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Fundamentals of Marketing management

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1.1 Abstract

This paper deals with basics of the marketing process, marketing concept and marketing mix i.e. product, price, place and promotion. Marketing is indeed an ancient art; it has been practiced in one form or the other. Today, it has become the most vital function in the world of business. Marketing is the business function that identifies unfulfilled needs and wants, and hence defines and measures their magnitude, determines which target market the organization can best serve, decides on appropriate products, services and programmes to serve these markets, and calls upon everyone in the organization to think and serve the customer.

1.2 Introduction

Marketing is a process by which individuals and groups obtain what they need and want through creating and exchange product and value with other.

Simply put: Marketing is the delivery of customer satisfaction at a profit.

"Marketing is so basic that it cannot be considered as separate function. It is the whole business seen from the point of view of its final result, that is, from the customer's point of view". - *Peter Drucker*

The term "market" originates from the Latin word "Marcatus" which means "a place where business is conducted." A layman regards market as a place where buyers and sellers personally interact and finalise deals.Marketing is the force that harnesses a nation's industrial capacity to meet the society's material wants. It uplifts the standard of living of people in society. Marketing must not be seen narrowly as the task of finding clever ways to sell the company's products. Many people confuse marketing with some of its sub functions, such as advertising and selling. Authentic marketing is not the art of selling what you make but knowing what to make. It is the art of identifying and understanding customer needs and creating solutions that deliver satisfaction to the customers, profit to the producers, and benefits for the stakeholders. Market leadership is gained by creating customer satisfaction through product innovation, product quality, and customer service. If these are absent, no amount of advertising, sales promotion, or salesmanship can compensate.

The Marketing Objective

"Satisfy the needs of a group of customers better than the competition."

- Distinguish from Selling or Advertising: – merely a subset of marketing actions used to satisfy consumer needs.
- Marketing focuses on the use of all the firm's controllable influences to satisfy the customer.

Activities in the Marketing Process

- Identify needs of customers that company can satisfy.
- Design a products that satisfies those needs better than existing products.
- Promote these benefits in order to motivate purchase.

- Price the product at the right level so that consumers are willing & able to buy the product and the firm's profit goals are met.
- Make the product available at the right Place so that exchange is facilitated.

Broad Objective of Marketing

- To grow the business by adapting it to changes in the environment.
- By monitoring, i. Change in customer needs.
  ii. Changes in competition. iii. Changes in the company's own skills / resources.
- Looking for opportunities & threats that arise from these changes.
- Initiate tactical actions that "fit" the co's offering to these opportunities / threat.

1.3 Definitions and terminology

There are as many definitions of marketing as many scholars or writers in this field. It has been defined in various ways by different writers. There are varying perceptions and viewpoints on the meaning and content of marketing. Some important definitions are:

- Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others.
- Marketing is the process by which an organization relates creatively, productively and profitably to the market place.
- Marketing is the art of creating and satisfying customers at a profit.
- Marketing is getting the right goods and services to the right people at the right places at the right time at the right price with the right communication and promotion. Much of marketing is concerned with the problem of profitably disposing what is produced.
- Marketing is the phenomenon brought about by the pressures of mass production and increased spending power.
- Marketing is the performance of business activities that direct the flow of goods and services from the producer to the customer.
- Marketing is the economic process by which goods and services are exchanged between the maker and the user and their values determined in terms of money prices.
- Marketing is designed to bring about desired exchanges with target audiences for the purpose of mutual gain.
- Marketing activities are concerned with the demand stimulating and demand fulfilling efforts of the enterprise.

It is obvious from the above definitions of marketing that marketing has been viewed from different perspective. Now it is imperative to discuss the important terms on which definition of marketing rests: needs, wants, and demands; products; value, cost, and satisfaction; exchange, transactions and relationships; markets; and marketers. These terms are also known as the core concepts in marketing.

