Unit-1 Essentials of Marketing

Importance of marketing, Core marketing concepts, Marketing strategies and plans, Marketing management tasks, Marketing environment, Company orientation towards market place, Competitive dynamics.

Meaning of Marketing

The term "marketing" covers a lot of different activities – all associated with selling your company's products and services. All business functions will not really matter if there is no sufficient demand for products and services. Marketing is the performance of business activities that direct the flow of goods and services from the producer to the consumer. Marketing is the delivery of a standard of living to society.

Importance of Marketing for Business

Marketing is important to the business, consumer as well as the society.

- Marketing helps business to keep pace with the changing tastes, fashions and preferences of the customers. Marketing thus, contributes to providing better products and services to the consumers and thereby helps them in improving their standard of living.
- Marketing plays an important role in the development of the economy. Various functions and sub-functions of marketing like advertising, personal selling, packaging, transportation, etc., generate employment for a large number of people, and accelerate growth of business.
- Marketing helps the business in increasing its sales volume, generating revenue and ensuring its success in the long run.
- Marketing also helps the business in meeting competition most effectively.
- Marketing Promotes Product Awareness to the Public.

- Marketing Builds up Company's Reputation. In order to conquer the general market, marketers aim to create a brand which helps in name recognition and product recall.

Importance of Marketing for Customers:

- Marketing promotes product awareness to the public. With the help of marketing, product/service awareness is generated among people thus making them capable of identifying their needs and satisfying them.
- By the process of new product development marketing managers identify the needs of customers thereby finding ways to cater to them.
- With the help of marketing of different products a customer can compare the competitors' products and buy the best one among the available choices
- By the way of promotion activities conducted by marketers, customers get extra benefit for buying the products.

- **Importance of Marketing for Society**

- Due to various marketing activities like advertising, personal selling, packaging, transportation etc., a large number of employment opportunities are generated.
- Marketing helps to increase the national income by increasing the sales volume, thus generating revenue.

- **Importance of Marketing – In a Developing Economy**

(i) Technological contribution.

(ii) Physical distribution contribution.

(iii) Mass communication contribution.

(iv) Cultural contribution.

(v) Government and Government agency contribution, and

(vi) Contribution of coordinated production and marketing.

Core marketing concepts

The concepts are:- 1. Needs 2. Wants 3. Demand 4. Customer Value 5. Exchange 6. Customer and Consumer 7. Customer Satisfaction 8. Customer Delight 9. Customer Loyalty 10. Marketing V/s Market.

The core concept of marketing is a social and managerial process by which individuals or firms obtain what they need or want through creating, offering, exchanging products of value with each other.

1. Needs:

Needs are the basic requirements which human beings require for existence. These mainly consist of air, water, food, clothing and shelter. Along with these needs, some other needs which are required to be satisfied are education, medical care, entertainment, and recreation. It is a difficult task for a marketer to identify the needs of the customers since costumers may not be conscious of their needs, and even if they are, then they might be unable to put forth their needs clearly.

The notion that marketer creates needs is wrong. The need actually pre-exists in the market; the marketer just has to identify these needs, make the customers aware of these needs, and make the customers believe that only their company can satisfy these needs.

The needs can be further classified into 5 types as:

(i) Stated Needs:

These are the clearly defined needs of the customer; i.e. the customer clearly tells his needs to the company. These are the parameters that the customer defines to the marketer of the product. They are the easiest to deal with since through the stated needs the marketer actually knows what the customer wants from them.

(ii) Real Needs:

These are the actual needs of the customers which he may not be able to pinpoint to the salesperson. In this case, salesperson has to ask questions to the customers to find out the exact nature of the stated need by the customer

(iii) Unstated Needs:

These are the benefits which are not asked by the consumers but they expect them naturally with the products/services offered. E.g. Customer expects good service from the showroom dealer from where he is going to purchase the fridge.

