MARKETING MANAGEMENT

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Himalaya Publishing House

MARKETING MANAGEMENT

(TEXT AND CASES IN INDIAN CONTEXT)

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PREFACE

Learning theories and concepts without knowing their practice or application is of little use. It is one thing obtaining an MBA degree, but quite another to connect what you learned about a theory or concept into practice in a real life situation. Theories and concepts should work, and as a student, you should know how they work.

This book, Marketing Management, addresses these issues fully. Each chapter opens with a Preview Case which will provide you some fundamental ideas about the practical side of the concepts discussed therein. In addition to this, many examples picked out from the current Indian marketing scenario are included in the text. The book is profusely illustrated with samples of product offers, and advertisements relevant to each topic. These will help you to understand the practical side as you learn the theory.

Marketing Management is a core subject for the MBA course of all universities and has to be studied by you in a short span of a semester consisting of about four months. This makes it extremely difficult for you to study different voluminous books (mostly foreign with American examples) and prepare notes according to the university syllabus. What you need is a handy, simple textbook that covers all the topics and the full syllabus prescribed by the university, includes all the concepts, and provides suitable examples from the Indian market context.

Written in capsule form, this book will meet the above-mentioned requirements. This book is logically sequenced in tune with the syllabus contents of the MBA course of Osmania University.

Ten case studies on successful marketing practices of products and services in the Indian market are included.

Written in simple, lucid style, without diluting the conceptual qualities of the subject, this book will be handy and useful as a textbook for both the students and the faculty of marketing in business schools. This book can also serve as a reference manual for the professionals in the field of marketing as well as in other functional areas.

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BASICS

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PREVIEW CASE

Customer Connection

Marketing, in modern times, means learning from customers, listening to customers, and transforming the organization around customers. As C. K. Prahalad[1] puts it, the future lies in co-creation — a process where companies and their customers will collaborate to come up with products and services. Most corporates believe that there is a lot to be done in the area of customer education. However, the customer today, who is more enlightened than ever before, views customer education with a great deal of suspicion.

Eminent marketing professionals agree that this is one of the greatest challenges and that there are no ready-made solutions available. Customer education involves putting the knowledge of one's product at the disposal of customers. It is about establishing intimacy with the customer, and interactivity and education need to be continuous. Educating the customer is tricky because it involves establishing a rapport and an emotional connect with the customer. It is about getting customer trust, and it involves empowering the customer, and its purpose is to find a solution.

While this might seem obvious, it is not easy because often the customer may not be sure of what he or she wants. As changes are happening at a blistering pace and products are getting complicated, there is need for renewed interaction with customers.

Some marketing experts opine that what we need today is 'customer connect' and customer education is a means to achieve this. It involves everything — skills, attitudes and knowledge — and service also is part of education. While uncomplicated products, such as mobile phones, do not require much customer education, this is necessary, as one moves up the value chain, like marketing of computers.

Customer connection and education only come at a price, and it is important to ensure that the cost of acquiring or retaining a customer does not exceed the economic benefit from that customer. Customers are looking towards the shift from providing products to providing value solutions, and the need is to provide value to customers even as one eliminates redundancy of information. Education needs to be embedded in the system itself. Customer education is beginning to become a part of product and service, and done right, it can be a very effective way of building intimacy, trust and connection with one's customers.

(Source: *The Economic Times*, 20 September 2005)

INTRODUCTION

Far-reaching changes have been taking place in the Indian economy during the recent past, consequent to the opening up of our economy through globalization and liberalization policies. The floodgates have been thrown open to allow international competition for manufactured goods as well as services, making it a question of survival of the fittest in any industry.

In the present highly competitive economy, which can be called a buyer's market, it is the customer who wields full power. He can make or wreck a company. No wonder that the collective battle cry from sales and marketing people, retailers, wholesalers and advertising wizards alike is now 'Serve the Customer', or 'Delight the Customer'. The customer who was considered the 'King' is now treated almost like 'God', emulating the highly successful marketing people of Japan. When consumer expectations become higher and higher, superior market driven strategies or customer driven strategies and their execution in the market are important. Companies have to be fully customer oriented to succeed in the present competitive scenario, and should 'think customer', 'live for customer', 'smell customer', and 'build customer relations'.

NATURE, SCOPE AND IMPORTANCE

Marketing is managing profitable customer relationships. The basic objective of marketing is to attract new customers by promising and offering superior value and to retain and grow current customers by delivering satisfaction. Marketing deals with customers more than any other business function, and deals mainly with customers. Building customer relationships based on customer value and satisfaction is at the very core of modern marketing. Highly successful companies know that if they take care of their customers, market share and profits will follow. Sound marketing is essential for the success of every company, whether large or small, global or national. Marketing is practised by large profit making companies like Microsoft, IBM, Reliance, HUL, Godrej, etc. It is also used by non-profit organizations like churches, colleges, hospitals and charitable trusts like CRY, Help Age, etc.

Marketing is something which is going on all around us. Marketing people are busy calling for our attention always, to try a product or service. We see the results of marketing in the abundance of consumer products in our nearby supermarkets like Nilgiri's or FabMall. We see marketing in the advertisements that flash very frequently on our TV, spice up our magazines and newspapers, decorate the sides of highways, and nowadays reach you even through cell phones and e-mails. Marketing has become all-pervading and we see it in everything we do. But there is much more to marketing than meets the consumer's casual eye. Behind it all is a massive network of people and activities competing for our attention and purchases.

Marketing is going on all around us

DEFINITION OF MARKETING

"Marketing is defined as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others." (Philip Kotler)[2]

The American Marketing Association defines marketing as follows:

"Marketing is the performance of business activities that directs the flow of goods and services from producer to customer or user."

These traditional definitions have undergone some changes and the new version are as below:

"Marketing 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)

The American Marketing Association now defines marketing as follows:

"Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders."

