



# MARKETING MANAGEMENT

## Unit 1 – Marketing Concept & Marketing Environment

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# Contents

- Marketing: Meaning,
- Nature & Scope of Marketing
- Core Concepts/Philosophies of Marketing
- Selling vs Marketing
- Marketing Mix
- Marketing Environment

# Introduction



- Main objective of any business organization is to satisfy the needs and wants of the society
- Production or purchase is of no meaning if a firm is unable to market its goods and services
- Marketing is the focal point of all business activities

# Introduction



- Marketing is an ancient art & is everywhere.
- Formally or informally, people & organizations engage in a vast numbers of activities that could be called marketing.
- Good marketing has become an increasingly vital ingredient for business success.
- It is embedded in everything we do- from the clothes we wear, to the web sites we click on, to the ads we see.

# Marketing Defined



- The term Marketing has been derived from the word Market
- Market is a place or geographical area where buyers and sellers meet and enter into transactions involving transfer of ownership of goods and services

MARKETING

# Marketing Defined



- Traditional View

Performance of business activities that direct the flow of goods and services from producers to consumers or users

- Modern View

A business process through which products are matched with the markets and through which transfer of ownerships are effected

# Marketing Defined



- The American Marketing Association has defined marketing as “an organizational function & a set of processes for creating, communicating & delivering value to the customers & for managing customer relationships so as to benefit the organization & the stake holders.

**MARKETING**

# Marketing Defined



- “The process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.”
- According to **Philip Kotler**, “Marketing is a social process by which individuals and groups obtain what they need and want through creating, offering, freely exchanging products and services of value with others”



# WHAT IS MARKETED

GOODS

SERVICES

EVENTS

EXPERIENCES

PERSONS

PLACES

PROPERTIES

ORGANIZATIONS

INFORMATION

IDEAS

# What are Consumers' Needs, Wants, and Demands?



- ***Needs - state of felt deprivation including physical, social, and individual needs i.e hunger***
- ***Wants - form that a human need takes as shaped by culture and individual personality i.e. bread***
- ***Demands - human wants backed by buying power i.e. money***

# NATURE OF MARKETING



- Exchange is the essence of marketing.
- Marketing is customer/ consumer oriented.
- Marketing starts and ends with customers/ consumers.
- Modern marketing precedes and succeeds production.
- Marketing is goal oriented and the goal being profit maximization through satisfaction of human needs.
- Marketing is a science as well as an art.
- Marketing is the guiding element of business (It tells what, when, how to produce; Marketing is capable of guiding and controlling business.
- Marketing is a system .
- Marketing is a process, i.e., series of interrelated functions.



# Scope of Marketing



Marketing has a very wide scope it covers all the activities from conception of ideas to realization of profits. Some of them as discussed as below:

- **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 performs study of 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, market segmentation, 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 programs.
- **Packaging:** Packaging is to provide a container or wrapper to the product for safety, attraction and ease of use and transportation of the product.

# Scope of Marketing



- **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 form 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 with in 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.

# Core Concepts/ Philosophies of Marketing



## Traditional Concepts

- Exchange concept
- Production concept
- Product concept
- Selling concept

## Modern Concepts

- Marketing concept
- Societal concept
- Holistic marketing concept

# Core Concepts/ Philosophies of Marketing



- **Exchange Concept** holds that the exchange of a product between seller & buyer is the central idea of marketing. Exchange is an important part of marketing, but marketing is a much wider concept.
- **Production Concept** is one of the oldest concepts in business. It holds that consumers will prefer products that are widely available & inexpensive. Manager of production oriented business concentrate on achieving high production efficiency low cost & mass distribution.

# Core Concepts/ Philosophies of Marketing



- **Product Concept** holds that consumers will prefer those products that are high in quality, performance or innovative features. Managers in these organization focus on making superior products & improving them over time.

# Core Concepts/ Philosophies of Marketing



- **Selling Concept** holds that consumers, if left alone, will ordinarily not buy enough of the organizations product and thus the organization must undertake an aggressive selling promotion effort for pushing its products.
- It implies selling what is made, rather than making what can sell.

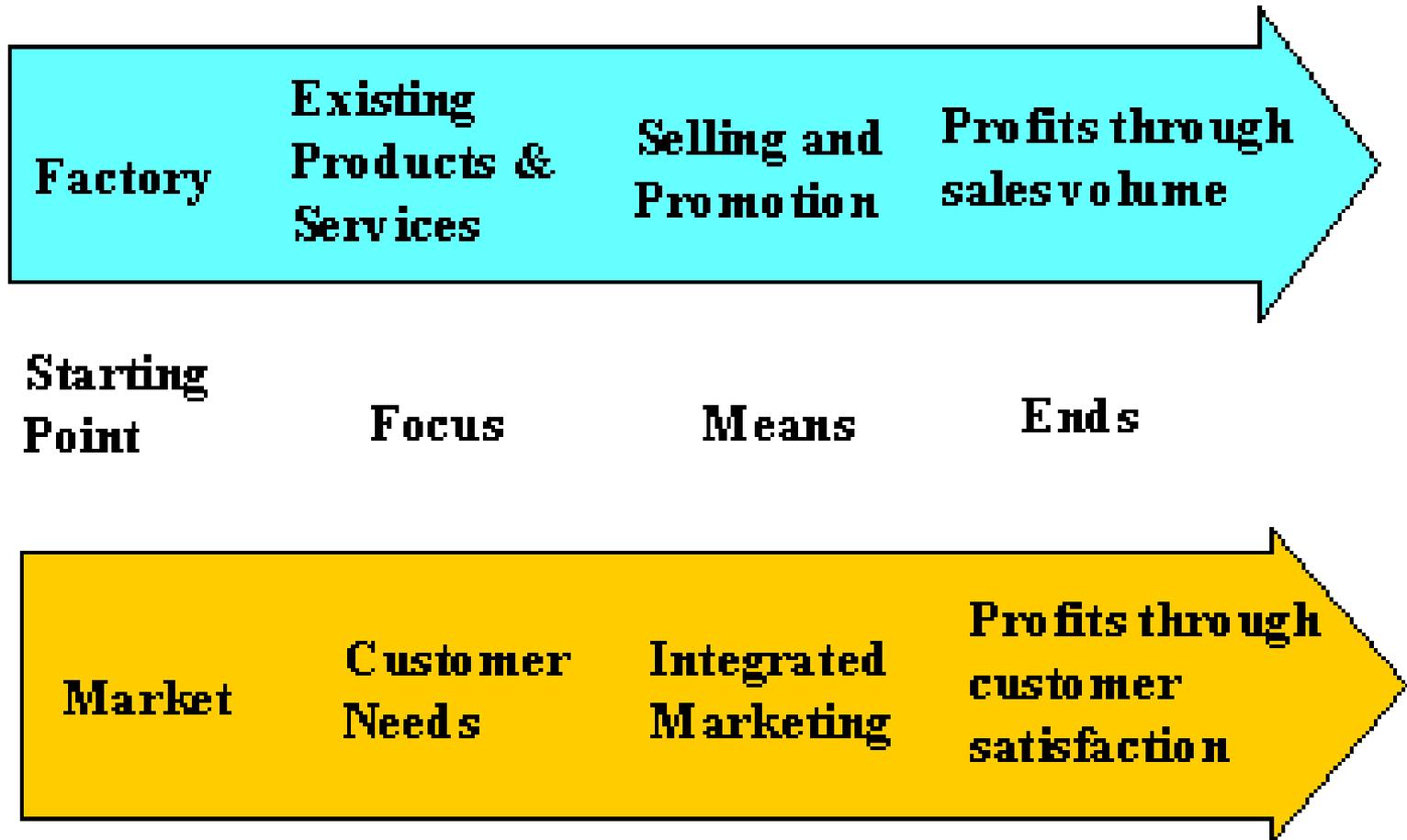
# Core Concepts/ Philosophies of Marketing



