CHAPTER: 1 INTRODUCTION

Definition

Marketing

Marketing is define as identifying and meeting human and social needs successfully.

According to American Marketing Association " Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationship in the way that is beneficial to organization and its stakeholders.

Marketing Management

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

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 goal.

Market

Market is a place where buyer and seller engaged in negotiation to arrive at exchange.

Marketing Orientation (Marketing Concepts)

There are four Marketing Concepts

1) **Production Concept**
2) **Product Concept**
3) **Selling Concept**
4) **Marketing Concept**

1) **Production Concept**

The production concept, one of the oldest in business, holds that consumers prefer products that are widely available and inexpensive. Managers of production-oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution.

This concept was applicable when there was no competition and market was dominated by sellers. Here it is assumed that low price and easy availability are priorities set by customers to purchase products. Mangers with this approach must focus on reduce cost by higher production efficiency.

2) **Product Concept**

Product concept, which holds that consumers favor those products that offer the most quality, performance, or innovative features and better features. Managers in these organizations focus on making superior products and improving them over time, assuming that buyers can appraise quality and performance.

Product oriented companies often design their products with little or no customer input, trusting that their engineers can design exceptional product. This concept works under monopoly situation. Managers duty is to concentrate on achieving quality, features and performance of product.

3) **The Selling Concept**

The selling concept believes that consumers and businesses will ordinarily not buy enough of the organization's products. The organization must, therefore, undertake an aggressive selling and promotion effort. This concept assumes that consumers must be coaxed into buying so that company has battery of selling and promotional tools to stimulate buying.

The selling concept is practiced most aggressively with unsought goods—goods that buyers normally do not think of buying, such as insurance. The selling concept is practiced by college admission officers and political parties.

The elements of selling concept includes:

a) Low Price
b) Wide availability
c) Quality, innovative features and performance
d) Selling and promotional efforts

4) Marketing Concept

The marketing concept emerged in the mid-1950s. Rather than "make and sell" philosophy, the focus is shifted on customer orientation. The job is not to find right customer for your product but to find right product for customers.

The concept holds that the key to achieving organizational goal is being more effective than competitors creating, delivering and communicating superior customer value to your chosen target market.

The marketing concept holds that the key to achieving organizational goals consists of being more effective than competitors in integrated marketing activities towards determining the needs and wants of target market and satisfy them.

Marketers should first identify needs and wants of target market and then should design the product to satisfy these needs and wants.

Marketing Concept involved:

1) Low price
2) Wide availability
3) Quality, features, Performance
4) Target Market identification
5) Emphasis on customer satisfaction.

Holistic Marketing

Holistic Marketing concept is based on the development, design and implementation of marketing programs, processes and activities that recognizes their breadth and interdependencies. Holistic marketing is an approach that attempts to recognize and settle the scope and complexities of marketing activities.

There are four main components of Holistic Marketing.

1) Relationship Marketing
2) Internal Marketing
3) Integrated Marketing
4) Performance Marketing

HOLISTIC MARKETING DIMENSION

1) **Relationship Marketing**

Relationship Marketing aims to build mutually satisfying long-term relationship with key stake holders in order to earn and retain their business. Major stakeholders are customers, employees, marketing partners (such as channels, suppliers, distributors, dealers, agencies) and members of financial community (such as shareholders, investors). The most important outcome of relationship marketing is company is able to set up strong marketing network with whom it has to build mutually profitable business relationship.

A number of companies are coming up with new offers and schemes, services and messages for individual customers based on information related to transactions and past purchase records.

Another important aspect of relationship marketing is **to retain** as many customers as possible. Attracting new customer cost five times more compare to retaining old customer cost. Marketers should not only focus on CRM (Customer Relationship Management) but also focus should be on Partner Relationship Management.

2) **Integrated Marketing**

The marketer's task is to devise marketing activities and assemble fully integrated program to create, communicate and deliver value for consumers. McCarthy has classified marketing activities as marketing mix tools which include product, price, place and promotion.

Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market.

The particular marketing variable under each P is shown in the figure below.

Marketers make marketing decisions for influencing their trade channel as well as their final consumers. Once marketers understand their target market, they can easily change price and choose places where the offerings will be accessible.

Two key themes of integrated marketing are that

1) Many different marketing activities communicate and deliver value
2) When coordinated, marketing activities maximize their joint efforts.

So marketer should design and implement any one marketing activities with all other activities in mind.

3) **Internal Marketing**

   Internal marketing is the task of hiring, training, and motivating able employees who want to serve customers well. Internal marketing ensures that everyone in the organization uses appropriate marketing principles especially senior manager.

   Internal Marketing must take place at two levels. At one level various marketing functions such as sales force, advertising, customer service, product management, marketing research must work together. All these marketing functions must be coordinated properly.

A second level, other departments must be coordinated with marketing department. So internal marketing requires vertical coordination with senior management and horizontal coordination with other departments also, so that everyone understands, and support marketing efforts.