EVOLUTION OF MARKETING

The fundamental reason why markets and marketing developed is attributable to three primary conditions – scarcity of raw materials, specialisation of labour, and consumption satisfaction. If we see the early history of mankind, tribes of different types lived in very different geographical locations. Each tribe had different access to raw material resources. Some raw materials were scarce in some locations while some other was in abundance. The most fundamental reason for the natural evolution of markets, marketing and trade was this varying access to important raw material resources. The tribes began processing the available raw materials and trading them between them. Adding value by processing raw materials, inventing new products out of raw materials, producing them, distributing them and trading them – such marketing activities evolved slowly.

People developed skills in processing some specific raw material in specific locations (leather, iron, gold, cotton, silk, etc.), through labour specialisation. As early as 1700, the economist Adam Smith gave guidelines to the British government on how to compete in the new global marketplace being created by the Industrial Revolution, emphasising the benefits of labour specialisation., particularly in cotton textiles manufacture. What Adam Smith stated in his famous book, *The Wealth of Nations*, about 200 years ago is still relevant today. This learning process or specialisation of labour occurs in all organisations and contributes to skill improvement.

The main reason why trading occurs on the demand side is that people like to acquire and use a variety of goods and services rather than live in isolated existence in which they consume only what they produce. Consumption satiation leads people to swap what they have in excess for something they are short of. People also wanted a variety of products to satiate their desires. Thus trading evolved spontaneously and thrived because of customer needs, wants, desires, and preferences for a variety of products.

The historical evolution of marketing is found to have moved through distinct stages or eras. The major eras are the production era, the sales era, the marketing era, and the relationship era. The production era was based on the philosophy that good products at affordable price will sell by itself. When this philosophy failed and piles of unsold inventory resulted because products did not sell themselves, the sales era started. Selling was of prime importance in this era and the major concern was to find customers for inventories that went unsold. Next came the marketing era with more importance to identify customer needs and wants prior to producing the product. During the marketing era, marketing moved to the forefront of business strategy, and satisfying customer needs became the responsibility of everyone in the organisation. Then came the relationship marketing era which stressed customer oriented marketing, value and potential of customer retention and creating long-term relationships by providing reasons to keep existing customers.

CORE MARKETING CONCEPTS

The important or core marketing concepts are shown in figure 1.1. They consist of needs, wants, and demands; marketing offers (products, services, and experiences); value and satisfaction; exchanges, transactions, and relationships; and markets. All these core marketing concepts are linked to one another, with each concept building on the one before it.

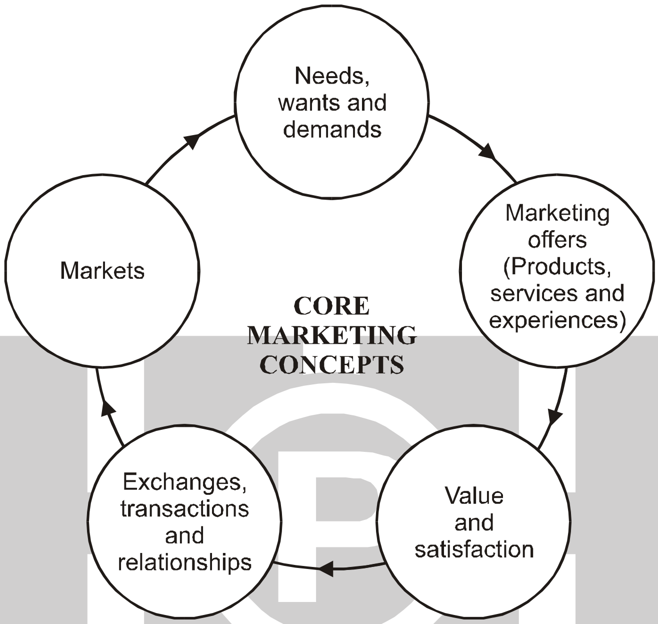


Fig. 1.1: Core Marketing Concepts

Needs

The concept of human needs is the fundamental concept underlying all marketing activities. Human needs are states of felt deprivation. They are biogenic in origin and include physiological needs for food, clothing, warmth, shelter and safety. Social needs are craving for belonging and affection. Knowledge and self-expression are the other individual needs of human beings. All these needs are basic requirements of any individual, and are not a creation by marketing people.

Wants

Wants are the forms human needs take as they are shaped by culture and individual personality characteristics. When an American needs food, he may want a McDonald burger, or steak, French fries, and a Coke; whereas, if an Indian needs food, he may want a *dosa, chapattis* or rice, and coffee or tea. Wants are shaped by the society in which one lives and are described in terms of products that will satisfy needs. The only other difference between needs and wants is that while human needs are limited, wants are unlimited.

Demand

When human wants are backed by purchasing power and willingness to buy, they become demands. Based on their needs, wants and buying capacity, consumers ask for or demand products which they feel will give them maximum value and satisfaction. Most of the marketing companies take pains to study and understand their customers' needs, wants and demands, based on which they plan their strategies for products and promotions. Consumer behaviour studies and consumer research are primarily for identifying and analyzing consumer needs, wants and the related buying behaviour.

Example: **Need, Want and Demand of an MBA Student**

Need: Transportation – The MBA student has to reach college in time. Buses are not dependable.

Want: The student wants a motorcycle, which looks grand, has many latest features and is dependable. E.g. Bajaj or Honda.

Demand: Purchasing power is provided by the boy's father, who also has the willingness to buy the bike, which his son wants.

Maslow's Hierarchy of Needs

Abraham Maslow, a leading psychologist, sought to explain why people are driven by particular needs at particular times.

Why does a scientist spend long hours at work in the laboratory, forgoing all other activities and pleasures?

Why does an athlete endure months of painful training in preparation for the Olympics?

Why does one person devote all efforts toward amassing a fortune?

