



# MARKETING MANAGEMENT SIMPLIFIED

**The Best Reference Book for Graduates,  
Under Graduates and Post Graduates**

**Prof. Sonal Khatri**

**Himalaya Publishing House**

ISO 9001:2008 CERTIFIED

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## Preface

“Why is marketing important? Because if no one knows you exist; You don’t really exist.” (Unknown)

The heart of any business lies in marketing. Most aspects of business depend on successful marketing. Marketing is all about identifying, understanding and satisfying the needs of the current as well as the potential customers profitably. The overall marketing umbrella covers marketing research, product, production, branding, distribution, promotion, sales and skills. Thus, understanding of the market and marketing function offers a basis to formulate the strategies related to all the aspects of any business. In modern management education, it is therefore very critical for all student managers in the making to understand the overall business of the organization and role of marketing in order to be effective and successful.

This book offers an easy-to-use reference supported by a range of examples. In my experience of teaching, all types of students enjoy applying principles to real-life marketing problems. This is natural, as marketing does not exist in a vacuum; it is through application that students gain a richer understanding of marketing.

Becoming a successful marketing practitioner requires an understanding of the principles of marketing together in conjunction with real-life examples of implementing marketing ideas, processes and techniques in the marketplace. This book, therefore, strives to provide a framework for understanding important marketing dimensions such as understanding the customer, market segmentation and targeting, brand building, pricing, innovation and marketing implementation, which form the backbone of marketing practice.

Asking questions and getting answers is always helpful to develop a better understanding about the subject. Hence, the attempt is to cover the fundamentals of marketing management in the form of questions and answers. The questions covered in the book are logically arranged as per the commonly prevalent curriculum. The answers

in general are structured in a standard format, which includes the introduction, main body of the answer, examples for better understanding and the conclusion.

I sincerely believe that students should not only acquire the basic conceptual knowledge of the subject, but also gain a practical perspective and relevance for better understanding of the subject. The hope, therefore, is that reading the book will encourage students to reflect and discuss many other examples that demonstrate the effective implementation of marketing, and thus, deepen their appreciation of principles of marketing. And, of course, it will also help students to do well in their exams.

The reasonable length and the flexible question and answer format makes this book an ideal text for use in undergraduate and MBA classes.

This is the first edition of the book, wherein I have drawn from my experience as a teacher of marketing and as a consumer, and both these roles are ever changing and evolving. Further editions of this book will bring on board the various changes that occur in marketing on a continuous basis assimilating the valuable suggestions from my dear students and colleagues.

**Sonal Khatri**

# Acknowledgment

*“Mentors inspire us to do the things we are meant to do.”*

This book is dedicated to my mentor Mr. Prabhakar Lingareddy, Vice President (HR), ITC.

When I started writing this book, the day of accomplishing this task seemed far away. And now, the day has come and the time has passed so quickly. It was the continuous and endless inspiration offered by him. I am thankful for his excellent guidance, constant encouragement, patience, time and care during the process of writing this book.

**Sonal Khatri**





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# CHAPTER 1

## Elements of Marketing Management

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### Q.1 What is marketing? Explain the importance of marketing.

**Ans: Introduction:** The term “Marketing” is derived from “Market”, which can be defined as – “a place where buyers and sellers gather to buy and sell the products”. But Marketing is not only about selling; because in order to sell the product we must know the needs (basic requirements) of the customers. Thus, Marketing is all about identifying the needs of the customers and satisfying those needs profitably with the help of the product.

Marketing Management is the process of planning, organizing, staffing, directing and controlling all the marketing activities such as production, pricing, distribution and promotion in order to increase the efficiency and effectiveness of the organization.

*For example: Procter & Gamble (P&G) has identified that people need tasty but low calorie food and introduced Olestra (Oats).*

### Definition:

“Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products and services of values with others.”

*‘Social Definition’*

“The aim of marketing is to make selling superfluous. The aim is to know and understand the customer so well that the product fits him and sells itself. Ideally marketing should result in a customer who is ready to buy”.

*‘Peter Drucker’*

“Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individual and organizational goals.”

*‘The American Marketing Association’*

### Nature of Marketing:

On the basis of the above definitions the nature of marketing can be summarized as under -

- (a) Marketing is a societal process.
- (b) Marketing is an art and science of identifying and meeting the needs of the customers profitably.
- (c) Marketing is continuous process which is concerned with the demand and supply management.

- (d) All the marketing activities should be concerned with the profit maximization by optimum resource utilization while keeping customer satisfaction, environmental protection and society in mind.

### **Marketing Objectives:**

The aim of marketing is to understand and identify the customer's need, want and desire and to fulfill the same profitably with the product offering. The marketing objectives can be discussed as under -

#### **I. Primary Objectives:**

- (a) To identify the needs of the customers.
- (b) To develop a product offering that can satisfy the wants of the customers profitably.
- (c) To influence the level, timing and composition of demand by offering right product, to the right person at the right time.

#### **II. Secondary Objectives:**

- (a) To improve the efficiency and effectiveness of the organization.
- (b) To improve the standard of living of the society.
- (c) To create and maintain good relations with the stakeholders.

### **Significance/Importance of Marketing:**

- (a) **Basis of the financial success:** The main aim of marketing is to serve and satisfy the customer's wants profitably. The financial success of any of the firms depends on the effectiveness and efficiency of their marketing department. Thus, marketing provides a basis for the survival and financial success of the organization.
- (b) **Basis for customer equity and satisfaction:** The main focus of the modern marketing approach is to have maximum number of satisfied and loyal customers. Having the maximum number of loyal customers leads to customer equity. That means it provides a basis for creating and maintaining good relations with the customers in order to gain long term profit.
- (c) **Demand and supply management:** One of the important features of marketing is to make the right product available to the right time, to the right person, at the right place and at the right price. The aim of marketing is to influence the level, timing and the composition of demand. It helps the marketer to manage the demand with effective supply management.
- (d) **It helps to deal with uncertainties:** The proactive approach to marketing helps to forecast and predict the future uncertainties in advance. Due to this proactive approach it allows the marketer to prepare the plans in advance. It helps them to deal with the changing environmental conditions effectively.
- (e) **Team-centered approach:** Modern approach to marketing is concerned with the customer satisfaction, employee satisfaction as well as the satisfaction of the intermediaries like distributors and shopkeepers. A satisfied and happy employee can make the customers happy with their performance and involvement.
- (f) **Management by objectives:** The scientific and systematic approach of the marketing allows the organization to improve their efficiency and effectiveness. With this approach the management is able to set the benchmark called as management objectives. The

objectives should be specific, measurable, attainable, and realistic and with a time bound in nature. The objectives of the marketing should match with objectives of other functions of the organization and the overall organizational objectives. This approach allows the management to find out the gaps by comparing the actual performance against the objectives and to take necessary actions to fill the gaps.

- (g) **Economy in operations:** Marketing planning is helpful in setting and achieving the objectives of the firm economically. It brings about economy in each and every marketing activity. It helps to get maximum possible output with minimum possible inputs while keeping the quality in mind.
- (h) **Effective communication:** Very often companies are known more by their brands and products and services therefore, the integrated marketing communication system helps to communicate effectively to all the stakeholders. It helps the company to communicate effectively with their employees, customers, shareholders as well as everyone who is directly or indirectly associated with their business.

