed by marketers.
- c) **Institutional Approach-** Under the institutional approach, our main interest centres round the marketing institutions or agencies such as wholesalers, retailers, transport undertakings, banks, insurance companies etc., who participate in discharging their marketing responsibilities during the movement of distribution of goods.
- d) **The Systems Approach-** A system is a set of interacting or interdependent components or groups coordinated to form a unified whole and organized marketing activities to accomplish a set of objectives.

13. Marketing Process- The marketing process consists of analyzing marketing opportunities, researching and selecting target markets, designing marketing strategies, planning marketing programmes and organizing, implementing and controlling the marketing effort. Marketing process brings together producers and consumers — the two main participants in exchange.

Marketing process involves three major activities and constitutes the heart of marketing:

- (a) **Concentration** consists of gathering and putting together large quantities of finished goods at market places.
- (b) **Dispersion** is concerned with the distribution of goods to ultimate users.
- (c) **Equalization** involves proper adjustment of supply at all centres of distribution based on the market requirements. Supply of goods should be adjusted to demand based on time, quantity, and quality.

14. Benefits of Marketing Concept (Market-oriented Approach)- A business enterprise adopting the market-oriented business approach can enjoy the following advantages:

- 1. Long-term success is assured to an enterprise only if it recognizes that the needs of the market are paramount.
- 2. It enables the firm to move more quickly to capitalize on market opportunities.
- 3. Customer needs, wants and desires receive top consideration in all business activities.

4. Greater attention is given to the product planning and development so that merchandising can become more effective.
5. Demand side of the equation of exchange is honored more and supply is adjusted to changing demand. Hence, more emphasis is given to research and innovation.
6. Marketing system based on the marketing concept assures integrated view of business operations and indicates interdependence of different departments of a business organisation.
7. Interests of the enterprise and society can be harmonized as profit through service is emphasized.
8. Marketing information and research is now an integral part of the marketing process and it is a managerial tool in decision-making in the field of marketing.

15. Consequences of the Marketing Concept

Under market concept there is a shift:

- (1) from product/business to customer,
- (2) from production to market,
- (3) from supply to demand,
- (4) from sales volume to profit,
- (5) from mere selling to customer satisfaction,
- (6) from internal orientation to external orientation,
- (7) Under marketing concept, supply becomes the function (result) of demand. Demand is the controlling factor and demand analysis becomes the foundation of all marketing functions.
- (8) We have four aspects of an intelligent demand management:
 - (a) demand determination through marketing research,
 - (b) product-mix as per demand,
 - (c) promotion-mix to stimulate demand, and
 - (d) distribution mix to serve demand.
- (9) Marketing concept is applicable to any organisation -profit/non-profit, and
- (10) Marketing concept can eliminate marketing myopia.

16. Selling Vs. Marketing- Marketing is the creation and delivery of a standard of living. Marketing is a total integrated process, which aims at customer satisfaction and business success. Under the selling concept, the company makes a product and then uses various methods of selling to persuade a customer to buy the article. The differences between selling and marketing concepts are shown below:

Selling Concept	Marketing Concept
1. Selling involves planning, direction and control of the personal selling activities of a business unit including recruitment, selection, training, motivation, compensation of sales force.	Marketing involves (a) finding out what the consumers want (b) planning and developing a product or service that will satisfy those wants and (c) determining the best way to price, promote and distribute the product or service.

2.Emphasis is on the product.	Emphasis is on consumer wants.
3.Company makes a product and then finds out how to sell it.	Company first finds out what the consumer wants and then develops and supplies the product to satisfy those wants. .
4.Emphasis is on company needs.	Emphasis is on market needs.
5.Selling is production-oriented.	Marketing is consumer-oriented.
6.Selling assumes that the goods can be easily sold.	Marketing believes that the consumer is the king and goods should meet his wants and preferences.
7.In selling, once the goods are sold, the seller does not think about the consumer.	All marketing activities start with the consumer and end with the consumer.
8.Selling aims at profit maximization by increasing sales volumes and profit is the primary aspect in selling.	Marketing believes in profitable sales through customer satisfaction.
9.Selling aims at converting goods into cash and has narrow perspective.	Marketing has long range objectives such as customer satisfaction, growth, and market share.
10.Selling concept is traditional and outdated.	Marketing concept is modern and accepted universally.

Fig. Selling versus Marketing

17. Traditional and Modern Concepts of Marketing- Traditionally marketing involved selling goods and services to consumers to earn profit. Since demand exceeded the supply, it was easy to sell the goods to the consumers. Modern marketing focuses on earning profits through customer satisfaction. The differences between Traditional and Modern concepts of Marketing are:

<i>Traditional Concept of Marketing</i>	<i>Modern Concept of Marketing</i>
1.Traditional marketing involves transfer of ownership of goods from the seller to the buyer.Focus on seller and his product.	Modern marketing considers creation of customer as the most important purpose of marketing.Focus on consumer and his needs.
2.It is a production/sales orientation approach.	It is customer oriented approach.
3.Narrow concept with least importance given to customers and society.	Broader concept and focuses on customer satisfaction and welfare of the society.
4.Importance given to profit maximization.	Route to profit is through customer satisfaction.
5.It was prevalent prior to 1950 when demand exceeded supply.	It is relevant now especially in a highly competitive marketing environment.
6.It is an old and outdated concept.	Progressive and modern concept.

7. Least importance to social responsibility.	To survive and grow, companies are giving importance to corporate social responsibility.
8. Concept of consumerism was not present.	Protecting the interest of consumers has gained importance.
9. Aggressive selling and promotion under selling concept.	Understanding consumer wants and supply of product to meet their requirements. This leads to customer satisfaction, repeat sales, and profit to the organisation.
10. Less competition and sellers' market.	Highly, competitive marketing environment and buyers' market.

Fig. "Differences between Traditional and Modern concepts of marketing"

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