(iv) Delight Needs:

When a customer gets more than what he needs and if that makes him happy, then it is called as delight needs. These needs help the marketer to cross the expectation level of the customer. E.g. If the dealer provides the customer with free movable fridge trolley and free fridge cover on purchase of fridge then the customer will be delighted.

(v) Secret Needs:

These are the needs which customer does not want to disclose but still gives indication to have it from the seller. E.g. The customer wants his friends to see him as a savvy customer and gain a social status for himself after buying the fridge.

2. Wants:

The wants are a step ahead of needs and are largely dependent on the human needs. A need becomes a want when a need is directed to a specified object. Wants are designed according to the taste and preferences of the society.

Needs already exists in the market; however, wants may be created by the marketers. It can also be said that Need and Want are relative terms because a product may be considered to be a need by someone but it may also be perceived as a want by others. E.g. To have a food is a basic need of human beings but to have biscuits for food is a want created by the marketers.

3. Demand:

A demand is generated when a customer is willing to buy a particular product and has an ability to pay for it. A company should study not only how many people want their product but also how many would actually afford to buy the product. E.g. Many people would be desirous to buy Ferrari car; however, there is only a small segment which can afford to buy it which reflects the demand for Ferrari car in the market.

Demand = Willingness to pay + Ability to pay

4. Customer Value:

Value reflects the sum of the perceived tangible and intangible benefits and costs to customers. Here the costs include both economic and non-economic costs whereas benefits include both tangible as well as intangible ones. A product or services is successful when it delivers value and satisfaction to the buyers. Value is usually a combination of quality, service, and price.

Value increases with quality and service and decreased with price. A value is a relative term as perceived benefit for one person may not be a benefit for others. Value changes based on time, place, and people in relation to changing environmental factors. It is a creative energy exchange between people and organizations in our marketplace.

5. Exchange:

It is act of obtaining an object which one needs from another by offering some other thing in return. Marketing occurs when individuals decide to satisfy needs and wants through exchange. Marketing helps to create a business environment where exchange of value can take place.

For an exchange to happen:

(i) There should be at least two parties involved for any kind of exchange.

(ii) Each party must have something or other that interests the other party.

(iii) Each party must be willing to have an exchange with other party and must have a desirable or at least acceptable opinion about the other party.

(iv) Each party must be totally free from any obligation regarding accepting or denying the offer.

(v) Each party must be able to communicate and deliver the product as per the requirement of the other.

6. Customer and Consumer:

Customers and consumers are used interchangeably to define the same individual but there is a difference. The path of the product, after it is purchased, differentiates the customer from a consumer.

If an individual purchases an item for his own use, then that individual is a consumer; however, if the individual buys the product as a gift or purchases it for someone else for any reason then the person purchasing that product is the customer and the person who will use the product or benefit from its purchase is the actual consumer. The customer can be a consumer but a consumer may or may not be a customer.

7. Customer Satisfaction:

Satisfaction reflects a person’s judgment of product’s perceived performance in relationship to expectations. Customer satisfaction with a purchase depends on how well the product’s performance lives up to the customer’s expectations.

(i) If the performance falls short of expectations, the customer is dissatisfied.

(ii) If it matches expectations, then the customer is satisfied.

(iii) If it exceeds the expectations, then the customer is delighted.

8. Customer Delight:

Customer delight can be defined as the effect of delivering a product or service that surpasses customer expectations in a favorable experience.

Performance > Expectations → Delighted Customer

In most cases delighted customers tend to come back again because of the great services they have received from the company. Customer Delight directly affects sales and profitability of a company as it distinguishes the company and its products and services from the competition.

Customer delight can be created by the product itself, by accompanied standard services and/or by interaction with people at the front line. The customer's interaction with the staff is the greatest source of opportunities to create delight as it can be personalized and tailored to the specific needs and wishes of the customer.

9. Customer Loyalty:

Loyalty can be defined as a customer's strong continuing belief that a particular organization's products/services offer remains their best option. Customers are said to be loyal when they consistently purchase a certain product or brand over an extended period of time.