### Conclusion:

Marketing is a continuous process which starts with the identification of the needs and wants of the customers and meeting the same profitably. The main task of a marketer is to influence the level, timing and composition of the demand. The continuity can be maintained by taking regular feedback from the customers to make the required changes. The end result of all marketing activities should be a large number of loyal and satisfied customers.

### Q.2 What is Marketing Manager? Explain the qualities, duties and responsibilities of marketing manager.

**Ans: Introduction:** Marketing Management is the process of planning, organizing, staffing, directing and controlling all the marketing activities such as production, pricing, distribution and promotion in order to increase the efficiency and effectiveness of the organization.

Thus, a marketing manager is someone who is responsible for handling all the marketing activities such as planning, organizing, staffing, directing and controlling. The marketing managers are primarily responsible for demand management. They seek to influence the level, timing and composition of the demand.

### Definition:

“A marketing manager leads and supervises the marketing resources and activities of a certain product or a business.”  
*‘Unknown’*

“A marketing manager is accountable for managing all marketing activities such as production, distribution, pricing and promotion in order to increase the efficiency and effectiveness of the firm.”  
*‘Unknown’*

*For example: A marketing manager may determine the target market, define the marketing objectives, and formulate the marketing strategies to gain the competitive advantage.*

### Qualities of Marketing Manager:

A marketing manager should have following qualities:

- (a) **Vision:** One of the most important quality that a marketing manager must have is clear and strong vision. A strong vision allows a marketing manager to set smart long-term and short term goals.
- (b) **Strategic thinking:** A marketing manager must be a strategic thinker. He/she should be able to identify the potential opportunities and threats as well in order to plan a strategy in advance.
- (c) **Leadership qualities:** A marketing manager must possess leadership qualities. He/she should be an initiator; a motivator as well should have an ability to influence the leaders of other functions. A marketing manager must understand the requirements of his team as well.
- (d) **Focus on relationship:** A successful marketing manager should build and maintain good relationships as they are the most important aspect in the corporate world. For this one requires good networks and contacts. The relationship must be maintained with people working with the organization and people external to the organization as well.
- (e) **Innovation:** A marketing manager should be an innovator. A person who can deal with the rapid changing marketing environment. We cannot survive and grow further without new and innovative ideas. He should welcome, accept and encourage innovative and creative ideas coming from his team as well.
- (f) **Technology savvy:** In order to deal with this technology savvy world, a marketing manager should have detailed knowledge about the latest technology. He/She should update their knowledge with the latest changes.
- (g) **Adaptable and flexible:** A successful marketing manager should not be rigid. He/She should be flexible enough to change and adapt their marketing strategies as per the requirement of the changing environmental factor.
- (h) **Customer concerned:** The basis of marketing is to identify and to satisfy the customer's needs profitably. As the main aim of modern marketing is to build and maintain long-term relationships with the customers, it is very much important for a marketing manager to understand the mindset of the customer.
- (i) **Diversity in functions:** A person with experience in variety of functions like market research, sales, branding and promotion etc., will be a successful manager. One should have the basic knowledge about all the functions of management.
- (j) **Risk taking attitude:** A successful marketing manager must be ready to take the calculative risk in order to deal with the changing marketing environment.

### Duties and Responsibilities of Marketing Manager:

There are different people working at different elements of marketing at different levels. The roles and responsibilities of a marketing manager at the senior level are as follows:

- **Conducting market research:** Marketing managers carry out market research to gain a clear understanding of what an organization's customers really want. Marketing research enables these managers to identify new market opportunities. Market research also involves studying the organization's competitors so as to develop superior products and employ

efficient marketing techniques. Companies conduct market research using questionnaires, face-to-face interviews or analyzing the buying habits of consumers.

- **Developing the marketing strategies and plan:** Marketing managers are responsible for developing marketing strategies for their organizations. These strategies outline the decisions related to the target market, production, pricing, distribution, promotion and other marketing activities.
- **Demand management:** Marketing managers are primarily responsible for the demand management. They are responsible to influence the level, timing and composition of the demand.
- **Management of the marketing mix:** Marketing mix is a set of tools that enables to manage the marketing activities effectively. Marketing manager is responsible for taking and implementing all the decisions related the elements of the marketing mix (i.e. Product, Price, Place and Promotion).
- **Customer relationship management:** One of the most important functions performed by a marketing manager is customer relationship management. The main aim of marketing is to build and maintain good long term relationships with the customers. Marketing managers conducts customer satisfaction survey to understand the level of their satisfaction and take action accordingly.
- **Human resource management:** Marketing managers are in charge of the marketing department and therefore are responsible for employees within their department. They assign duties and set targets for departmental staff. It is also the function of marketing managers to perform periodic performance evaluations of the staff working for them.
- **Control:** Marketing managers are responsible for controlling the marketing activities as well. The expected results have to be compared with the actual performance level to maintain the efficiency of the organization. Corrective measures should be taken in case of any gap in performance. They are also responsible to comply with all the rules and regulations.

**Conclusion:** The role of a marketing manager is critical and important in nature. A marketing manager is required to update and upgrade his/her knowledge with changing environmental factors as the scope of growth in this field is vast.

**Q.3 What is Marketing Management? Explain the nature and functions of marketing management.**

**Ans: Introduction:** Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products and services of values with others.

Marketing management is a societal process which is concerned with planning, organizing, staffing, directing and controlling all the factors concerned with production, pricing, distribution and promotion of the product in order to meet the customer's needs profitably.

**Definition:**

“Marketing Management is the process of planning, and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individuals and organizational objectives.”

*‘The American Marketing Association (AMA)’*

“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”.

*‘Phillip Kotler & Kevin Keller’*

### **Nature of Marketing Management:**

On the basis of the above definitions the nature of marketing management can be summarized as under :

- (i) Marketing management is a societal process.
- (ii) Marketing management is an art and science of identifying and meeting the needs of the customers profitably.
- (iii) Marketing management is continuous process which is concerned with the demand and supply management.
- (iv) All the marketing management activities should be concerned with the profit maximization with the customer satisfaction.

### **Objectives of Marketing Management:**

The aim of marketing is to understand and identify the customer’s need, want and desire and to fulfill the same profitably with the product offering. Marketing Management is also concerned with understanding and fulfilling the needs of the stakeholders (i.e., employees, shareholders, distributors, customers, etc.) so well that fits their expectations.

There are three basic process required to achieve the above mentioned objectives:

1. **Concentration:** The main objective of this process is to make and execute detailed and focused planning, organizing, directing, staffing and controlling decisions with welldefined standards and methods related to production, pricing, distribution and promotional activities in order to improve the efficiency of the firm.
2. **Dispersion:** This process is concerned with the flow of products, information, finance and services along the channel of distribution among the stake holders (i.e., customers, employees, shareholders, distributors, etc.) in order to improve the effectiveness of the same.
3. **Equity:** Equity is concerned with establishing and maintaining transparent and fair plans and policies related to production, pricing, distribution and promotion in order to treat all the parties associated with the organization directly or indirectly equally.