Obviously, biological needs cannot account for the diversity and complexity of human behaviour. Maslow proposed an interesting way of classifying human motives. He assumed a hierarchy of motives ascending from the basic biological needs to more complex psychological motives that become important only after the more basic needs have been satisfied. (See Fig 1.2)

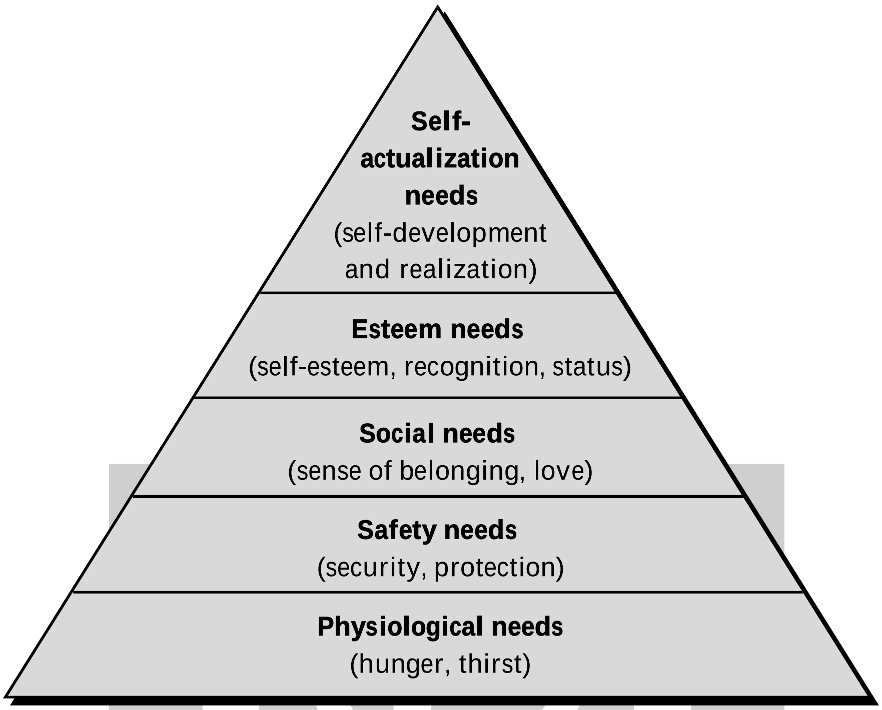


Fig. 1.2: Maslow's Hierarchy of needs
(*Source:* Abraham Maslow, ***Motivation and Personality***, Harper & Row, N. Y. 1954**)**

Physiological Needs

These are the first and foremost basic level of human needs. These needs, which are required to sustain biological life, include food, water, air, shelter, clothing, sex – all biogenic needs or primary needs. For the man who is extremely hungry, no other interest exists but food.

Safety Needs

After the first level of need is satisfied, safety and security needs become the driving force behind an individual's behaviour. Health, healthcare, savings accounts, insurance policies, education and professional or vocational training satisfy the need for security.

Social Needs

The third level of Maslow's hierarchy includes such needs as love, affection, belonging, and acceptance. People seek warm and satisfying human relationships with other people in the society and are motivated by love for their families.

Esteem Needs

When social needs are more or less satisfied, the fourth level becomes operative. This level is concerned with esteem or egoistic needs. Need for self-acceptance, self-esteem, success, independence, and personal satisfaction with a job well done reflect esteem needs. In addition, status, reputation, and recognition from others (show off one's success) reflect egoistic needs.

Need for Self-Actualisation

This need refers to the individual's desire to fulfil his or her potential (self-fulfilment) – to become everything he or she is capable of becoming. Desire to become an Olympic star, or leading singer or artist, a research scientist, a Chief Executive Officer in an MNC, etc., are examples of self-actualisation.

In the marketing context, buyer's needs are normally biogenic or physiological, and psychogenic or psychological. When they are aroused to a sufficient level of intensity, they become motives, urging the buyer to seek satisfaction through buying and using a product or service. Maslow's hierarchy of needs included physiological needs, safety needs, social needs, esteem needs and self-actualisation needs. According to Maslow, needs are satisfied according to their hierarchical priority.

The needs at one level must be at least partially satisfied before those at the next level become important motives for action. When food and safety are difficult to obtain, the satisfaction of these needs will dominate a person's actions and the motives will have little

Example of marketing cricketers

significance. Only when the satisfaction of the basic needs is easy will the individual have the time and energy for aesthetic and intellectual interests. Artistic and scientific endeavours do not flourish in societies where people must struggle for food, shelter and safety.

Some buyer behaviour will be influenced by all the above-mentioned motives. Maslow's theory will help marketing people to understand how various products fit into the needs, wants, goals and lives of consumers. The hierarchy model offers a highly useful framework for marketers trying to develop appropriate advertising appeals for their products. It enables marketers to focus their advertising appeals on a need level that is likely to be shared by a large segment of the target audience. It also facilitates need-based product positioning or repositioning. The need hierarchy is often used as the basis for market segmentation with specific advertising appeals directed to one or more need-segment level.

Marketing Offers

Marketing offers are combinations of products, services, information, or experiences offered to a market to satisfy a need or want. It is also called 'a value proposition', which is a set of benefits that marketing people promise to the consumers to satisfy their needs.

The largest share of marketing offers consists of physical (tangible) products which include non-durable goods (fast moving consumer goods or FMCG) and consumer durables. Some examples are given below:

Non-durables: Cosmetics (face cream, lipstick, hair dye, nail polish, etc.)

Toiletries (toothpaste, soap, powder, shampoo, etc.)

Packaged food (biscuits, chocolates, coffee, tea, Horlicks, *atta*, ketchup, soft drinks, etc.)

Others (books, petrol, gas, shoes, textiles, vegetables, fruits, fish, etc.)

Durables: Automobiles (cars, vans, jeeps, etc.)

Two-wheelers (scooters, bikes, mopeds, etc.)

Household appliances (fridge, TV, washing machine, microwave ovens, steel almirah, furniture, etc.)

Marketing offers are not limited to physical products only. In addition to tangible products, marketing offers include services, activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything. Banking, airline, hotel, transportation, tourism and travel, consultancy, etc., are examples of such services. In addition, marketing offers also include other entities, such as persons, places, organizations, information and ideas.