Needs, wants and demands

Marketing starts with the human needs and wants. People need food, air, water, clothing and shelter to survive. They also have a strong desire for recreation, health, education, and other services. They have strong performances for particular versions and brands of basic goods and services. A human need is a state of felt deprivation of some basic satisfaction. People require food, clothing, shelter, safety, belonging, esteem and a few other things for survival. These needs are not created by their society or by marketers; they exist in the very texture of human biology and the human condition.

Wants are desires for specific satisfiers of these deeper needs. For example, one needs food and wants a pizza, needs clothing and wants a Raymond shirt. These needs are satisfied in different manners in different societies. While people needs are few, their wants are unlimited.

Human wants are continually shaped and reshaped by social forces and institutions. Demands are wants for specific products that are backed up by an ability and willingness to buy them. For example, many people want to buy a luxury car but they lack in purchasing it. Companies must therefore measure not only how many people want their products, but, how many would actually be willing to buy and finally able to buy it.

Products

People satisfy their needs and wants with products. Product can be defined as anything that can be offered to someone to satisfy a need or want. The word product brings to mind a physical object, such as T.V., Car, and Camera etc. The expression products and services are used distinguish between physical objects and intangible ones. The importance of physical products does not lie in owning them rather using them to satisfy our wants. People do not buy beautiful cars to look at, but because it supply transportation service. Thus, physical products are really vehicles that deliver services to people.

Services are also supplied by other vehicles such as persons, places, activities, organizations and ideas. If people are bored, they can go to a musical concert (persons) for entertainment, travel to beautiful destination like Shimla (place), engage in physical exercise (activity) in health clubs, join a laughing club (organization) or adopt a different philosophy about life (idea). Services can be delivered through physical objects and other vehicles. The term product covers physical products, service products, and other vehicles that are capable of delivering satisfaction of a need or want. The other terms also used for products are offers, satisfiers, or resources.

Value, cost, and satisfaction

How do consumers choose among the various products that may satisfy a given need is very interesting procedure. If a student needs to travel five km to his college every day, he may choose a number of products that will satisfy this need: a bicycle, a motorcycle, automobile and a bus. These alternatives constitute product choice set. Assume that the student wants to satisfy different needs in travelling to his college, namely speed, safety, ease and economy. These are called the need set. Each product has a different capacity to satisfy different needs. For example, bicycle will be slower, less safe and more effortful than an automobile, but it would be more economical. Now, the student has to decide on which product delivers the most satisfaction. Here comes the concept of value. The student will form an estimate of the value of each product in satisfying his needs. He might rank the products from the most need satisfying to the least need satisfying. Value is the consumer's estimate of the product's overall capacity to satisfy his or her needs. The student can imagine the characteristics of an ideal product that would take him to his college in a split second with absolute safety, no effort and zero cost. The value of each actual product would depend on how close it came to this ideal product. Assume the student is primarily interested in the speed and case of getting to college. If the student was offered any of the above mentioned products at no cost, one can predict that he would choose an automobile. Here comes the concept of cost. Since each product involves a cost, the student will not necessarily buy automobile. The automobile costs substantially more than bicycle or motorcycle. Therefore, he will consider the product's value and price before making a choice. He will choose the product that will produce the most value per rupee. Today's consumer behaviour theorists have gone beyond narrow economic assumptions of how consumers form value in this mind and make product choices. These modern theories on consumer behaviour are important to marketers because the whole marketing plan rests on assumptions about how customers make choices. Therefore the concept of value, cost and satisfaction are crucial to the discipline of marketing.

Exchange, transactions and relationships

The fact that people have needs and wants and can place value on products does not fully explain the concept of marketing. Marketing emerges when people decide to satisfy needs and wants through exchange. Exchange is one of the four ways people can obtain products they want. The first way is self production. People can relieve hunger through hunting, fishing, or fruit gathering. In this case there is no market or marketing. The second way is coercion. Hungry people can steal food from others. The third way is begging. Hungry people can approach others and beg for food. They have nothing tangible to offer except gratitude. The fourth way is exchange. Hungry people can approach others and offer some resource in exchange, such as money, another food, or service.

