Core concepts of Marketing:

****Note for reader*

1. ***Read and Understand the words in bold – they are core concepts and key words often used in concepts of marketing***
2. ***Concepts are already summarized for curriculum purpose; selective study from this note is not advised. Treat all concepts as important & mandatory.***

Marketing can be understood by defining several of its core concepts

The core concepts of Marketing

NEEDS, WANTS & DEMANDS

Need : A state of deprivation of some basic satisfaction, OR basic human requirements

Wants : specific satisfiers of needs

Demands : wants for specific products backed by an ability and willingness to buy them

Example : ~A human being can be hungry, and his need is food

~A American needs food, his want maybe Burger & Fries, An Indian needs food, his want maybe al and rice.

~ Many might want a Mercedes, but all do not have the ability and willingness to buy it

PRODUCT (Goods, Services & Ideas)

Product : anything that can be offered to satisfy a need or want.

A product or offering can have 3 components : *Physical Goods, Services and Ideas*

Example : Fast food chain offers you

- Fries, Burger, Coke (Goods)
- Cooking, Seating (Services)
- Saves time, enjoyment (Idea)

VALUE, COST AND SATISFACTION

A need can be satisfied by choosing one option among many – **product choice**

Eg : Travelling (need) – bicycle, bike,car,bus (product choice)

Sometimes there may be some additional needs– **need set**

Eg: Car(product) – safety, speed, economy of travel (need set)

Value : Consumer's estimate of the product's overall capacity to satisfy his or her needs

OR

Satisfaction of customer requirements at lowest possible cost of acquisition, ownership & use

Customer Satisfaction : a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his or her expectations.

EXCHANGE & TRANSACTION (Nature of Transaction marketing)

People can obtain things to satisfy needs in 4 ways:

- Self-production
- Coercion
- Begging
- Exchange

Exchange : act of obtaining a desired product from someone by offering something in return

Five conditions have to be satisfied for an exchange :

1. There are at least 2 parties
2. Each party has something of value to the other party
3. Each party is capable of communication & delivery
4. Each party is free to accept or reject the exchange offer
5. Each party believes it is appropriate or desirable to deal with the other party

Exchange is a process … the event it results in is a Transaction

Transaction is a trade of values between 2 or more parties.

Transactions can be of 2 types:

1. Barter Transaction
2. Monetary Transaction

Transfer : When when party gives something of value to another, without receiving anything in exchange.

Negotiation : The process of arriving at mutually agreeable terms. This leads to either mutually acceptable terms for a transaction or a decision not to transact.

RELATIONSHIPS & NETWORKS

Relationship Marketing – The practice of building long – term satisfying relationships with key parties – *customers,suppliers,distributors* – in order to retain their long-term preference and business.

Marketing Network : This is a unique company asset and is a long – term outcome of Relationship Marketing. A marketing network consists of the company and all its supporting stakeholders : customers, employees, suppliers, distributors, retailers, ad agencies, and any others with whom it has built mutually profitable business relationships.

MARKETS

The concept of Exchange leads to concept of a Market

A **market** consists of all the potential customers sharing a particular need or want who might be willing to and able to engage in exchange to satisfy their needs.

TARGET MARKETS & SEGMENTATION

A marketer can rarely satisfy everyone in a market because everyone's likes are not the same. Therefore, marketers start by *dividing the market.*

Market Segments can be identified by examining *demographic, psychographic and behavioral differences among buyers.*

The marketer then decides which segments present greatest opportunity – these are the **Target Markets.**

For each Target market, there is a **market offering** – this is positioned in the minds of target buyers as having some central benefits.

Example : Volvo develops cars for buyers who value safety (target market), so it positions its cars as the safest a customer can buy .

Marketplace : *Physical,* as when one goes shopping to a store/shop physically

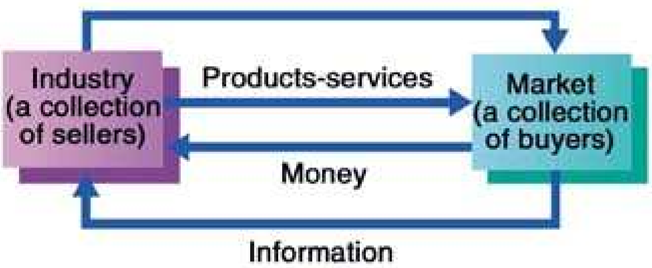
Marketspace : *digital* , when one shops on the Internet.

