MODULE-3

MARKETING AND FINANCIAL MANAGEMENT

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' (Kotler and Keller, 2008)
- Marketing is the process used to determine what products or services may be of interest to customers and the strategy to use in sales, communications and business development (Kotler et al. 1996).
- The American Association of Marketing define marketing management as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services in order to create, exchange and satisfy individual and organizational objectives (Gronroos, 1989)

Marketing Management involves:

- Analysis
- Planning
- Implementation
- Control

Functions of Marketing:

➢ **Facilitating function or supporting activities**

- Collecting market information and market research
- Market Finance
- Market risk bearing

➢ **Exchange functions and merchandising**

- Product Planning
- Standardizing and grading
- Buying and assembling
- Advertising and selling

➢ **Physical supply functions or physical distribution**

- Storage
- Transportation

Market Research:

- American Marketing association has defined market research as the gathering , recording and analysis of data about the problems related to the marketing of goods and services.
- Market Research includes:
- Process of gathering recording and analyzing the utility and marketability of the product
- Research on nature of demand
- Research on the nature of competition
- Research on the methods of marketing

Objectives of Market Research:

- To know about the people who buy company product
- To find out the impact of promotional efforts
- To know consumer response to the product
- To measure the effectiveness of channels price policy and personal selling
- To know the marketing cost and profit
- To study the external forces
- To forecast
- To explore (Search and Examine)
- To keep close watch

Process of Marketing Research:

- Define the objective and the problem
- Collect the necessary data required for the purpose
- Process and analyze the data collected
- State the outcomes of the results of research

5 Ps of Marketing:

- The 5 P's of Marketing – Product, Price, Promotion, Place, and People – are key marketing elements used to position a business strategically
- The 5 P's of Marketing, also known as the marketing mix, are variables that managers and owners control to satisfy customers in their target market, add value to their business, and help differentiate their business from competitors.

Product	Price	Promotion	Place	People
Functionality	Selling Price	Sponsorships	Distribution Channels	Service Provided
Appearance	Discounts	Advertising	Logistics	Attitude
Warranty	Payment Arrangements	Public Relations Activities	Service Levels	Customer Service
Quality	Price Matching Services	Message	Location	Appearance
Packaging	Credit Terms	Media	Market Coverage	Employee Portrayal

5 Ps of Marketing

1. **Product**

- Product refers to the products and services offered by a business. Product decisions include function, packaging, appearance, warranty, quality, etc.
- Customers need to understand the features, advantages, and benefits that can be enjoyed by buying goods or services. When thinking about a product, consider the key features, benefits, and the needs and wants of customers.

2. **Price**

- Price refers to the pricing strategy for products and services and how it will affect customers. Pricing decisions do not include just the selling price, but also discounts, payment arrangements, credit terms, and any price-matching services offered.
- When determining a pricing strategy, it is important to consider the business's position in the current marketplace. For example, if the business is advertised as a high-quality provider of mechanical equipment, the product pricing should reflect that.

3. **Promotion**

- Promotion refers to the activities that make the business more known to consumers. It includes items such as sponsorships, advertising, and public relations activities.
- Since promotion costs can be substantial, it is essential to conduct a break-even analysis when making promotion decisions. It is important to understand the value of a customer and whether it is worth conducting promotions to acquire them.

4. **Place**

- Place refers to where the product/service of the business is seen, made, sold, or distributed. In essence, place decisions are associated with distribution channels and ways of getting the product to targeted key customers.
- It is important to consider how accessible the product or service is and ensure that customers can easily find you. The product or service must be available to customers at the right time, at the right place, and in the right quantity.
- For example, a business may want to provide their products over an e-commerce site, at a retail store, or through a third-party distributor.

5. **People**

- People refer to the staff, salespeople, and those who work for the business. People decisions are usually centered around customer service – how do you want your employees to be perceived by customers?