Examples:

Persons: Celebrities, film stars, fashion models, cricketers and even leading businessmen market themselves. Politicians (MPs, MLAs) market themselves at the time of elections.

Places: Countries and states market themselves to attract tourists. E.g.: Singapore, Switzerland, Malaysia, Goa.

Organizations: Just before a public issue of shares, most organizations market themselves. Even as a routine public image building process, companies indulge in organization marketing. E.g.: Reliance Industries, Wipro, Infosys, etc.

Information: The TV news channels like CNN, CNBC, BBC and NDTV, research firms like ORG-MARG, encyclopedias like Encarta, etc., are involved in information marketing.

Ideas: Ideas could be seen embedded in any marketing offer. If could be enhancing sociability after using Colgate toothpaste or Cinthol soap, or becoming beautiful after using Fair & Lovely cream. There are also special ideas that are marketed like awareness about family planning, AIDS/HIV, drug and alcohol abuse and religious beliefs.

Experiences and Events: Marketing offers can also be in the form of experiences and events. A visit to a theme park like Silver Storm, Black Thunder, Veegaland, Wonder la, etc. is an experience for the consumer. People need and want recreation and enjoyment, which they get in the form of experience when they visit the parks with their family or friends. Examples of events are rock shows, exhibitions, trade shows and fashion shows.

Customer Value

Consumers have a wide choice of products and services which promise satisfaction of a particular need. They normally decide on their choices based on their perceptions of the value and satisfaction that different products and services deliver, or offer. Customer value is the difference between the value the customer gains from buying and using a product and the cost of buying the product. They normally form expectations about the value of different marketing offers and buy accordingly. This involves the customers' mental process of judging the value of the product and is called customer perceived value. Customer expectations are based on past buying experiences, and the opinions of friends and family members.

The promises offered by marketers and the information about similar product offers of competitors also influence expectations.

The main task of marketing, therefore, becomes value-creation and value delivery. Marketing offers are value propositions promising benefits and value.

Box 1.1

Examples of Value Delivery — Customer Value

Jet Airways	:	The airlines has launched issue of boarding pass for ticket bookings done online, for the first time in India.
Federal Express	:	The courier company allows customers to track parcels in transit till the parcel reaches its destination, through the FedEx website, free of charge. They can even identify the person who signed for the parcel at the destination.

Virgin Atlantic	:	The airline picks up the passenger from his house, gives a boarding pass at the car window, at the airport. The passenger can go straight to Virgin Atlantic lounge and relax. On reaching the destination, a taxi will be waiting to take him to his hotel.

Customer Satisfaction

Customer satisfaction with a purchase depends on how well the product's performance lives up to the customer's expectations. Customer satisfaction is a key influence on the future buying behaviour of the people. Satisfied customers will buy the product again and tell the others about their good buying experiences. Dissatisfied customers, on the other hand, switch to a competitor's products and also discourage others from buying the product. Marketers must be careful to set the right level of expectations. If they set expectations too low, they may satisfy those who buy but fail to attract enough customers. If they raise expectations too high, customers will be disappointed. Customer value and customer satisfaction are key building blocks for developing and managing customer relationships.

Exchanges

Exchange is another core concept of marketing. It is the act of obtaining an object which one needs from another by offering some other thing in return. In the exchange process, two or more individuals are involved, each side possessing something that is considered to be of value to the other. Both will have the ability to discuss and agree or disagree on the terms of exchange and deliver the object after an agreement is reached. This stage of offering something and discussing the mutually beneficial and acceptable terms is the exchange process. Marketing occurs when individuals decide to satisfy needs and wants through exchange.

Transactions

As a consequence of the exchange process, when the two parties reach an agreement on the terms of exchange, it becomes transaction. A transaction will consist of an exchange of values between the two or more parties involved, and ownership also changes hands between the seller and the buyer. For example, a customer pays Rs. 4 lakhs to a Hyundai dealer and buys a Santro. Similarly, a physician treats a patient and the patient pays him Rs. 100 as his fees. Transactions can be monetary as in the above examples or can also be non-monetary. In the barter system, transactions take place without the involvement of money as only the goods or services are exchanged. For example, the butcher offers meat to the baker in exchange for a loaf of bread.

Relationships

Marketing does not stop with a single transaction between the marketer and the customer. The marketer wants the customer to be fully satisfied with the transaction so that a long-term relationship can be built up in the form of customer loyalty.

Marketing consists of actions taken to build and maintain desirable exchange relationships with target audiences involving a product, service, idea or other object. Beyond simply attracting new customers and creating transactions, the goal is to retain customers and grow their business with the company.

Market

In common parlance, a market is a place where buyers and sellers meet to buy or sell products, as in the case of a fish market, vegetable market or grain market. But in marketing, a market refers to the different groups of consumers for a product or service. Market need not be a place as in the traditional sense. Here, the sellers or marketers are treated as the industry and the buyers as the market. Examples are the general consumer market, business market, global market and specific markets like teenagers' market, children's market, working women's market, insurance market, healthcare market and education market.

A market is the set of actual and potential buyers of a product. Such buyers or customers share a particular need or want that can be satisfied through exchange relationships. The size of the market will depend on the number of people who exhibit the need, have the buying power, and are willing to exchange their resources for what they want.

Marketers work to understand the needs and wants of specific markets and to select the markets that they can serve best. In turn, they develop products and services that create value and satisfaction for customers in these markets. The result is profitable long-term customer relationships.

MARKETING AS A FUNCTION

Marketing means managing markets to bring about profitable exchange relationship by creating value and satisfying needs and wants. Therefore, it is defined as a process by which individuals and group obtain what they need and want by creating and exchanging products and values with others[3]. Marketing involves activities such as searching for customers, product development, market research, communication, sales promotion distribution, channel management, service, etc. The elements of modern marketing systems are shown in figure 1.3.

