

# PRINCIPLES OF MARKETING

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# Unit 1

- The objectives of this unit are to help you to understand:
- The meaning of marketing;
- The marketing concept;
- the marketing mix; and
- How marketing concept and marketing mix are integrated in practice, thus resulting in the marketing process and strategy.

First of all, we welcome you to this course. Different people with different objectives would opt to learn marketing. However, marketing, as you will soon see, is important whether you are in the marketing function or any other function of a business. Besides, marketing is a very exciting field. It requires creativity for success. Thus, you have embarked on the study of an exciting subject, which can also increase your creativity.

This course has been designed primarily to develop your awareness of the marketing-orientation. It is assumed that such knowledge about marketing decisions and processes will not only improve your personal competence but will also help in attaining your organisations' objectives.

# Definitions of Market and Customer

**Market:** The set of all actual and potential buyers of a product or service.

These buyers share a particular need or want that can be satisfied through exchange relationships

Ex: Vegetables market , Jewellery market etc.

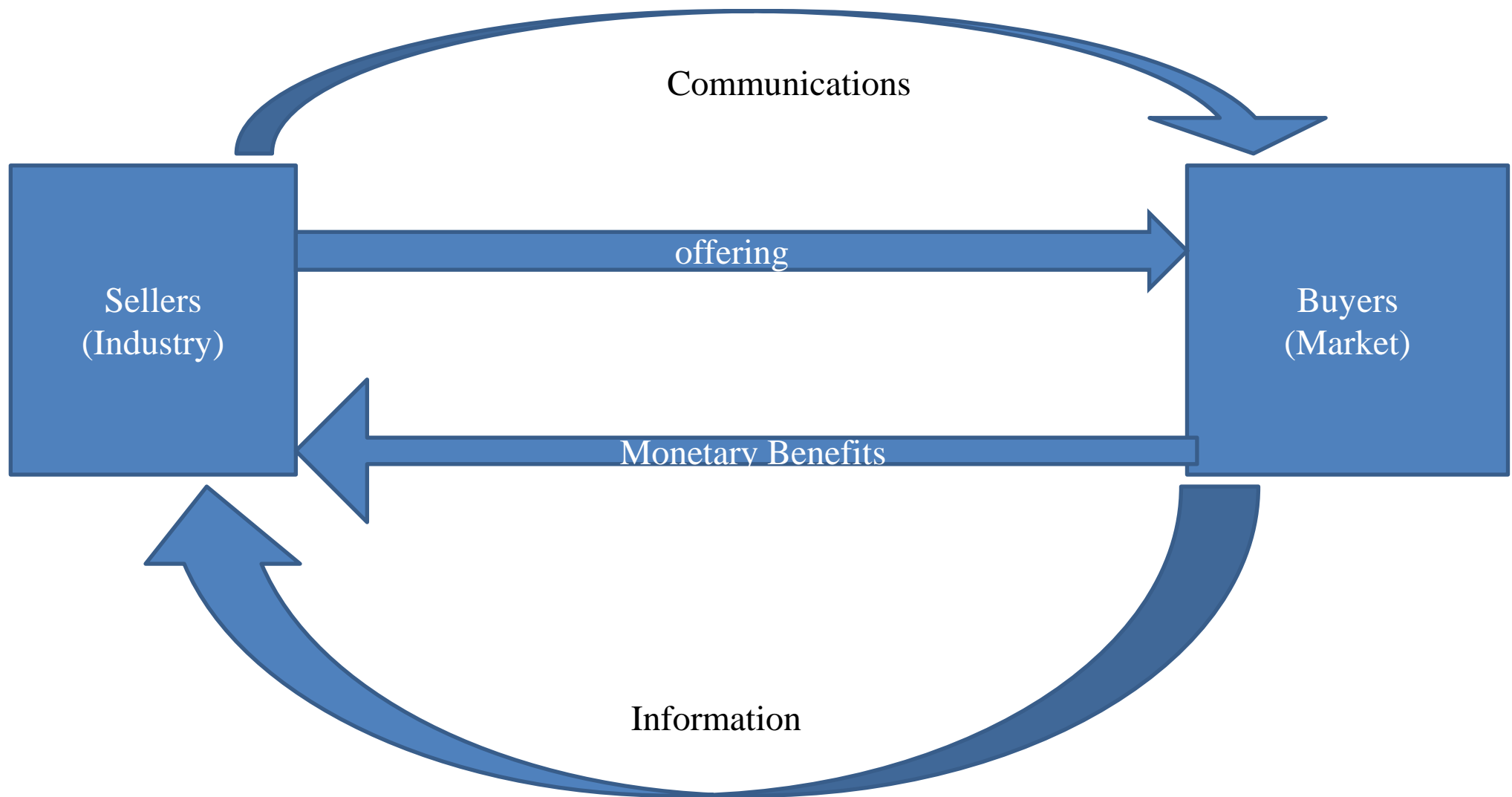
**Customer:** The people that seek satisfaction of their needs and wants