Marketing arises from this last approach to acquire products. Exchange is the act of obtaining a desired product from someone by offering something in return. For exchange to take place, five conditions must be satisfied:

- ❖ There are at least two 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 offer.
- ❖ Each party believes it is appropriate or desirable to deal with the other party.

If the above conditions exist, there is a potential for exchange. Exchange is described as a value creating process and normally leaves both the parties better off than before the exchange. Two parties are said to be engaged in exchange if they are negotiating and moving towards an agreement. The process of trying to arrive at naturally agreeable terms is called negotiation. If an agreement is reached, we say that a transaction takes place. Transactions are the basic unit of exchange. A transaction consists of a trade of values between two parties. A transaction involves several dimensions; at least two things of value, agreed upon conditions, a time of agreement, and a place of agreement. Usually a legal system arises to support and enforce compliance on the part of the transaction.

A transaction differs from a transfer. In a transfer A gives X to B but does not receive anything tangible in return. When A gives B a gift, a subsidy, or a charitable contribution, we call this a transfer.

Transaction marketing is a part of longer idea, that of relationship marketing. Smart marketers try to build up long term, trusting, 'win-win' relationships with customers, distributors, dealers and suppliers.

Markets

The concept of exchange leads to the concept of market. A market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want. The size of market depends upon the number of persons who exhibit the need, have resources that interest others, and are willing to offer these resources in exchange for what they want.

Marketing, marketers, and marketing management

The concept of marketing brings the full circle to the concept of marketing. Marketing means human activities taking place in relation to markets. Marketing means working with markets to actualize potential exchanges for the purpose of satisfying human needs and wants. If one party is more actively seeking an exchange than the other party, we call the first party a marketer and the second party a prospect. A marketer is someone seeking a resource from someone else and willing to offer something of value in exchange. The marketer is seeking a response from the other party, either to sell something or to buy something. Marketer can be a seller or a buyer. Suppose several persons want to buy an attractive house that has just become available. Each would be buyer will try to market himself or herself to be the one the seller selects. These buyers are doing the marketing. In the event that both parties actively seek an exchange, we say that both of them are marketers and call the situation one of reciprocal marketing. In the normal situation, the marketer is a company serving a market of end users in the face of competitors. The company and the competitors send their respective products and messages directly and/or through marketing intermediaries i.e. middlemen and facilitators to the end users.

Marketing management takes place when at least one party to a potential exchange gives thought to objectives and means of achieving desired responses from other parties. According to American Marketing Association, '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 objectives'. This definition recognizes that marketing management is a process involving analysis, planning, implementation, and control; that it covers ideas, goods and services; that it rests on the notion of exchange; and that the goal is to produce satisfaction for the parties involved.

1.4 Marketing concepts

Firms vary in their perceptions about business, and their orientations to the market place. This has led to the emergence of many different concepts of marketing. Marketing activities should be carried out under some well-thought out philosophy of efficient, effective, and responsible marketing. There are six competing concepts under which organisations conduct their marketing activity.

1.4.1. Exchange concept

The exchange concept of marketing, as the very name indicates, holds that the exchange of a product between the seller and the buyer is the central idea of marketing. While exchange does form a significant part of marketing, to view marketing as more exchange will result in missing out the essence of marketing. Marketing is much broader than exchange. Exchange, at best, covers the distribution aspect and the price mechanism. The other important aspects of marketing, such as, concern for the customer, generation of value satisfactions, creative selling and integrated action for serving customer, are completely overshadowed in exchange concept.