- **The Marketing concept emerged in the mid 1950's. The business generally shifted from a product – centered, make & sell philosophy, to a customer centered, sense & respond philosophy.**
- **The job is not to find the right customers for your product, but to find right products for your customers.**
- **The marketing concept holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competitors.**
- **Every department & every worker should think customer & act customer.**



# Selling vs. Marketing Concept



# Core Concepts/ Philosophies of Marketing



- **Social or Societal Marketing Concept** holds that the organizations task is to determine the needs, wants and interests of target markets and to deliver the desired satisfaction more effectively and efficiently than competitors in a way that preserves or enhances the customers' and the society's well being.
- It involves understanding broader concerns & the ethical, environmental & legal and social context of marketing activities & programs.

# Core Concepts/ Philosophies of Marketing

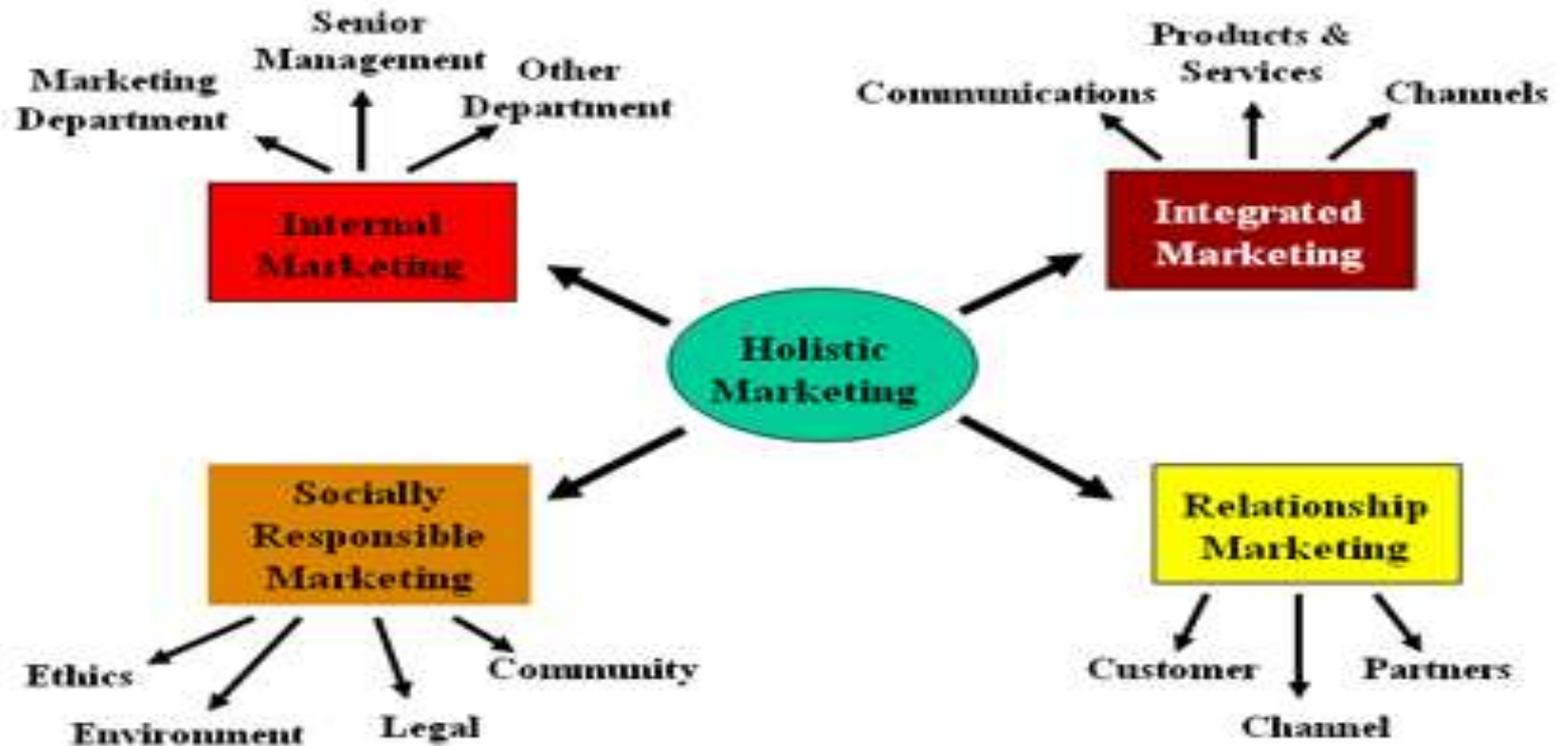


- The **Holistic Marketing Concept** is based on the development, design and implementation of marketing programs, processes and activities that recognizes their breadth and inter-dependencies.
- Holistic marketing is a marketing philosophy that believes '**everything matters**' and that a business cannot exist and excel in vaccum.
- This is an approach which proposes that marketing should be looked from a broad and integrated perspective and not as an isolated management function
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# Components Characterizing Holistic Marketing



## The Holistic Marketing Concept



# Difference between Marketing and Selling



## MARKETING

Focuses on customer's needs

Customer Enjoys Supreme importance

Product Planning and development to match products with markets

Converts customer's needs into products

Profits through customer satisfaction

Consumers determine the price; price determines costs

It assumes: "Let the seller beware" (Caveat Vendor)

## SALES

Focuses on Seller's needs

Product enjoys supreme importance

High pressure selling to sell goods already produced

Converts products into cash

Profits through sales volume

Cost determines the price

It assumes: "Let the buyer beware" (Caveat Emptor)

**SELLING IS MARKETING  
BUT MARKETING  
IS NOT SELLING**





# Marketing Environment



- Businesses do not operate in isolation in the market place.
- There are various factors/ forces, that directly or indirectly influence the organizations business activities.
- All these forces/ factors form the Marketing Environment of an organization.
- The company operates in a complex marketing environment, consisting of uncontrollable forces, to which the company must adapt.

