



PRINCIPLES OF MARKETING

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(As per New Syllabus 2016-17 of Mumbai University
for F.Y.BMS, Semester – II)

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PREFACE

We are pleased to present the book on Principles of Marketing to the students of F.Y. BMS (Semester-II), University of Mumbai. The book has been written as per the syllabus prescribed by the University with effect from academic year 2018-2019.

Today's marketers face unprecedented challenges and extraordinary opportunities. Both stem from an empowered and dynamic consumer. As driven by consumer demand for better, marketing has undergone a sea change in the recent years. Thus, to elucidate how customer value — creating it and capturing it — drives every effective marketing strategy, we hereby present this book that includes examples and information that help bring marketing to life. The content in this book will give the readers all the information required and everything they need to know about marketing in an effective, simple and lucid language and thereby engaging into a total learning package.

We are thankful to our family, friends and well-wishers who supported us in this endeavour. We are thankful to the student community who are the real inspiration for writing this book. A special thanks to Mr. Srivastava and the entire team of Himalaya Publishing House Pvt. Ltd. for making it possible to release the book on time.

In our continuous efforts to improve the future editions of our book, please write to us at:

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SYLLABUS

Principles of Marketing Modules at a Glance

Sr. No.	Modules	No. of Lectures
1	Introduction to Marketing	15
2	Marketing Environment, Research and Consumer Behaviour	15
3	Marketing Mix	15
4	Segmentation, Targeting and Positioning and Trends In Marketing	15
	Total	60

Sr. No.	Modules/Units
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1 Introduction to Marketing

- **Introduction to Marketing:** Definition, Features, Advantages and Scope of Marketing. The 4Ps and 4Cs of Marketing. Marketing vs. Selling. Marketing as an Activity and Function.
- **Concepts of Marketing:** Needs, Wants and Demands, Transactions, Transfer and Exchanges.
- **Orientations of a Firm:** Production Concept, Product Concept, Selling Concept and Marketing Concept, Social Relationship, Holistic marketing.

2. Marketing Environment, Research and Consumer Behaviour

- **The Micro Environment of Business:** Management Structure, Marketing Channels, Markets in Which a Firm Operates, Competitors and Stakeholders.
- **Macro Environment:** Political Factors; Economic Factors; Socio-cultural Factors, Technological Factors (PEST Analysis).
- **Marketing Research:** Meaning, Features, Importance of Marketing Research, Types of Marketing Research: Product Research, Sales Consumer/Customer Research, Production Research Research.
- **MIS:** Meaning, Features and Importance.
- **Consumer Behaviour:** Meaning, Feature, Importance, Factors Affecting Consumer Behaviour.

3. Marketing Mix

- **Marketing Mix:** Meaning — Elements of Marketing Mix.
- Product — Product Mix — Product Line Lifecycle — Product Planning — New Product Development — Failure of New Product — Levels of Product.

- Branding — Packing and Packaging — Role and Importance.
- Pricing — Objectives — Factors Influencing Pricing Policy and Pricing Strategy.
- Physical Distribution — Meaning — Factors Affecting Channel Selection — Types of Marketing Channels.
- Promotion — Meaning and Significance of Promotion. Promotion
- Tools (brief)

4. Segmentation, Targeting and Positioning and Trends In Marketing

- Segmentation — Meaning, Importance, Basis.
- Targeting — Meaning, Types.
- Positioning — Meaning — Strategies.
- New Trends in Marketing — E-marketing, Internet Marketing and Marketing using Social Network.
- Social Marketing/Relationship Marketing.

QUESTION PAPER PATTERN (Theoretical Courses)

Maximum Marks: 75

Questions to be Set: 05

Duration: 2½ Hours

All Questions are compulsory carrying 15 Marks each.

Question No.	Particulars	Marks
Q. 1	Objective Questions (A) Sub-questions to be asked (10) and to be answered (any 08) (B) Sub-questions to be asked (10) and to be answered (any 07) (*Multiple Choice/True or False/Match the Columns/Fill in the Blanks)	15 Marks
Q. 2	Full Length Question OR	15 Marks
Q. 2	Full Length Question	15 Marks
Q. 3	Full Length Question OR	15 Marks
Q. 3	Full Length Question	15 Marks
Q. 4	Full Length Question OR	15 Marks
Q. 4	Full Length Question	15 Marks
Q. 5	(A) Theory Questions (B) Theory Questions OR	08 Marks 07 Marks
Q. 5	Short Notes To be asked (05) To be answered (03)	15 Marks

Note: Theory question of 15 Marks may be divided into two sub-questions of 7/8 and 10/5 Marks.

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UNIT 1

INTRODUCTION TO MARKETING

- ❑ **Introduction to Marketing:** Definition, features, advantages and scope of marketing. The 4Ps and 4Cs of marketing. Marketing v/s Selling. Marketing as an activity and function.
- ❑ **Concepts of Marketing:** Needs, wants and demands, transactions, transfer and exchanges.
- ❑ **Orientations of a Firm:** Production concept; Product concept; selling concept and marketing concept, social relationship, Holistic marketing.

1.1 INTRODUCTION TO MARKETING

Marketing is a process by which individual and organisations obtain their needs and want through creating and exchanging value. It is a process which consists of understanding consumers' needs and wants, building customer relationship and capturing value from customers to create profits and customer quality.

Marketing is typically seen as a task of creating, promoting and delivering goods and services to businesses and consumers. The various entities in marketing are:

- **Goods:** Constitutes commodities, food products, clothing, housing, etc.
- **Services:** Such as airlines, hotels, car rental firms, banking, maintenance and repairs, rentals, etc.
- **Experience:** A classic example is Walt Disney World Magic Kingdom, super star Virgo cruise, climbing Mount Everest, visit to Hard Rock Cafe, etc.



- **Events:** Marketers promote their products at trade shows, sports events and company anniversaries, artistic performance, etc.
- **Persons:** Mainly celebrity marketing. For Example: artists, musicians, physician etc.
- **Places:** Every city or country markets. Further example: commercial banks, local business associations, real estate agents, economic development specialists etc.
- **Properties:** Are intangible rights of ownership of either real property (real estate) or financial property (stocks, bonds etc.).
- **Organisations:** Actively work to build a strong, favourable and unique image in the minds of their target publics. For example: Universities, museums, performing arts organisations and non-profit organisations, etc.
- **Information:** Can be produced and marketed as a product through magazines, encyclopaedias, newspapers etc. in order to supply information.
- **Ideas:** Every market offering includes a basic idea. “In the factory, we make cosmetics; in the store we sell hope.”

1.1 (a) Definitions

According to the American Marketing Association (AMA) Board of Directors, **Marketing** is “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”

The Chartered Institute of Marketing defines **Marketing** as “the management process responsible for identifying, anticipating and satisfying customer requirements profitably.”

Social definition of **Marketing** according to Philip Kotler is “a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.”

Philip Kotler and others define **Marketing Management** as “the art and science of choosing target markets and getting keeping, and growing customers through creating, delivering, and communicating superior customer value.”

In other words for a company to have steady and uninterrupted growth, marketing can be defined as: it is not a function of the organisation but it is the foundation and nucleus of the business as a whole. (Shown in a chart form below)

CUSTOMERS	COMPANY
<ul style="list-style-type: none"> ● Needs ● Wants ● Demands ● Expectation ● Services 	<ul style="list-style-type: none"> ● Attitude ● Policy ● Procedure ● System ● Technology

1.1 (b) Features of Marketing

Following are the features of marketing:

1. **Systematic Process:** Marketing is systematic in nature. The main aim of marketing is to satisfy the needs and wants of the customers by bringing into the right products. The process of marketing involves:

- Designing the product as per customer requirements.
- Fixing up the right price of product.
- Defining an effective promotion strategy of the product.
- Distribution of the right products at the right place and at the right time. The marketing process is taken on to accomplish organisational objectives (profits, market share, etc.), and to generate customer satisfaction. Distribution of the right products at the right place and at the right time.

The marketing process is continuous in nature. Firstly, it starts with the marketing research. Then after the sale of the product it comes on to customer feedback and later on sales and services of the product.

2. **Marketing is a regular and continuous activity:** Marketing is a continuous activity in which goods and services are manufactured and distributed to consumers. Assembling, grading, packaging, transportation, warehousing, etc. are supplementary to marketing and are useful for smooth and orderly conduct of marketing operations.
3. **Marketing is both art and science:** Art refers to a specific skill that is required in marketing activities of any type of business. Science refers to a systematic body of knowledge, based on facts and principles. The concept of marketing includes a bunch of social sciences such as economics, sociology, psychology and law. It indicates market operations based on some principles. Hence, marketing is an art as well as a science.
4. **Ideas, Goods and Services:** Marketing involves selling of goods and services and also new ideas. The marketing process involved following things:
 - Designing and distribution of goods like FMCG products and consumer durables by the marketers.
 - Selling of services such as airlines, hotels, insurance, banks, etc. by the marketers.
 - Ideas are also marketed by social and Govt. organisations, which includes campaigns relating to anti-drugs, AIDS awareness, anti-corruption, etc.