**Marketer:** A person who makes the product available to the customers in order to satisfy their needs and wants

**Exchange:** The act of obtaining a desired object from someone by offering something in return.

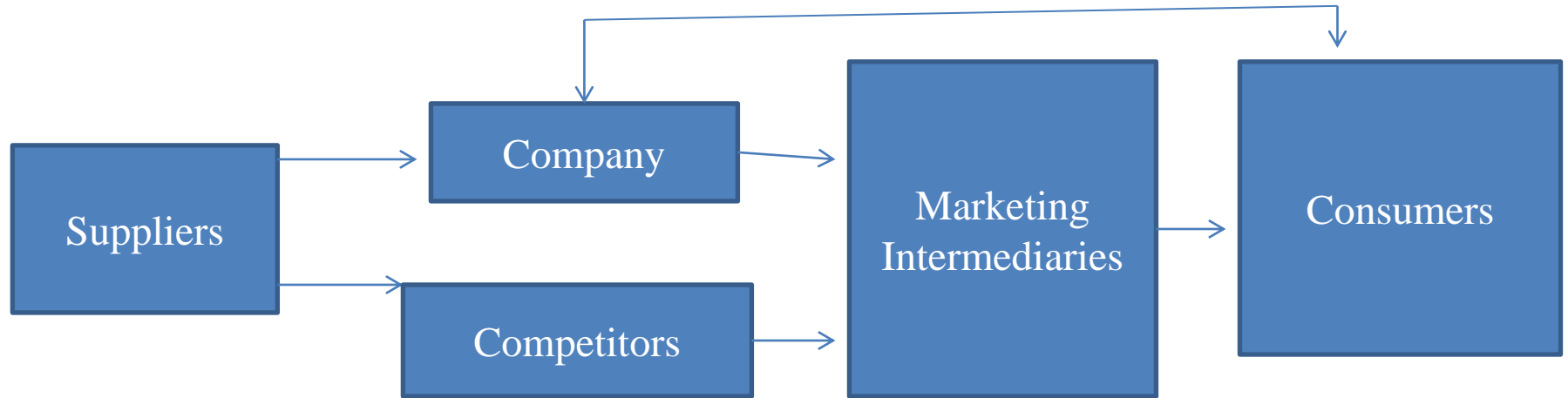
# Demand

- They are human wants that are backed by buying power.
- The 3 characteristics of demand:
  - Ability to buy
  - Willingness to buy
  - Desire to own



**Simple Marketing System**

# Modern Marketing System





# Definitions of Marketing

- The American Marketing Association defines marketing as follows:
- "Marketing is the performance of business activities that directs the flow of goods and services from producer to consumer or user."
- Producer ( product) → Consumers(Need)
- Marketing consists of all activities ,from customer need identification to need fulfilment

- This definition is undoubtedly an improvement on describing marketing as selling as it shows that marketing does encompass other activities besides selling.
- We can see that Marketing, as per this definition, starts with a `product'. This is very common idea among many people, for example, in advertising agencies, as they normally are required to advertise to sell a product, which already exists. Similarly, salesmen are also given `products' and asked to sell them. Therefore, to them marketing often, starts with a product,