# Marketing Environment

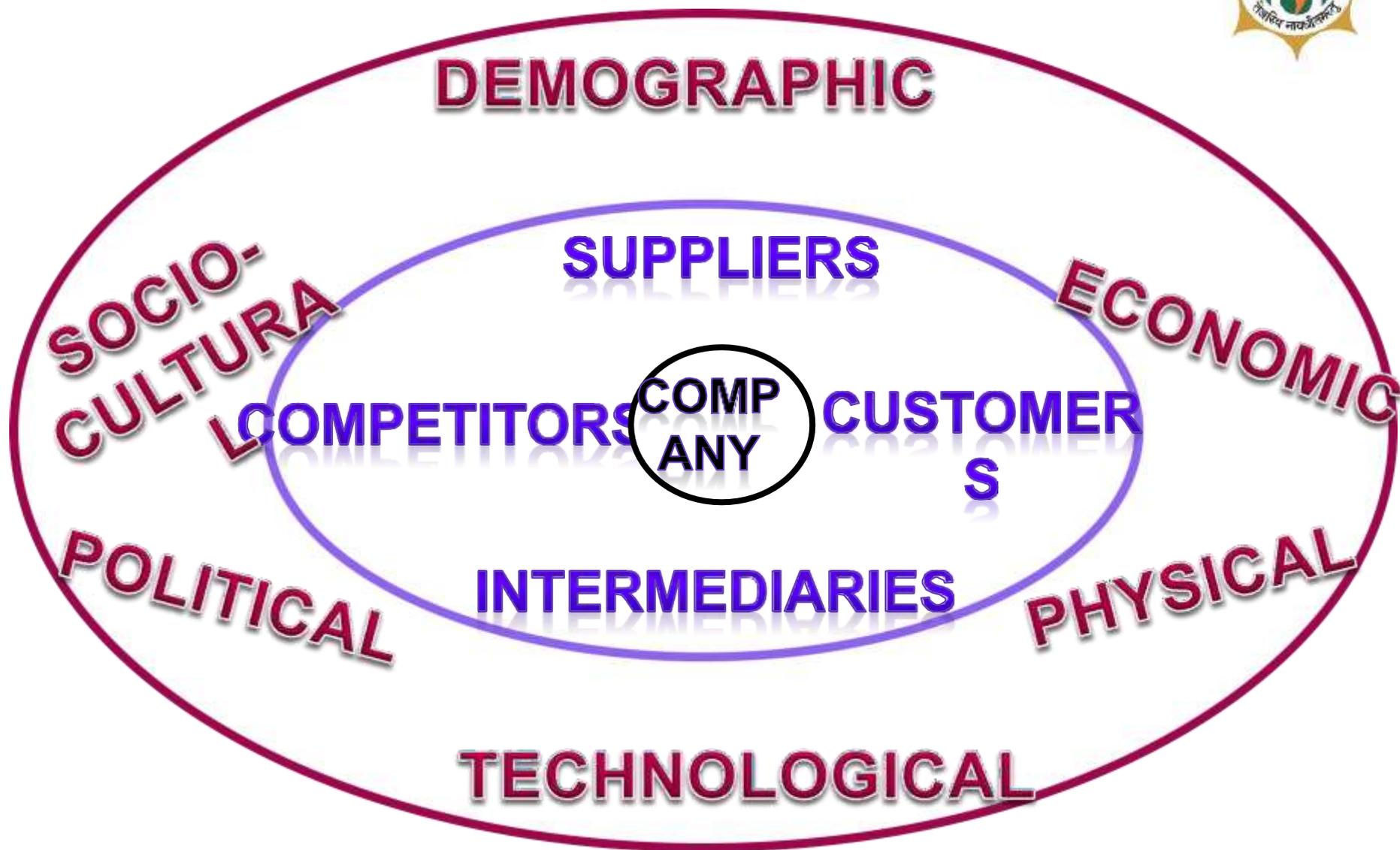


- Marketing is the sum total of trading forces operating in a market place, over which a business has no control, but which shapes the manner in which the business functions and is able to satisfy its customers.
- A marketing environment is what surrounds and creates impact on business organizations.
- Marketing environment is un-controllable and ever changing.



# MARKETING ENVIRONMENT

According to Philip Kotler, “Marketing environment refers to the external factors or forces that affect the company’s ability to develop and maintain successful relationship with its target customers”.





# MARKETING ENVIRONMENT

Marketing Environment consists of two components:

- Micro Environment
- Macro Environment

# MICRO ENVIRONMENT



It refers to the company's immediate environment i.e. those environmental factors that are in its proximity. These factors affect the company's prospects directly.

Micro environmental factors are as under:

❖ *Organisational internal environment*: It consists of different inter-related groups of an organisation.

# ORGANISATION'S INTERNAL MANAGEMENT



# FACTORS OF MICRO ENVIRONMENT

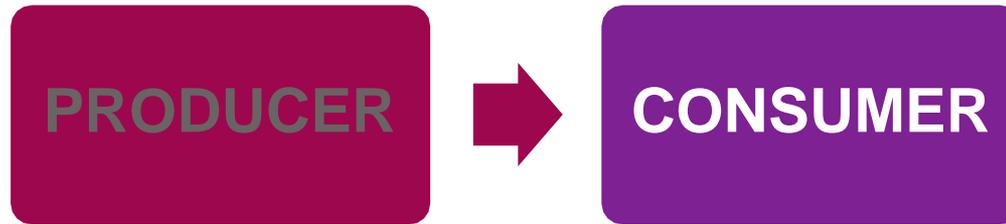


❖ **Suppliers** : The suppliers to a firm provide resources that are needed by that firm and thereby alter its competitive position and marketing capabilities. There are raw material suppliers, energy suppliers, suppliers of labour and capital etc.

❖ **Intermediaries**: Market intermediaries are business houses or individuals who come to the aid of the company. They are middlemen (wholesalers, retailers), distributing agencies etc.



# Zero level channel



# One level channel



# Two level channel





❖ **Customers:** The customers of a company may be of five types:

1. Ultimate customers
2. Industrial customers
3. Resellers
4. Government and other non- profit customers
5. International customers



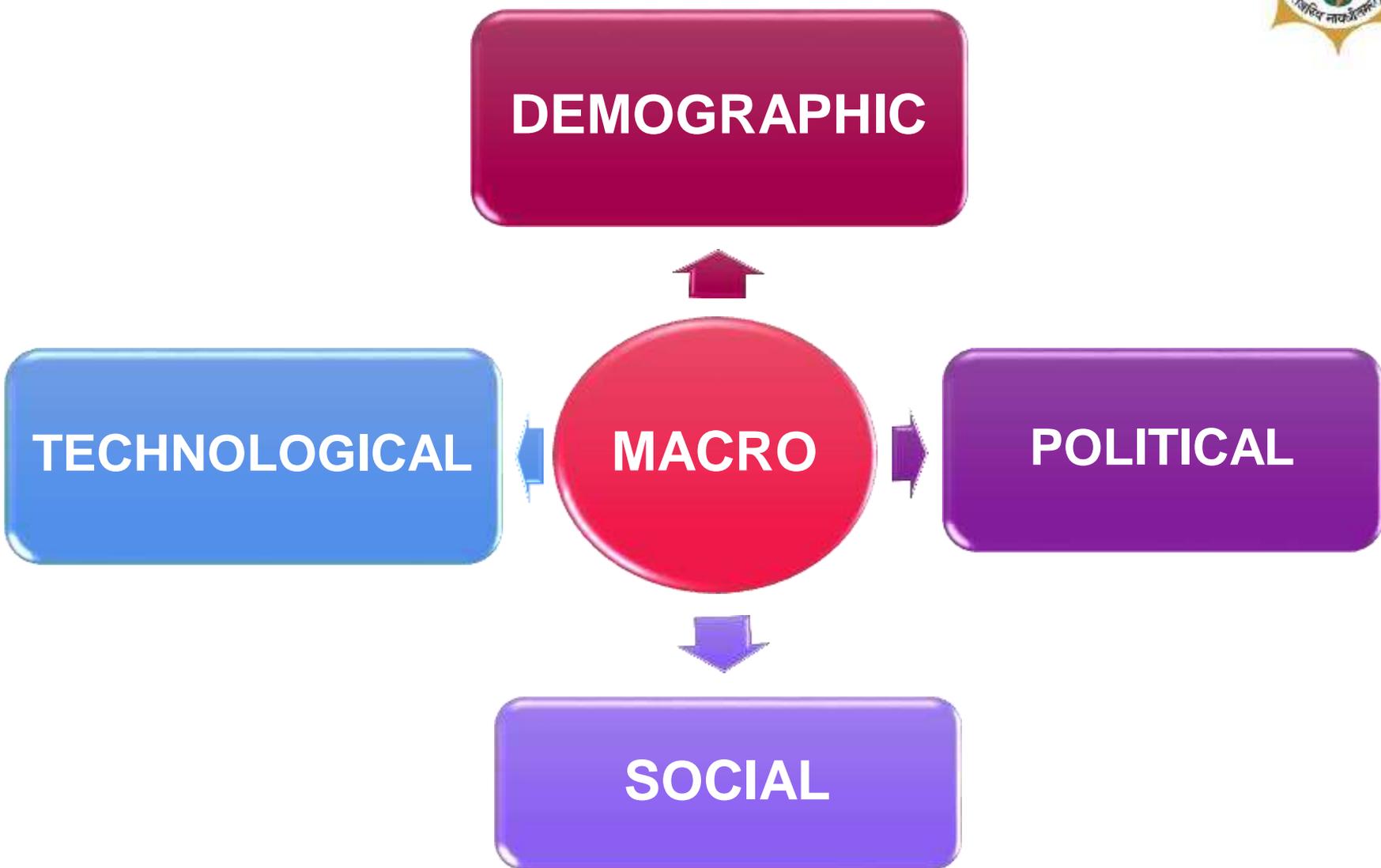
❖ **Competitors**: Competitors are those who sell the goods and services of similar description in the same market. Identification of competitors is of utmost importance. Therefore it is essential to build an efficient system of marketing.

