

MARKETING MANAGEMENT

UNIT-1

PART-I

MARKETING: NATURE, SCOPE AND IMPORTANCE

OVERVIEW

Marketing has been described as the management process responsible for identifying, anticipating and satisfying customer requirements profitably. Marketing is an integrated communications-based process through which individuals and communities are informed or persuaded that existing and newly-identified needs and wants may be satisfied by the products and services of others. Marketing is used to create the customer, to keep the customer and to satisfy the customer. With the customer as the focus of its activities, it can be concluded that marketing is one of the premier components of business management - the other being Operations (or Production). Other services and management activities, such as human resources, accounting, law and legal aspects can be bought in or contracted out. In this introductory chapter, we will learn about all the basic areas of marketing and its role and importance in management along with its nature and scope.

INTRODUCTION

Marketing analysis includes finding out what groups of potential customers or markets exist, what groups of customers you prefer to serve target markets, what their needs are, what products or services you might develop to meet their needs, how the customers might prefer to use the products and services. what your competitors are doing, what pricing you should use and how you should distribute products and services to your target markets. Various methods of market research are used to find out information about markets, target markets and their needs, competitors, etc. Marketing also includes ongoing promotions, which can include advertising, public relations, sales and customer service. The term 'marketing' has been derived from the word market. Market is generally understood as the place or geographical area, where buyers and sellers meet and enter into transactions involving transfer of ownership of goods, services, securities, etc. otherwise we can say market is "an area in which the forces leading to exchange of title to a particular product operate, and towards which and

from which actual goods tend to travel." Market also comprises the organisation or institution which

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facilitates and regulates exchange of goods and services. Accordingly, market is "anybody of persons, who are in intimate business relation and carry on any extensive transaction in any commodity."

In economics, the term market is used to refer to the aggregate demand for a commodity and the conditions and forces which determine prices. In management, on the other hand, market is described

as the institution that performs the marketing functions and acts as the intermediary between buyers and consumers. According to Philip Kotler, "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." In a market, buyers and sellers are connected by four flows. The sellers send goods and services

and communications to the market. In return, they receive money and information from the buyers.

Thus, market denotes the following:

- (i) A place where buyers and sellers interact.
- (ii) The aggregate demand for a commodity
- (iii) The forces or conditions within which buyers and sellers make decisions.
- (iv) Transfer of title to goods and services.
- (v) Flow of goods and services from the producer to the consumer or user.
- (vi) The organisation that regulates the purchase and sale.

Markets are classified under the following categories:

1. On geographical basis-local, national, international, rural and urban markets.
2. On economic basis -perfect, and imperfect markets.
3. On the basis of volume-retail and wholesale markets.
4. On the basis of commodities-commodity exchange, stock exchange, bullion market, capital market, etc.
5. On the basis of type of transactions-spot market and futures market.

MEANING OF MARKETING

The term 'marketing' can be defined from two viewpoints-micro and macro, i.e., firm's point of view and national or industry point of view.

MICRO-MARKETING

It may be described as the process of formulating and implementing such strategies by a firm viz.. product development, pricing, promoting and distributing that ensures flow of need satisfying goods and services at a profit. According to Kotler "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 a human activity directed at satisfying needs and wants through exchange process.

The American Marketing Association (AMA) defines marketing as "the performance of business activities that direct the flow of goods and services from producer to consumer or user." According to

this definition, marketing comprises a wide range of activities, e.g., designing, pricing, promoting and distributing goods and services. In the words of Stanton, "Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying products and service to present and potential customers." The analysis of this definition reveals the following points:

- a. Marketing is an integrated system. It is not an activity but the sum total of several activities. It is the result of interaction of many activities.
- b. The ultimate aim of marketing is to satisfy human wants. In other words, marketing is consumer oriented.
- c. Marketing process begins with the recognition of consumer needs.
- d. Marketing is successful only when it yields maximum profits in the long run.

The concept of micro-marketing reveals two significant aspects. First, marketing must ensure need

satisfying goods and services. It should begin with the customer and not with the production process.

Second, marketing rather than production should determine what products are to be made. These two aspects suggest that consumer is at the centre of all marketing activities. The aim of marketing should be to know and understand the customer so well that the product or service sells itself.