# Modern Definition of Marketing

- Marketing is the process by which companies create value for customers and build customer relationships in order to capture value from customers in return.
- A social and managerial process by individuals and groups obtain what they need and want through creating and exchanging products and value, with others

# Marketing as a social process

A social process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others

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(Philip Kotler et al..2013)

# Exchange

## Conditions:

- There must be at least 2 parties
- Each party has something that might be of value to the other party
- Each party is capable of communication and delivery
- Each party is free to accept or reject the exchange offer or deal
- Each party believes the deal is appropriate and desirable

# Value

Where

Costs: Psychic, Energy, Time, Monetary

Benefits: Emotional, Functional

# Marketing Process Steps

- Understand the market place and customer needs and wants
- Design a customer driven marketing strategy
- Construct an integrated program which delivers superior value to customers
- Build profitable relationships with customers and create customer delight.
- Capture value from customers to create profits and customer equity

# 1. Understanding customer needs and wants

- Needs: State of felt deprivation

Ex:

- Physical needs (food, clothing, safety)

- Social needs( belongingness, affection )

- Individual needs( knowledge, self – expression)



# Wants

- The human needs are expressed in different forms.
- These wants are shaped by culture and individual personality.
- Ex: A south Indian who needs food wants rice with Sambar where as a north Indian who needs food wants Roti and Sabji.
- An American in USA who needs food wants Hamberger, French fries and Coke.
- An Indian in Kolkata who needs food wants a bowl of rice and fish.

## 2.Designing customer driven strategy

- The company must first decide who to serve?
- “who are our customers?”
- This is done by dividing the market into segments of customers
- Select the best market segment and serve the customers of that segment
- Reason: you can't serve all customers with limited resources

# Customer driven marketing strategies are guided by 5 marketing concepts

1. Production
  2. Product
  3. Selling
  4. Marketing
  5. Societal marketing
- These concepts guide marketers to design best strategies. In all these concepts, the customer is king. That's why these strategies are customer driven strategies.

# Marketing management orientations (marketing philosophies that guide marketing strategies)

Production Concept : Consumers favor products that are widely available and highly affordable. So focus on improving production and distribution effectively.

Ex: Lenovo computers follow this strategy of high production, mass distribution with low labor costs

# Product Concept

- Consumers favor products that offer the most quality, performance and features
- Therefore the customer driven marketing strategy is “Make continuous product improvements”

# What to produce?

- If you are an entrepreneur who wants to start a new business, you do not have a product. In fact you will have to decide what product you should manufacture and sell.
- The entrepreneur has first to decide what product he should select to manufacture. This he can do only if he can identify the needs of consumers.
- The needs of a group of human beings (called market segment), he can determine the product, which can help to satisfy that need..

# Selling Concept

The consumers will not normally buy enough of the firm's products unless the company undertakes a large-scale selling and promotional efforts.

- The aim of the company is to sell what the company makes rather than making what the market wants.

Ex: Insurance policies

# Marketing Concept

- Know the needs and wants of target customers
- Deliver the desired satisfactions by producing the need satisfying goods and services better than the competitor companies do.
- Customer focus and customer value are the paths to sales and profits.
- Customer value = Benefits – costs
- Customer buys those products that give more benefits at low cost.