❖ **Public**: A public is defined as “any group that has an actual or potential interest in or impact on a company’s ability to achieve its objectives”. To build goodwill and to seek favourable response, it is very crucial for a company to satisfy its general public as well.



# MACRO ENVIRONMENT

Macro environment refers to those factors which are external forces in the company's activities and do not concern the immediate environment. These are uncontrollable factors which indirectly affect the concern's ability to operate in the market effectively.



# FACTORS OF MACRO ENVIRONMENT



- Demographic factors
- Economic factors
- Physical factors
- Technological factors
- Political and legal factors
- Socio- cultural factors



❖ **Demographic factors:** Demography is the study of population in terms of size, density, location, age, gender, occupation etc. These factors have a huge impact on the marketing decisions of the company.

For example, a growth in population means increasing human needs which results in the expansion of product markets, if there is sufficient purchasing power.



❖ **Economic factors**: It consists of factors related to the means of production and distribution of wealth that have an impact on the functioning of an organisation. It affects the spending power of people. Further economic development and growth affects the product choice of the customers. For example- per capita income, Balance of payment position, Gross national product, inflation, deflation etc.



❖ **Physical factors:** Components of physical forces are the earth's natural renewable and non renewable resources. Natural renewable resources are forests, food products from agriculture or sea. Non renewable resources are finite such as oil, coal, minerals etc. both these components often change the level and type of resources available to a marketer for his production.



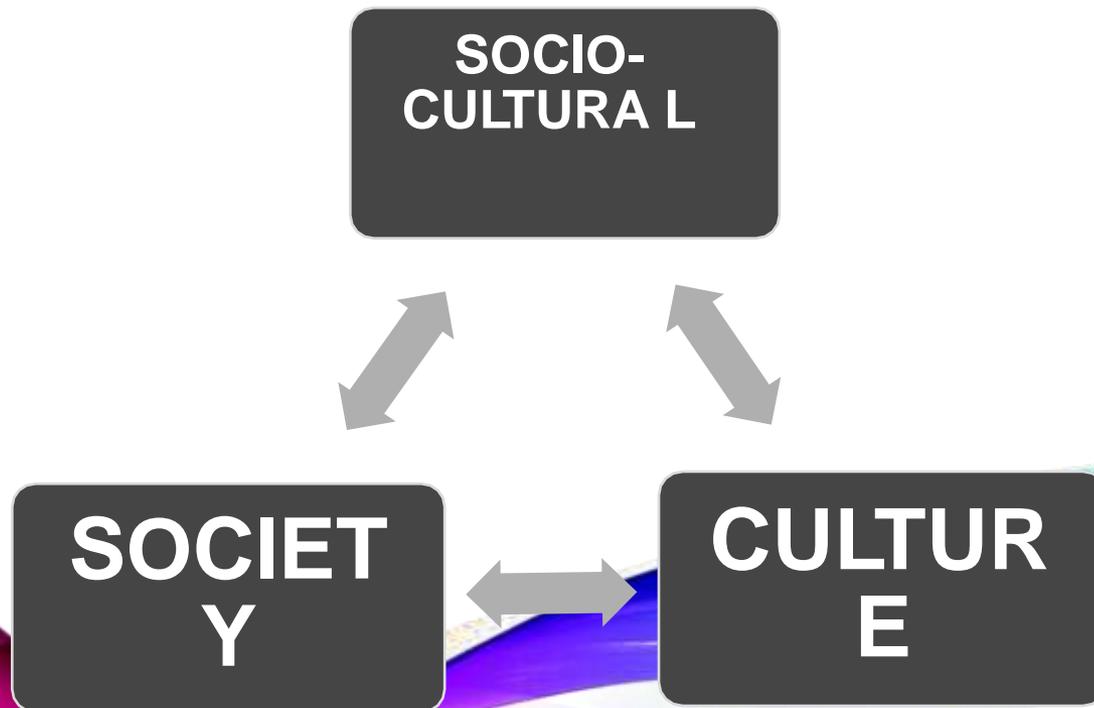
❖ **Technological factors:** Advances in technology are an important uncontrollable environment for marketers in two ways: First, they are totally unpredictable; and secondly, the adoption of new technology is often prevented by constraints imposed by internal and external resources. It is a source of new and better products. For example advancement in communication and infrastructural technology- electronic marketing, video conferencing etc.

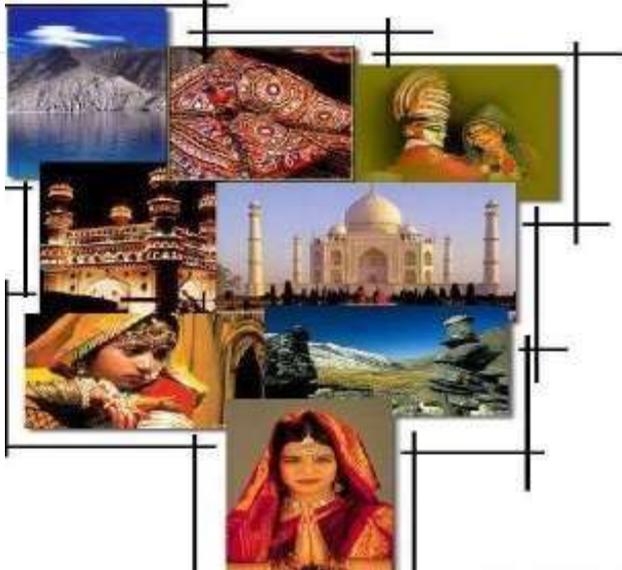
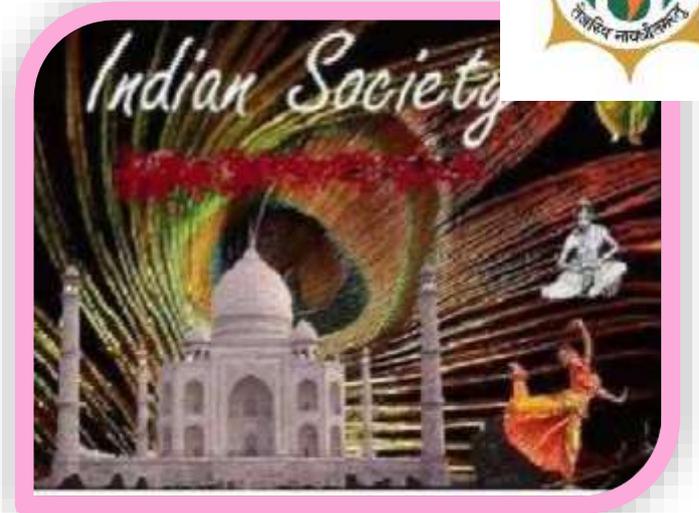


❖ **Political and legal factors:** These factors include the policies related to public sector, small scale industries, sick industries, import and export, licensing, development of backward areas etc. the vast governmental network of laws and regulations have varied impact on marketing activities.