Loyalty also means customers hanging in there, even when there may be a problem with the company's products or services, just because the organization was good to them in the past and had addressed their issues whenever they arise. It means that customers do not seek out competitors and, even when approached by competitors do not show any interest in them.

10. Marketing V/s Market:

Marketing is the process of trying to get group of people interested in buying company's products or services. It is an organizational function and a set of processes that work in tandem to serve the market effectively, efficiently and profitably. It is a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

Market is a collection of buyers and sellers. A market, colloquially, is a group of people who are willing to buy something. It is a public gathering held for buying and selling merchandise. It is a place where goods are offered for sale. It is a set of individuals or institutions that have similar needs and that can be met by a particular product.

MARKETING STRATEGY

Marketing strategy is the comprehensive plan formulated particularly for achieving the marketing objectives of the organization. It provides a blueprint for attaining these marketing objectives. It is the building block of a marketing plan. It is designed after detailed marketing research. A marketing strategy helps an organization to concentrate its scarce resources on the best possible opportunities so as to increase the sales.

Importance of Marketing Strategy

- Marketing strategy provides an organization an edge over it's competitors.
- Strategy helps in developing goods and services with best profit making potential.
- Marketing strategy helps in discovering the areas affected by organizational growth and thereby helps in creating an organizational plan to cater to the customer needs.
- It helps in fixing the right price for organization's goods and services based on information collected by market research.
- Strategy ensures effective departmental co-ordination.
- It helps an organization to make optimum utilization of its resources so as to provide a sales message to it's target market.
- A marketing strategy helps to fix the advertising budget in advance, and it also develops a method which determines the scope of the plan, i.e., it determines the revenue generated by the advertising plan.

MARKETING PLAN

A marketing plan is a roadmap for introducing and delivering your product or service to potential customers. It does not need to be long, and it doesn't have to cost a lot of money to complete, but it will take some research and effort.

Putting in the work to create this marketing plan can help ensure a company's success later down the line.

A marketing plan outlines a business's specific marketing strategy and includes concrete actions to be taken and anticipated results. Marketing plans serve as roadmaps for companies to execute and measure the marketing effort's results over a specific period. There are different types of marketing plans, including:

- Paid marketing: Advertising and pay-per-click
- Social media marketing: Using different social media channels, such as Facebook, Instagram, or Twitter
- Time period marketing: Campaigns used over a designated period
- Content marketing: Using original content to showcase a product or service
- New product or service marketing: Plan to showcase a product launch

MARKETING MANAGEMENT TASKS

We have a specific set of tasks that make up successful marketing management and marketing leadership.

1. **Developing Marketing Strategies and Plans**: The first task faced by the organization is to identify its potential long-run opportunities, given its market experience and core competencies
2. **Capturing Marketing Insights**: The organization needs a reliable marketing information system to closely monitor its marketing environment so it can continually assess market potential and forecast demand.
3. **Connecting with Customers**: The organization consider how to best create value for its chosen target markets and develop strong, profitable, long-term relationships with customers

4. **Building Strong Brands**: The organization must understand the strengths and weaknesses of the brand as customers see it. They also focus on the consumer market and develop a positioning strategy.

5. **Shaping the Market Offerings**: At the heart of the marketing program is the product – the firm's tangible offering to the market, which includes product quality, design, features, and packaging. A critical marketing decision relates to price.

6. **Delivering Value**: The organization must also determine how to properly deliver to the target market the value embodied in its products and services.

7. **Communicating Value**: The organization must also adequately communicate to the target market the value embodied by its products and services, e.g., Integrated marketing communication program.

8. Creating Successful Long-Term Growth: Based on its product positioning, Atlas must initiate new-product development, testing, and launching as part of its long-term view. The strategy should take into account changing global opportunities and challenges.

It is apparent that marketing management tasks as an alternative to the selling concept as the way business firms fundamentally approach the market. The guideline theme for marketing practice under the selling concept insists that given enough selling and advertising, customers can be convinced to by the product.

MARKETING MANAGEMENT

Marketing environment is the combination of external and internal factors and forces that affect the company's ability to establish a relationship and serve its customers.