# Selling vs. Marketing, what is the difference?



Download

Starting Point

Focus

Means

End

The Selling  
Concept

Production

Products

Selling and  
promotion

Profit through  
sales volume

The  
Marketing  
Concept

Target market

Customer  
needs

Integrated  
marketing

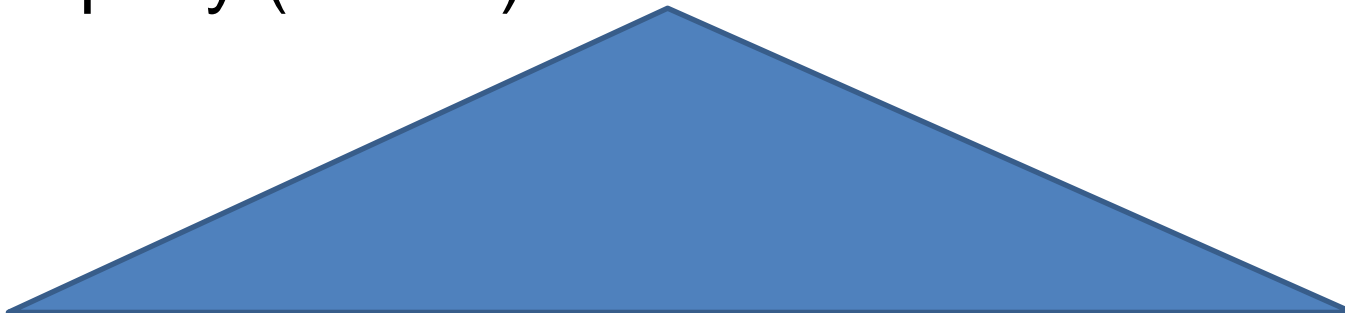
Profit through  
customer  
satisfaction

# Societal Marketing Concept

The company's marketing decisions should consider consumers' wants, the company requirements, consumers' long run interests and society's long-run interests.

The considerations are

1. Society (Human welfare)
2. Consumers (Want satisfaction)
3. Company (Profits)



### 3. Preparing an integrated marketing plan and program

- The strategy outlines
- Which customers the company will serve?
- How the company creates value to satisfy these customers?
- Develop an integrated marketing program to deliver the value to the customers
- Marketing program transforms the marketing strategy into action. It builds customer relationships
- It uses a set of marketing tools (Marketing mix) and gives value to customers by *implementing marketing strategies*

## 4. Building customer relationships

All the three steps in the marketing process leads to building profitable customer relationships.

- Customer Relationship Management (CRM) is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.

Customer Perceived Value:  
The customer's evaluation of the difference between all the benefits and all the costs of a marketing offer (relative to those of competing offers)

- Customers do not judge values and costs “accurately” or “objectively”.
- They act on perceived value.

# Customer Satisfaction

- The extent to which a product's perceived performance matches buyer's expectations.
- If perceived performance is greater than customer's expectations, then customer is delighted
- If perceived performance is less than buyer's expectations ,then customer dissatisfaction.
- If performance matches the expectations, the customer is satisfied.

## 5. Capture value from customers to create profits and customer equity

- Good CRM creates customer delight.
- Delighted customers remain loyal. And talk favorably to others about the company and its products.

1. Creating customer loyalty and retention
2. Growing share of customer
3. Building customer equity (the total combined customer lifetime values of all of the company's customers).

# Philip Kotler definition of marketing

- Philip Kotler, a well-known author in the area of marketing, defines marketing as a service
- "A human activity directed at satisfying needs and wants through exchange processes."
- Thus the most fundamental concept, which must be realised as being the basis of all marketing activities, is the existence of human needs.



# Need Definition

- The human need is a state in which a person
- feels deprived of something. There are many
- human needs described in many ways.
- Briefly, these needs can be divided into two types.
- 1. Physiological needs; and
- 2. Psychological and
- Sociological needs.
- (Ref: Maslow's theory of hierarchy of needs)

# Needs Get Converted into Wants

- The need exists but these needs have to be converted into `wants' by a marketing strategy.
- Humanbeings have unlimited wants. But the ability to buy a product is restricted on account of their economic background. Money is a scarce resource. So,resources are limited.Therefore people will select from among those products. Thus, when they are backed by “ability to buy”, “willingness to own”, and also “willingness to buy”, then the wants are converted into demand for your (manufacturer) product.

# 3 main characteristics of Demand

- “ability to buy”,
- “willingness to own”, and
- “willingness to buy”
- 
- Ex: Mercedes Benz Luxury Car is in the show room
- “I wish I should have a Benz car”
- “I am willing to buy”
- “ I don’t have sufficient money”

# Marketing Mix

- Marketing is performed within a certain environment (which itself is always changing).
- The marketing activities have, therefore, to change in consonance with environment
- to be continuously effective.
- Ex: The emerging needs of online teaching platforms during Covid-19.