❖ **Socio- Cultural factors:** It comprises of society and culture. A society is a set of relations among people including their social status and roles. Culture consists of attitudes, customs, beliefs and values of a society.





# CUSTOMER SATISFACTION



- The most important asset of any organization is its customers.
- Satisfied customers are the lifeblood of any organization.
- Product's perceived performance in delivering value relative to buyer's expectations is customer satisfaction





- It is the person's feeling of pleasure or disappointments, resulting from comparing a product's perceived performance (outcome), in relation to his/ her expectations.

- Perceived performance below expectations = dissatisfied customer
- Perceived performance meets expectations = satisfied customer
- Perceived performance exceeds expectations = delighted customer

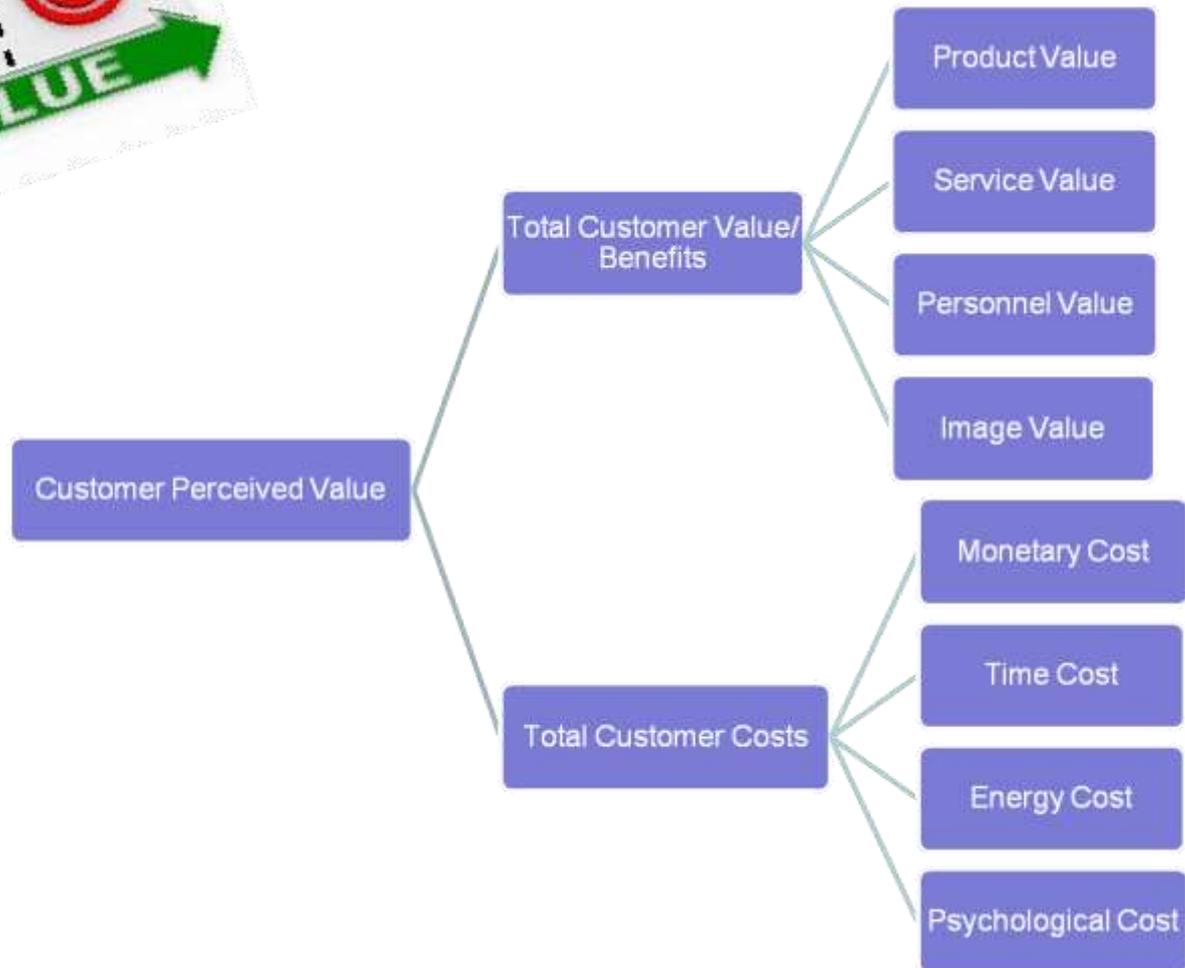


# Customer Value

- Also known as Customer Perceived Value.
- It is the difference between the prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives.
- “The perceived worth of the set of benefits received by a customer in exchange for the total cost of the offering, taking into consideration available competitive offerings and pricings.”
- **Value** is the perception of the benefits associated with a good, service, or bundle of goods and services (i.e., the customer benefit package) in relation to what buyers are willing to pay for them.