The marketing environment of a business consists of an internal and an external environment.

- **The internal environment** is company-specific and includes owners, workers, machines, materials etc.
- **The external environment** is further divided into two components: micro & macro.
    - The micro or the task environment is also specific to the business but is external. It consists of factors engaged in producing, distributing, and promoting the offering.
    - The macro or the broad environment includes larger societal forces which affect society as a whole. It is made up of six

components: demographic, economic, physical, technological, political-legal, and social-cultural environment.

COMPONENTS OF MARKETING ENVIRONMENT

The marketing environment is made up of the internal and external environment of the business. While the internal environment can be controlled, the business has less or no control over the external environment.

Internal Environment

The internal environment of the business includes all the forces and factors inside the organisation which affect its marketing operations. These components can be grouped under the Five Ms of the business, which are:

Men: The people of the organisation including both skilled and unskilled workers.

Minutes: Time taken for the processes of the business to complete.

Machinery: Equipment required by the business to facilitate or complete the processes.

Materials: The factors of production or supplies required by the business to complete the processes or production.

Money: Money is the financial resource used to purchase machinery, materials, and pay the employees.

The internal environment is under the control of the marketer and can be changed with the changing external environment. Nevertheless, the internal marketing environment is as important for the business as the external marketing environment. This environment includes the sales department, the marketing department, the manufacturing unit, the human resource department, etc.

External Environment

The external environment constitutes factors and forces which are external to the business and on which the marketer has little or no control. The external environment is of two types:

Micro marketing environment

Macro marketing environment

Micro Environment

The micro-component of the external environment is also known as the task environment. It comprises external forces and factors that are directly related to the business. These include suppliers, market intermediaries, customers, partners, competitors and the public

Suppliers include all the parties which provide resources needed by the organisation.

Market intermediaries include parties involved in distributing the product or service of the organisation.

Partners are all the separate entities like advertising agencies, market research organisations, banking and insurance companies, transportation companies, brokers, etc. which conduct business with the organisation.

Customers comprise of the target group of the organisation.

Competitors are the players in the same market who targets similar customers as that of the organisation.

Public is made up of any other group that has an actual or potential interest or affects the company's ability to serve its customers.

Macro Environment

The macro component of the marketing environment is also known as the broad environment. It constitutes the external factors and forces which affect the industry as a whole but don't have a direct effect on the business. The macro-environment can be divided into 6 parts.

Demographic Environment

The demographic environment is made up of the people who constitute the market. It is characterised as the factual investigation and segregation of the population according to their size, density, location, age, gender, race, and occupation.

Economic Environment

The economic environment constitutes factors that influence customers' purchasing power and spending patterns. These factors include the GDP, GNP, interest rates, inflation, income distribution, government funding and subsidies, and other major economic variables.

Physical Environment

The physical environment includes the natural environment in which the business operates. This includes the climatic conditions, environmental change, accessibility to water and raw materials, natural disasters, pollution etc.

Technological Environment

The technological environment constitutes innovation, research and development in technology, technological alternatives, innovation inducements also technological barriers to smooth operation. Technology is one of the biggest sources of threats and opportunities for the organisation and it is very dynamic.

Political-Legal Environment

The political & Legal environment includes laws and government's policies prevailing in the country. It also includes other pressure groups and agencies which influence or limit the working of the industry and/or the business in the society.

Social-Cultural Environment

The social-cultural aspect of the macro-environment is made up of the lifestyle, values, culture, prejudice and beliefs of the people. This differs in different regions.

Importance of Marketing Environment

Every business, no matter how big or small, operates within the marketing environment. Its present and future existence, profits, image, and positioning depend on its internal and external environment. The business environment is one of the most dynamic aspects of the business. In order to operate and stay in the market for long, one has to understand and analyse the marketing environment and its components properly.

Essential for planning

An understanding of the external and internal environment is essential for planning for the future. A marketer needs to be fully aware of the current scenario, dynamism, and future predictions of the marketing environment if he wants his plans to succeed.

