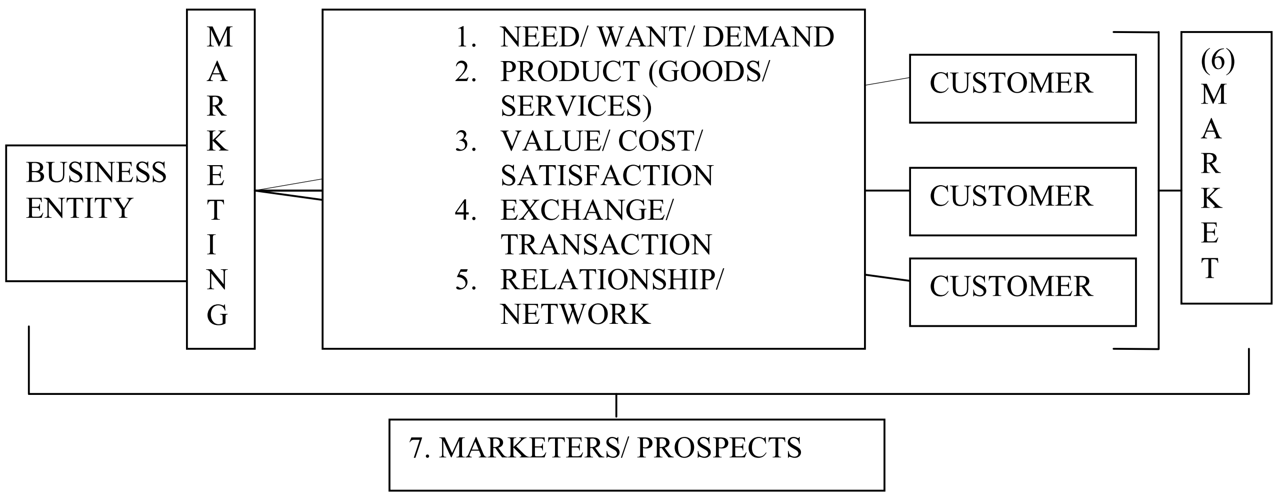
CHAPTER-1

MARKETING MANAGEMENT:

Marketing Management 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 others.

CORE CONCEPTS OF MARKETING:



(1) ***NEED/ WANT/ DEMAND***:

Need: It is state of deprivation of some basic satisfaction.
eg.- food, clothing, safety, shelter.

Want: Desire for specific satisfier of need.
eg.- Indians *needs* food – *wants* paneer tikka/ tandoori chicken.
Americans *needs* food- *wants* hamburger/ French fries.

Demand: Want for a specific product backed up by ability and willingness to buy.
eg.- Need – transportation.
Want – car (say, Mercedes)……but able to buy only maruti.
Therefore, *demand* is for maruti.

Marketers cannot create needs. Needs pre exists. Marketers can influence wants. This is done in combination with societal influencers.

Demand influenced by making product- APPROPRIATE
ATTRACTIVE
APPROACHABLE/ AFFORDABLE
AVAILABLE EASILY

To target consumers (4 P's)- Product/ Promotion/ Price/ Place

(2) ***<u>PRODUCTS- GOODS/ SERVICES/ PLACE</u>***.

Product is anything that can satisfy need/ want.

Product component- 1. Physical Good.
2. Service.
3. Idea.

eg. Fast food- burger/ pizza.
Physical Good - material eaten.
Service – purchase of raw material/ cooking
Idea – speed of computer/ processing power.

Importance of product lies in - Owning them (minor)
- Obtaining them (major).

Hence, products are really a via- media for services.
Hence, in marketing, focus is on providing/ satisfying service rather than providing products.

Marketing Myopia: Focus on products rather than on customer needs.

(3) ***<u>VALUE/ COST/ SATISFACTION</u>***:

- Decision for purchase made based on value/ cost satisfaction delivered by product/ offering.
- Product fulfills/ satisfies Need/ Want.
- Value is products capacity to satisfy needs/ wants as per consumer's perception or estimation.
- Each product would have a cost/ price elements attached to it.

Egg. - Travel from city A to city B.
Need – to reach B (from A)
Method/ Products- Rail/ air/ road or train/ plane.
Satisfaction – Estimated in terms of time lead & travel comfort.

VALUE- Products capacity to satisfy.
COST- Price of each products.