# Marketing Mix

- Marketing activities are divided into four basic elements, known as Marketing Mix. These four basic elements are:
  - i) Product,
  - ii) Price,
  - iii) Promotion, and
  - iv) Place (or physical distribution).
- Marketing Mix is also known as 4Ps of Marketing.
-

# Product

## as an element of Marketing Mix

- The word 'product' stands for the goods or services offered by the organisation. They satisfy the needs of consumers.
- Once the needs of consumers are identified, it is necessary to plan the product. (The needs of consumers are converted into products.)
- The product still satisfies the needs which were originally planned for, and if not, to determine the necessary changes.
- Then consumers will be happy over the purchase of the product. They recommend the product to others.

# Price

## as an element of MM

- Price refers to the money value that the customer has to pay.
- The product has to be adequately priced. This involves considerations of the profit margin, the cost, the possibility of sales at different prices and the concept of the right price.
- The product must be sold to consumer at a reasonable and affordable price.
- Ex:  $\text{Price} = \text{Cost of making the product} + \text{Profit}$

# Promotion as an element of MM

- Promotion is the aspect of communicating the benefits of the product or service, to the target customers in order to persuade them to purchase such products or services.
- It includes selling through advertising
- It helps the sales executives to sell.
- Ex: special seasonal discounts, competitions, special price reductions, Coupons etc. (collectively called sales promotion.)



# Place

- Physical distribution refers to the aspect of the **channels of distribution through which the product reaches the consumer market.**
- It also includes the logistics aspects of distribution such as **warehousing, transportation, etc.** (needed for geographical distribution of the products.)

It is also concerned with the **selection of distribution channels**. The organisation sells through **wholesalers** (who buy in large quantities and sell to retailers) and then to **retailers** (i.e., the shopkeepers, who ultimately sell to consumers), or whether directly to the consumers.

# Marketing :Organizational Function

- Creating Value
- Communicating Value
- Delivering Value

# Market Offering

Some combination of products, services, information, or experience offered to a market to satisfy a need or want

- They are not limited to physical products only
- They may include services

# Definition of Product

- Anything that can be offered to satisfy a need.

Ex:

- Tangible goods (Physical objects)
- Persons
- Places

# Definition of Services

- Any activity or benefit that one party can offer to another which is essentially intangible and does not result in ownership of anything

Ex: Salon, Beauty parlour service providers

Transportation services

Internet service providers

Lodging and boarding services

Entertainment

# Transaction

A transaction involves

- I. At least TWO things of value
- II. Conditions that are agreed upon
- III. Time of agreement
- IV. Place of agreement

Ex: Barter Transaction; a lawyer writes a will for a doctor and takes a medical examination in return

# Value Proposition

- It includes the set of benefits( or values), a company promises to **deliver** to consumers to satisfy their needs.
- Ex: **Colgate**
  - a. Anti cavity Fluoride Tooth paste
  - b. Visible White (1 shade whiter in 1 week)
  - c. SPARKLING MINT
  - d. ENAMEL SAFE



# Colgate

- Safely exfoliates stains and polishes your teeth surface
  - ✓ With Whitening Accelerators
  - ✓ Safely exfoliates stains
  - ✓ Polishes teeth surface
  - ✓ Fights cavities
  - ✓ Protects enamel
  - ✓ Freshens breath

# Volini

- Pain Relief Spray
- 360° Technology with all round action
- Instant relief from low back pain, joint pain, neck pain, sprains and sports injuries

# Glucon-D

- Instant Energy

# Colgate Total





By Appointment to Her Majesty Queen Elizabeth II  
Manufacturers of Antiseptics, Air Fresheners,  
Polishes, Cleaners and Laundry Products  
Reckitt Benckiser plc, Windsor



# Dettol

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**KILLS 99.9% of  
BACTERIA & VIRUSES**