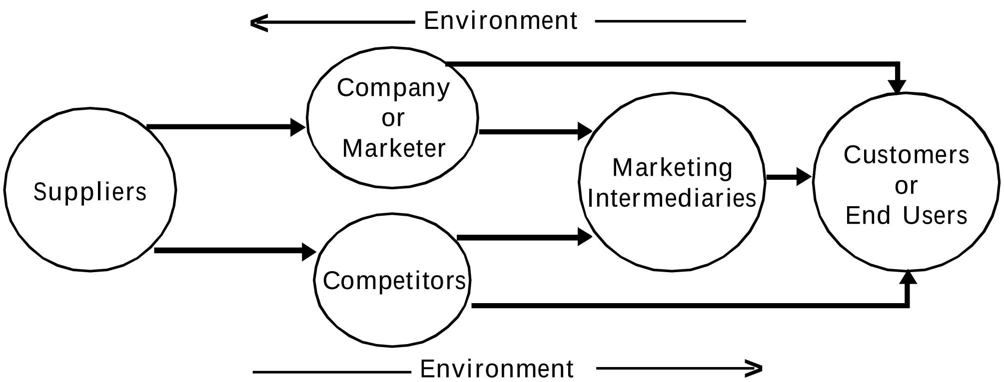


Fig. 1.3: Elements of a Modern Marketing System

The suppliers provide raw materials to produce goods. The company (marketer) and its competitors send their offers and communication to customer directly or through marketing intermediaries. The customer compares the values and satisfaction offered in each product or service and decides to buy. All these actors in the marketing system can be affected by environmental forces – demographic, economic, technological, political, social, cultural, legal, etc. A company's success in marketing as a function depends on how well entire system serves the needs of final customers.

MARKETING MANAGEMENT

According to Philip Kotler,[4] "Marketing management is the art and science of choosing target markets and building profitable relationship with them. This involves getting, keeping and growing customers through creating, delivering, and communicating superior value." Thus marketing management involves managing demand, which in turn, involves managing customer relationships.

Any company will have a desired level of demand for its products. At any point of time, there may be a situation of no demand, adequate demand, irregular demand, or too much demand. The marketing managers have to identify ways and means to handle different demand situations. They will have to not only be concerned with finding and increasing demand, but also with changing or even reducing it.

Where there is no demand, the marketer has to create demand using market development programmes, publicity, sales promotion, aggressive personal selling and other appropriate tactics.

Reducing the demand is done through demarketing.

Demarketing is resorted to by a company or a government when faced with a very high demand which it cannot meet in the short run. It is a process of discouraging overall demand using measures like increasing the price, controlling the supply and reducing promotion. For example, during 1971-72, there was acute shortage of chemical fertilizers in India as against heavy demand, and the Government resorted to demarketing policies for two years. Controls were introduced on retail distribution, prices were raised by nearly 100% , marketing freedom of dealers and manufacturers was brought under governmental control, and fertilizer promotion programmes were brought down to low key. Demand management and customer management are the fundamental activities in marketing management in all companies.

MARKETING ORIENTATIONS OR CONCEPTS

The marketing function or activities are conducted by various companies based on six alternative concepts or orientations. They are:

1. The Production Concept
2. The Product Concept
3. The Selling Concept

4. The Marketing Concept
5. The Customer Concept
6. The Societal Marketing Concept

1. The Production Concept

The production concept believes that consumers will favour products that are readily available at reasonable prices. Improvement in production and distribution efficiency will be the focus for managements under this concept. When the demand for a product exceeds the supply, manufacturers have to increase production. When the product's cost is too high, the management has to bring it down to affordable levels. In the example of Ford car model T, Henry Ford believed that if cost is reduced, more people would buy it. Ford did not have any concern about customers' preferences and joked that the customer can have any colour for the car, provided it was black. The production concept, though useful in some situations, could result in 'marketing myopia', according to Theodore Levitt. Companies following this concept focus too narrowly on their own activities and lose sight of the real objective of customer's need satisfaction.

In India, for example, the Indian Telephone Industry (ITI) earlier had a monopoly, and was producing only black coloured telephone instruments. At present, due to competitors entering the market, we can have any colour for our instruments. Similarly, household electrical appliances like fridge, washing machine, geyser, microwave oven, etc., were available only in white colour (and were, therefore, called 'white goods'). Now we have a choice of different colours.

Model T – Best Example for 'Production Concept'

2. The Product Concept

The product concept believes that consumers will favour products that offer the most in quality, performance, and innovative features. Continuous improvements in product and quality are essential for companies that follow this concept. They believe that if they build a better mouse trap, the world will beat a path to their door. Actually, the consumers may be wanting a better solution to the mouse problem and not a better mousetrap. So, product concept may also lead to marketing myopia.

3. The Selling Concept

The selling concept believes that consumers will not buy enough of the company's products unless it undertakes pressure selling tactics and heavy promotion efforts. Buyers are believed to have a buying inertia. This concept is especially used for unsought goods which buyers normally do not think of buying, like life insurance, cemetery plots, etc. When companies face excess production, they follow this concept to sell what they make, without caring for customer's needs or satisfaction.

4. The Marketing Concept

The marketing concept believes that achieving the company's objectives depends on understanding the needs and wants of target markets and delivering the desired satisfaction in a better way than what the competitors are doing. Focus on customer and value is considered the path to successful sales and company profits in this concept. The customer is considered THE KING, and the company produces and markets what the customer wants. The difference between the selling concept and the marketing concept is shown in Figure 1.4.