In fact, every market offering includes a basic idea. A marketer of a face cream sells the idea of a beautiful person and that of a soft drink sells the idea of refreshment.

5. **Objective-oriented:** All marketing activities are objective-oriented. Different objectives are fixed at different levels, but the main objective is to earn profit from business

along with the satisfaction of human wants. Marketing activities undertaken by sellers make an attempt to find out the weaknesses in the existing system, and measures are taken to improve the shortfalls so that the objectives are achieved. The marketing objectives are as follows:

- Increase in the profits
- Increase in the market stake
- Improved corporate image
- Enhanced brand loyalty
- Improved brand image, etc.

6. Marketing Environment: Marketing activities are influenced by economic policies, market conditions, and environmental factors, such as political, technological, demographic and international. Marketing activities are inseparable from such environmental factors. A successful marketer needs to adapt to these changing factors and adjust marketing strategies to suit new market developments.

For instance, a marketer must analyse the marketing-mix adopted by the competitors. Accordingly, he has to design products that offer a differential advantage to the consumers, which may bring higher returns to the firm.

7. Integrated approach: The marketing activities must be co-ordinated with other functional areas of an organisation. Functions such as production, finance, research, purchasing, storekeeping and public relations (PR) are to be integrated with marketing. This will help in achieving organisational objectives. Otherwise, it will result in organisational conflicts.

8. Customer satisfaction: A customer expects some services or benefits from the product for which payment is made. If this benefit is more than the amount paid, then the customer is satisfied. In the long run, customer satisfaction helps to retain market demand. It helps achieve organisational objectives. Customer satisfaction can be enhanced by providing value-added services, which includes providing additional facilities at little or no extra cost.

9. All Pervasive: The marketing process is not only applicable to business organisation but as well as to non-business organisations. For instance, an educational institution may adopt marketing approach to:

- Suggest the right courses to the students (product).
- Charge the appropriate fees to the students (price).
- Promotion of courses to the students (if so required).
- Provide the courses to the student at the right time and place.

- 10. Commercial and non-commercial organisations:** With the societal marketing concept gaining importance, social marketers are finding useful new ways of applying marketing principles. Commercial organisations are also adopting cause-related marketing to strike long-term relations with consumers.

Business organisations such as educational institutions, hospitals, religious institutions and charitable trusts have also found meaningful applications of marketing. Thus, marketing is applicable to both business and non-business organisations.

- 11. Competitive Advantage:** Effective marketing strategies help to survive in a competitive market. Thus marketers should find unique and innovative ideas to compete in today's market. They also need to be proactive and should possess timely decision-making skills. They should come with:

- New and innovative designs or models.
- Advanced Creative promotion plans.
- Effective customer relationship techniques, etc.

The proactive decisions give competitive advantage to professional marketers.

- 12. Wide in scope:** The concept of marketing is wide/comprehensive. It is not concerned merely with selling of goods but with other functional areas of business such as production, finance and personnel.
- 13. Precedes and follows production:** Production and marketing are closely related activities. Goods are produced for marketing. Here, marketing follows production. In addition, marketing suggests what consumer wants and production is adjusted accordingly. Here, production follows marketing.

1.1 (c) Advantages of Marketing

Marketing is vital, concerning the link between producers and consumers. Thus it has been playing an important role in each and every sector of the society. It is primarily responsible for keeping the wheels of production and consumption constantly moving. Marketing is also very beneficial for the transfer, exchange, and movement of goods. Marketing management today is the most important function in a commercial and business enterprise. The following factors will help you to understand the importance of marketing management in this competitive world:

- 1. Widens the Market:** Marketing identifies the wants of consumers, creates new demand, locates the untapped areas and finds out the possibilities of selling new products. It thus enlarges the market, provides convenience to consumers and enables the producers to increase production and earn more profits.
- 2. Facilitates Exchanges in the Ownership and Possession of Goods and Services:** Marketing creates time, place and possession utilities for the goods and services. It is

helpful to both producers and consumers. Producers come to know about the specific needs and preferences of the people and the customers about the products that manufacturers can offer.

3. **Helps in Optimal Utilisation of Resources:** As the marketing efforts widen the area of market, the producers can utilise their resources, otherwise remaining partly utilised, to the maximum. This optimum use of resources reduces the total cost per unit.
4. **Accelerates Other Activities:** Marketing accelerates so many other activities such as banking, transport, insurance, warehousing, etc. get a boost as they are needed more to help in the marketing process.
5. **Raises the Standard of Living:** Continuous production improves the skill of the workers. In addition, marketing process provides new varieties of quality goods to customers. It facilitates production as per the needs of consumers and supplies such production to consumers. This raises the standard of living of the people. It is the marketing which has converted “Yesterday’s luxuries into today’s necessities”.
6. **Creates employment opportunities:** In India nearly 40% of the population is engaged in marketing activities directly or indirectly. Large numbers of people are engaged in Market research, Wholesale Trade, Retail Trade, Transportation, Warehousing, Advertisement, Publicity and Promotion. Thus marketing provides employment opportunities to society.
7. **Marketing Stabilises the Economic Conditions:** Marketing not only sets the economy revolving but also provides steady and stable economic conditions. It bridges the gap between producer and consumers. It is a connecting belt between the two wheels of the economy of a nation, *i.e.*, the production and the consumption. Marketing, by balancing production with consumption; provides stable prices, full employment and a strong economy.
8. **Ensures organisation survival, growth and stability:** Marketing is one major revenue generating source of a firm. It raises the turnover and profit of a business unit. A firm’s survival, growth and stability are dependent on its ability to market the products efficiently. Marketing is thus one challenging function of management. Marketing helps companies achieve their objectives because it is customer-centric. Marketing helps in satisfying customers beyond their expectations.
9. **Meets consumer needs and wants:** Needs pre-exist in market. Marketers identify the needs of the consumer and adopt their marketing strategies accordingly. They influence wants, as these are shaped by cultural and individual personalities. Their needs are satisfied through the exchange process.
10. **Promotes awareness among the public:** Marketing enables the customers to become aware about the various products that are available in the market. A firm’s product

must be known to the potential buyers for it to succeed. If there was no marketing or advertising, the customers would not know about the products. A company must capitalise on marketing activities so as not to miss the opportunity of being discovered. Attempts should be made to reach as many customers as possible and tell them what the company has to offer with the help of effective marketing strategies.

- 11. Helps in boosting sales:** Once the prospects become aware about the company's products or services it boosts up the chances that customers will make a purchase. New customers also start to spread the word, informing their friends and family about the company's product and consequently company's sales starts to increase rapidly. No matter what a company is selling, it will generate sales once the people come to know about it through TV advertisements, commercials, newspaper advertisements, etc. The more the people see and hear about a new product, the more inclined they will be to buy it.
- 12. Builds company reputation:** Marketing helps to build brand name recognition or product recall and hence enables the customers to relate the brand name with the images, logos and captions that they see or hear in advertisements. When the company is able to satisfy the expectation of its customers, its reputation stand on a concrete ground. And once a company succeeds in establishing its name, its business will grow and expand and more and more customers will start purchasing its products and services.
- 13. Helps in fostering healthy competition:** Marketing promotes a climate of healthy competition in the marketplace. It helps to position the company as being superior to its rivals so that the customers will prefer its products rather than buying from other firms that sell similar products and services. Competition drives the firms to invest in research and development in order to produce better quality and innovative products and services. Thus marketing also helps to foster innovation.

1.1 (d) Scope of Marketing

Marketing has a very wide scope it covers all the activities from conception of ideas to realisation of profits. The scope of marketing deals with the question, 'what is marketed?' According to Philip Kotler, marketing people are involved with ten types of entities which are explained below:

- 1. Goods:** Physical goods constitute the major part of a country's production and marketing effort. Companies market billions of food products, and millions of cars, refrigerators, television, machines and various other mainstays of a modern economy.
- 2. Services:** As economies advance, a large proportion of their activities are focused on the production of services. Services include the work of airlines, hotels, car rental firms, beauticians, software programmers, management consultants, and so on. Many

market offerings consist of a mix of goods and services. For example, a restaurant offers both goods and services.