MACRO-MARKETING

In a broader sense, marketing may be viewed as a complex system of organizations and process by which a nation's resources are distributed among the people that satisfy their needs and wants? Here, the focus is on the total system rather than on the activities of an individual firm. Macro-marketing is concerned with how effectively a society uses its resources and how fairly

it allocates its output of goods and services Macro-marketing is responsible for effective performance of the following functions:

1. Information Function: Under an efficient marketing system, there should exist a network of information that links together producers and consumers. Productive unit has to meet the changing needs of the consumers in a cost-efficient manner for which the provision of accurate and timely information is vital. For example, it is often complained that producers of agricultural products do not know what the market will pay for the product when harvested. Further, lack of information on supply and demand makes the product dear in some places and cheap in some other places. This causes losses not only to sellers but to the buyers as well.

2. Equalising and Distribution Function: There is always an imbalance in supply and demand for many products. This imbalance is primarily due to geographical and temporal separations. Accurate judgments are required in holding stock and their equitable release to be geographically and at required times. It is true that in such cases transport costs and storage costs are incurred but the price variations in many cases reveal that such extra costs are offset by price differentials. An efficient distribution system is also capable of maintaining price stability in the long run showering advantages on buyers and sellers both.

3. Centralised Exchange Function: In primitive economies, markets tend to be mainly physical locations called central markets, where buyers and sellers meet face to face and exchange goods and services. As the economies grow, the exchange process has to be widespread to satisfy the growing demand in width and depth. They may need middlemen/intermediaries as the producers may not be able to ensure supply throughout. The e-commerce has made these exchange popular across the world.

From the foregoing analysis, it is evident that no economy can achieve its objectives and goals without an effective macro-economic system. This is true irrespective of the fact that one is a planned or a market-directed economy. The changes that were initiated in Soviet Russia and China has drawing their economies closer to market economies. Rather they are now the leading economic of the world. In a still broader view, macro-marketing is viewed as a "fundamental societal process which necessarily and inherently evolves within a society to facilitate the effective and efficient resolution of the society's needs for exchange of consumption values."

Marketing is a System. As a system, marketing is a coordinated whole consisting of several business activities which are known as marketing functions. Marketing system serves as a link between the marketing concept and marketing process. It also serves as a link between the firm and the society.

Marketing system operates in the environment inside and outside the firm. The various activities or elements of marketing are interdependent and interacting.

"Marketing is a system of integrated business activities designed to develop strategic plans in the form of marketing mixes leading to the satisfaction of customer want of selected market segments."

The core concepts in this definition are system, strategic plans, satisfaction of customer wants of selected market segments.

Strategic Plans. The activities that constitute the marketing system are designed to develop strategic

plans in the form of marketing mixes. An appropriate marketing mix consisting of product, price, promotion and distribution elements is designed and used for each target market. Each element of the marketing mix must be appropriate for the target group of customers. In addition, there must be proper matching and integration between the different elements.

Satisfaction of Customer Wants. The basic purpose of marketing is to satisfy the needs and wants of customers. Therefore, the total marketing programme as well as its elements must be designed keeping in view their contribution towards customer satisfaction.

Selected Market Segments. Total market for a product/service is very large and heterogeneous. Therefore, a marketer should divide it into appropriate segments and select the segment which the firm can best serve. Marketing mix is designed for a specific market segment known as target market.

NATURE OF MARKETING

The nature of marketing is a unique perspective on how digitally linked populations behave as a single organism similar to that of a swarm of fish. These human swarms are fuelled by the connectivity and speed of the social networking generation, and are replacing the rules of marketing with principles that are fundamentally different from anything before. The main features of modern marketing are as follows:

1. **Marketing is Consumer Oriented.** A business exists to satisfy human needs. Therefore, business must first find out what the consumers want and then produce goods according to the needs of the consumers. Only such products should be produced which best satisfy consumer needs and made a profit to the business. What is offered for sale should be determined by the buyer rather than by the seller. In the words of Levitt, "Instead of trying to market what is easiest for us to make, we must find out much more about what the consumer is willing to buy.

In other words, we must apply our creativeness more intelligently to people, and their wants and needs, rather than to products,"

2. **Marketing Starts and Ends with the Consumer.** Often it is thought that marketing is concerned only with the flow of goods and services from the producer to the consumer. Under consumer-oriented marketing, it is highly essential to know what the customers really want. This is possible only when information is collected from the consumers. In the older days, the producer was in direct contact with the consumers. But, after mass production system, this limit was broken. Therefore, a formal mechanism is required to keep in touch

with consumers. As a result, marketing research and marketing information system have emerged as a full-fledged function of marketing.