# Customer Value





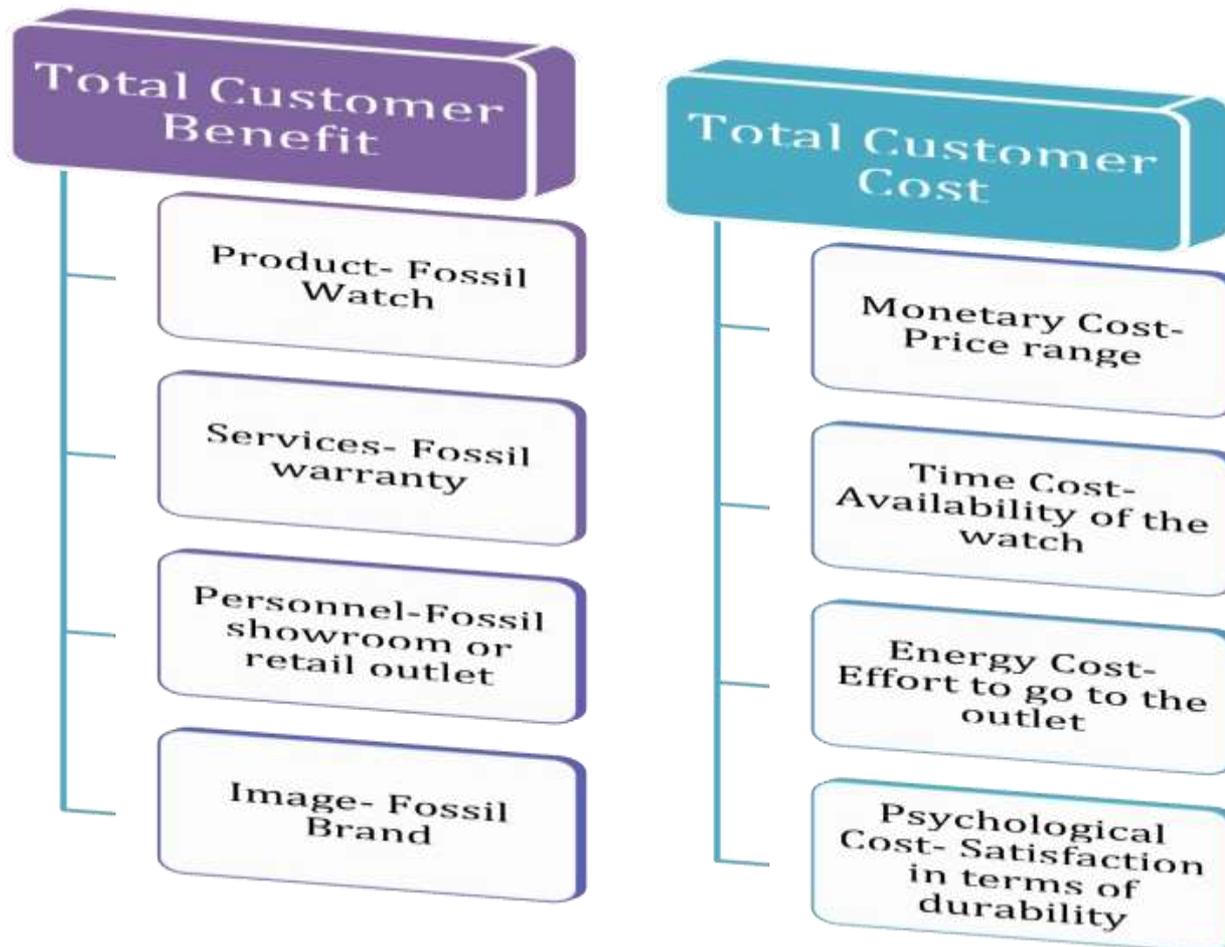
# Customer Value

- **Total customer value** is the perceived monetary value of the bundle or economic, functional, and psychological benefits customers expect from a given market offering.
- **Total customer cost** is the bundle of costs customers expect to incur in evaluating, obtaining , using, and disposing of the given marketing offering.
-

# Example: Customer Value for “Fossil Watch”



A customer will derive value from a Fossil Watch, based on following parameters:





# Concept of Value Chain

- Underlying purpose of every organization is to provide value to its customers and stakeholders.
- To analyze the specific activities through which firm can create competitive advantage, it is useful to model the firm as a chain of value creating activities.
- Value chain can be understood as the entire series of organizational work activities that add value at each step, beginning with the processing of raw materials and ending with finished products in the hands of end users.





# Concept of Value Chain

- Interlinked value-adding activities that convert inputs into outputs which, in turn, add to the bottom line and help create competitive advantage.
- Michael Porter identified a set of interrelated generic activities, which are common to a wide range of firms, and framed it as a model called Value Chain.
- Michael Porter suggested that the organization is split into '**primary activities**' and '**support activities**'.



# Michael Porter's Model of Value Chain





# Primary Activities

- Porter identified two sets of activities:
  - **Primary activities** are directly concerned with creating and delivering a product. These activities aim at creating value that exceeds the cost of providing the product or service, thus generating a profit margin.
  - **Support Activities** facilitate the primary value chain activities. Support activities assist the primary activities in helping the organisation achieve its competitive advantage.



# Primary Activities

- **Inbound logistics** : Refers to goods being obtained from the organization's suppliers and to be used for producing the end product.
- **Operations** : Process where raw materials and goods are manufactured into the final product. Value is added to the product at this stage as it moves through the production line.
- **Outbound logistics** : Once the products have been manufactured they are ready to be distributed to distribution centers, wholesalers, retailers or customers. Distribution of finished goods is known as outbound logistics.
- **Marketing and Sales**: Marketing must make sure that the product is targeted towards the correct customer group. The marketing mix is used to establish an effective strategy, any competitive advantage is clearly communicated to the target group through the promotional mix.
- **Services**: After the product/service has been sold what support services does the organization offer customers? This may come in the form of after sales training, customer support, repair services, guarantees and warranties.



# Support Activities

- **Procurement:** This department must source raw materials for the business and obtain the best price for doing so. The challenge for procurement is to obtain the best possible quality available (on the market) for their budget.
- **Technology development:** The use of technology to obtain a competitive advantage is very important in today's technological driven environment. This includes research and development, process automation, and other technology development, used to support the value chain activities.
- **Human resource management:** These are the activities associated with recruitment, development and compensation of employees. The organization will have to recruit, train and develop the correct people for the organization to be successful. Staff will have to be motivated and paid the 'market rate' if they are to stay with the organization and add value.
- **Firm infrastructure:** Every organization needs to ensure that their finances, legal structure and management structure work efficiently and helps drive the organization forward. Inefficient infrastructure is waste resources; could affect the firm's reputation and even leave it open to fines and sanctions.



# MARKETING MIX





# Marketing Mix

- Marketing Mix is a combination of marketing tools that a company uses to satisfy their target customers and achieving organizational goals. These marketing tools are classified under four broad categories:
  - >> Product ,
  - >> Price ,
  - >> Place ,
  - >> Promotion
- These four elements are the basic components of a marketing plan and are collectively called 4 P's of marketing.



# Marketing Mix and 4P





# Product

- **Product:** Product refers to the goods and services offered by the organization. A pair of shoes, a plate of rice, a lipstick, all are products. All these are purchased because they satisfy one or more of our needs. We are paying not for the tangible product but for the benefit it will provide. So, in simple words, product can be described as a bundle of benefits which a marketer offers to the consumer for a price. While buying a pair of shoes, we are actually buying comfort for our feet, while buying a lipstick we are actually paying for beauty because lipstick is likely to make us look good.



# Product

- The range of products offered by an organization is called the product mix.
- Motor car manufacturer- cheap, basic family runabouts, medium prices family saloons, estate cars, executive saloons, and sports cars. Within most of these product lines, various refinement can be offered e.g. two door and four door function of the family saloons, variations in the engine size and of course a range of colors.



# Product

- It is important to note that people generally want to acquire the benefits of the product, rather than its features. For example for buying a motor car a person is buying such thing as luxury or speed or economy or status. The facts that these benefits are achieved by differences in engine size suspension design or paintwork is really of secondary interest. All the organizations are selling benefits of the product to their customers.