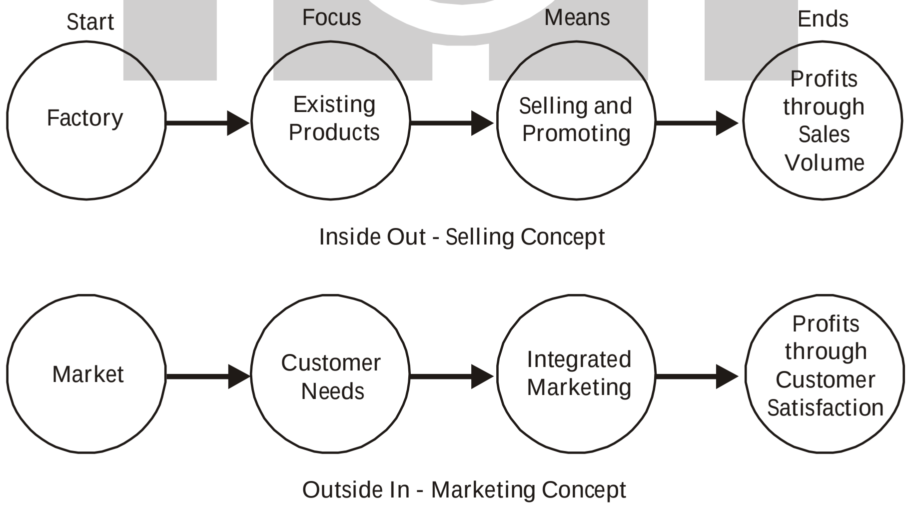


Fig. 1.4: Contrast of Selling and Marketing Concepts

(Source: Philip Kotler, *Marketing Management*, 11th Ed., Pearson Education**)**

The selling concept takes an inside-out perspective. It starts with the factory, focuses on the company's existing products, and calls for heavy selling and promotion to generate profitable sales. The focus is mainly on conquering the customer, for short-term sales, with no concern for consumers.

Professor Theodore Levitt of Harvard University has drawn a contrast between selling and marketing concepts as follows:

"Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering and finally consuming it."

The marketing concept takes an outside-in perspective. It starts with a well-defined target market, focuses on customer needs, and integrates all the marketing activities that affect the customers. Profits come from creating long-term customer relationships based on customer value and satisfaction.

Most of the successful companies follow the marketing concept, and are fully customer-driven in their activities.

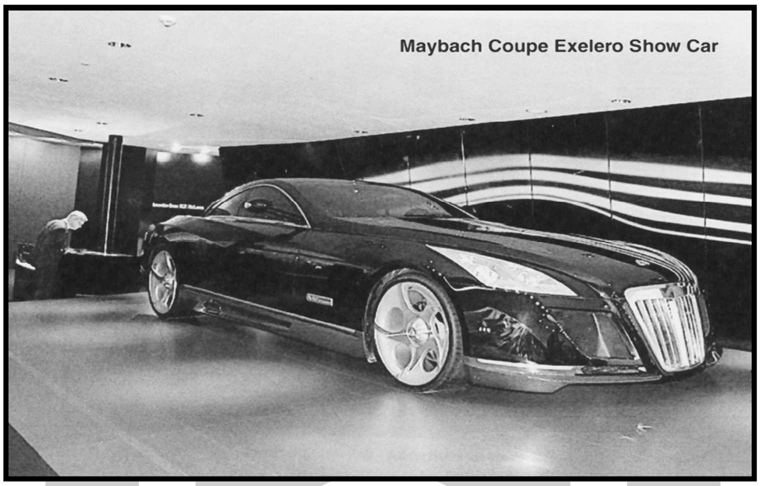
A detailed differentiation of selling and marketing is given in table 1.1

Table 1.1 Selling Vs. Marketing

Selling	***Marketing***
1. Starts with the seller and concerned only with the seller's needs.	Starts with the buyer and concerned with the buyer's needs.
2. Core of business activity is the seller.	Buyer is the core of all activity.
3. Saleable surplus important.	Identification of a market opportunity is important.
4. Converts existing products into money.	Converts customer needs into products.
5. Business is a goods-producing process. process.	Business is a customer-satisfying
6. Marketing mix planned as per seller's need.	Customers dictate the plan of marketing mix.
7. Cost determines the price.	Marker determines price.
8. Different departments of the business act independently.	All departments work in an integrated way to satisfy the customer.
9. Production is the central function of business.	Marketing is the central function of business.
10. Customer is the last link in Business.	Customer is the very purpose of business.

5. The Customer Concept

Many companies are today moving beyond the marketing concept to the customer concept. These companies shape separate offers, services, and messages to individual customers, based on their individual preferences. They hope to achieve profitable growth through capturing a larger share of each customer's expenditures by building high customer loyalty and focusing on customer lifetime value. One-to-one marketing has become possible through advances in factory customization, computers, the Internet and database marketing software. Examples: Barbie Dolls, Levi Strauss Jeans, Dell Computers.



Example of the Height of Customization – The Maybach car (Mercedes) Costing Rs. 5.25 crores!

6. The Societal Marketing Concept

This concept believes that organizations should determine the needs, wants and interests of target markets. It should then deliver superior value to the customers in a way that maintains or improves the consumer's and the society's well-being. The societal marketing concept calls on marketers to balance three considerations in setting their marketing policies: company profits, consumer wants, and society's interests or human welfare. (Fig. 1.5)