Understanding Customers

Thorough knowledge of the marketing environment helps marketers acknowledge and predict what the customer actually wants. In-depth analysis of the marketing environment reduces (and even removes) the noise between the marketer and customers and helps the marketer to understand consumer behaviour better.

Tapping Trends

Breaking into new markets and capitalising on new trends requires a lot of insight into the marketing environment. The marketer needs to research about every aspect of the environment to create a foolproof plan.

Threats and Opportunities

Sound knowledge of the market environment often gives a first-mover advantage to the marketer as he makes sure that his business is safe from future threats and taps the future opportunities.

Understanding the Competitors

Every niche has different players fighting for the same spot. A better understanding of the marketing environment allows the marketer to understand more about the competitions and about what advantages do the competitors have over his business and vice versa.

Features of Marketing Environment

The marketing environment surrounding a business possesses the following five features:

- **Specific and general forces:** The marketing environment is made up of both specific and general forces. Specific forces such as customers and investors directly affect the business's working, while general forces like social, legal, technological, or political factors indirectly affect the business's working.
- **Complex:** The marketing environment is a complex interaction of several elements, factors, conditions, and forces that affect the business's ability to establish a relationship and serve its customers.
- **Dynamic:** The environment surrounding a business is very dynamic as its constituents do not remain stable and change over time. Moreover, while marketers can control some of the marketing environment elements, several elements are out of the marketer's control.
- **Uncertain:** Forces that rule the marketing environment are highly uncertain, and it becomes tough for a marketer to predict market forces to develop marketing strategies and plans.
- **Relative:** Marketing environments are also relative in nature. A specific product might have a good demand in the USA but not in India because of the different marketing environments in the two countries.

COMPANY ORIENTATION TOWARDS MARKET PLACE

As the market has changed, so has the way the company deals with the marketplace. The company orientation towards marketplace deals with the concepts which a company may apply while targeting a market. There are basically five different orientations which a company takes towards the marketplace.

Production Concept – In this concept the company mainly tries to increase production irrespective of demands of the customer. The production concept is almost extinct now with companies paying more and more attention to the customer. Read more about The Production concept.

The concept is mainly based on the principle that, "as the productivity levels increase, cost of production decreases, and as a result, customer will be able to purchase a product at a cheaper rate, which in turn accelerates the sales of the company."

Selling concept – The selling concept believes that customers will not buy products unless persuaded to do so. As we know, this is true even today in case of certain products such as insurance. Although the customer should use it, they rarely do. Read more about The Selling concept.

Product Concept – The product concept says that customers will always buy products which are better in terms of quality performance and features. The concept is especially applicable in terms of electronics and other techno gadgets nowadays.

Marketing Concept– Just like selling is a necessity, similarly branding and marketing are a necessity in some products. The marketing concept proposes that the success of a firm depends on the marketing efforts of the company in delivering a value proposition.

Societal Marketing Concept – The societal marketing concept leads to a company orientation which believes in giving back to the society what it had received from the society. This concept believes that the company is profiting because of society and hence it should also take measures to make sure the society also benefits from the company.

COMPETITIVE DYNAMICS

Competitive actions taken by companies define competitive dynamics as each firm takes decisions and actions to strengthen its competitive position relatively in the market. Competitive dynamics is not straightforward as competition between or 2-3 companies in a market. This includes a continuous process in which multiple rivals are trying to gain competitive edge over other through a series of actions and responses.

Importance of Competitive Dynamics

The main motivation for studying this stems from the fact that strategy cannot be static which is something that Porter's model often makes one believe given the importance given to industry forces determining the performance of firms. However it is often agreed now that business factors matter as much, if not more in determining how firms perform in any industry condition.
Each firm takes certain actions which elicit responses from competitors which are then again countered leading to the competitive dynamics field. However competitive dynamics needs to be differentiated from competitive rivalry which exists when two or more firms try and garner favorable market position. Competitive dynamics is often analyzed by understanding one's competition.