Market Strategy:

- A marketing strategy refers to a business's overall game plan for reaching prospective consumers and turning them into customers of the products or services the business provides.
- A marketing strategy contains the company’s value proposition, key brand messaging, data on target customer demographics, and other high-level elements

Finance:

- Finance is defined as the management of money and includes activities such as investing, borrowing, lending, budgeting, saving, and forecasting.
- There are three main types of finance: (1) personal, (2) corporate, and (3) public/government

❖ **Personal Finance**

- Personal Finance is managing the finance or funds of an individual and helping them achieve the desired goals in terms of savings and investments.
- Personal Finance is specific to individuals and the strategies depend on the individuals earning potential, requirements, goals, time frame, etc.
- Personal finance includes investment in education, assets like real estate, cars, life insurance policies, medical and other insurance, saving and expense management

Personal Finance includes:

- Protection against unforeseen and uncertain personal events
- Transfer of wealth across generations of family
- Managing taxes and complying with tax polices
- Preparing for retirement
- Preparing for long term expenses or purchases involving a huge amount
- Paying a loan or debt obligations
- Investment and wealth accumulation goals

❖ **Corporate Finance**

- Corporate Finance is about funding the company expenses and building the capital structure of the company. It deals with the source of funds and the channelization of those funds like the allocation of funds for resources and increasing the value of the company by improving the financial position. Corporate finance focuses on maintaining a balance between the risk and opportunities and increasing the asset value.
- Capital Budgeting
- Employing standard business valuation techniques or real options valuation
- Identifying source of funding in the form of equity shareholders funds debts
- Risk management and tax considerations Acquisition and investment in stock or other assets

❖ **Public Finance**

- Public finance is related to states, municipalities, provinces in short government required finances.
- It includes long term investment decisions related to public entities. Public finance takes factors like distribution of income, resource allocation, economic stability in consideration.
- Funds are obtained majorly from taxes, borrowing from banks or insurance companies.

Public Finance includes:

- Identifying the expenditure required by public entity
- The sources of revenue for the public entity
- Determining the budgeting process and source of funds
- Issuing debts for public projects
- Tax Management

❖ **Microfinance**

- Microfinance is also known as microcredit.
- This type of finance is specifically designed for individuals who do not have easy access to financial services.
- These individuals include unemployed and lower income group people
- Banks may even offer additional services like saving accounts microinsurance trainings
- The main motive behind providing microfinance is to provide an opportunity for these individuals to become self reliant

❖ **Trade Finance**

- Trade finance includes financial services and instruments that enable and facilitates trade internationally.
- Trade finance is ideal for importers and exporters to carry on smooth international transactions by reducing risk in global trade.
- Trade finance can help to reduce the risk associated with global trade by reconciling the divergent needs of an exporter and importer.

❖ **Debt Finance:**

- Basically, the cash which you acquire to maintain or run your business is known as **debt finance**.
- Debt finance does not provide ownership control to the moneylender; the borrower must repay the principal amount along with the agreed upon interest rate.
- Mostly, the interest rate is determined based on the loan amount, duration, the purpose for borrowing the specific type of finance and inflation rate.

❖ **Equity Finance**

- **Equity finance** is a classic way of raising capital for businesses by issues or offering shares of the company. This is one of the major differences in equity finance from debt finance. This finance is generally applied for seed funding for start-ups and new businesses. Well-known companies apply this finance to raise additional capital for the expansion of their business.

- Equity finance is generally raised by issues or offering equity shares of the business. Basically, each share is an owner’s unit for that specific company. For instance, if the company has offered 10,000 equity shares to public investors. An investor buys 1000 equity shares of that company, means she/he holds 10% of ownership in the company.

Balance Sheet:

- A Balance sheet is a precise representation of the assets, equity and liabilities of the entity.
- This is outlined by every enterprise, a partnership enterprise or sole proprietorship firm.
- It reveals the financial security of the enterprise.
- There are 2 titles in a Balance Sheet. Namely – assets (inventory, accounts receivable), equity (share capital, capital surplus) and liability (accounts payable, customer deposits).
- The liabilities title will cover the shareholder’s equity and all the current and non-current liabilities and all the current assets and the non-current assets of the enterprise are met whilst the equity.

Profit and Loss account statement:

- Profit and Loss Account which also called a statement of revenue and expenses or an income statement. The account depicts the financial production of the enterprise in a specific time.
- The P&L statement is one of three financial statements every public company issues on a quarterly and annual basis, along with the balance sheet and the cash flow statement.
- It is often the most popular and common financial statement in a business plan as it shows how much profit or loss was generated by a business.

Types of Profit and Loss (P&L) Statements:

1. **Cash Method**

- The cash method, which is also called the cash accounting method, is only used when cash goes in and out of the business.
- This is a very simple method that only accounts for cash received or paid.
- A business records transactions as revenue whenever cash is received and as liabilities whenever cash is used to pay any bills or liabilities.

- This method is commonly used by smaller companies as well as people who want to manage their personal finances.