- 3. Modern Marketing Precedes and Succeeds production.** Today all organisations accept that the marketing activities must start far ahead of production. It is not enough if the activities begin after the product is ready. The company appreciates and understands the consumer's strategic position as a determinant of the firm's survival and growth. In companies operating under the marketing concept entire marketing is designed to serve consumer needs. This is evident from the speech of the Chairman, General Electric Company in the Company's Annual Meeting of 1952: "We, over the last ten years, attempt to build customer and market appeal into the product from the design stage on. We consider the actual act of selling only as the last step in sales effort. The effort begins before the engineer puts pencil to drawing paper. We introduce the marketing man at the beginning rather than at the end of the production cycle and would integrate marketing into each phase of the business."

Thus, marketing, through its studies and research, will determine for the engineer, designer and the manufacturing man, what the customer wants in a given product, what price she is willing to pay, and where and when it will be wanted. Marketing would have authority over product innovation and planning, production scheduling as well as over the sales, distribution and servicing of the product.

- 4. Modern Marketing is the Guiding Element of Business.** It would be clear now that marketing has become a pervasive force capable of guiding and even controlling production. In fact, it is the market potential and not production resources that guide a business today. This involves the integration of a number of activities from the conception of a product idea to its profitable selling and ultimate consumption.

In recent years, marketing has assumed greater importance. This is mainly due to the rapidly increasing tempo of production of a wide range of goods and services. It is an undisputed fact that sustained economic growth depends, to a large extent, on the performance of marketing activities; because it is only through marketing that the demand for goods and services is stimulated. This stimulation leads to the multiplication of products and ultimately leads to higher production. Marketing, therefore, is at the heart of all industrial activity.

- 5. Marketing is a Science as well as an Art.** Marketing was born as the step child of economics. But it has moved into closer relationship with various social and behavioural sciences. Marketing is inter-disciplinary in nature, orientation and design. It has borrowed heavily from economics, law, psychology, anthropology, sociology, etc. It has also contributed heavily to this discipline.

Marketing is an art in the sense that a considerable body of rules or principles on buying, selling, financing, standardisation, market information, etc. have been put into practice to achieve success in the economic life of man. But later developments have changed the art base of marketing into a science base. Moreover, many aspects of marketing are becoming increasingly technical. This has created the need for complex tools of measurement and experimentation.

Hence, it is not wrong to say that marketing is science-based.

6. **Marketing is a System.** Marketing is a system consisting of several inter-dependent and interacting sub-systems. It obtains the inputs from the environment (supra system), transforms these inputs and supplies the output (customer satisfaction, profits, etc.).
7. **Exchange Process is the Essence of Marketing.** Marketing activities revolve around the exchange process Exchange implies transactions between buyer and seller The seller hands over a product or service to the buyer who, in turn, gives more here it is also exchange of information between buyers and sellers.
8. **Marketing is Goal-Oriented.** Like any other business activity, marketing seeks to achieve some useful results The ultimate aim of marketing is to generate profits through the satisfaction of human wants. The following aims are sought to be achieved by studying marketing:
 - a. to develop an intelligent appreciation of modern marketing practices;
 - b. to provide guiding policies regarding marketing procedures and their implementation;
 - c. to study marketing problems according to circumstances and to suggest solutions;
 - d. to analyse the shortcomings in the existing pattern of marketing;
 - e. to enable successful distribution of agricultural products, our mineral wealth, and manufactured goods; and
 - f. to enable managers to assess and decide a particular course of action.
9. **Marketing is a Process.** It comprises a series of functions which are inter-related. It is a dynamic process because it keeps on adjusting to the changes in the environment of business.

Marketing is also a social process in the sense that it is concerned with human needs. Marketing is a managerial process in so far as it involves the functions of planning and control. Marketing is an important functional area of management.

SCOPE OF MARKETING

Marketing being a part of social science is highly dynamic and complex in nature. The rapid changes in various sectors have brought great changes in the concept of marketing. Traditionally, marketing was concerned with buying and selling of goods and services only but now its scope has widened and it encompasses a range of activities from consumer satisfaction to consumer delight and management of customer relationship.