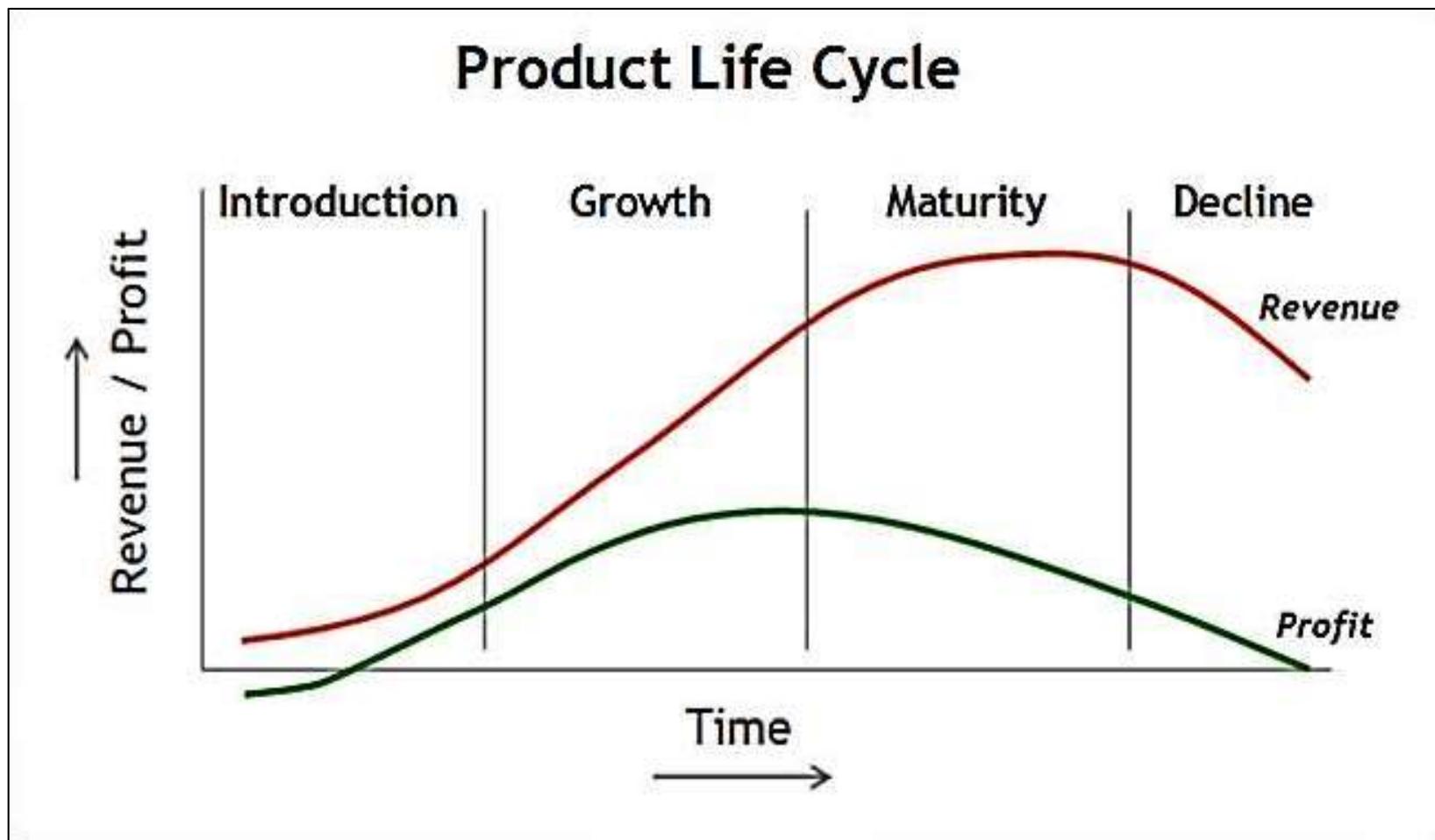


# Product life cycle

- PLC: Various studies have shown that as the time goes product passes through a series of stages. The product life cycle is the combination of these stages from the time they are introduced until the time they are withdrawn.



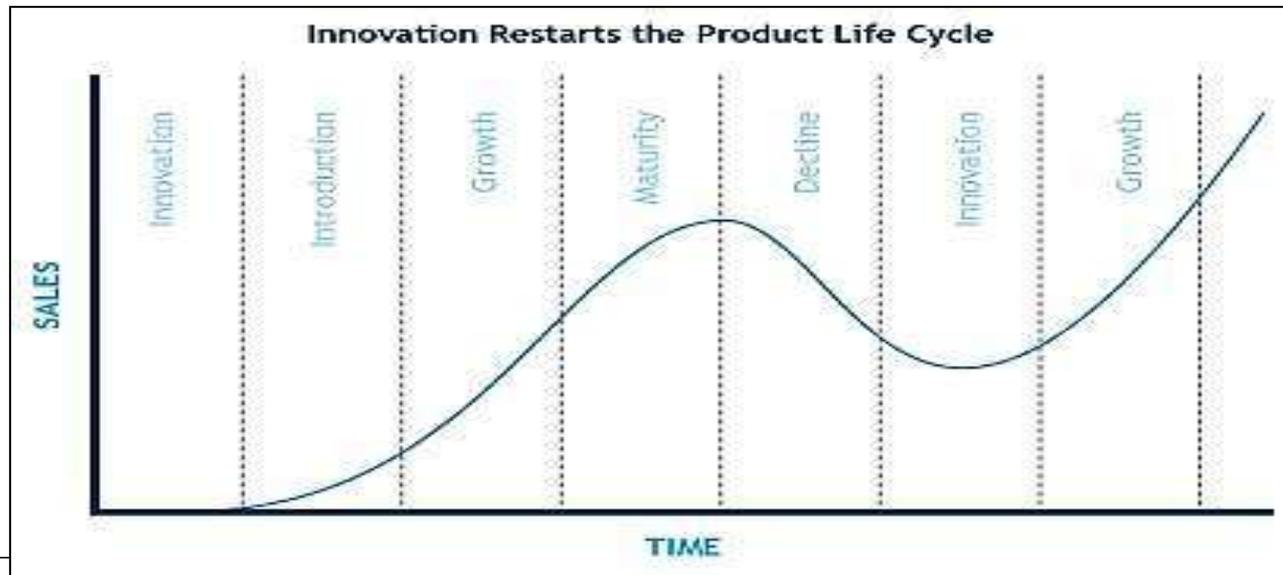
# Product life cycle





# Product life cycle

- From the PLC it is possible to plan the product mix , plan the development and introduction of new products , plan to withdrawal or obsolete or unprofitable products and set the revenue targets for each product within the total range





# Price

**Price:** Price is the amount charged for a product or service. It is the second most important element in the marketing mix. Fixing the price of the product is a tricky job. The factors have to kept in mind while pricing a product are:

- like demand for a product,
- cost involved,
- consumer's ability to pay,
- prices charged by competitors for similar products, government restrictions etc.



# Price

- The activities of competitors have an important bearing on pricing decision.
- The most obvious example is when a competitor's raises or lowers his prices. If your product can offer no particular advantages over his, then if he drops his price, you will have to follow suit.

# Promotion



If the product is manufactured keeping the consumer needs in mind, is rightly priced and made available at outlets convenient to them but the consumer is not made aware about its price, features, availability etc., its marketing effort may not be successful.

Promotion is done through means of personal selling, advertising, publicity and sales promotion. It is done mainly with a view to provide information to prospective consumers about the availability, characteristics and uses of a product.

# Promotion- Advertising



**Advertising:** Advertising is the process of communication, persuasive information about the product to target market by means of the written and spoken word, and by visual material. There are five principal media of advertising as follows:

- The press- newspaper, magazines, journals etc.
- Commercial Television
- Direct mail
- Commercial radio
- Outdoor- hoardings, transport advertisements etc.