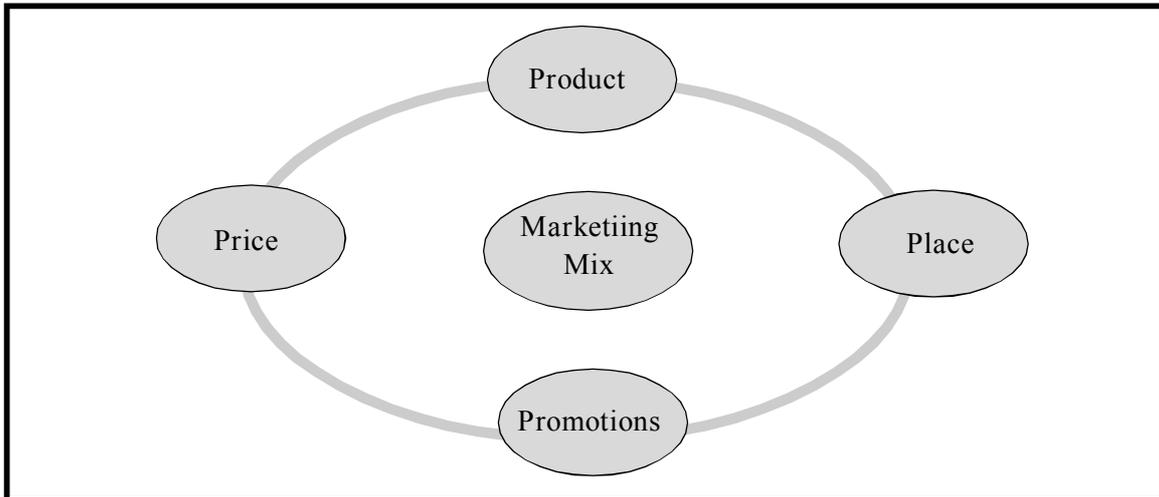
3. **Events:** Marketers promote events. Events can be trade shows, company anniversaries, entertainment award shows, local festivals, health camps, and so on. For example, global sporting events such as the Olympics or Common Wealth Games are promoted aggressively to both companies and fans.
4. **Experiences:** Marketers create experiences by offering a mix of both goods and services. A product is promoted not only by communicating features but also by giving unique and interesting experiences to customers. For example, Maruti Sx4 comes with Bluetooth technology to ensure connectivity while driving; similarly residential townships offer landscaped gardens and gaming zones. So does a “theme-based restaurant” that creates the ambience of a village in Rajasthan and Gujarat.
5. **Persons:** Due to a rise in testimonial advertising, celebrity marketing has become a business. All popular personalities such as film stars, TV artists, and sportspersons have agents and personal managers. They also tie up with PR agencies for better marketing of oneself.
6. **Places:** Cities, states, regions, and countries compete to attract tourists. Today, states and countries are also marketing places to factories, companies, new residents, real estate agents, banks and business associations. Place marketers are largely real estate agents and builders. They are using mega events and exhibitions to market places. The tourism ministry is also aggressively promoting tourist spots locally and globally.
7. **Properties:** Properties can be categorised as real properties or financial properties. Real property is the ownership of real estates, whereas financial property relates to stocks and bonds. Properties are bought and sold through marketing. Marketing enhances the need of ownership and creates possession utility. With improving income levels in the economy, people are seeking better ways of saving money. Financial and real property marketing need to build trust and confidence at higher levels.
8. **Organisations:** Organisations actively work to build image in the minds of their target public. The PR department plays an active role in marketing an organisation’s image. Marketers of the services need to build the corporate image, as exchange of services does not result in the ownership of anything. The organisation’s goodwill promotes trust and reliability. The organisation’s image also helps the companies in the smooth introduction of new products.
9. **Information:** Information can be produced and marketed as a product. Educational institutions, encyclopaedias, non-fiction books, specialised magazines and newspapers market information. The production, packaging, and distribution of information are a major industry. Media revolution and increased literacy levels have widened the scope of information marketing.

- 10. Idea:** Every market offering includes a basic idea. Products and services are used as platforms for delivering some idea or benefit. Social marketers widely promote ideas. Maruti Udyog Limited promoted safe driving habits, need to wear seat belts, need to prohibit children from sitting near the driver's seat, and so on.

The scope of marketing can be more elaborated from the below mentioned points as per the market situation;

- **Study of Consumer Wants and Needs:** Goods are produced to satisfy consumer wants. Therefore, study is done to identify consumer needs and wants. These needs and wants motivates consumer to purchase.
- **Study of Consumer behaviour:** Marketers study the consumer behaviour. Analysis of buyer behaviour helps marketer in market segmentation and targeting.
- **Product Planning and development:** It includes the activities of product research, marketing research, and market segmentation, and product development, determination of the attributes, quantity and quality of the products.
- **Branding:** Branding of products is adopted by many reputed enterprises to make their products popular among their customer and for many other benefits. Marketing manager has to take decision regarding the branding policy, procedures and implementation programmes.
- **Packaging:** Packaging is to provide a container or wrapper to the product for safety, attraction and ease of use and transportation of the product.
- **Channels of Distribution:** Decision regarding selection of most appropriate channel of distribution like wholesaling, distribution and retailing is taken by the marketing manager and sales manager.
- **Pricing Policies:** Marketer has to determine pricing policies for their products. Pricing policies differs from product to product. It depends on the level of competition, product life cycle, marketing goals and objectives, etc.
- **Sales Management:** Selling is a part of marketing. Marketing is concerned about all the selling activities like customer identification, finding customer needs, persuading customer to buy products, customer service, etc.
- **Promotion:** Promotion includes personal selling, sales promotion, and advertising. Right promotion mix is crucial in accomplishment of marketing goals.
- **Finance:** Marketing is also concerned about the finance, as for every marketing activity be it packaging, advertising, sales force budget is fixed and all the activities have to be completed within the limit of that budget.
- **After Sales services:** Marketing covers after sales services given to customers, maintaining good relationships with customers, attending their queries and solving their problems.

1.1 (e)(i) 4 Ps of Marketing-Mix



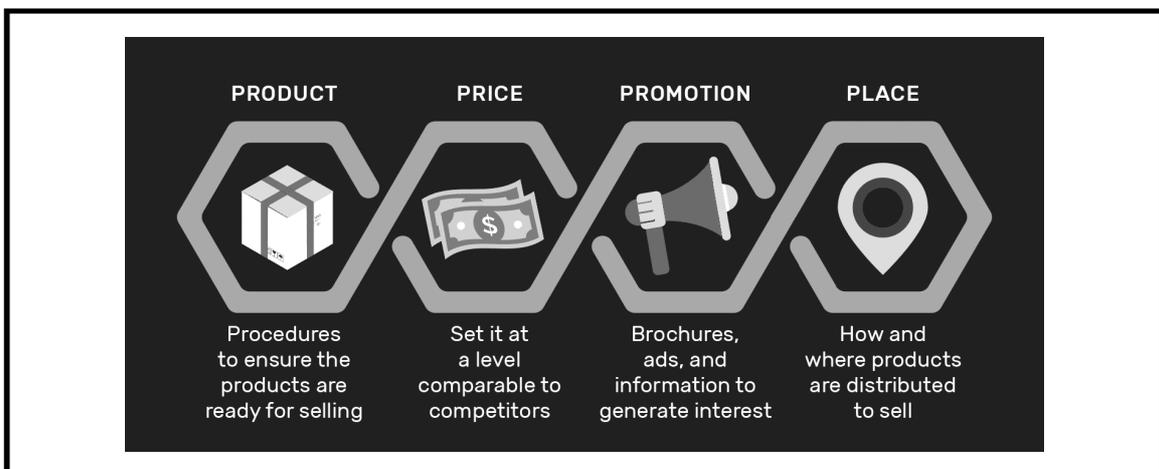
Marketing Mix is the core of an organisation's marketing system. Marketing Mix refers to the marketing variables that combine to sell a product to the target market.

The marketing mix has been defined as the “set of marketing tools that the firm uses to pursue its marketing objectives in the target market”.
— **Philip Kotler**

“The basis of marketing operations is the co-ordination of four key variables, namely: product, price, place and promotion”.
— **E. Jerome McCarthy**

“Marketing Mix is the term that is used to describe the combination of the four inputs that constitute the core of a company's marketing system: the product, the price structure, the promotion activities, and the distribution system”.
— **William Stanton**

Elements of Marketing-Mix

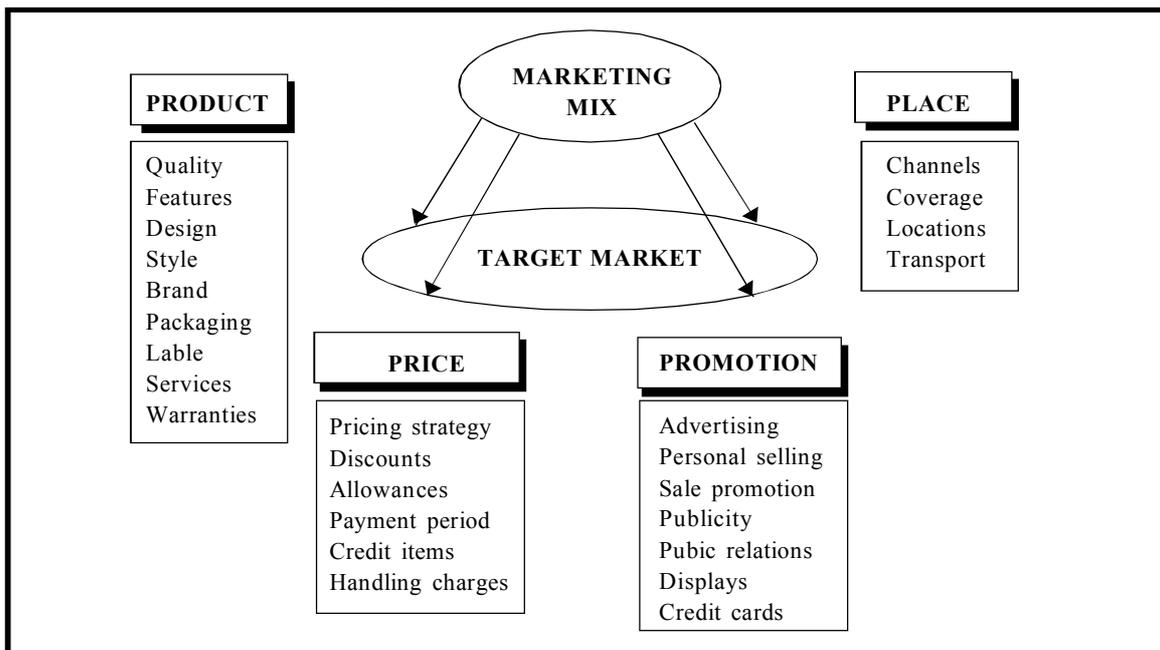


Marketing Mix is one of the most fundamental concepts in marketing management. For attracting consumers and for sales promotion, every manufacturer has to concentrate on four basic elements/components. These are: product, pricing, distributive channels (place) and sales promotion techniques. A fair combination of these marketing elements is called Marketing Mix.