### **Functions of Marketing Management:**

On the basis of above mentioned objectives and process of Marketing Management, the functions of Marketing Management can be defined as under:

The Marketing Research offers a base to design the functions of Marketing Management. The term Marketing Research can be defined as a process of collecting, organising, storing and interpreting the information related to competitors and stakeholders (i.e. customers, employees, distributors, etc., in order to take decisions related to product, price, place and promotion).

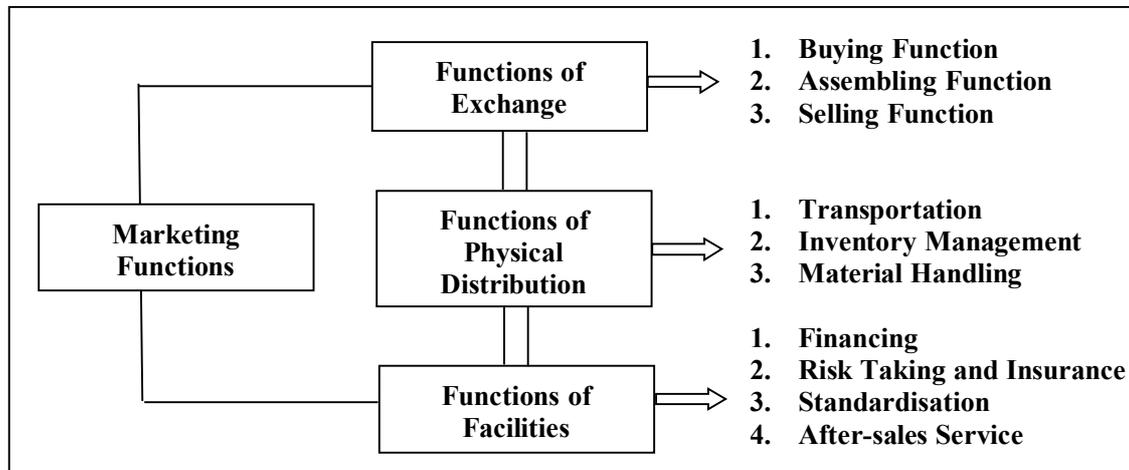


Fig. 1.1: Functions of Marketing (Ref:Philip Kotler, “Marketing Management 11<sup>th</sup> Edition – Chapter-1 Defining marketing for the twenty-first century- marketing concepts and tools”, Prentice Hall of India Private Limited, New Delhi, 2003.)

- (i) **Functions of exchange:** Functions of exchange is concerned with the exchange of four basic elements amongst the stakeholders which include:
- Exchange/Flow of information
  - Exchange/Flow of physical product.
  - Exchange/Flow of services
  - Exchange/Flow of finance.
- (ii) **The basic functions which come under this category are:**
- (a) **Buying and assembly:** Buying and assembly is one on the major functions of marketing management. Various sub functions of buying decisions are -
- Estimating the demand
  - Selection of consumer-oriented goods
  - Selection of supplier
  - Negotiation
  - Entering in to a contract
- (b) **Selling:** It involves following sub functions.
- Product planning and development
  - Creation of demand
  - Establishment of contact with the buyer.
  - Negotiation
  - Entering into contract.
  - Branding, packaging and labeling
  - Promotion
  - After sales services

(iii) **Functions of supply of physical distribution of goods, information, services and finance:** It involves following sub functions -

- Transportation
- Inventory management
- Warehousing
- Material Handling

(iv) **Supplementary functions:** It includes following functions -

- Standardization and grading
- Insurance
- Financing
- Marketing information
- Risk bearing
- Human resource management
- Management information system
- Corporate relations

### Conclusion:

All the above functions are complementary to each other. Thus, decisions regarding any of the above functions affect other functions as well.

**Q.4 Explain various marketing philosophies. Or explain the traditional and modern approaches of marketing to business.**

**Ans: Introduction:** Marketing is indeed old ancient art. The marketing activity knowingly or unknowingly is being practiced by the all human beings. Its emergence as a management discipline is of relatively recent origin. Marketing concept within this relatively short period, has gained a great deal of importance.

In fact, today marketing is regarded as most important of all management functions of business. The evolution of marketing activities had different challenges as per the time and need of the market.

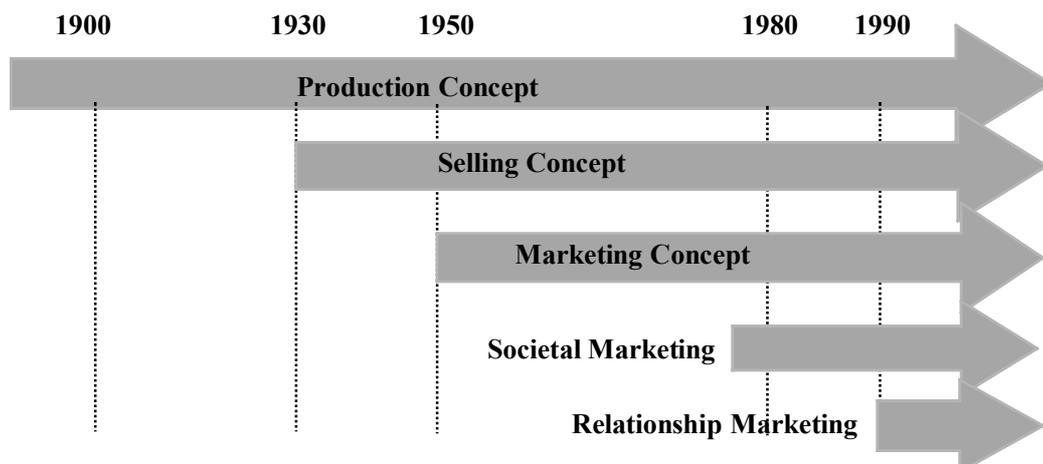


Fig. 1.2: Stages and Evolution of Marketing Management (Ref: Philip Kotler, "Marketing Management, 11th Edition - Chapter 1 Defining Marketing for the twenty first century", Prentice Hall of India Private Limited, New Delhi, 2003.)

## Stages and Evolution of Marketing Management:

We can understand the evolution of modern marketing management by studying various stages of marketing. These stages will explain various concepts or approaches to marketing.