(4) ***<u>EXCHANGE/ TRANSACTION</u>***:

To satisfy need/ want, people may obtain the product through
- Self Production
- By force or coercion
- Begging
- Exchange

EXCHANGE: - The act/ process of obtaining a desired product from someone by offering something in return. For exchange potential to exist, the following conditions must be fulfilled.

a) There must be at least two parties.
b) Each party has something of value for other party.
c) Each party is capable of communication & delivery
d) Each party is free to accept/ reject the exchange offer.
e) Each party believes it is appropriate to deal with the other party.

TRANSACTION: - Event that happens at the end of an exchange. Exchange is a process towards an agreement. When agreement is reached, we say a transaction has taken place.

a) Barter transaction.
b) Monetary Transaction.

1) At least two things of value.
2) Condition agreed upon.
3) Time of agreement.
4) Place of agreement.
5) May have legal system for compliance.

Proof of transaction is BILL/ INVOICE.

TRANSFER: - It is one way. Hence, differ from Transaction.

NEGOTIATION: - Process of trying to arrive at mutually agreeable terms.

Negotiation may lead to – Transaction
- Decision not to Transaction

(5) ***<u>RELATIONSHIP/ NETWORKING</u>***:

Relationship marketing:- It's a pattern of building long term satisfying relationship with customers, suppliers, distributors in order to retain their long term performances and business.

Achieved through promise and delivery of

- high quality
- good service
- fair pricing, over a period of time.

Outcome of Relationship Marketing is a MARKETING NETWORK.

MARKETING NETWORK: It is made up of the company and its customers, employees, suppliers, distributors, advertisement agencies, retailers, research & development with whom it has built mutually profitable business relationship.

Competition is between whole network for market share and NOT between companies alone.

(6) ***MARKET***:

A market consists of all potential customers sharing particular need/ want who may be willing and able to engage in exchange to satisfy need/ want.

Market Size = fn (Number of people who have need/ want; have resources that interest others, willing or able to offer these resources in exchange for what they want).

In Marketing terms: Sellers – called as "INDUSTRY".
Buyers – referred to in a group as "MARKET".

Types of Markets:

i) Resource Market,
ii) Manufacturing Market,
iii) Intermediary Market,
iv) Consumer Market,
v) Government market.

(7) ***MARKETERS/ PROSPECTS***:

Working with markets to actualize potential exchanges for the purpose of satisfying needs and wants.

One party seeks the exchange more actively, called as " Marketer", and the other party is called "Prospect".

Prospect is someone whom marketer identifies as potentially willing and able to engage in exchange.

Marketer may be seller or buyer. Most of time, marketer is seller.
A marketer is a company serving a market in the face of competition.

Marketing Management takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties.

AMA- American Marketing Association.

It defines marketing management as the process of planning & executing the conception of pricing, promotion, distribution of goods, services, ideas to create exchanges that satisfy individual and organizational goals.

- Can be practiced in any market.
- Task of marketing management is to influence the level, timing, composition of demand in a way that will help the organization to achieve its objective. Hence, marketing management is essentially demand management.

States of "***DEMAND***" could be:
- Negative demand – Major market dislikes product, hence try to avoid. eg.- injections.
- No Demand - Constant unaware and uninterested in product. eg.- segway.
- Latent Demand - Need exists, not fulfilled by current products. eg.- ATM, mobile.
- Declining demand – Demand decreases over period of time. eg.- pagers, scooters.
- Irregular Demand - Seasonally. eg.- fans, raincoat.
- Full Demand - Good volume of business. eg.- tooth paste, most of FMCG items.
- Overfull Demand - Demand greater than ability to handle. eg.- VSNL sim card.
- Unwholesome Demand – Unwholesome product. eg.- cigarettes, narcotic drugs.

COMPANY ORIENTATION TOWARDS MARKET PLACE:

Companies activities to address the market affects- organization, customers, society.

Interest of each group may be different and in conflict to each other.

Q: What weightage should an organization give to each group?
A: Company should choose its orientation towards market place.

Orientation/ Philosophy could be
- Production concept
- Product concept
- Selling/ Sale concept
- Marketing concept
- Societal concept

i) Production concept: Consumers will favour those products that are widely available and low in cost. Hence, focus is on efficiency and wide distribution.

It's applicable when
- Product demand is more than product supply.
- Product cost is to be lowered to expand market through scale economies.

Eg, Total cost = (Fixed cost) + (Variable Cost).

100 unit/ day: total cost = 10000 + 2000 = 12000/= unit cost= 120/=.
1000 unit/ day: total cost = 10000 + 20000 = 30000/= unit cost= 30/=.