The marketing mix simply refers to the planned mix of the controllable elements of a product’s marketing plan. The traditional marketing mix comprises of 4 Ps — **Product, Price, Promotion and Place** and these elements are usually referred to as the 4Ps. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements.

In 1981, Bernard H. Booms and Mary J. Bitner further developed the traditional marketing mix, *i.e.*, 4 Ps developed by the American Professor of Marketing Jerome McCarthy into the extended marketing mix or services marketing mix which includes **People, Physical Evidence and Process**. This Service Marketing Mix is also called the 7P model or the 7 Ps of Booms and Bitner. This Service Marketing Mix strategy extends the original marketing mix model from four to seven elements. While Jerome McCarthy has only defined four verifiable marketing elements, the 7Ps are an extension as a result of which this services marketing mix can also be applied in service companies and knowledge intensive environments.

Marketing Mix is the blending of four inputs (4 Ps) which form the core of marketing system. This marketing mix is marketing manager’s tool for achieving marketing objectives/targets. The marketing manager has to use the four elements of marketing mix in a rational manner to achieve his marketing objectives in terms of volume of sales and consumer support.



Thus, adjustments are usually made to each of these four elements until a perfect blend that adequately caters to the needs of the customers and at the same time generates optimum revenue is obtained.

- 1. Product:** A product is an item that satisfies a need or a desire. This can be a physical item, a service or a virtual offering. A product or a service is what the customer buys. In fact, the consumer does not buy just the physical product; he buys solutions to his problems, or hopes of satisfying his wants and needs. A product must be designed to solve buyer's problems and add to his satisfaction. The various products sub-variables are:- Product line, quality, style, size, model, design, features, brand name, trademark, packaging, warranties, after-sales service, etc.

A successful product has to fulfil a specific need in the market. Functionally, it must be able to perform its function as promised. There also needs to be clear communication to users and potential customers regarding its benefits and features. Branding is another important feature for a product. Developing a product into a brand helps foster customer loyalty and recall and differentiates itself in the market.

Managing product component involves product planning and development. Here, the decisions are required to be taken regarding product range, branding, packaging, labelling and other features of the product. The product manufactured for market should be as per the needs and expectations of consumers.

Product is the most powerful competing instrument in the hands of the marketing manager and should not be neglected. If the product is not sound /attractive to the customers, no amount of sales promotion, appropriate channel selection or price reduction will help to achieve the marketing target. Hence, durability, quality, uses, etc. of the product are important from the marketing point of view.

Product strategies must take the other three elements of the marketing mix into consideration. Price, distribution and promotion enhance the attraction of a marketable product.

- 2. Price:** Price is one more critical component of marketing mix. Price is the exchange value of the product at which the seller is willing to sell and buyer is willing to buy. The price charged for the product must be good enough to bring returns to the company and at the same time reasonable enough to convince the customers to buy the product. If it is too high, customers may prefer competitors product and if it is too low, the firm may not achieve returns and customers also equate low price to low quality.

While fixing price; factors such as cost, demand, competition, nature of the product, government regulations, etc. are to be considered by the company. The price variables includes: List price, discounts, credit terms, instalment facilities, pricing strategy, etc.

Pricing has an important bearing on the competitive position of a product. The marketing manager may use pricing as a tool for achieving the targeted market share or sales volume. Pricing can also be used for capturing market and also for facing market competition effectively.

Pricing decisions and policies have direct influence on the sales volume and profits of the firm. Market price of a product also needs periodical review and adjustments. The price charged should be high enough to give adequate profit to the company but low enough to motivate consumers to purchase product. It should also be suitable to face market competition effectively.

- 3. Promotion:** Promotion is the persuasive communication about the product offered by the manufacturer to the prospect. A well promoted product can be easily sold in the market. Promotional activities are required to build a good rapport with the consumers and also develop a good name for the company. A promotional mix involves a 'push or pull' strategy to generate sales.

A push strategy involves marketing efforts (primarily personal selling and trade promotion) directed at channel intermediaries (wholesalers and retailers) to induce them to order and stock the product and promote it to the end users.

A pull strategy involves marketing efforts (advertising and consumer promotion) directed at end users to induce them to ask intermediaries for the product and thus induce the intermediaries to order the product from the seller.

The promotion mix includes variables such as: Personal selling/salesmanship, advertising and publicity, public relations, direct marketing, sales promotional tools and techniques such as offering gifts, free samples, coupons, contest discounts, after sales service, etc.

Promotional activities are necessary for large scale marketing and also for facing market competition effectively. Such activities are varied in nature and are useful for establishing reasonably good rapport with the consumers.

- 4. Place:** This refers to distribution. Physical distribution is the delivery of goods at the right time and at the right place to consumers. Physical distribution of product is possible through channels of distribution which are many and varied in character.

The marketer must select, motivate and link various intermediaries so that the products and services reach efficiently to the target market. The marketing manager has to select and manage the channels of distribution through which the products will reach the right market at the right time and develop a distribution system for physically handling and transportation of the products. The distribution mix includes variables such as: Marketing intermediaries, target market, channel motivation, transportation, inventory control, warehousing, etc.

For large-scale distribution, the services of wholesalers, retailers and other marketing intermediaries are required. A marketing manager has to select a channel which is convenient, economical and suitable for the distribution of a specific product.

For instance, large numbers of outlets are required for the distribution of products of mass consumption such as soaps and oils. On the other hand, for the marketing of speciality products like refrigerators and TV sets, selective distribution through authorised dealers is quite convenient.

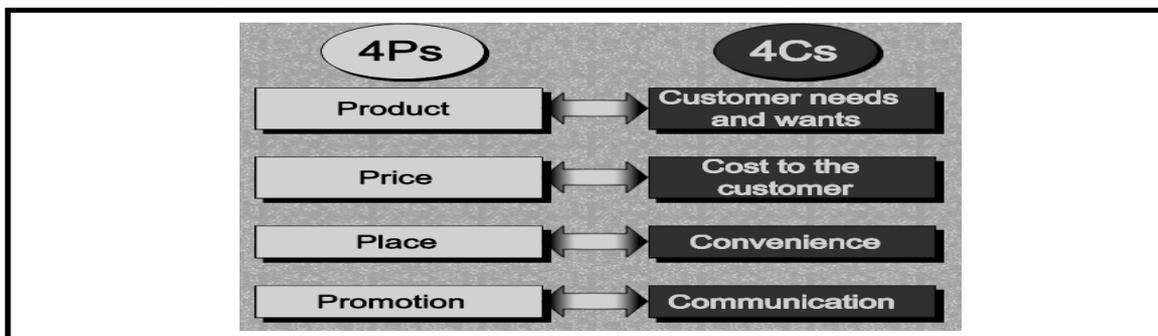
A Marketing Mix Example

For example: Let us go through a marketing mix example of a popular beauty and skin care company. At first, the company targeted older individuals who need to keep their skin looking younger forever. However, after an intense research, they later discovered that young people need to be catered for too. That led to the development of a beauty and skin care product catered to young people. In accordance to all the elements of the marketing mix strategy, the company identified the product, priced it correctly, did tremendous promotions and availed it to the customers. This marketing mix example belongs to Nivea, one of the most renowned companies in the beauty and skin care niche. Following these rules clearly has managed to make the company untouchable by all the other competitors in the market. This makes Nivea, the giant we know and love today!

1.1 (e) (ii) 4 Cs of Marketing

In 1990, Robert Lauterborn proposed an alternative to the 4Ps Marketing Mix, known as the 4Cs of marketing. The 4Ps Marketing Mix is a business oriented model, which includes product, price, promotion and place. The newer 4Cs of marketing model was meant to be a more consumer-orientated version. It includes Consumer, Cost, Communication and Convenience. It focuses the marketer on targeting niches rather than mass markets.

The 4Ps and 4Cs can be taken as two sides of the same coin, with one being a buyer's perspective and the other, a seller's. The traditional 4Ps model of marketing represents supply-side or seller-centric, whereas, the 4Cs model of marketing represents demand-side or customer-centric. But considering the marketing mix from a 4C perspective is not just an exercise in semantics. Instead, it reflects a change in mindset to encourage marketers and executives to view their entire process and value chain from the customer's point of view.