4) **Performance Marketing**

Holistic Marketing involves performance marketing and understanding the returns to the business from marketing activities and programmers, as well as dealing with broader concerns and their legal, ethical, social and environmental effects. Top management is also concern about financial measures to measure marketing scorecard and interpret market share, customer loss ratio, customer satisfaction, product quality and other measures.

Social Responsibility Marketing

Marketers must give importance to the society and consider their role in terms of ethical, environmental, legal and social context. **Social/Societal marketing concept,** which holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being.

The societal marketing concept calls upon marketers to build social and ethical considerations into their marketing practices. They must balance and juggle the often conflicting criteria of company profits, consumer want satisfaction, and public interest. A number of companies have achieved notable sales and profit gains by adopting and practicing the societal marketing concept.

Some companies practice a form of the societal marketing concept called cause related marketing. Pringle and Thompson define this as "activity by which a company with an image, product, or service to market builds a relationship or partnership with a 'cause,' or a number of 'causes,' for mutual benefit."

CORE MARKETING CONCEPTS

Core Marketing Concepts are Needs, Wants and Demand.

The successful marketer will try to understand the target market's needs, wants, and demands.

Needs

Needs describe basic human requirements such as food, air, water, clothing, and shelter. People also have strong needs for recreation, education, and entertainment.

Wants

These needs become wants when they are directed to specific objects that might satisfy the need. A person's need is food but wants a hamburger, French fries, and asoft drink.

Demand

Demands are wants for specific products backed by an ability to pay. Many people want a Mercedes; only a few are able and willing to buy one. Companies must measure not only how many people want their product, but also how many would actually be willing and able to buy it.

However, marketers do not create needs: Needs preexist marketers. Marketers, along with other societal influences, influence wants. Marketers might promote the idea that a Mercedes would satisfy a person's need for social status. They do not, however, create the need for social status.

Value

Value as a ratio between what the customer gets and what he gives. The customer gets benefits and assumes costs, as shown in this equation:

Value = Benefit/Cost

Value reflects the sum of the perceived tangible and intangible benefits and cost to customers. It is a combination of quality, price and service. Value increases with quality and service and decreases with price although other factors may contribute to the perception of value.

Exchange

Exchange, the core of marketing, involves obtaining a desired product from someone by offering something in return. For exchange potential to exist, five conditions must be satisfied:

1. There are at least two parties.
2. Each party has something that might be of value to the other party.

3. Each party is capable of communication and 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.

Transaction

A transaction involves at least two things of value, agreed-upon conditions, a time of agreement, and a place of agreement. Usually a legal system exists to support and enforce compliance among transactors.

However, transactions do not require money as one of the traded values. A barter transaction, for example, involves trading goods or services for other goods or services

Transfer

In a transfer, A gives a gift, a subsidy, or a charitable contribution to B but receives nothing tangible in return.

Product or Offering

A product is any offering that can satisfy a need or want, such as one of the 10 basic offerings of goods, services, experiences, events, persons, places, properties, organizations, information, and ideas.

Relationship Marketing

Relationship marketing aims to build long-term mutually satisfying relations with key parties— customers, suppliers, distributors—in order to earn and retain their long-term preference and business.

Supply Chain

A supply chain is a system of organizations, people, activities, information, and resources involved in moving a product or service from supplier to customer. Supply chain activities transform natural resources, raw materials, and components into a finished product that is delivered to the end customer.

In sophisticated supply chain systems, used products may re-enter the supply chain at any point where residual value is recyclable.

Satisfaction

It is a mental state which justifies the purchase of the product at a given price. When the value is more than or equal to cost, it indicates customer satisfaction. If the value is far more than the cost or price paid, it indicates customer delight.

Thus satisfaction depends value and cost of product.

Marketing Environment

Marketing environment can be classified into two types.

1) **Internal Environment**
2) **External or Macro Environment**

1) Internal Environment

They are under the control of organization. With reference to internal factors, management has relatively more freedom to decide. These factors are also known as organizational factors. The list of external factors is as under:

Objectives,

Company's policy,

Management attitude towards value, customer, social welfare

Availability and quality of raw material

Resource ability of company

Organizational Structure

Nature and type of employees

Personal factors related to management

2) External Environment:

These are the factors which are not in the control of organization. The factors are as followed

- Demographic environment
- Economic environment,
- Natural environment,
- Technological environment,
- Political-legal environment
- Social-cultural environment.

1) Demographic Environment

The demographic environment differs from country to country and from place to place within the same country or region. Further it may change significantly over time. These factors are related to population. Marketers must study these factors due to fact that market is made of people, and people constitute population. Demographic study provides customer profile that is basic need for market segmentation as well as selecting target market. So demographic factors have direct impact on firm's operation. This analysis is helpful to get idea about number and type of people to be served as customers.