2. Accrual Method

- The accrual accounting method records revenue as it is earned. This means that a company using the accrual method accounts for money that it expects to receive in the future.
- For instance, a company that delivers a product or service to its customer records the revenue on its P&L statement, even though it hasn't yet received payment. Similarly, liabilities are accounted for even when the company hasn't for any expenses yet.

Balance Sheet	Profit & Loss Account
Definition	
A Balance sheet is a precise representation of the assets, equity and liabilities of the entity. This is outlined by every enterprise, a partnership enterprise or sole proprietorship firm. It reveals the financial security of the enterprise.	P&L a/c which also called a statement of revenue and expenses or an income statement. The account depicts the financial production of the enterprise in a specific time.
What exactly is it?	
Balance Sheet is a statement	P & L Account is an account
State of accounts	
Accounts added in balance sheet maintain their identity and are carried forward for the next accounting period	Accounts that get transferred to P & L account are closed and do not retain their identity
What does it represent?	
It represents the financial state of the business concern at a particular date	It represents the profit earned or the loss incurred by a business concern during an accounting period
What does it disclose?	
Capital of shareholders and the various assets and liabilities of the business	The gains and losses along with various incomes and indirect expenses taking place in the business during the accounting period
Order of creation	
Balance sheet is prepared after creating the P & L Account	P & L Account is prepared before creating the balance sheet

Working Capital:

- Working Capital is basically an indicator of the short-term financial position of an organization and is also a measure of its overall efficiency. Working Capital is obtained by subtracting the current liabilities from the current assets. This ratio indicates whether the company possesses sufficient assets to cover its short-term debt.
- Working Capital indicates the liquidity levels of companies for managing day-to-day expenses and covers inventory, cash, accounts payable, accounts receivable and short term debt that is due. Working capital is derived from several company operations such as debt and inventory management, supplier payments and collection of revenues
- The sources for working capital can either be long term, short term or even spontaneous. Spontaneous working capital are majorly derived from trade credit including notes payable and bills payable while short term working capital sources include dividend or tax provisions, cash credit, public deposits, trade deposits, short term loans, bills discounting, inter-corporate loans and also commercial paper.
- For the long-term, working capital sources include long-term loans, provision for depreciation, retained profits, debentures and share capital. These are major working capital sources for organizations based on their requirements.

- **Working Capital = Current Assets - Current Liabilities**

Why is Working Capital important?:

- NWC is important because it is necessary for businesses to remain solvent.
- In theory, a business could become bankrupt even if it is profitable. After all, a business cannot rely on paper profits to pay its bills—those bills need to be paid in cash readily in hand.
- For Example a company has accumulated $1 million in cash due to its previous years' retained earnings. If the company were to invest all $1 million at once, it could find itself with insufficient current assets to pay for its current liabilities.
- Working capital, also called net working capital (NWC), represents the difference between a company's current assets and current liabilities.
- NWC is a measure of a company's liquidity and short-term financial health.
- A company has negative NWC if its ratio of current assets to liabilities is less than one.
- Positive NWC indicates that a company can fund its current operations and invest in future activities and growth.

- High NWC isn’t always a good thing. It might indicate that the business has too much inventory or is not investing its excess cash.

International Finance:

- **International** Finance is an important part of financial economics. It mainly discusses the issues related with monetary interactions of at least two or more countries. International finance is concerned with subjects such as exchange rates of currencies, monetary systems of the world, foreign direct investment (FDI), and other important issues associated with international financial management.
- The World Bank, the International Finance Corporation (IFC), the International Monetary Fund (IMF), and the National Bureau of Economic Research (NBER) are some of the notable international finance organizations.
- International finance is an important tool to find the exchange rates, compare inflation rates, get an idea about investing in international debt securities, ascertain the economic status of other countries and judge the foreign markets
- International finance analyzes the following specific areas of study:
- **The Mundell-Fleming Model**, which studies the interaction between the goods market and the money market, is based on the assumption that price levels of said goods are fixed.
- **International Fisher Effect** is an international finance theory that assumes nominal interest rates mirror fluctuations in the spot exchange rate between nations.
- **The optimum currency area theory** states that certain geographical regions would maximize economic efficiency if the entire area adopted a single currency.
- **Purchasing power parity** is the measurement of prices in different areas using a specific good or a specific set of goods to compare the absolute purchasing power between different currencies.
- **Interest rate parity** describes an equilibrium state in which investors are indifferent to interest rates attached to bank deposits in two separate countries.