- 1. Consumer:** This component is in replacement of “product”. In this marketing approach, the company focus is consumer oriented rather than product oriented. The marketers should focus on consumers’ needs and wants to provide high value. The principle of four Cs of marketing states that your customer should be your prime focus. Unlike the traditional marketing mix where the primary focus is on Products, in the 4 Cs model, the primary focus is on the customer. Thus the companies which follow this model believe in making products which satisfy their customers. They are generally ready to offer customisable products and because they have a general set of target customers, this principle is only applicable for smaller market segments and not for mass markets. For mass markets, the traditional marketing mix can be used.
- 2. Cost:** Cost replaces the “price”, by emphasising the shift towards a consumer centered marketing strategy. The focus is on what it costs a customer to buy a product or service, instead of pricing a product for the sole purpose of organisational profit. There is a long term approach attached to the idea of cost, by also considering the maintenance cost of a certain product or service. When studying marketing, it is important to consider that “cost” has broader perspective than simply money. Cost involves time, effort, stress and convenience factors. Therefore, a firm can reduce the costs of product acquisition to a consumer by making their product easier to obtain and providing a simpler process.
- 3. Communication:** Communication replaces “promotion”. Promotion is manipulative as it’s from the seller, whereas communication requires a give and take between the buyer and seller. However, it is in this element that the most important shift in marketing practice is seen. Instead of a one-way communication strategy, organisations need to adopt a “listening and learning” approach. A relationship-based communication, defined as a two-way system should be implemented in order to compete effectively. The main aim of communication is to create a dialogue with the potential customers based on their needs and lifestyles.

A traditional marketing mix uses promotion as a tool to put information about the product in front of the customer. Promotion and its methods continue to evolve with new avenues and means to reach the consumer. Though these methods of promotion remain effective, a niche marketing focus needs a bit more.

Communication will work toward creating a meaningful relationship with the customer with a focus on what they need and what their lifestyle is. The focus is wider and more inclusive of the different forms communication can take. There is more of a give and take between buyer and seller. Looking at advertising as this form of communication can help a marketer understand their market better and increase sales and customer loyalty.

- 4. Convenience:** The “place” in the traditional marketing mix is to be replaced by convenience. But instead of looking for a range of retailers to sell and promote their products, these days’ firms need to look at the most convenient manner of getting their product to the end consumer.

A customer is not bound to actually go to a physical location to meet a need and there is an endless variety of places online to do so, thus making it possible to order the product not just from the local market but anywhere across the globe.

In other words, the focus has shifted from the best distribution solution for the company towards the consumer’s convenience. This change was absolutely necessary along with the increasing number of internet and phone orders. E-commerce has become more and more successful and therefore many buyers purchase what they need from the comfort of their own home. Organisations need to adapt to this new trend by rethinking their distribution process.

1.1 (f) Marketing v/s Selling

Marketing	Selling
(1) Meaning: Marketing is a process of identifying or anticipating and satisfying customer needs and wants.	Selling is a process of transferring a product to a customer regardless of his/her needs and wants.
(2) Emphasis: Marketing is consumer oriented. It emphasises on consumers and the maximisation of their satisfaction.	Selling is production oriented. It emphasises on production and its efficiency.
(3) Process: The marketer first identifies the consumer needs and wants, designs the product and then distributes it to satisfy customers	The seller manufactures the product and then distributes in the market to achieve sales targets.
(4) Objective: Basic objective of marketing is profit-maximisation through maximising consumer satisfaction	Basic objective of selling is profit maximisation through sales-maximisation
(5) Perspective: Under marketing concept, there is a long-run perspective; concerned with winning consumers permanently and capturing a largest ‘market-share’ through providing maximum consumer satisfaction.	Under selling concept, there is a short-term perspective; concerned with making sales and earning profits.

<p>(6) Concept: Marketing is a wider concept. It includes selling plus a large number of functions viz. marketing research, pricing, promotions, packaging and a host of other functions.</p>	<p>Selling is a narrower concept. It is a part of the marketing concept; insofar 'selling' is a concerned. It includes limited marketing functions which are imperative for selling.</p>
<p>(7) After-sales service: There is great emphasis on after-sales service, under the marketing concept; with a view to winning customers permanently and ensuring long-term prosperity of the business enterprise.</p>	<p>There is usually no attention to after-sales service, under the selling concept.</p>
<p>(8) Demand: Under marketing concept, demand is created through appropriate marketing strategies.</p>	<p>Under selling concept demand is presumed to be in existence.</p>
<p>(9) Approach: Marketing has an integrated approach which stresses on ascertaining the customer requirements and providing them with the same.</p>	<p>Selling has a fragmented approach, which stresses on selling all that is produced.</p>
<p>(10) View on customer: In marketing, the customer is given priority, as first of all, the needs are identified and after that sold to customers.</p>	<p>In sales, the customer is viewed as the last link, <i>i.e.</i>, the product is created first and then sold to customers.</p>
<p>(11) Price: In the marketing concept, the price is determined on the basis of various forces present in the market, <i>i.e.</i>, demand and supply of the commodity.</p>	<p>In selling concept, the cost of production forms the basis of determining the price of the product or service.</p>
<p>(12) Strategy: Marketing uses the pull strategy (where the customer comes to a product by himself).</p>	<p>Selling use push strategy (where the product is forced onto a customer).</p>
<p>(13) Focus: The main focus of marketing concept is on the customer needs.</p>	<p>The selling concept puts greater thrust on the existing product.</p>
<p>(14) Precedes/Follows Production: Marketing precedes production in the form of marketing research and follows production in the form of after-sales service</p>	<p>Selling follows production. Goods are produced first and then sold.</p>

1.1 (g) Marketing as an activity and function

Marketing is the most important activity in a business as it has a direct effect on the profitability and sales. Large business firms have a workforce designated in marketing roles and a department for the purpose of marketing. The marketing function within any organisation does not exist in isolation. Therefore it's important to see how marketing connects with and permeates other functions within the organisation. However, it is important to realise that marketing cannot be carried out in isolation from the rest of the business.

For example: The marketing department of a business needs to work closely with operations, research and development, finance and human resources department to check the possibility and feasibility of their plans.

(a) Operations/production department: The marketing department will need to work closely with the operations/production department to ensure that:

- Adequate research and development is planned to satisfy current and future customer needs
- The item can be manufactured to the quality and design specifications laid down by the consumer
- The volume of orders generated by marketing can be met within the time schedule required for delivery

It is likely that the marketing department will set deadlines that may stretch the capabilities of the production department. Marketers will wish to get products to market as soon as possible to ensure competitive advantage, whereas production will want to test and develop products fully to ensure that they do not have to repair or replace defective items and that they meet health and safety requirements.

(b) Finance department: The marketing department will need to work closely with the finance department to ensure that:

- There is an adequate budget to meet the needs for research, promotion and distribution

The finance department have a whole organisation brief to ensure that all the business operates within its financial capabilities. They will want all departments to work within their allocated budgets. Like all departments, marketing may wish to overspend if profitable marketing opportunities emerge over the year. The marketing department is likely to concentrate on sales volume and building market share, while the finance department may be more focused on cash flow, covering costs and paying back investment as quickly as possible.

(c) Human Resource Management: The marketing department will need to work closely with the HRM to ensure that appropriate skills and staffing levels are in place to:

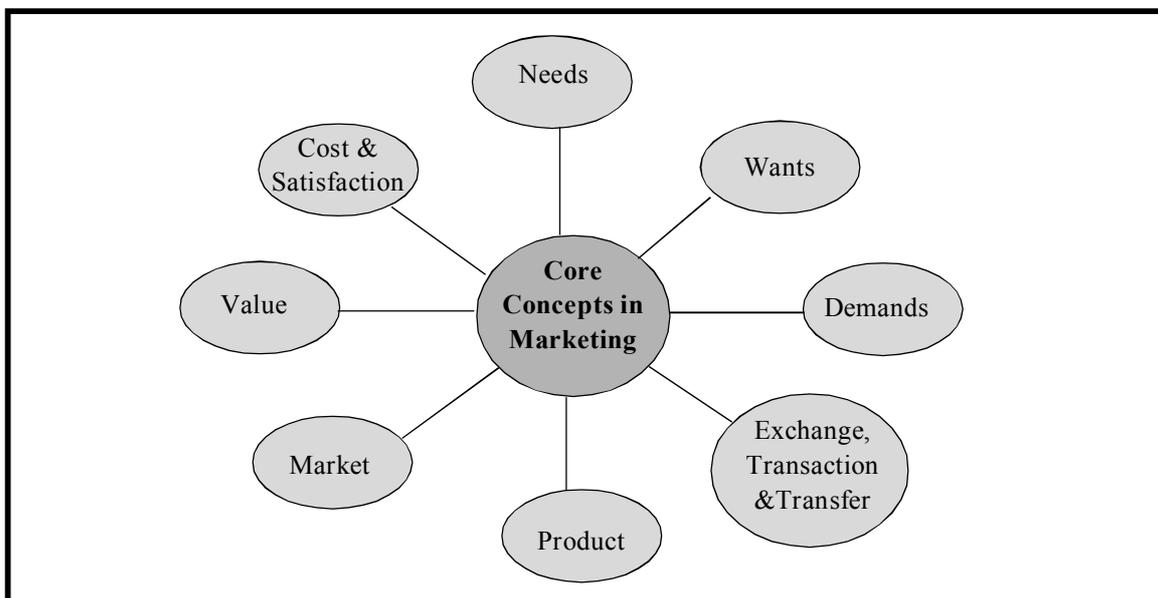
- Research and develop new product ideas
- Meet production targets
- Create an ambitious and competent sales team

The HRM department will have many recruitment and training demands from across the organisation. It will have to balance its obligations to marketing with those to other departments.