# Promotion- Advertising

The aim of the advertising is given below:

- Increase customer familiarity with a product
- Inform customers about specific features of a product
- Inform the customers about the key benefits of a product
- Establish the creditability of a product
- Encourage potential customers to buy the product
- Maintain loyalty of existing customers



# Promotion- Advertising

**Advertising effectiveness:** There are two main ways of looking at the question of advertising effectiveness- the first is to consider the results of the advertising in achieving target improvements in specific tasks e.g. increasing brand awareness in a specific market; the second is to consider the impact of advertising on sales generally. It is extremely difficult to assess the impact of advertising on sales as a whole, because so many other factors, internal and external, are at work in the marketing process of an organization



# Promotion- Personal Selling

- **Personal Selling:** Personal selling is the promotion activity consists of face to face meeting between the buyer and seller or his representative. Advertising creates the interest and the desire, but personal selling clinches the deal. Personal selling is the most expensive form of promotion.
- Companies which utilize an aggressive sales policy, based on personal selling, are said to be adopting a push strategy. By comparison firms which rely more heavily on advertising are described as adopting a pull strategy



# Promotion- Personal Selling

Sales representative's tasks:

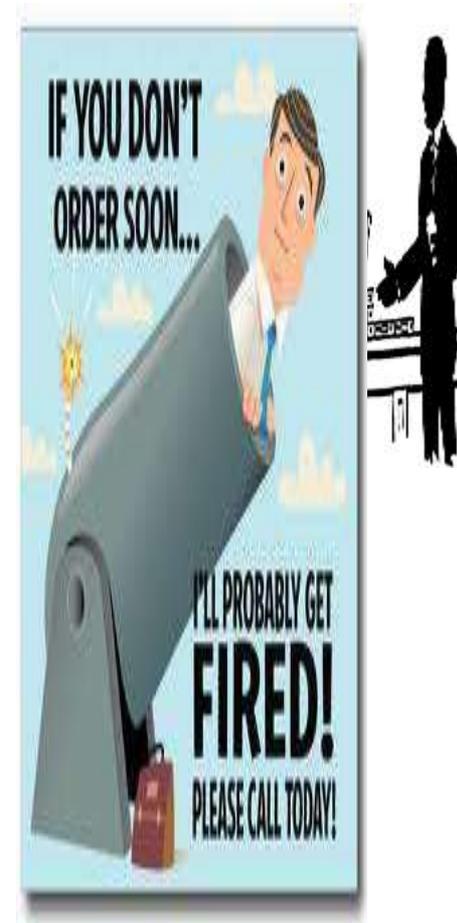
- After sales servicing (dealing with technical quires, deliveries matters etc.)
- Gathering information (feedback on customers reactions, competitors activities etc.)
- Communicating regular information to customers and prospective buyers.
- Prospecting (Looking out new selling opportunities)



# Promotion- Personal Selling

The effectiveness of sales representatives can be measured in a number of different ways. Typical evaluation criteria include:

- Net sales achieved (per product, per customer etc.)
- Call rate(no. of calls given in a period)
- Values of sales per call
- No. of new sales/new customers
- Sales expense in proportion to sales achieved



# Publicity



- It is non personal and non paid form of a communication. It includes promoting the product through media.
- It usually comes in the form of news story, editorial or announcements about an organization and/or its product and services.
- Techniques used to gain publicity include news releases, press conferences, feature articles, photographs, films and videotapes.



- It is unpaid – does not involve any direct expenditure by the marketing firm.
- No identified sponsor – as the message goes as news item, the sponsor is not identified.
- Does through press conference, speeches, annual reports, events, publications, donations and sponsorship.

# Promotion- Sales promotion



**Sales promotion:** Sales promotion activities are a form of indirect advertising designed to stimulate sales mainly by the use of incentives. Sales promotion activities are organized and funded by the organization's own resources. They can take a no. of different forms, as, for example:

Customer oriented:

- Free samples
- Twin pack bargains
- Temporary price reductions
- Point of sale demonstrations Trade

oriented:

- Special discounts
- Co-operating advertising
- Bonuses/ prizes for sales representatives
- Provision of display material



# Place



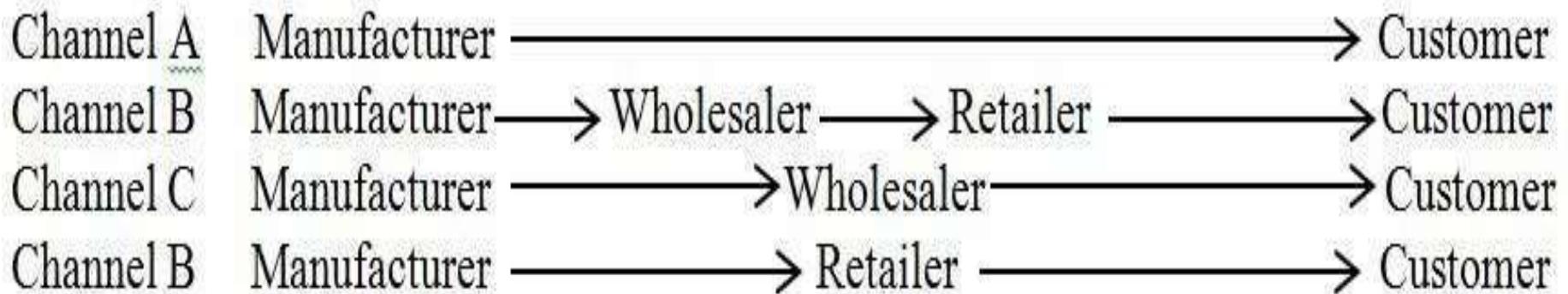
**Place:** Goods are produced to be sold to the consumers. They must be made available to the consumers at a place where they can conveniently make purchase. Food and snacks are manufactured on a large scale in Bangladesh and you purchase them at a store from the nearby market in your town. So, it is necessary that the product is available at shops in your town. This involves a chain of individuals and institutions like distributors, wholesalers and retailers who constitute firm's distribution network (also called a channel of distribution).

The channel through which the products are distributed to the final customer are known as channel of distribution



# Place-Channel of distribution

Most common channels of distribution are given below:

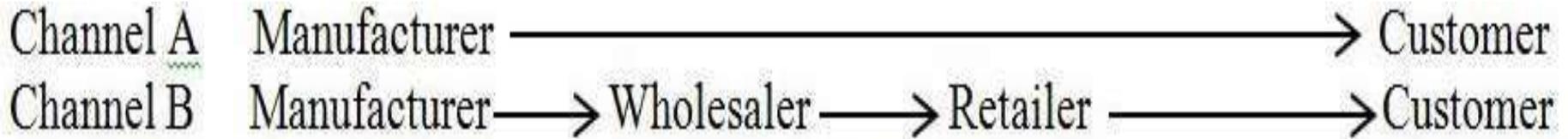


Channel A represents a direct marketing channel. Manufacturers of goods such as machine tools, computers, ships and other large expensive items tend to move them direct to the buyer without involving middleman or inter middleman. e.g.: ship/plane



# Place-Channel of distribution

Most common channels of distribution are given below:



**Channel B** represents the typical chain for mass marketed consumer goods. Manufacturers selling a wide range of products over a wide geographical area to a market. Middlemen are important links in this channel. Wholesalers, for example buy on bulk from the manufacturers, store the goods, break them down into smaller quantities, and undertake advertising and promotional activities. The role of the retailer is to make products available at the point of sale. Individual customers need accessibility and convenience from their local sources of consumable products. They also need to see what is available, and what alternatives are offered.



# Place-Channel of distribution

- Channel C represents one of the shorter indirect channels, where the retailers are omitted. This kind of operation can be found in mail order business, and in cash and carry outlets. Wholesaler buy from manufacturers, store and subsequently distribute direct to customers on a nation-wide basis. e.g.: steel, cement, imported items.
- Channel D is another version of a shorter, indirect channel. In this case, it is the wholesaler who is removed from the scene. Not, surprisingly, the retailers who dominate this channel are powerful chains or multiples in their own right. e.g: Tiles



Thank You