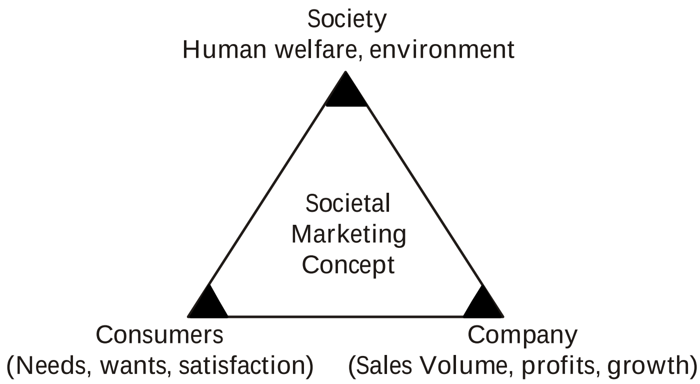
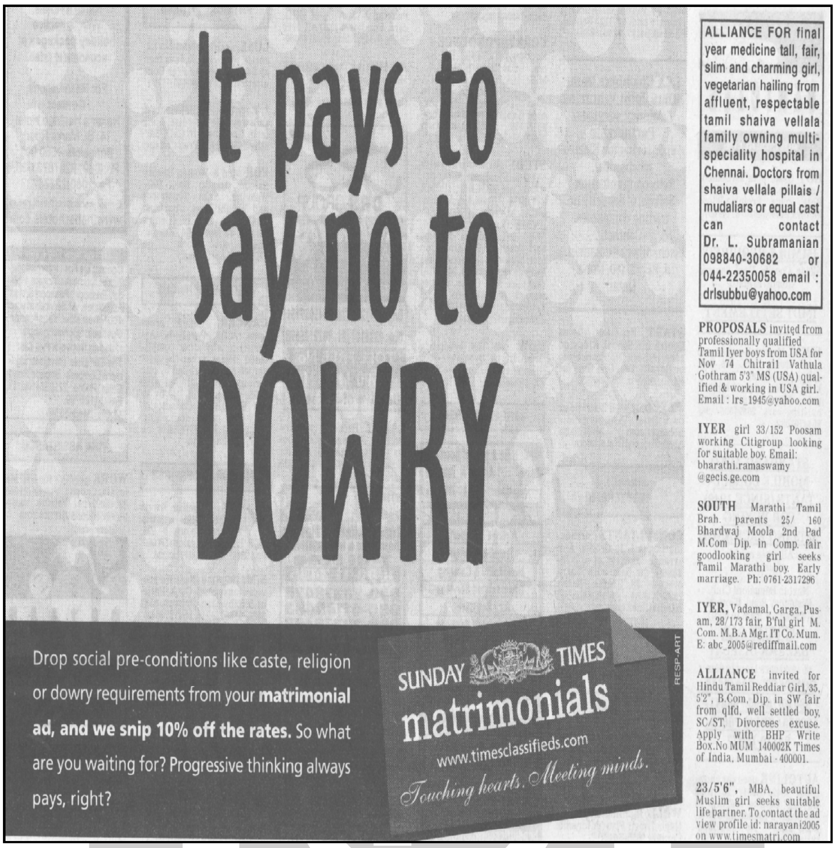


Fig. 1.5: Societal Marketing Concept

Originally, most companies based their marketing decisions largely on short-run company profit. Eventually, they recognized the long-run importance of satisfying consumer wants, and the marketing concept emerged. Now many companies are beginning to think of the society's interests when making their marketing decisions.



Societal Marketing - Advertisement space

CUSTOMER RELATIONSHIP MANAGEMENT

Whatever the concept or orientation followed, the primary concern of marketing management is to create profitable relationships with customers. Customer Relationship Management (CRM) is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. Thus, today's companies are going beyond designing strategies to attract new customers and create transactions with them. They are using CRM to retain current customers and build profitable, long-term relationships with them. The modern view is that marketing is the science and art of finding, retaining, and growing profitable customers. Companies find that it costs 5-10 times as much to attract a new customer as it does to keep a current customer satisfied. Also, losing a customer means losing the entire stream of purchases that the customer would make over a lifetime of patronage, which is the customer lifetime value.

The key to building lasting customer relationships is to create customer value and satisfaction. Satisfied customers are more likely to be loyal customers, and they are likely to give the company a larger share of their business. A customer buys from the firm that offers the highest customer perceived value — the customer's evaluation of the difference between all the benefits and all the costs of a marketing offer relative to those of the competitor's offer. Customers act on perceived value and not on actual product values and costs.

Customer satisfaction depends on the perceived performance relative to a buyer's expectations. If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted.

Direct mail used to build customer relationship

THE MARKETING PROCESS

The marketing process consists of the following activities:

1. Analysing market opportunities
2. Selecting target markets
3. Developing the marketing mix
4. Managing the marketing effort

A summary of the entire marketing process is shown in figure 1.6.

At the centre of the process stand the consumers. The objective is to build a strong and profitable customer relationship. The first step is market segmentation, targeting and positioning, to decide which customers the company should serve and how. This process identifies the total market, then divides it into smaller segments, selects the most promising segments, and focuses on serving and satisfying these selected segments. The next step is to design a marketing mix consisting of factors under its control like product, price, place and promotion. For identifying the best marketing mix combination and to put it into action, the company engages in marketing analysis, planning, implementation, and control activities. With the help of these, the company watches and adapts to the actors and forces in the marketing environment around it.

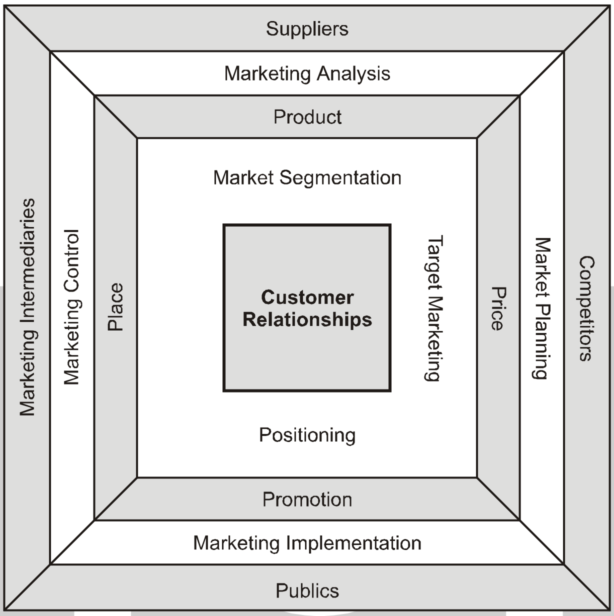


Fig. 1.6: The Marketing Process

Customer Relationships

In order to succeed in today’s highly competitive market, companies must be customer-centred, winning customers from competitors, then keeping and growing them by delivering greater value. To be able to satisfy the customers, a company must first analyse the consumers and understand their needs and wants. Companies know very well that they cannot profitably serve all customers in the same way. Most companies are in a position to serve some segments better than others. Each company must divide the total market, choose the best segments, and design strategies for profitably serving chosen market segments. This calls for a three-step process: market segmentation, target marketing and market positioning.