1.4.2. Production concept

It is one of the oldest concepts guiding sellers. The production concept holds that customers will favour those products that are widely available and low in cost. Managers of production-oriented organisations concentrate on achieving high production efficiency and wide distribution coverage. The assumption that consumers are primarily interested in product availability and low price holds in at least two types of situations. The first is where the demand for a product exceeds supply. Here consumers are more interested in obtaining the product than in its fine points. The suppliers will concentrate on finding ways to increase production. The second situation is where the product's cost is high and has to be brought down through increased productivity to expand the market.

1.4.3. The product concept

The product concept holds that consumers will favour those products that offer quality or performance. Managers in these product-oriented organisations focus their energy on making good products and improving them over time. These managers assume that buyers admire well-made product and can appraise product quality and performance. These managers are caught up in a love affair with their product and fail to appreciate that the market may be less "turned on" and may even be moving in different direction.

The product concept leads to "marketing myopia", an undue concentration on the product rather than the need. Railroad management thought that users wanted trains rather than transportation and overlooked the growing challenge of the airlines, buses, trucks, and automobiles. Slide-rule manufacturers thought that engineers wanted slide rules rather than the calculating capacity and overlooked the challenge of pocket calculators.

1.4.4. The selling concept

The selling concept holds that consumers, if left alone, will ordinarily not buy enough of the organization's products. The organization must therefore an aggressive selling and promotion effort.

The concept assumes that consumers typically show buying inertia or resistance and have to be coaxed into buying more, and that the company has available a whole battery of effective selling and promotion tools to stimulate more buying. The selling concept is practiced most aggressively with "sought goods", those goods that buyers normally do not think of buying, such as insurance, encyclopedias, and funeral plots. These industries have perfected various sales techniques to locate prospects and hard-sell them on the benefits of their product. Hard selling also occurs with sought goods, such as automobiles. Most firms practice the selling concept when they have overcapacity. Their aim is to sell what they make rather than make what they can sell. Thus selling, to be effective, must be preceded by several marketing activities such as needs assessment, marketing research, product development, pricing, and distribution. If the marketer does a good job of identifying consumer needs, developing appropriate products, and pricing, distributing, and promoting them effectively, these products will sell very easily. When Atari designed its first video game, and when Mazda introduced its RX-7 sports car, these manufacturers were swamped with orders because they had designed the "right" product based on careful marketing homework

1.4.5. The marketing concept

The marketing concept holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors.

Theodore Levitt drew a perceptive contrast between the selling and marketing concepts. Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering and finally consuming it.

Market focus:

No company can operate in every market and satisfy every need. Nor can it even do a good job within one broad market: Even mighty IBM cannot offer the best customer solution for every computer need. Companies do best when they define their target markets carefully. They do best when they prepare a tailored marketing program for each target market.

Customer orientation:

A company can define its market carefully and still fail at customer-oriented thinking. Customer-oriented thinking requires the company to define customer needs from the customer point of view, not from its own point of view. Every product involves tradeoffs, and management cannot know what these are without talking to and researching customers. Thus a car buyer would like a high-performance car that never breaks down, that is safe, attractively styled, and cheap. Since all of these virtues cannot be combined in one car, the car designers must make hard choices not on what pleases them but rather on what customers prefer or expect. The aim, after all, is to make a sale through meeting the customer's needs. Why is it supremely important to satisfy the customer? Basically because a company's sales each period come from two groups: customers and repeat customers. It always costs more to attract new customers than to retain current customers. Therefore customer retention is more critical than customer attraction.

Coordinated marketing:

Unfortunately, not all the employees in a company are trained or motivated to pull together for the customer.

Coordinated marketing means two things. First, the various marketing functions-sales-force, advertising, product management, marketing research, and so on- must be coordinated among themselves. Too often the sales-force is mad at the product managers for setting "too high a price" or "too high a volume target", or the advertising director and a brand manager cannot agree on the best advertising campaign for the brand. These marketing functions must be coordinated from the customer point of view.

Second, marketing must be well coordinated with the other departments. Marketing does not work when it is merely a department; it only works when all employees appreciate the effect they have on customer satisfaction.