The concepts/approaches to marketing are as under :

**Table 1.1: The Marketing Concepts (Ref: Philip Kotler, “Marketing Management, 11<sup>th</sup> Edition – Chapter-1 Defining marketing for the twenty-first century- marketing concepts and tools”, Prentice Hall of India Private Limited, New Delhi, 2003.)**

S.No.	Marketing Concept	Marketing Approach/Aim	Assumption
1.	The Production Concept	The production concept is one of the oldest concepts in business. It focuses on following - <ul style="list-style-type: none"> <li>● Mass Production</li> <li>● Mass distribution</li> <li>● Low cost Production</li> </ul>	It assumes that consumers favor those products that are widely available and affordable.
2.	The Product Concept	The product concept focuses on following - <ul style="list-style-type: none"> <li>● Quality Product</li> <li>● Superior Product</li> </ul>	It assumes that consumers will favor those products that offer the most quality, performance, and features.
3.	The Selling Concept	The selling concept focuses on following - <ul style="list-style-type: none"> <li>● Aggressive selling</li> <li>● Aggressive promotion</li> <li>● Needs of the seller</li> </ul>	It assumes that the buyer will not buy the product unless we put aggressive sales and promotional efforts.
4.	The Marketing Concept	The marketing concept emerged in <i>mid-1950s</i> and challenged the previous concepts. It focuses on following - <ul style="list-style-type: none"> <li>● Identification of customer’s needs</li> <li>● Meeting the needs profitably</li> <li>● Find wants and fill them</li> <li>● Love the customers not the product</li> </ul>	It assumes 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.
5.	The Customer Concept	The customer concept focuses on the following - <ul style="list-style-type: none"> <li>● Customer satisfaction</li> <li>● Customer lifetime value</li> </ul>	It assumes that customer is the king and profitable growth is possible

		<ul style="list-style-type: none"> <li>• Customer loyalty</li> <li>• Customer relationships</li> </ul>	through capturing customer share, loyalty and lifetime value.
6.	The Societal Marketing Concept	<p>The societal marketing concept focuses on following -</p> <ul style="list-style-type: none"> <li>• Social welfare</li> <li>• Ethical marketing</li> <li>• Balancing profit with societal welfare</li> </ul>	It assumes that the customers will value and prefer buying products of the organization that conduct their business in a responsible and ethical manner. This concept ensures fairness in every transaction with all stakeholders both for short-term benefit and long-term goals.

The various approaches to marketing can be summarized as under:

**(1) Traditional Approaches:** The traditional approach to marketing was focused on make and sell concept. Following approaching comes under this category -

- Production concept
- Product concept
- Selling concept

**(2) Modern Approaches:** The modern approaches to marketing are customer-centered and are focused on sense and serve concept. That means the main aim is to identify and meet the needs of the customer's profitably. Following approaches comes under this category -

- Marketing concept
- Customer concept
- Societal marketing concept

#### **Q.5 Define Marketing Mix. Explain the factors of Marketing Mix.**

**Ans: Introduction:** The term "marketing-mix" was first coined by Neil Borden, the president of the American Marketing Association in 1953. The marketer E. Jerome McCarthy proposed a four Ps classification in 1960, which has since been used by marketers throughout the world

The marketing mix is a business tool used in marketing and by marketers. The 4 Ps of the marketing mix are Product, Price, Place and Promotion. In service marketing, however, the four Ps are expanded to the 7 Ps or Seven Ps (Physical evidence, people and process) to address the different nature of services.

#### **Definition:**

"The Marketing Mix is a set of marketing tools the firm uses to pursue its marketing objective in the target market."  
*'Philip Kotler'*

The marketer E. Jerome McCarthy proposed a four Ps classification in 1960, which has since been used by marketers throughout the world. *McCarthy's four Ps.*

**Table 1.2: Marketing Mix Elements (Ref:Philip Kotler, “Marketing Management, 11<sup>th</sup> Edition – Chapter-1 Defining marketing for the twenty-first century-Fig 1.5”, Prentice Hall of India Private Limited, New Delhi, 2003.)**

Category	Definition
Product	<ul style="list-style-type: none"> <li>● <b>A product is anything that satisfies what a consumer need and demands for.</b> Goods, services, experiences, events, person, place, properties, organization, information and idea can be considered as a product.</li> <li>● <b>Every product has a limited life and thus a product life cycle which includes introduction, growth, maturity and decline stage.</b> Each stage requires a different blend of marketing mix elements.</li> <li>● <b>The Product mix includes the blend of following sub elements:</b> Product variety, Quality, Design, Features, Brand Name, Packaging, Size, Services, and Warranties etc.</li> </ul>
Price	<ul style="list-style-type: none"> <li>● <b>Price is the amount a customer pays for the product.</b> It the cost to the customers.</li> <li>● <b>Price is the only element of marketing mix which generates revenue.</b></li> <li>● Any changes made to the price of the product affects the demand of the product directly. The marketer should set a price that complements the other elements of the marketing mix.</li> <li>● When setting a price, the marketer must be aware of the customer’s perceived value for the product, cost associated and the competitor’s price. The basic pricing strategies are cost-oriented pricing and market-oriented pricing methods.</li> <li>● <b>The Price Mix consists of the blend of various sub elements:</b> List Price, Discounts, Allowance, Payment period, Credit terms, etc.</li> </ul>
Promotion	<ul style="list-style-type: none"> <li>● <b>Promotion is a means of communication that a marketer may use to provide information about the product, price and place to all the stakeholders.</b></li> <li>● <b>Promotion Mix comprises elements such as:</b> Advertisement, Public relations, Direct marketing, Direct sales and Sales promotion.</li> <li>● <b>The elements of the IMC (Integrated marketing communication) are -</b> <ol style="list-style-type: none"> <li>(a) <b>Advertisement:</b> Any paid form of non-personal communication by an identified sponsor.</li> <li>(b) <b>Sales Promotion:</b> Any paid form of personal, short term communication.</li> <li>(c) <b>Personal selling:</b> Any paid form of personal, long term communication by internal employees of an organization with an aim to increase the sales effectiveness.</li> </ol> </li> </ul>

	<p><b>(d) Direct Marketing:</b> Any paid form of personal, long-term communication using any direct marketing platform like internet.</p> <p><b>(e) Public relations:</b> Any non-paid form of short term, indirect communication about the organizational vision and mission.</p>
Place (Distribution)	<ul style="list-style-type: none"> <li>● <b>Place is considered as a means of distribution of the product. It is one of the most important element of the marketing mix as it takes care of the convenience of the customers by making the product available.</b></li> <li>● <b>Various Distribution Strategies are</b> intensive distribution, selective distribution and exclusive distribution.</li> <li>● <b>Place Mix comprises a blend of various elements such as:</b> Channel Coverage, Assortments, Location, Inventory, and Transport.</li> </ul>

### Marketing Mix for Service Industry:

Service can be defined as “anything which can be offered by one party to another which is intangible, variable and perishable in nature. “In order to deal with intangible, variable and perishable nature of services, three additional Ps were introduced -

- Physical evidence
- People
- Process

It is used when the relevant product is a service, not merely a physical good.

**Table 1.3: Marketing Mix for Service Industry (Ref: Philip Kotler, “Marketing Management, 11<sup>th</sup> Edition – Chapter 15 Designing and managing services”, Prentice Hall of India Private Limited, New Delhi, 2003.)**

Category	Definition
Physical evidence	<p>Services are intangible in nature. It can't be seen, tasted, felt, heard or smelled before they are bought. In order to deal with the intangible nature of services the concept of physical evidence was introduced.</p> <p>To reduce the uncertainty, buyers will look for evidence and service quality. Therefore, the service provider's task is to manage the physical evidence, “to tangibilize the intangible”, using Physical evidence.</p> <p>Physical Evidence includes -</p> <ul style="list-style-type: none"> <li>● Place</li> <li>● People</li> <li>● Equipment</li> <li>● Communication</li> <li>● Price</li> <li>● Symbols</li> </ul>
People	<p>The service quality depends on the service provider. In order to improve and maintain the service quality right people should be selected, trained and motivated.</p>

Process	Services are variable in nature. In order to maintain a standard service quality, the concept of 'Process' was introduced. Process refers to a systematic and scientific way of doing things in order to increase the effectiveness and efficiency of the system.
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### Conclusion:

All the factors of the Marketing Mix are dependent on each other. Thus, decisions related to any of the elements affect and influences decisions related to others as well.