(d) Research and Development Department: A research and development department will need to work very closely with the marketing department to understand the needs of the customers and to test outputs of the R&D section.

As marketing activities and strategies result in making products available that satisfies customers while making profits for the companies that offer those products. All functions within the organisation should point towards the customer i.e. they are customer oriented from the warehouseman that packs the order to the customer service team member who answers any queries you might have. Thus, marketing is an activity and function.

1.2 CORE MARKETING CONCEPTS



1. **Needs:** Needs are basic human requirements. Human need is a state of deprivation of some basic satisfaction. People need food, clothing, safety, shelter, belonging and esteem. Without these humans cannot survive. These needs cannot be created by society or marketers but they exist in the very texture of human biology and human conditions. Humans also have needs for recreation, relaxation, education and entertainment. Need, in terms of marketing can be divided into the following five types: *Stated, Real, Unstated, Delight, Secret*.

For example a customer wants to buy a car. When consumer says he wants something, like an inexpensive car, that is his **stated need**. When the consumer wants a car for rational, genuine need, like he wants a car whose operating costs are low over a time, and not just a low initial price, this is his **real need**. In buying this car, the consumer also expects a good service from the dealer. This is the **unstated need**. When the consumer doesn't explicitly express that he would want something but would like to have it anyway, say for example he would like the car dealer to include an on board GPS navigation system too; this becomes a **delight** for him.

Lastly, there is a desire seldom shown, this may be a secondary benefit of obtaining the product, yet equally important or might as well be the main reason, but not expressed so readily. For example, here the consumer wants a car for the status symbol so that he can show his friends that he is a savvy consumer. This is when he has a **secret need** to appear to fit in.

2. **Wants:** Wants are the options to satisfy a specific need. They are desire for specific satisfiers to meet specific need. Needs become wants when they are directed to specific objects that might satisfy the need. For example, a person needs food but may want hamburgers, French fries and coke. These wants are continually shaped and reshaped by social forces and institutions, schools, families, business corporations, etc.

Though needs are limited or few, but wants are many; for every need, there are many wants. Marketer can influence wants, not needs. He concentrates on creating and satisfying wants.

3. **Demands:** Demands are wants for specific products that are backed by an ability to pay. In other words, demand refers to a desire for a product backed by ability to pay and the willingness to buy that product.

Want becomes demand when supported by purchasing power. For example: Many people want Mercedes Benz but only a few are able to pay and willing to buy one. Marketers must, therefore, measure not only how many people want their product but how many would actually be willing and able to buy it.

Thus marketers do not create needs but they pre-exist. Marketers along with other societal influences, influence the wants of the consumers. Say for example: Marketers might promote the idea that Mercedes Benz would satisfy a person's need for social

status but they do not create the need for social status. Marketers thus influence demand by making the product appropriate, attractive, affordable and easily available to the target consumers.

4. **Exchange:** Exchange is in the centre of marketing. Marketing management tries to arrive at the desired exchange. People can satisfy their needs and wants in one of the four ways — self-production, coercion/snatching, begging, or exchanging.
- **Self-production:** People can relieve hunger through hunting, fishing, fruit gathering there is no market and marketing involved.
 - **Coercion/snatching:** Hungry person may steal food.
 - **Begging:** Hungry person can approach other and beg for food. They have tangible to offer in return except for food.
 - **Exchange:** Hungry person can offer resources in return such as money, goods or services.

Marketing emerges only when people want to satisfy their needs and wants through exchange.

“Exchange is an act of obtaining a desired product from someone by offering something in return”. Obtaining sweet by paying money is the example an exchange.

Exchange is possible when following five conditions are satisfied:

- (a) There should be at least two parties
- (b) Each party has something that might be of value to the other party
- (c) Each party is capable of communication and delivery
- (d) Each party is free to accept or reject the exchange offer
- (e) Each party believes it is appropriate or desirable to deal with the other party

Exchange is sometimes also described as value creating process because exchange normally leaves both parties better off.

5. **Transaction:** Event that happens at the end of an exchange. Transaction is the exchange of goods and services, with or without money. It implies that people are negotiating and moving toward the agreement. When an agreement is reached, it is transaction. Transaction is the decision arrived or commitment made.

For example, Mr. X pays ₹ 25,000 and obtains a computer. There are various types of transactions, such as barter transactions, monetary transactions, commercial transactions, employment transactions, civic transactions, religious or charity transactions.

Transaction involves following conditions:

- (a) At least two things of value
- (b) Agreed upon conditions

- (c) A time of agreement
 - (d) A place of agreement
 - (e) A law (legal system) of contract to avoid distrust
- 6. Transfer:** Transfer involves obtaining something without any offer or offering anything without any return. For example, Mr. X gives gift to Mr. Y. Transfer is a one-way process. But, pure transfer is hardly found in practice. One transfers something with some unexpressed expectations. Such as:
- Offer of money to beggar in expectation to get the favour of God.
 - Donor gives donations and receives honour and appreciation from the receiver.
 - Gift is rewarded in terms of gratitude, a good behaviour, saying, “thank you” or with the expectation that the receiver of the gift will offer the same in the future.
- 7. Product:** Product can also be referred as a bundle of satisfaction, physical and psychological both. Product includes core product (basic contents or utility), product-related features (colour, branding, packaging, labelling, varieties, etc.), and product-related services (after-sales services, guarantee and warrantee, free home delivery, free repairing, and so on). So, tangible product is a package of services or benefits. Marketer should consider product benefits and services, instead of product itself. People satisfy their needs and wants with products. A product is anything that can be offered to satisfy a need or want. It is also called offering or solution. A product has three components: *Physical Goods, Services, Ideas*

For example:

A fast food restaurant is supplying goods (hamburger, French fries, soft drinks); services (purchasing, cooking system, seating arrangements) and ideas (“Save my Time”).

A computer manufacturer is supplying goods (computer, monitor, printer); services (delivery, installation, training, maintenance, repair) and ideas (“Computation Power”).

However, importance lies in service rendered by the product. People are not interested just owning or possessing products, but the services rendered by them. For examples, we do not buy a pen, but writing service.

Similarly, we do not buy a car, but transportation service. Just owning a product is not enough, the product must serve our needs and wants. Thus, physical product is just a vehicle or medium that offers services to us.

As per the definition, anything which can satisfy need and want can be a product. Thus, product may be in forms of physical object, person, idea, activity, or organisation that can provide any kind of services that satisfy some needs or wants.

- 8. Market:** A market consists of all potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy this need or want.

Market is a group of buyers and sellers interested in negotiating the terms of purchase/sale of goods or services. The size of the market depends on the number of people who have need or want and have resources that interest others and are willing and able to offer these resources in exchange for what they want.

- 9. Value:** Value is the consumer's estimate of the product's overall capacity to satisfy his/her needs. Buyer purchases such a product, which has more value. Value is, thus, the strength of product to satisfy a particular need.

According to De'Rose value is "the satisfaction of customers' requirement at the lowest possible cost of acquisition, ownership and use".

- 10. Cost:** Cost means the price of product. It is an economic value of product. The charges a customer has to pay to avail certain services can be called as cost. The value of product is compared with cost that he has to pay. He will select such a product that can offer more utility (value) for certain price. He tries to maximise value, that is, the utility of product per rupee.

- 11. Satisfaction:** Satisfaction means fulfilment of needs. Satisfaction is possible when buyer perceives that product has more value compared to the cost paid for. Satisfaction closely concerns with fulfilment of all the expectations of buyer. Satisfaction releases the tension that has aroused due to unmet need(s). In short, more utility/value with less cost results into more satisfaction.

Customer satisfaction is the outcome of a correlation between product performance and customer expectations.

- When product performance matches with customer expectation, customer is satisfied.
- When product performance is below customer expectation, customer is dissatisfied.
- When product performance exceeds customer expectation, customer is delighted.

1.3 ORIENTATION OF FIRM

There are different concepts of marketing, each of which varies in the function that they deal with. **For example** – production concept deals with production and selling concept deals with selling. Each of the concepts was developed as per the need of the market. As the market changed, so did the concepts of marketing.

To better understand the marketing concept, it is worthwhile to put it in perspective by reviewing other philosophies that once were predominant. While these alternative concepts prevailed during different historical time frames, they are not restricted to those periods and are still practiced by some firms today.