Profitability:

The purpose of the marketing concept is to help organizations achieve their goals. In the case of private firms, the major goal is profit; in the case of non-profit and public organizations, it is surviving and attracting enough funds to perform their work. Now the key is not to aim for profits as such but to achieve them as a by-product of doing the job well.This is not to say that marketers are unconcerned with profits. Quite the contrary, they are highly involved in analyzing the profit potential of different marketing opportunities. Whereas salespeople focus on achieving sales-volume goals, marketing people focus on identifying profit-making opportunities.

1.4.6. The societal marketing concept

In recent years, some people have questioned whether the marketing concept is appropriate organizational philosophy in an age of environmental deterioration, resource shortages, explosive population growth, world hunger and poverty, and neglected social services. The question is whether companies that do an excellent job of sensing, serving, and satisfying individual consumer wants are necessarily acting in the best long-run interests of consumers and society. The societal marketing concept 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 balance three considerations in setting their marketing policies, namely, company profits, consumer want satisfaction, and public interest.

1.5 Marketing Mix

Marketing Mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market. It is the sole vehicle for creating and delivering customer value.

It was James Culliton, a noted marketing expert, who coined the expression marketing mix and described the marketing manager as a mixer of ingredients. To quote him, "The marketing man is a decider and an artist – a mixer of ingredients, who sometimes follow a recipe developed by others and sometimes prepares his own recipe. And, sometimes he adapts his recipe to the ingredients that are readily available and sometimes invents some new ingredients, or, experiments with ingredients as no one else has tried before'.Subsequently Niel H. Borden, another noted marketing expert, popularized the concept of marketing mix. It was Jerome McCarthy, the well known American Professor of marketing, who first described the marketing mix in terms of the four Ps. The classified the marketing mix variables under four heads, each beginning with the alphabet 'p'.

- ❖ Product
- ❖ Price
- ❖ Place (referring to distribution)
- ❖ Promotion

McCarthy has provided an easy to remember description of the marketing mix variables. Over the years, the terms- Marketing mix and four Ps of marketing- have come to be used synonymously.

- ✓ **Product:** The most basic marketing mix tool is product, which stands for the firm's tangible offer to the market including the product quality, design, variety features, branding, packaging, services, warranties etc.

- ✓ **Price:** A critical marketing mix tool is price, namely, the amount of money that customers have to pay for the product. It includes deciding on wholesale and retail prices, discounts, allowances, and credit terms. Price should be commensurate with the perceived value of the offer, or else buyer will turn to competitors in choosing their products.

- ✓ **Place:** This marketing mix tool refers to distribution. It stands for various activities the company undertakes to make the product easily available and accessible to target customers. It includes deciding on identify, recruit, and link various middlemen and marketing facilitators so that products are efficiently supplied to the target market.

- ✓ **Promotion:** The fourth marketing mix tool, stands for the various activities the company undertakes to communicate its products' merits and to persuade target customers to buy them. It includes deciding on hire, train, and motivates salespeople to promote its products to middlemen and other buyers. It also includes setting up communication and promotion programs consisting of advertising, personal selling, sales promotion, and public relations.

1.6 Summary

Marketing starts with the customers and ends with customers. Meaning marketing starts with the identification of needs and wants of customers and ends with satisfying it with product or services. Marketing has its origin in the fact that humans are creatures of needs and wants. Need and wants create a state of discomfort, which is resolved through acquiring products that satisfy these needs and wants. Most modern societies work on the principle of exchange, which means that people specialize in producing particular products and trade them for the other things they need. They help in making transactions and relationship. A market is a group of people who share a similar need. Marketing encompasses those activities involved in working with markets, that is, the trying to actualize potential exchanges. Marketing management is the conscious effort to achieve desired exchange outcomes with target markets. The marketer's basic skill lies in influencing the level, timing, and composition of demand for a product, service, organization, place, person or idea. Marketing can be vital to an organization's success

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