### Q.6 What is Place Mix? Explain the factors affecting place mix.

**Ans: Introduction:** Place is one of the most important elements of the marketing mix. The marketing mix is a business tool used in marketing and by marketers. The 4 Ps of the marketing mix are-Product, Price, Place and Promotion.

Place can be considered as convenience to the customer. That means it is concerned with the distribution of the goods and services.

### Definition:

“Place in the marketing mix refers to the channel, or the route, or the path through which goods move from the source to the final user. The members of the channel of distribution could be the intermediaries, distributors, wholesalers and retailers.”

Marketing Channels are set of interdependent organizations involved in the process of making a product available for use. It is also called as trade channel or distribution channel. These intermediaries (Wholesales, retailers, and agents) constitute a marketing channel.

“Place Mix is a set of tools which a marketer uses to make the product available at the right time, to the right person, of the right quality and in a right quantity; it includes decisions related to -

- Marketing Channel Flows (goods, services, finance, information, title of ownership)
- Levels of Marketing Channels (Number of intermediaries)
- Distribution Strategies (Types of intermediaries)
- Channel Service Output (lot size, waiting time, delivery time, product variety, service backup, etc.)

### Factors affecting Place Mix:

On the basis of above definition, the factors affecting Place mix can be summarized as under -

(1) **Marketing Channel Flows:** The marketing channel can be used to flow the goods, services, information, finance, and the title of ownership to the customer.

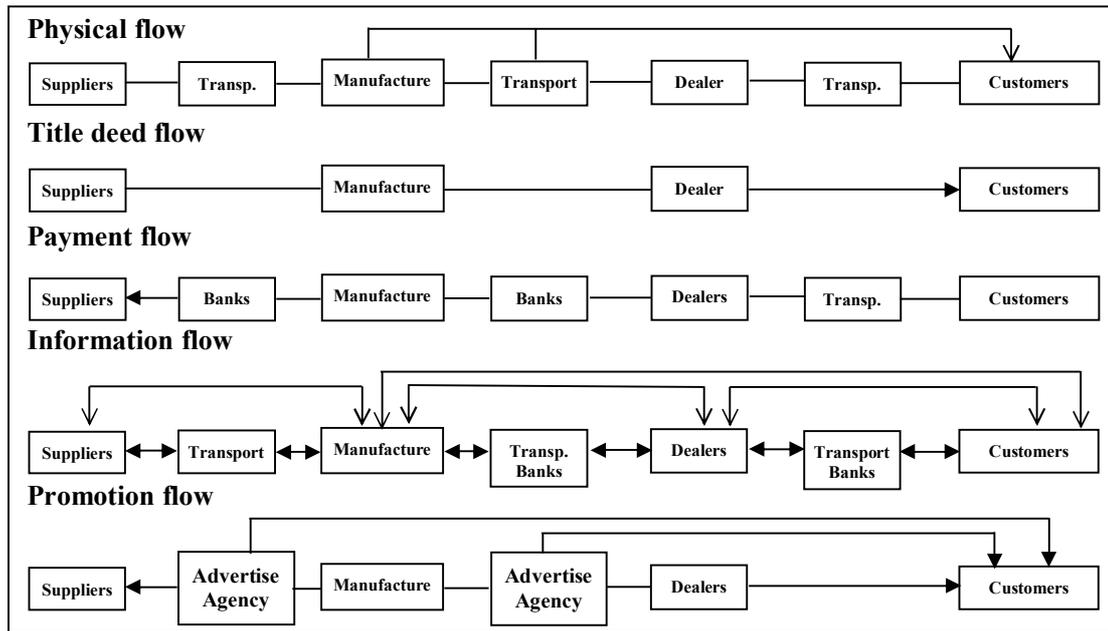


Fig. 1.3: Marketing Channel Flows (Ref: Philip Kotler, “Marketing Management, 11<sup>th</sup> Edition – Chapter-17 Designing and managing value networks and marketing channels-Fig 17.2”, Prentice Hall of India Private Limited, New Delhi, 2003.)

(2) **Levels of marketing channels:**The level of channel of distribution depends upon the number of intermediaries involved between the manufacturer and the customer.

It can be classified as under -

- (a) **Direct channel:** It is also called as level 0 as there is no intermediary involved between the manufacturer and the customer.
- (b) **Indirect Channel:**It includes; level 1, level 2 and level 3, where there is at least one party between the manufacturer and the customer.

**Consumer Marketing Channels**

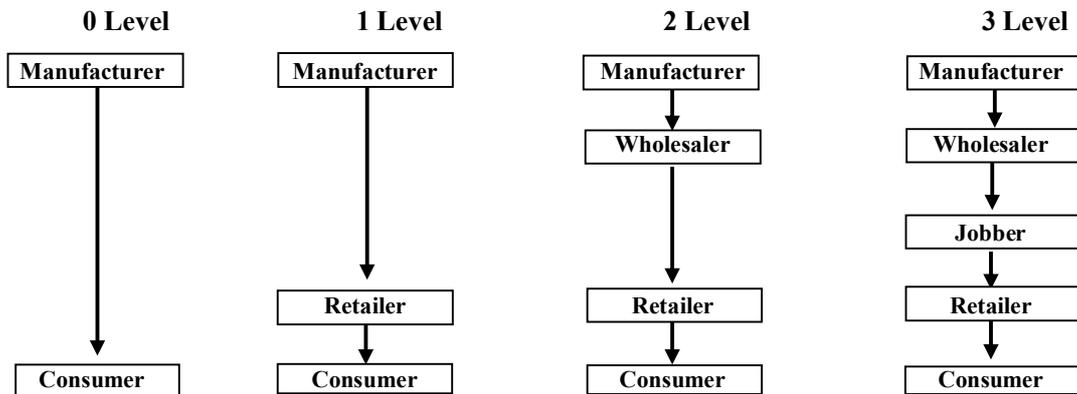


Fig. 1.4: Levels of Marketing Channels (Ref: Philip Kotler, “Marketing Management, 11<sup>th</sup> Edition – Chapter-17 Designing and managing value networks and marketing channels-fig 17.3”, Prentice Hall of India Private Limited, New Delhi, 2003.)

- (3) **Distribution strategy:** Various distribution strategies are -
- (i) **Physical Distribution:** It includes following strategies -
    - (a) **Exclusive Distribution:** Limited number of outlets.
    - (b) **Selective Distribution:** Selective number of outlets.
    - (c) **Intensive Distribution:** Maximum number of outlets possible.
  - (ii) **Online Distribution:**
    - (a) **Specialized Distribution:** It focuses on a particular product class (for e.g., Mantra carries fashion and lifestyle products)
    - (b) **Generalized Distribution:** It carries multiple product lines. (for e.g., Flipkart)
- (4) **Channel service output:** One of the most important factors affecting the place mix decisions are the expected outputs. Channel service outputs includes -
- (a) **Lot size** - Quantity demanded or ordered.
  - (b) **Waiting time** - Expected waiting time.
  - (c) **Delivery time** - Expected delivery time.
  - (d) **Product variety** - Various variety and types of product variety demanded.
  - (e) **Service backup** - Any additional service back up required.
  - (f) **Channel coverage** - Scope of operations.
- (5) **Economic criteria:** The decisions related to the place mix also depends on the budget given for the distribution.
- (6) **Control and adaptability criteria:** The number of intermediaries involved between the manufacturer and the customer affects the level of control over the channel decisions. The maximum the number of parties involved between the manufacturer and the customer, lesser will be the control.