- 1. The Production Concept:** The production concept prevailed from the time of industrial revolution until the early 1920s. This concept treats production as the base of marketing. The concept holds that, “Consumers 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.

The companies accepting this view try to improve efficiency and produce maximum through the use of modern technology and thereby reduce the cost of production and market price. This concept is one sided as production without considering the needs and expectation of consumers may not get the support of consumers and consumers may not purchase a product only because it is produced on large scale and as it is easily available in the market.

This orientation makes sense in developing countries, where consumers are more interested in obtaining the product than in its features. The assumptions of this concept are:

- (i) Anything that can be produced can be sold.
 - (ii) The most important task of management is to keep the cost of production down.
 - (iii) A firm should produce only certain basic products.
- 2. The Product Concept:** This concept came into existence in the early 20th Century, and focuses on product excellence. This concept holds that “Consumers will favour those products that offer the most quality, performance or innovative features. Managers in product oriented organisations focus their energy on making superior products and improving them over time”.

Under this concept managers assume that the buyer’s admire well made products and can appraise product quality and performance and these companies therefore concentrate on improving product quality through new technology, R&D, etc. and try to improve product features. Such companies may fail on their marketing front because they do not bother to study the consumers and their needs and expectations, preferences, likes and dislikes, etc. in depth. They give attention to product innovation but neglect the consumers and their needs. The assumptions of this concept are:

- (i) Consumers prefer products with best quality and performance.
 - (ii) Focus should be on making superior products and innovation.
- 3. The Selling Concept:** This concept gained importance after the great depression of 1930s. Under this concept, sales orientation is given importance in marketing. This concept holds that “The consumers, if left alone, will ordinarily not buy enough of the organisation’s products. The organisations must, therefore, undertake an aggressive selling and promotional efforts”.

This concept is practiced aggressively with unsought goods, *i.e.*, goods that buyers normally do not think of buying, *e.g.*, insurance, encyclopedia, etc. also this concept

is used in non-profit areas, *e.g.*, funds raising, political parties to sell their candidature, etc. under this concept there is little research on what the public wants. The firm's aim is to sell what they make rather than what the market wants. The assumptions of this concept are:

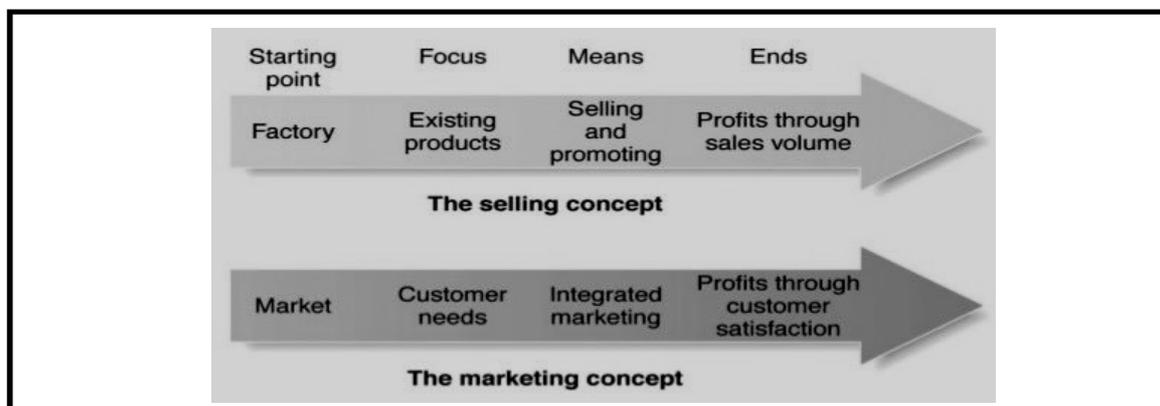
- (i) Producing the best possible product.
- (ii) Finding the buyer for the product,
- (iii) The management's main task is to convince the buyers through high pressure tactics, if necessary.

4. The Marketing Concept: This concept was brought into play during the mid-1950s. Under this concept the consumer is taken at the centre of all marketing activities. This concept holds that "The key to achieving organisational goals consist of being more effective than competitors in integrating marketing activities towards determining and satisfying the needs and wants of the target market".

It starts with a well-defined market (target market), focuses on customer needs, and integrates all marketing activities that will affect customer (integrated marketing) and produces profits by satisfying customers (profitability).

This concept is also known as customer-oriented concept. This concept firmly believes that achieving organisational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do. Marketing concept takes an outside-in view that focuses on satisfying customer needs as a path to profits. The assumptions of this concept are:

- (i) The firm should produce only that product as desired by the consumer.
- (ii) The management is to integrate all its activities in order to develop programmes to satisfy the consumer wants.
- (iii) The management is to be guided by 'long-range profit goals' rather than 'quick sales.'



- 5. The Societal Concept:** There has been a further refinement in the marketing concept particularly during 1970s and 1980s. This concept holds that “The organisations’ task is to determine the needs, wants and interests of the target markets and to deliver the desired satisfactions more efficiently and effectively than the competitors in a way that preserves or enhances the consumers and the society’s well-being”.

This concept is also called Humanistic Marketing concept or Ecological Marketing concept. It calls the marketers to build social and ethical considerations into marketing practices. It calls upon the marketers to balance three considerations: - company’s profits, consumers’ want satisfaction and public interest. Thus marketing enterprises have to adjust policies as per social needs, social changes and social expectations. There are social obligations (pollution control, social welfare, environmental protection, ecological balance, etc.) on marketing enterprises which must be honoured by them. Consumer satisfaction is important but it should not be at the cost of the society. The assumptions of social-orientation concept are:

- (i) The firm is to produce only those products as are wanted by the consumers.
 - (ii) The firm is to be guided by long-term profit goals rather than quick sales.
 - (iii) The firm should discharge its social responsibilities.
 - (iv) The management is to integrate the firm’s resources and activities to develop programme to meet these individual consumer and social needs.
- 6. The Relationship Marketing Concept:** Today’s marketing practice gives more importance to relation building which emerged as a concept in the 1990s called “Relationship Marketing Concept”. Marketing practice based on relation building can be termed as relationship marketing. Relationship marketing is the practice of building long-term profitable or satisfying relations with key parties like customers, suppliers, distributors, and others in order to retain their long-term preference in business.

A smart marketer tries to build up long-term, trusting, and ‘win-win’ relations with valued customers, distributors, and suppliers. Relationship marketing needs trust, commitment, cooperation, and high degree of understanding.

Relationship marketing results into economical, technical, social, and cultural tie among the parties. Marketing manager is responsible for establishing and maintaining long-term relations with the parties involved in business.

In the current context, the driving force behind the success of every business is the customer satisfaction and the customer loyalty. On the other hand the driving force behind customer satisfaction is the relationship the businesses have with their customers and how their needs are being addressed in the market context overall.

- 7. The Holistic Concept of Marketing:** Holistic Marketing Concept is probably the newest approach to marketing and the latest business concept. It originated as a response

to fundamental changes in the current marketing environment (demographic changes, globalisation, hyper competition, Internet development, corporate social responsibility, etc.).

Philip Kotler and Kevin Lane Keller define this holistic approach as: “A holistic marketing concept is based on the development, design and implementation of marketing programmes, processes, and activities that recognise their breadth and interdependencies. Holistic marketing acknowledges that everything matters in marketing - and that a broad, integrated perspective is often necessary to attain the best solution.” The holistic marketing concept consists of the following four elements:

- **Relationship Marketing** – a key goal of marketing is to develop deep, enduring relationships with people and organisations that directly or indirectly affect the success of the firm’s marketing activities. Relationship marketing aims to build mutually satisfying long-term relationships with key constituents in order to earn and retain their business. Four key constituents for relationship marketing are customers, employees, marketing partners (channels, suppliers, distributors, dealers, agencies), and members of the financial community (shareholders, investors, analysts).
- **Integrated Marketing** – occurs when the marketer devises marketing activities and assembles marketing programmes to create, communicate, and deliver value for consumers such that “the whole is greater than the sum of its parts.” Two key themes are that (1) many different marketing activities can create, communicate, and deliver value and (2) marketers should design and implement any one marketing activity with all other activities in mind.

All elements of marketing mix (product, price, promotion and place) are integrated to deliver customer value.

- **Internal Marketing** — an element of marketing, is the task of hiring, training, and motivating able employees who want to serve customers well. It ensures that everyone in the organisation embraces appropriate marketing principles, especially senior management.
- **Performance Marketing** — requires understanding the financial and nonfinancial returns to business and society from marketing activities and programmes. Smart marketers go beyond sales revenue to examine the marketing scorecard and interpret what is happening to market share, customer loss rate, customer satisfaction, product quality, and other measures. They also consider the legal, ethical, social and environmental effects of marketing activities and programmes.

EXECUTIVE SUMMARY

1. Introduction to Marketing

Marketing is a process by which individual and organisations obtain their needs and want through creating and exchanging value.