Hence, in scale economies, fixed cost comes down.
Scale economies are economics of production achieved through higher level of productin due to fixed cost(overheads) getting distributed over a larger market share.

Eg, - Maruti Udyog Ltd. At the time of launch of M800.

ii) Product concept: Consumer will favour those products that offer superior quality, innovation, performance features.
Eg.- Gillete, Nokia, Intel, Sony, Toyota.

This concept may lead to marketing myopia.
PIP television is innovative product, but didn't sell due to complications. This is marketing myopia.

iii) Selling concept: Consumers, if left alone, will ordinarily not buy enough of the organization product. Hence, focus is on aggressive selling & promotion effort.

Assumptions – Customer shows buying inertia.
- Company has effective selling & promotion tools to stimulate buying.

Used when – Goods that buyers normally do not think of buying.
Eg.- insurance, credit cards.
- Companies have over capacity.

In some situation, companies have to sell what they make rather than make what they sell. In current world, many markets are buyer markets. Hence, producers need to sell aggressively. This gives rise to a feeling that selling is all or most important part of marketing. In reality, selling is just one part of marketing.

iv) Marketing concept: Integrate marketing activities towards determining & satisfying needs/ wants of target market more effectively than competition. This is the key to achieving organization goals.

Marketing Activities – Activities to create/ deliver/ consume the product to satisfy/ identify need/ want.

Four Pillars of Marketing concept – (a) Target market.
(b) Customer needs.
(c) Integrated market.
(d) Profitability.

(a) TARGET MARKET: Normally, any company may not be able to operate in every market to satisfy every need.

- Needs/ Wants are/ can be quite special/ different for different conditions
- Hence, a company needs to identify specific target market which it can address or whose specific needs it can fulfill.

Need – Thirst- thirst satisfier.
Want - Bottled drink/ Packaged drink.
Product – Pepsi- carbonated artificial flavoured.
Fruity- non carbonated/ fruit based.
Energy- non carbonated/ milk based.

(b) <u>CUSTOMER NEEDS</u>: Customers needs need to be fully understood. This may involve,

- going deeper into needs
- understanding possible trade- off.

Needs could be (Inexpensive Car).
1. Stated Need- Inexpensive car
2. Real Need- Good fuel economy
3. Unstated Need- Good service from dealer
4. Delight Need- Free accessories
5. Secret Need- Seen in good light by friends

Customer needs could be a range of attributes of product features at low price. This may not be possible. Hence, trade off need to be understood. Company need to understand customer need/ tradeoff and meet them better than competition.

Responsive Marketing: Find stated Need & fulfill it.
Creative Marketing: Discover/ produce solution that customer did not ask for but Customer response is enthusiastic.
Eg.- cell phones, ATM's.

(c) <u>INTEGRATED MARKETING</u>: All departments within an organistion work together to serve customer's interest.

It occurs at two levels:
-Within marketing department/ functions.
Like, Services/ advertising / sales / product management/ market research
-Marketing department with other company department.
Like, Purchase/ production/ finance/ HR/ R & D.

Internal Marketing – Directed at people within organization.
External Marketing – Directed at people outside organization.
Every staff member must be conscious of how his/ her work impacts other customers.

(d) <u>PROFITABILITY</u>:
Ultimate Purpose: - Achieve organizational goals(profit).
Key : - Do job well and achieve profits as a by-product.
Doing job well: - Satisfying customer needs better than competition.

In Reality: Many/ Most organizations embrace marketing concept due to situation.
Situation could be

- Declining sales.
- Slow growth.
- Changing buying pattern.
- Increase in competition.
- Increase in marketing expenditure.

While converting to a marketing oriented organization, a company faces/ may face internal hurdles.
These could be,
- Organised Resistance – Perception of erosion of power of outer departments such as production/ finance/ R & D.
- Slow Learning – Resistance to change/ old habits die hard.
- Fast Forgetting – Small success leading to forgetting key success factors.

(v) ***Societal marketing concept***:
Organization's task is
- To determine Needs/ Wants/ Demands/ interests of target market.
- To deliver desired satisfaction more efficiently & effectively than competition.
- To preserve/ enhance consumers/ societies well being while doing so.

i.e., build social/ ethical considerations int marketing practice.

Emerged in the background of
- Environmental deterioration.
- Resource shortage.
- Consciousness of social services or social awareness.

Eg.- Chemical companies – Effluent management systems.
- Use of Bio- degradable paper bags in lieu of plastics.
- Two way (reusable) soft drinks bottle in lieu of disposable bottles.