### Conclusion:

All the factors of the Place Mix are dependent on each other. Thus, decisions related to any of the elements affect and influences decisions related to others as well.

### Q.7 Define Price Mix. Explain the elements and strategy of price mix.

**Ans: Introduction:** Price is one of the most important elements of the marketing mix. The marketing mix is a business tool used in marketing and by marketers. The 4 Ps of the marketing mix are -Product, Price, Place and Promotion.

Price is the only element of the marketing mix that produces revenue; other elements produce cost. Prices are the easiest marketing mix element to adjust but one of the most complicated and difficult decisions to take. It also communicates to the market about the company, its product or brand.

### Definition:

“Price is seen as the amount a customer pays for the product. The price is very important as it determines the company's profit and hence, survival.”

**“Price is the only element of marketing mix which generates the revenue.** Any changes made to the price of the product affects the demand of the product directly. The marketer should set a price that complements the other elements of the marketing mix.”

**“Price can be referred as the cost to the customer.”**

**“Price Mix is set of tools which helps a marketer to set the pricing objectives, formulate and implement the pricing strategies in order to gain the competitive advantage in the market.** It includes decisions related to; List price, Discounts, Allowance, Payment period, Credit terms, etc.”

### **Price Mix Elements:**

Price Mix is another important element of marketing mix. It is considered as very critical element. Price can be defined as the economic value of product normally expressed in form of money.

The Price Mix consists of decisions related to various elements:

- (a) Pricing objectives
- (b) Determine the demand
- (c) Cost estimation
- (d) Analyze the competitor’s price
- (e) Select the pricing strategies
- (f) Select the pricing methods
- (g) Select the final price
- (h) Discounts
- (i) Allowance
- (j) Payment period
- (k) Credit terms, etc.

### **Pricing Strategies:**

The price of product should be set in such a way that buyers can pay and company can earn adequate profits. In case of price-sensitive customers on one hand and the prestige-sensitive customers on the other hand, the pricing decisions become vital in marketing.

When setting a price, the marketer must be aware of the customer perceived value for the product. The basic pricing strategies are –

- Cost-oriented pricing
- Market-oriented pricing

#### **(I) Cost-oriented Pricing Methods:**

- + **Markup pricing:** It is used to add a standard markup (profit margin) to the product cost.

$\text{Unit Cost} = \text{V.C.} + (\text{F.C.}/\text{Unit sales})$ $\text{Markup Price} = \text{Unit Cost}/(1-\text{desired returns on sales})$
---

**Advantages:**

- Easy to calculate, understand and implement.
- Fair to both buyer and seller.

**Disadvantages:**

- It ignores the current demand, perceived value and competition.
- ✦ **Target return pricing:** The firm determines the price that would yield its target rate of ROI.

$$\text{Target Return Price} = \text{Unit Cost} + \{(\text{desired return} \times \text{invested capital}) / \text{Unit sales}\}$$

**Disadvantage:**

- It ignores price elasticity

**(II) Market-oriented Methods:**

- **Perceived value pricing-** Perceived value is made up of several elements such as :
  - (a) Buyer's image of product performance.
  - (b) The channel deliverables
  - (c) The warranty quality
  - (d) Customer support
  - (e) Supplier's reputation
- **Value pricing** - To win the loyal customers by charging a fairly low price for a high quality offering. Types of value pricing are -
  - (a) EDLP - Everyday low pricing-which takes place at the retail level.(e.g., D-Mart)
  - (b) High - Low Pricing - The retailer charges high price on everyday basis but then runs frequent promotions in which prices are temporarily lowered below the EDLP level. (e.g., Big bazar Wednesday discounts and offers).
- **Going rate pricing** - The firm bases its price largely on competitor's price. (Follow the leader). The going rate pricing can be further divided into three sub-methods:
  - (a) **Competitors 'parity method:** A firm may set the same price as that of the major competitor.
  - (b) **Premium pricing:** A firm may charge a little higher if its products have some additional special features as compared to major competitors.
  - (c) **Discount pricing:** A firm may charge a little lower price if its products lack certain features as compared to major competitors.

**Conclusion:**

Price is one of the most critical elements of marketing mix. Any decision related to pricing directly affects the demand of the product. Thus, any changes in price should be justified with the quality of the product. Setting up the price of the product is a dynamic process; an organization may use a combination of any of the above discussed pricing methods to fix the price of its products.

### Q.8 Define Green Marketing, its role and importance.

**Ans: Introduction:** Green marketing is the marketing of products that are presumed to be environmentally safe. In simple words, it refers to the process of selling products and/or services based on their environmental benefits. Such a product may be environmentally friendly in it or produced and/or marketed in a green way.

#### **Definition:**

The American Marketing Association (AMA) has given a 3-way definition of Green Marketing -

- (a) **Retailing definition:** “The marketing of products that are presumed to be environmentally safe.”
- (b) **Social marketing definition:** “The development and marketing of products designed to minimize negative effects on the physical environment or to improve its quality.”
- (c) **Environment definition:** “The efforts by organization to produce, promote, package and reclaim products in a manner that is sensitive or responsive to ecological concerns.

Thus, green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising. Green Marketing is also known as Environmental Marketing and Ecological Marketing.

#### **The Role and Importance of Green Marketing:**

There are several suggested reasons for firms increased use of Green Marketing. Five possible reasons cited are:

1. Organizations perceive environmental marketing to be an opportunity that can be used to achieve its objectives.
2. Organizations believe they have a moral obligation to be more socially responsible.
3. Governmental bodies are forcing firms to become more responsible.
4. Competitors’ environmental activities pressure firms to change their environmental marketing activities.
5. Cost factors associated with waste disposal, or reductions in material usage forces firms to modify their behavior.

Thus, the importance of green marketing can be explained under following points -

#### **(a) Opportunities:**

It appears that all types of consumers, both individual and industrial are becoming more concerned and aware about the natural environment. In a 1992 study of 16 countries, more than 50% of consumers in each country, other than Singapore, indicated they were concerned about the environment. Given these figures, it can be assumed that firms marketing goods with environmental characteristics will have a competitive advantage over firms marketing non environmentally responsible alternatives.

There are numerous examples of firms who have strived to become more environmentally responsible, in an attempt to better satisfy their consumer needs.

- **McDonald's replaced its clam shell packaging with waxed paper because of increased consumer concern relating to polystyrene production and ozone depletion.**

**(b) Social responsibility:**

Many firms are beginning to realize that they are members of the wider community and therefore must behave in an environmentally responsible fashion. This translates into firms that believe they must achieve environmental objectives as well as profit-related objectives. This results in environmental issues being integrated into the firm's corporate culture.