Different elements of demographic environment are as followed:

Size and growth rate of population in different cities, Age, Income, Occupation, Family Size, Education, Type of family, Sex, Religion , Social Class and so on.

Population Size

Nations with large and growing population and rising income are the future markets. Poor countries with small population are generally not attractive for business. The size of the population is also an important determinant of demand for many products

Age Mix.

National populations vary in their age mix. At one extreme is Mexico, a country with a very young population and rapid population growth. At the other extreme is Japan, a country with one of the world's oldest populations.

A population can be subdivided into six age groups: preschool, school-age children, teens, young adults age 25 to 40, middle-aged adults age 40 to 65, and older adults age 65 and upAge distribution is also another important factor that determines the demand of product.

In India, the median of age is around 26. That means Indian population is dominated by young generation.

Educational Groups

The population in any society falls into five educational groups: illiterates, high school dropouts, high school degrees, college degrees, and professional degrees. In Japan, 99 percent of the population is literate. In India, according to Census 2011, the literacy level is 74 percent.

Household Patterns

The "traditional household" consists of a husband, wife, and children (and sometimes Grandparents). In India, there are two types of Household patterns. They are joint family and Nuclear family. Indian people tend to live in joint family household pattern. People with joint family tend to consume products with large packaging size. They prefer Sedan cars compare to that nuclear families prefer Hatchback cars.

2) Economic Environment

Markets require purchasing power as well as people. The available purchasing power in an economy depends on current income, prices, savings, debt and credit availability. Marketers must pay attention to income and consumer spending pattern.

Economic factors includes following factors:

Economic Growth rate, Interest rate, Inflation rate, Functioning of stock and commodity market, Industrial and Agricultural policies, monetary policy, fiscal policy, Export-Import Policy, Quality and availability of basic facilities and so on…

In country like India, the economic climate has improved in last decade. The growth rate of country increases, Interest rates are higher due to higher inflation rate, favorable policies are there to attract foreign investors, and availability of raw material is there. Along with that Indian people tend to save more money for the safety of future.

People of India tend to spend more on items of consumer durable and gems and jeweler, which provides an excellent opportunity to consumer durable service providers in India.

3) **Natural/ Ecological Environment**

These factors primarily concern with natural environment. They are closely related with protection of ecological environment and pollutions- air, water, noise and land pollution. At present, global-level efforts are made to protect environment. Such efforts can put certain restrictions in terms of use of natural resources, cost of raw material, quality of products, production process and technology, disposable of waste, pollution control measure and so on. Organizations must understand that people want better quality products at low price but not at a cost of quality of life.

Analysis of ecological environment involves:

Availability and use of natural resources, pollution and pollution control measure, ecological awareness and use of eco-friendly products, contribution of corporate world for environment, world-wide efforts for protection of environment.

In India, the government is giving high importance to the ecological environment. Government has developed restrictions related to dumping of wastage material. Further every company must setup a water treatment plant.

4) **Political and Legal Environment**

A firm must operate within present political system and legal work. Political factors affect economic policies. Every marketing decision is subject to be affected by political and legal factors. Govt. has formulated a series of legislations to regulate business operations, to stop unfair trade practices and to protect consumer and social interest. These laws may create various opportunities and threats related to various business.

Some of political and legal factors are:

Political Philosophy, Political and legal reforms, Govt. approach to different sector, political stability, Acts, Working of judicial and administrative machineries.

In India, political stability is high and Indian government is positive towards reforms also. Govt. has allowed 51 percent FDI in multi-brand retail which is providing opportunities to foreign players to enter into India. Further Govt. policies towards growth are positive which is attracting a lot of foreign players to enter in India.

5) **Technological Factors**

Technological factors affect firm's production process, product quality, and cost effectiveness. A manager must know the latest technology in the relevance field. Technology has released wonders in field of business transaction, communication, entertainment, medical science and manufacturing system. As a manager, it is necessary to study the technological adoption and rate of change of technology. As a new technology in one country may be an obsolete technology in another country.

Every new technology is a force for creative destruction. When new technology enters into market, the old one exits. New technology brings superior products having more capacity to satisfy needs. Following technological factors are important:

Suitability and availability of technology, pace of technology change, Replacement cost, Opportunities for innovation, Research and Development budget, Govt. role in developing/ importing new technologies, technological transfer among nation.

6) **Socio-Cultural Factors**

Social and cultural factors affect consumers' taste and preference. People buy those products which suit with their social or cultural norms, value, traditions and habits. Knowing these factors of target market, a marketer can effectively design product mix and promotional programme.

Social-cultural environment is ever changing and requires manager to undergo adjust marketing mix to balance between what consumers want and what company offers. Ignoring social elements of environment can harm severely the company's interest.

Social-Cultural variables are as followed:

- **Cultural norms, beliefs, values**
- **Caste and racial aspects**
- **Social traditions, customs, habits**
- **Family and reference group**
- **Role of women**
- **Social classes**