Effective against germs  
that can cause illnesses

**DISINFECTANT**

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KILLS  
99.9% of  
GERMS  
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Specially  
designed  
for fabrics  
不損衣物纖維

DISINFECTANT

**Laundry  
Sanitiser**

滴露衣物消毒劑

FRESH PINE 松木香味





# Marketing Management

- It is the art and science of choosing target markets and building profitable relationships with them

2 questions to be answered:

1. What customers will we serve?
2. How best can we serve these customers?



# Marketing Management

- It means managing marketing function
- It is the process of organizing, directing and controlling the activities related to marketing of goods, services to satisfy the customers' needs and achieve organisational goals

Marketing is defined by the American Marketing Association as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large .”

The traditional way of viewing the components of marketing is via the four Ps:

1. **Product** : Goods and services (creating offerings).
2. **Promotion**: Communication.
3. **Place**: Getting the product to a point at which the customer can purchase it (delivering).
4. **Price**: The monetary amount charged for the product (exchanging).

Introduced in the early 1950s, the four Ps were called the marketing mix, meaning that a marketing plan is a mix of these four components.



Marketing is composed of four activities centered on customer value: creating, communicating, delivering, and exchanging value.

# 4Ps vs Value Delivery Process

If the four Ps are the same as creating, communicating, delivering, and exchanging, you might be wondering why there was a change. The answer is that they are not exactly the same. *Product, price, place, and promotion are nouns. As such, these words fail to capture all the activities of marketing.* For example, exchanging requires mechanisms for a transaction, which consist of more than simply a price or place. *Exchanging requires, among other things, the transfer of ownership.*

For example, when you buy a car, you sign documents that transfer the car's title from the seller to you. That's part of the exchange process. Even the term product, which seems pretty obvious, is limited. Does the product include services that come with your new car purchase (such as free maintenance for a certain period of time on some models)? Or does the product mean only the car it

# Marketing Strategy:

- It is your approach to achieving your competitive advantage.
- It is the WHY behind the work (Why are you doing it?)
- It is purpose. ( what marketing efforts you need to achieve your marketing goals?)
- It describes how your marketing goals achieve the business goals (Organizational objectives)
- What product you will deliver to customers?
- Who will deliver it to customers?
- Who are your competitors?

# Marketing Plan (Action Plan)

- It is the ROAD MAP, the EXECUTION part of the marketing strategy.
- It is the set of activities that will make you achieve the marketing goals. It describes the work to be done.
- WHAT is the work to be done?
- WHEN the work has to be done? When will you implement it? (Will you complete it in time?)
- WHERE you will do it?



## Discussion Questions

1. Compare and contrast a four Ps approach to marketing versus the value approach (creating, communicating, and delivering value). What would you expect to be the same and what would you expect to be different between two companies that apply one or the other approach?
2. Assume you are about to graduate. How would you apply marketing principles to your job search? In what ways would you be able to create, communicate, and deliver value as a potential employee, and what would that value be, exactly? How would you prove that you can deliver that value?
3. Is marketing always appropriate for political candidates? Why or why not?
4. How do the activities of marketing for value fulfill the marketing concept for the market-oriented organization?
5. This chapter introduces the personal value equation. How does that concept apply to people who buy for the government or for a business or for your university? How does that concept apply when organizations are engaged in social marketing?
6. This chapter addresses several reasons why marketing is an important area of study. Should marketing be required for all college students, no matter their major? Why or why not?
7. Of the four marketing functions, where does it look like most of the jobs are? What are the specific positions? How are the other marketing functions conducted through those job positions, even though in a smaller way?
8. Why is service-dominant logic important?
9. What is the difference between a need and a want? How do marketers create wants? Provide several examples.
10. The marketing concept emphasizes satisfying customer needs and wants. How does marketing satisfy your needs as a college student? Are certain aspects of your life influenced more heavily by marketing than others? Provide examples.
11. A company's offering represents the bundling of the tangible good, the intangible service, and the price. Describe the specific elements of the offering for an airline carrier, a realtor, a restaurant, and an online auction site.