Metamarket : a cluster of complementary products and services, that are closely related in minds of customer, but spread across a diverse set of industries/business. Eg : automobile market can have automobile manufacturers, car dealers, financing companies, insurance companies, spare part sellers, etc.

MARKETER & PROSPECT

Marketer : Someone seeking a response (attention, a purchase, a vote, a donation etc.) from another party, called the prospect. If two parties are seeking to sell something to each other, we call them both marketers.

MARKETING MANAGEMENT : is 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 goals.



A Simple Marketing System

Main actors & Forces in a Modern Marketing System

COMPANY ORIENTATIONS TOWARDS MARKEPLACE

The **production concept** holds that consumers will favor products that are available and highly affordable. Therefore, management should focus on improving production and distribution efficiency. This concept is one of the oldest philosophies that guides sellers.

The production concept is still a useful philosophy in two types of situations. The first occurs when the demand for a product exceeds the supply. Here, management should look for ways to increase production. The second situation occurs when the product's cost is too high and improved productivity is needed to bring it down.

For example, Henry Ford's whole philosophy was to perfect the production of the Model T so that its cost could be reduced and more people could afford it. He joked about offering people a car of any color as long as it was black.

The **product concept**, holds that consumers will favor products that offer the most in quality, performance, and innovative features. Thus, an organization should devote energy to making continuous product improvements.

Example : Some manufacturers believe that if they can build a better mousetrap, the world will beat a path to their door. But they are often rudely shocked. Buyers may well be looking for a better solution to a mouse problem but not necessarily for a better mousetrap. The solution might be a chemical spray, an exterminating service, or something that works better than a mousetrap. Furthermore, a better mousetrap will not sell unless the manufacturer designs, packages, and prices it attractively; places it in convenient distribution channels; brings it to the attention of people who need it; and convinces buyers that it is a better product.

The product concept also can lead to ***marketing myopia :*** when sellers concentrate their thinking on physical products rather than customers' need.

For instance, railroad management once thought that users wanted *trains* rather than *transportation* and overlooked the growing challenge of airlines, buses, trucks, and automobiles.

The **selling concept,** which holds that consumers will not buy enough of the organization's products unless it undertakes a large-scale selling and promotion effort. The concept is typically practiced with unsought goods—those that buyers do not normally think of buying, such as encyclopedias or insurance. These industries must be good at tracking down prospects and selling them on product benefits.

Most firms practice the selling concept when they have overcapacity. Their aim is to sell what they make rather than make what the market wants. Such marketing carries high risks. It focuses on creating sales transactions rather than on building long-term, profitable relationships with customers. It assumes that customers who are coaxed into buying the product will like it. Or, if they don't like it, they will possibly forget their disappointment and buy it again later. These are usually poor assumptions to make about buyers. Most studies show that dissatisfied customers do not buy again. Worse yet, whereas the average satisfied customer tells three others about good experiences, the average dissatisfied customer tells ten others about his or her bad experiences.

The **marketing concept** holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do.

The marketing concept has been stated in colorful ways, such as "We make it happen for you" (Marriott); "To fly, to serve" (British Airways); "We're not satisfied until you are" (GE); and "Let us exceed your expectations" (Celebrity Cruise Lines).

The selling concept and the marketing concept are sometimes confused. The figure below compares the two concepts. The selling concept takes an *inside-out* perspective. It starts with the factory, focuses on the company's existing products, and calls for heavy selling and promotion to obtain profitable sales. It focuses primarily on customer conquest—getting short-term sales with little concern about who buys or why.

The Selling and Marketing Concepts Contrasted

Difference between Selling & Marketing

Selling	Marketing
Selling revolves around the needs & interests of the seller	Marketing revolves around the needs & interests of the buyer
Concerns existing products & undertakes the task of pushing their sale	Concerns customers and undertakes the task of identifying market needs and converting customer needs into products
Seeks profits by pushing the existing products on the customers	Seeks profits by making the organization select product, prices and method of distribution & promotion to satisfy consumer needs
In selling, the firm first makes the product, then decides how to sell and make profits	In marketing, the firm identifies needs of customers, and then manufactures the products which customers buy to serve their own interest
Selling emphasizes on staying with existing technology and reducing production cost	Marketing emphasizes on adopting the most innovative technology to improve quality, cost and delivery, thus offering better value to customer
Costs determine the prices	Price determines the costs
Looks upon customer as last link in the business	Looks upon customer as the main purpose for business, and everything else works to satisfy that