Firms in this situation can take two perspectives -

- (1) They can use the fact that they are environmentally responsible as a marketing tool  
or
- (2) They can become responsible without promoting this fact.

**(c) Government pressure:**

As with all marketing-related activities, governments want to "protect" consumers and society; this protection has significant green marketing implications. Governmental regulations relating to environmental marketing are designed to protect consumers in several ways -

- (1) Reduce production of harmful goods or by-products;
- (2) Modify consumer and industry's use and/or consumption of harmful goods; or
- (3) Ensure that all types of consumers have the ability to evaluate the environmental composition of goods.

**(d) Competitive pressure:**

Another major force in the environmental marketing area has been firms' desire to maintain their competitive position. In many cases firms observe competitors promoting their environmental behaviors and attempt to emulate this behavior. In some instances this competitive pressure has caused an entire industry to modify and thus, reduce its detrimental environmental behavior.

**(e) Cost or profit issue:**

Firms may also use green marketing in an attempt to address cost or profit related issues. Disposing of environmentally harmful by-products, are becoming increasingly costly and in some cases difficult. Therefore, firms that can reduce harmful wastes may incur substantial cost savings. When attempting to minimize waste, firms are often forced to re-examine their production processes. In these cases, they often develop more effective production processes that not only reduce waste, but reduce the need for some raw materials. This serves as a double cost savings, since both waste and raw material are reduced.

**Conclusion:**

Green marketing is an approach to protect the environment using ecofriendly marketing techniques in order to perform all business functions such as- green production using eco-friendly raw materials and methods, green packaging, etc. This approach to marketing allows a firm to act in a responsible manner and to gain the competitive advantage as well.

**Q.9 Write short notes on -****(a) The meaning of ethics of marketing/The scope of ethics in marketing -**

**Ans: Introduction:**The term “Ethics” is derived from a Greek Word “*Ethos*” which means *habits or custom. Ethics has been termed the study and philosophy of human conduct, with an emphasis on the determination of right and wrong.*

For marketers, ethics in the workplace refers to rules (standards, principles) governing the conduct of organizational members and the consequences of marketing decisions. (Ferrell, 2005)

In simple words ethics of marketing defines the code of conduct defining the right and wrong doing in marketing activities.

**Definition:**

Ethical marketing is defined as “practices that emphasize transparent, trustworthy, and responsible personal and organizational marketing policies and actions that exhibit integrity as well as fairness to consumers and other stakeholders “. (Murphy, Laczniak, Bowie and Klein, 2005)

**The Scope of Ethics in Marketing:**

Marketing ethics focuses on principles and standards that define acceptable marketing conduct, as determined by various stakeholders and the organization responsible for marketing activities. While many of the basic principles have been codified as laws and regulations to require marketers to conform to society’s expectations of conduct, marketing ethics goes beyond legal and regulatory issues.

Marketing is a key functional area in the business organization that provides a visible interface with not only customers, but other stakeholders such as the media, investors, regulatory agencies, channel members, trade associations, as well as others. Marketing ethics plays an important role in order to deal with all the stakeholders.

Thus, marketing ethics is not only related to ethical promotional activities but should be reflected in all the marketing activities while considering the welfare of all the stakeholders and the society. It should be practiced at all levels of marketing -

- Ethical Production
- Ethical Sourcing
- Ethical Pricing
- Ethical Distribution
- Ethical Promotion

It involves all the parties directly or indirectly associated with the business, called as stakeholders, such as -

- Customers
- Employees
- Channels Members

- Society
- Media
- Shareholders
- Trade associations
- Regulatory Agencies, etc.

### Conclusion:

Ethical marketing practices and principles are core building blocks in establishing trust, which help to build long-term marketing relationships.

### (b) The Scope of Marketing -

**Ans: Introduction:** The term “Marketing” is derived from “Market”, which can be defined as – “a place where buyers and sellers gather to buy and sell the products”. But Marketing is not only about selling; because in order to sell the product we must know the needs (basic requirements) of the customers.

Thus Marketing is all about identifying the needs of the customers and satisfying those needs profitably with the help of the product.

*For example: Procter & Gamble (P&G) has identified that people need tasty but low calorie food and introduced Olestra (Oats).*

### Definition:

“Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products and services of values with others.”

*‘Social Definition’*

“Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individual and organizational goals.”

*‘The American Marketing Association’*

### Scope of Marketing:

The main aim of marketing is to identify the meeting the human and social needs profitably with the help of product. The product offered by an organization must be considered as a solution by the customers.

Marketing people are involved in marketing ten types of entities given as follows:

- (i) **Goods:** Goods can be defined as anything which tangible which can be offered to the customers in order to satisfy their wants. (e.g., Maggi noodle)
- (ii) **Services:** Services can be defined as anything which can be offered by one party to another which is intangible, variable and perishable in nature. (e.g., medical services, defense, etc.)
- (iii) **Experiences:** Experience can also be marketed as a product. By using several services and goods, a firm can create stage and market experiences. (e.g., Walt Disney World’s

Kingdom represents experiential marketing: Customers visit a fairy kingdom, a pirate ship, or a haunted house)

- (iv) **Events:** Marketers promote and market time-based events as well. (e.g., Sports events like IPL etc.)
- (v) **Persons:** Incidentally through our actions or inactions each one of us as individual are marketing ourselves and at marketing efforts are supplemented by family and friends. Celebrity or famous personality marketing is a major business. Today every film star has an agent or a public relation officer in order to get help for marketing. (e.g. Sachin Tendulkar)
- (vi) **Place:** Places-cities, states, regions and nations—compete actively to attract tourists, companies etc. (e.g., tour packages etc.)
- (vii) **Properties:** Properties are bought and sold and this requires marketing. Properties are intangible rights of ownership of either real property (e.g., real estate) or financial property (e.g., stocks and bonds).
- (viii) **Organization:** Organizations actively work to attract their stakeholders. They work to build a strong and positive image in the minds of their stakeholders with the help of public relations. (e.g., Free dental checkup camp by Colgate and Indian Dental Association).
- (ix) **Information:** Information can be produced and marketed as a product. (e.g., Research and Development services, Encyclopedias)
- (x) **Idea:** Ideas can also be produced and marketed as well. In fact, idea generation is the first step of the new product development. Every market offering includes a basic idea. (e.g., Business ideas, etc.)

### Conclusion:

The target audience for all above entities which can be considered as a product can be any stakeholder. A stakeholder can be referred as anyone who is directly or indirectly associated with the organizational business. Thus, customers, employees, shareholders, dealers, distributors, agents, research agencies and other service providers can be considered as stakeholders of an organization.

### (c) Challenges Facing Marketers -

**Ans: Introduction:** The marketing concept has changed dramatically over the last several decades, and recently the focus has increasingly moved to customers (versus products and selling) marketing globally and the various technology issues that impact the market.

In addition, we are focusing on creating and innovating with new and better products and services rather than just competing against other firms and following the marketing patterns established by competitors.

### The Challenges Faced by the Marketers:

Some of the challenges faced by a marketer in the 21st century is as under -

- (i) **Inability to forecast emerging trend:** Change is the dominant fact of life in every business today. And the ability to cope up with these emerging marketing trends has become of the

biggest challenge. In marketing the speed of change is quacking every day which makes it more difficult to forecast the emerging trends.