The scope (subject matter) of marketing is as follows:

(1) Products and Services:

Products and Service are the basic element of marketing. If there is no product there is no marketing. It is concerned with the nature and type of products, product quality and design,

product planning and development, product decisions relating to branding, labelling, packaging, trademarks etc.

(2) Marketing Research:

Though products and services were the starting point under traditional marketing, modern marketing starts with an analysis of the various aspects of market and related areas. It includes an analysis of nature and types of customers, size of market, customer attitude, buyer behaviour etc. An in-depth analysis of customers and markets is a prerequisite for every marketer to have a successful marketing.

(3) Channel of Distribution:

The pathway through which the goods move from producer to consumer is the channel of distribution. It includes a number of intermediaries like wholesaler, retailers, jobbers etc. Channels by moving the goods help in transferring the ownership of goods from seller to buyer.

(4) Physical Distribution:

The physical movement of the goods from producer to consumer is physical distribution. It includes transportation, warehousing, inventory control and management, order processing etc.

(5) Promotional Decisions:

Howsoever good a product is, it has no value if it is not properly promoted. Promotion has the basic objective of informing the market about product availability and creating a demand for it. Different promotional tools are there like advertising, sales promotion, personal selling, publicity, public relations etc.

(6) Pricing Decisions:

This is the only element of marketing which generates revenue for the firm. Pricing is concerned with pricing policies and strategies, price determination, discounts, commissions etc.

(7) Environmental Analysis:

An analysis of the environment in which the business is to be carried out is the first step for any organisation. The various macro and micro factors should be studied beforehand only to develop an understanding of the strength, weaknesses, opportunities and threats, for an organisation.

This will help not only in the formulation of the corporate strategy but marketing strategy as well. It includes the study of economic environment, geographical environment, political and legal environment, social and cultural environment, natural and technological environment etc. in the country and outside.

(8) Feedback from Customers:

For successful marketing of goods, it is essential that the marketer obtains the required feedback from customers. A proper feedback mechanism should be developed so that reasons for failure or less satisfaction may be identified and improvements in the products be made.

(9) Responsibility towards the Society:

Business and society are interrelated and interdependent. A business cannot exist in vacuum. It derives its much-needed inputs from society and therefore owes a responsibility towards the society. These social activities are a part of marketing as the units have to protect and promote the interest of the society. A marketer to be socially responsive owes responsibility towards employees, consumer, shareholder etc.

IMPORTANCE OF MARKETING

Marketing has to play an important role for the well-being of a firm. This is evident from the following words of Peter F. Drucker: "Marketing is the distinguishing, the unique function of the business.

A business is set apart from all other human organisations by the fact that it markets a product or a service. Neither Church, nor Army, nor State does that. Any organisation that fulfils through marketing a product or a service is a business. Any organisation in which marketing is either absent or incidental, is not a business and should never be run as if it were one. It is marketing when we satisfy individuals and social value, needs and wants, be it through producing goods, supplying services, fostering innovations for creating satisfaction." Drucker further states that, "marketing is so basic that it cannot be considered a 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."

Marketing is the main reason for the existence of business. In this age of rapid change, marketing is the springboard of all business operations. It is the guiding element of every business. It is a powerful mechanism which alone can satisfy the needs and wants of consumers at the time, place and price they desire. The success of a business depends largely on the effectiveness with which its marketing strategies are formulated and implemented, Marketing guides the actions and decisions of everyone in business. Marketing is essential for the very

purpose of business as can be judged from the following observations "Business aims at profit. To realise profit, a sale has to be made. To make the sale, a customer has to be created. To create the customer, she must be satisfied. To satisfy the customer, her needs have to be met. To meet customer needs, marketing is essential."

Marketing is said to be the eyes and ears of a business because it keeps the business in close contact with its environment and informs of events that can influence its operations. Marketing is concerned with the creation of four utilities-firm, place, time and possession utilities.

The firm utility is created through product development, packaging, branding and standardisation. Place utility is created through transportation and by middlemen who direct the flow of goods and services from producers to consumers. Time utility is created through warehousing. Selling, which is a part of marketing creates possession utility. The end of all production is consumption. But there is a widespread gap between production and consumption. The producer usually never meets the people for whom he is producing goods. The place of production is far away from the point of consumption. Marketing bridges this gap and facilitates smooth exchange.

Thus, in order to satisfy consumers, products must be made available to consumers in the right form, at the right time, at the right place and in the right manner. The very existence of business lies in this process. Marketing performs this process.

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