1.1 (a) Definitions

According to the American Marketing Association (AMA) Board of Directors, **Marketing** is “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”

1.1 (b) Features of Marketing

Following are the features of marketing:

1. Systematic Process
2. Marketing is a regular and continuous activity
3. Marketing is both art and science
4. Ideas, Goods and Services
5. Objective-oriented
6. Marketing Environment
7. Integrated approach
8. Customer satisfaction
9. All Pervasive
10. Commercial and non-commercial organisations
11. Competitive Advantage
12. Wide in scope
13. Precedes and follows production

1.1 (c) Advantages of Marketing

The following factors will help you to understand the importance of marketing management in this competitive world:

1. Widens the Market
2. Facilitates Exchanges in the Ownership and Possession of Goods and Services
3. Helps in Optimal Utilisation of Resources
4. Accelerates Other Activities

5. Raises the Standard of Living
6. Creates employment opportunities
7. Marketing Stabilises the Economic Conditions
8. *Ensures organisation survival, growth and stability*
9. Meets consumer needs and wants
10. Promotes awareness among the public
11. Helps in boosting sales
12. Builds company reputation
13. Helps in fostering healthy competition

1.1 (d) Scope of Marketing

According to Philip Kotler, marketing people are involved with ten types of entities which are mentioned below:

1. Goods
2. Services
3. Events
4. Experiences
5. Persons
6. Places
7. Properties
8. Organisations
9. Information
10. Idea

The scope of marketing can be more elaborated from the below mentioned points as per the market situation Study of Consumer Wants and Needs.

- Study of Consumer behaviour
- Product Planning and development
- Branding
- Packaging
- Channels of Distribution
- Pricing Policies
- Sales Management

- Promotion
- Finance
- After Sales Services

1.1 (e)(i) 4 Ps of Marketing-Mix

The marketing mix has been defined as the “set of marketing tools that the firm uses to pursue its marketing objectives in the target market”. — **Philip Kotler**

□ Elements of Marketing-Mix

The traditional marketing mix comprises of 4Ps — **Product, Price, Promotion and Place** and these elements are usually referred to as the 4Ps.

1. **Product:** A product is an item that satisfies a need or a desire.
2. **Price:** Price is the exchange value of the product at which the seller is willing to sell and buyer is willing to buy.
3. **Promotion:** Promotion is the persuasive communication about the product offered by the manufacturer to the prospect.
4. **Place:** This refers to distribution. Physical distribution is the delivery of goods at the right time and at the right place to consumers.

1.1 (e)(ii) 4Cs of Marketing

It includes Consumer, Cost, Communication and Convenience.

1. **Consumer:** This component is in replacement of “product”. In this marketing approach, the company focus is consumer oriented rather than product oriented.
2. **Cost:** Cost replaces the “price”, by emphasising the shift towards a consumer centered marketing strategy. The focus is on what it costs a customer to buy a product or service, instead of pricing a product for the sole purpose of organisational profit.
3. **Communication:** Communication replaces promotion. Promotion is manipulative as it’s from the seller, whereas communication requires a give and take between the buyer and seller.
4. **Convenience:** The place in the traditional marketing mix is to be replaced by convenience. But instead of looking for a range of retailers to sell and promote their products, these days’ firms need to look at the most convenient manner of getting their product to the end consumer.

1.1 (f) Marketing v/s Selling:

Following are the various point of differences

1. Meaning
2. Emphasis
3. Process
4. Objective
5. Perspective
6. Concept
7. After-sales service
8. Demand
9. Approach
10. View on customer
11. Price
12. Strategy
13. Focus
14. Precedes/Follows Production

1.1 (g) Marketing as an activity and function

Marketing is the most important activity in a business as it has a direct effect on the profitability and sales. The marketing function within any organisation does not exist in isolation. Therefore, it's important to see how marketing connects with and permeates other functions within the organisation. However, it is important to realise that marketing cannot be carried out in isolation from the rest of the business.

1.2 CORE MARKETING CONCEPTS

1. **Needs:** Human need is a state of deprivation of some basic satisfaction.
2. **Wants:** They are desire for specific satisfiers to meet specific need.
3. **Demands:** Demand refers to a desire for a product backed by ability to pay and the willingness to buy that product.
4. **Exchange:** Exchange is an act of obtaining a desired product from someone by offering something in return.
5. **Transaction:** Transaction is the exchange of goods and services, with or without money.

6. **Transfer:** Transfer involves obtaining something without any offer or offering anything without any return.
7. **Product:** A product is anything that can be offered to satisfy a need or want. It is also called offering or solution.
8. **Market:** Market is a group of buyers and sellers interested in negotiating the terms of purchase/sale of goods or services.
9. **Value:** Value is the consumer's estimate of the product's overall capacity to satisfy his/her needs.
10. **Cost:** Cost means the price of product. It is an economic value of product. The charges a customer has to pay to avail certain services can be called as cost.
11. **Satisfaction:** Satisfaction means fulfilment of needs.

1.3 ORIENTATION OF FIRM

1. The Production Concept
2. The Product Concept
3. The Selling Concept
4. The Marketing Concept
5. The Societal Concept
6. The Relationship Marketing Concept
7. The Holistic Concept of Marketing

Q. 1: Fill in the blanks:

1. _____ has both inbound and outbound activities.
(marketing, selling, purchasing, planning)
2. Marketing is a _____ as well as _____.
(science, craft/science, art/art, plan/science, plan)
3. _____ is one of the Ps of marketing.
(planning, place, people, permission)
4. In _____, emphasis is on the product.
(marketing, selling, advertising, promoting)
5. _____ also decides the segmentation, targeting and positioning of the product.
(place, product, promotion, price)
6. _____ is want backed by buying power.
(wants, needs, demands, none of these)
7. _____ are wishes of humans.
(wants, needs demands, none of these)

8. The _____ process is the process by which two or more parties give something of value to each other to satisfy the perceived needs.
(transfer, exchange, transaction all of these)
 9. When an agreement is reached, a _____ has taken place.
(exchange, transaction, transfer, none of these)
 10. Gifts, subsidies and charitable contributions are all _____.
(wants, needs, transfers, transactions)
 11. Managers focusing on _____ concept concentrate on achieving high production efficiency low costs, and mass distribution.
(marketing, production, product, selling)
 12. Managers focusing on _____ concept concentrate on making superior products and improving them over time.
(selling, marketing, product, societal marketing)
 13. In _____ concept the aim of the managers is to sell what they make rather than make what the market wants.
(marketing, product, production, selling)
 14. _____ concept stresses on customer satisfaction and consumer and social welfare.
(production, societal marketing, marketing, holistic)
 15. _____ concept is the right marketing of the product.
(holistic, production, product, selling)
- [Ans: (1) Marketing; (2) Art, science; (3) Place; (4) Selling; (5) Promotion; (6) Demands; (7) Wants; (8) Exchange; (9) Transaction; (10) Transfer; (11) Production; (12) Product; (13) Selling; (14) Societal Marketing; (15) Holistic]

Q. 2: State whether the following statements are TRUE or FALSE:

1. 4Ps have been replaced by 4Cs.
2. In selling, stress is on needs of the buyer.
3. In marketing, management is profit-oriented.
4. Marketing mix plays a crucial role while deciding the strategy of the organisation.
5. Short-term profitability is an advantage of marketing.
6. At least two parties are needed for an exchange to occur.
7. In a transfer, party A gives something to Party B and also receives anything tangible in returns.
8. A barter transaction consists of trading goods and not services.
9. Wants are a step ahead of needs and are largely dependent on the needs of human themselves.
10. Needs, wants and demands collectively help the marketer decide the products which he needs to offer in the market.
11. The two elements included under social welfare are high level of human life and pollution free atmosphere.
12. In marketing concept, managers concentrate on product superiority.
13. The cost of production per unit increases for the organisation following production concept.

14. Marketing concept helps in long-term profitability.
15. Holistic marketing concept considers the business as a whole and not as an entity with various different parts.

[Ans: (1) True; (2) False; (3) True; (4) True; (5) False; (6) True; (7) False; (8) False; (9) True; (10) True; (11) True; (12) False; (13) False; (14) True; (15) True]

Q. 3: Match the following:

Column A	Column B
1. Product	(a) Communication
2. Price	(b) Convenience
3. Place	(c) Cost
4. Promotion	(d) Customer
5. Needs	(e) Gifts, subsidies
6. Wants	(f) 5 star hotels
7. Demands	(g) Consumer durables
8. Transfer	(h) Agricultural sector
9. Production concept	(i) Works to maintain quality
10. Product concept	(j) Large scale production
11. Selling concept	(k) Customer satisfaction
12. Marketing concept	(l) Short-term advantage
13. Societal marketing concept	(m) Satisfies consumers and society

[Ans: (1-d); (2-c); (3-b); (4-a); (5-h); (6-g); (7-f); (8-e). (9-j); (10-i); (11-l); (12-k); (13-m)]

QUESTIONS

1. What is marketing? Explain its features in detail.
2. Explain the advantages of marketing to business firms.
3. Discuss the scope of marketing.
4. Write a note on 4Ps of marketing.
5. Write a note on 4Cs of marketing.
6. Distinguish between marketing and selling.
7. Marketing as an activity and function. Discuss.
8. Discuss the core concepts of marketing with reference to needs, wants, demands, transactions, transfer and exchanges.
9. Explain the company orientation towards the marketplace.