- (ii) **Globalization:** Globalization allows an organization to expand their business overseas. But at the same time it opens the doors of the local market for the international brands as well. One of the challenges for the marketer is increased competition due to globalization. Understanding and serving global customers is again a challenge which requires changes in the entire marketing mix elements accordingly.
- (iii) **Bargaining power of the channel partners:** With increased competition the bargaining power of the channel partners like supplier, distributor and retailer has also been increased. The channel partners have so many clients to serve which in turn make them more powerful when it comes to setting the price, incentives and terms and conditions of the sales.
- (iv) **Uncertain and unpredictable marketing environmental factors:** Marketing environmental forces play an important role in preparing a marketing plan. But due to frequently changing customer preferences, government regulation other policies and forces affecting the marketing environment it becomes challenging for a marketer to predict the same.
- (v) **Bargaining power of the customers:** Marketing is all about understanding and fulfilling the needs of the customers. With so many options available in the market the customers feel more powerful and confident when it comes to make a purchase decision. Another challenge for the marketer is to cope up with changing demands and profiles of the customers. In the era of information technology the customers are very well equipped with all the information required to evaluate various alternatives.

### **Solutions to Face the Above Mentioned Challenges:**

- (a) Some of the solutions to deal with the above mentioned challenges are discussed as under -
- (b) Better understanding about the customer's needs, wants and demands by regular direct or indirect interactions.
- (c) Flexible marketing plans to adjust the required changes as and when required with the changes in the marketing environmental factors like (Political, economical, societal, technological and legal factors).
- (d) We should not be arrogant about the past success; it may lead to marketing myopia.
- (e) All the marketing functions should be aligned with other functions of the organizational business.

### **Conclusion:**

The proactive approach to marketing can help the marketers to deal with these challenges.

### **(d) Marketing Management Process -**

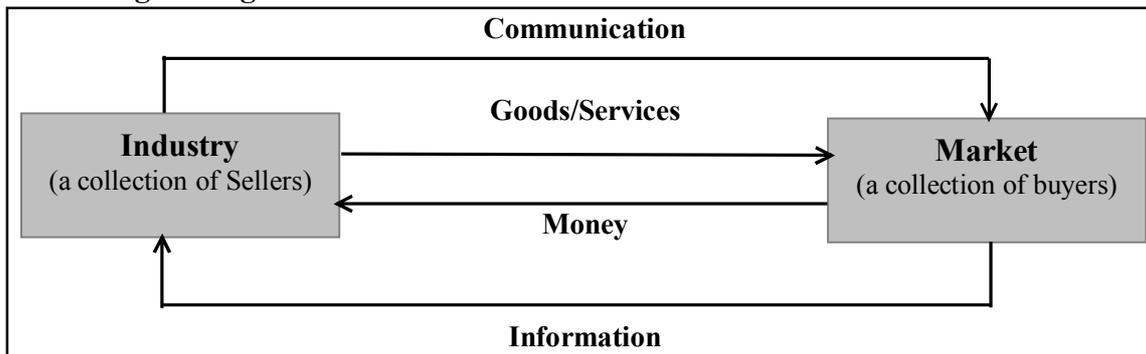
**Ans: Introduction:** The term "Marketing" is derived from "Market", which can be defined as – "a place where buyers and sellers gather to buy and sell the products".

Marketing Management is the process of planning, organizing, staffing, directing and controlling all the marketing activities such as production, pricing, distribution and promotion in order to increase the efficiency and effectiveness of the organization.

**Definition:**

“Marketing management is a societal process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products and services of values with others.”  
*‘Social Definition’*

“Marketing Management is the process of planning, organizing, staffing, directing and controlling the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individual and organizational goals.” *‘The American Marketing Association’*

**Marketing Management Process -**

**Fig. 1.5: Simple Marketing System (Ref: Philip Kotler, “Marketing Management, 11<sup>th</sup> Edition - Chapter 1 Defining Marketing for the twenty first century-Fig 1.1”, Prentice Hall of India Private Limited, New Delhi, 2003.)**

The marketing management is a continuous process of identifying and meeting the needs of the customers with the help of effective demand management system with effective production, distribution, pricing and promotion.

The basic process can be explained with following figure of a simple marketing system. As shown in the above figure –

- There are two main parties involved in the process which are Industry ( a collection of sellers) and Market ( a collection of buyers).
- It shows the flow of goods and services and communication about the same from the industry to the market.
- The flow of information and money takes place in upward direction that is from the market to the industry.
- It is a continuous process.

The above figure shows the simplest form of marketing process. In practical marketing interfaces with not only customers but with all the stakeholders. That means marketing deals with all the parties which are directly or indirectly associated with the business of the organization. This process is shown in following fig.

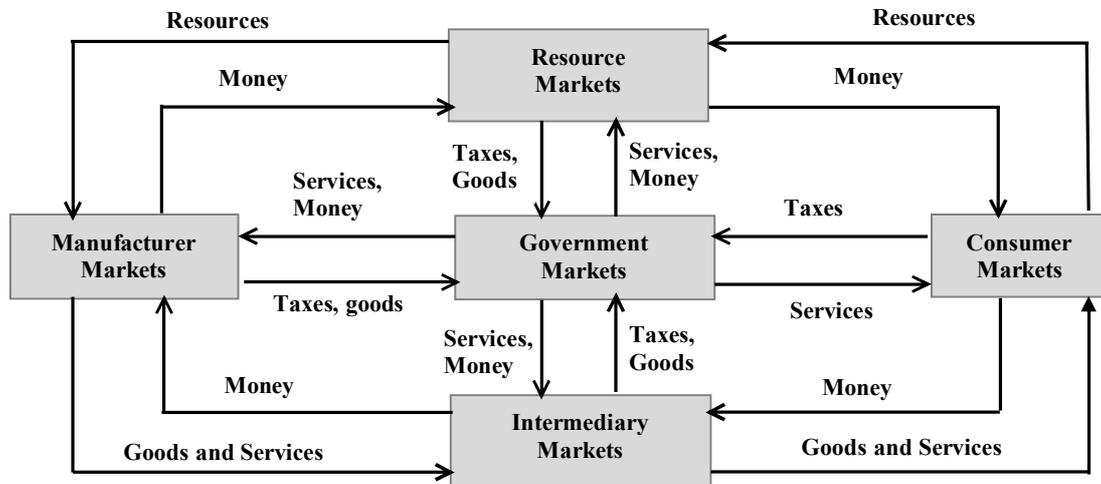


Fig. 1.6: Flow of Resources in Marketing (Ref: Philip Kotler, “Marketing Management, 11<sup>th</sup> Edition - Chapter 1 Defining Marketing for the twenty first century - Fig. 1.2”, Prentice Hall of India Private Limited, New Delhi, 2003)

### Conclusion:

Marketing management is a continuous process of identifying and meeting the needs of all the stakeholders profitably. Thus, it interfaces with all the parties such as -

- Customers
- Resource Market (Suppliers of all the resources manpower, raw material, capital, machinery and land)
- Intermediary Market (Channel Members)
- Government, etc.