Market Segmentation

Any market will consist of various types of customers, products and needs. The marketer has to determine which market segments offer the best opportunity for achieving company objectives. Consumers can be grouped and served in various ways based on geographic, demographic, psychographic and behavioural factors. The process of dividing a heterogeneous market into distinct groups of buyers who have different needs, characteristics or behaviour, and who might require separate products or marketing programmes, is called market segmentation. A market segment will consist of homogeneous consumers who might respond in a similar manner to a given set of marketing efforts. The car market, for example, can be segmented into budget or compact car segment, family car segment, premium car segment and luxury car segment. In segmentation, it is the consumers who are classified, and not products. Marketing companies always focus their marketing efforts on meeting the distinct needs and wants of individual market segments.

Target Marketing

After defining the market segments, a company decides to enter one or many segments in a given market. Target marketing is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter. A company should target segments in which it can generate the greatest customer value profitably and sustain it over time. A company with limited resources might decide to serve only one or a few special segments or 'market niches'. On the other hand, a big company may decide to offer a complete range of products to serve all market segments.

As a normal practice, many companies strategically enter a new market by serving a single segment, and if they succeed, spread the marketing activity to other segments. Eventually, large companies cover the full market.

Box 1.2

Cos Eye Big Volumes from Small Towns — Target Marketing

An increasing number of corporates are setting up retail outlets in small towns and rural markets to reach out to a huge untapped large consumer base. The Godrej group has set up Aadhaar, a rural retail format to sell products like FMCG, durables, agri-products and also services. Similarly, oil companies like Indian Oil are setting up a huge number of retail outlets to sell non-fuel products like soaps and fertilizers, apart from petrol and diesel.

Companies like LG, Sansui and others have already tied up with ITC's Choupal Sagar, the country's first rural mall in Madhya Pradesh which signalled the arrival of organized retailing in India. Manufacturers of products such as soaps, biscuits, detergents, toothpastes, televisions, DVDs, sewing machines and grinders expect these smaller markets to throw up higher sales volumes this year. "We see big volumes coming in from rural retailing models. Apart from the profitability factor, cross-category tie-ups will help manufacturers to depend less on saturated markets," said Adi Godrej, Chairman of the Godrej Group.

Consumer durable manufacturers, FMCG companies and oil majors are tapping rural consumers in a big way by jointly investing in the infrastructure and manpower. Oil companies already have a widespread network of close to 30,000 petrol pumps all over the country. However, the outlets have so far concentrated on cities and state and national highways. With Reliance and Essar snapping at their ankles, the companies are now feeling the heat of competition.

Many companies have chalked out huge plans to go rural. "The target is smaller villages with a population of about 200 to 250 households and the pumps will be small, low-priced units," says S.Radhakrishnan, marketing director of Bharat Petroleum. The retail outlet will serve a radius of seven to eight such villages. The company will put up 1,000 such pumps in this fiscal.

Anil Khera, director of Sansui said the company has invested in infrastructure and manpower training by tying up with Choupal Sagar. "Almost 65-70% of our volume this year will be coming in from the smaller markets. These concepts are likely to go a long way in bringing a huge untapped population within the purview of organized retailing, thereby, increasing the size of the market," he said.

India's largely rural population has also caught the eye of retailers looking for new areas of growth. They are beginning to acknowledge that the rural consumer is more than a 'poor cousin' of her urban counterpart.

(Source: *The Economic Times*, 10 Aug 2005)

Market Positioning

Once the decision on which market segments to enter is made, a company has to decide what position it wants to occupy in those selected target segments. The position of a product is the place occupied by it in the consumer's mind relative to the competitor's products. Marketing people's objective is to create unique market positions for their products which make them stand out among other similar products. If such differentiated position is not developed, consumers may not have any justification to produce the product. "Market positioning is arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers". (Philip Kotler).[5]

While positioning a product, the company has to first identify possible competitive advantages upon which to build the position. To gain competitive advantage, the company must offer greater value to target customers. Positioning becomes a reality with actual differentiation of a company's marketing offer so that it gives more value compared to the competitor's offer.

After developing a desired position, the company should take necessary action to deliver and communicate that position to target consumers. The chosen positioning strategy should be fully supported by the company's entire marketing activities and programmes.

Competitive Advantage

In order to create competitive advantage and succeed, a company should perform a better job than the competitors, of satisfying target consumers. All the marketing strategies must be geared to the needs of the consumers as well as the strategies of the competitors in the market.

A thorough competitor analysis will have to be done first, before designing the competitive marketing strategies for a company. Regular comparison and evaluation of the value and satisfaction delivered by the company to the customers through its products, prices, channels and promotion against those of the competitors with similar products should be made.

A company's industry position will dictate the competitive marketing strategy to be adopted by it. Market leader strategies are followed by companies which have market dominance like IBM, Coca-Cola, Microsoft, etc. Market challengers are companies that keep on attacking the dominant companies to get a better slice of the market share. Example:- Pepsi, P & G (Ariel) challenging Coca-Cola and HLL (Surf) respectively. Market followers are not aggressive, but want a sustainable, stable market share and profits. They follow the product offers, pricing and marketing programmes of the leaders and challengers. Smaller firms and even bigger firms without market dominance often adopt market nicher strategies. They concentrate on small gaps or niches in the market, which are normally neglected by big players. They avoid direct fight or challenge with big competitors.

DEVELOPING THE MARKETING MIX

The marketing manager is a mixer of ingredients, according to James Culliton, a noted marketing expert, who coined the expression, 'marketing mix'.

"The marketing mix is the set of controllable, tactical, marketing tools that the firm blends to produce the response it wants in the target market."(Philip Kotler)[6]. The marketing mix consists of the variables, product, price, place and promotion, well-known as the four Ps of marketing, as classified by McCarthy[7]. Figure 1.7 gives a complete picture of the different tools under marketing mix variables.

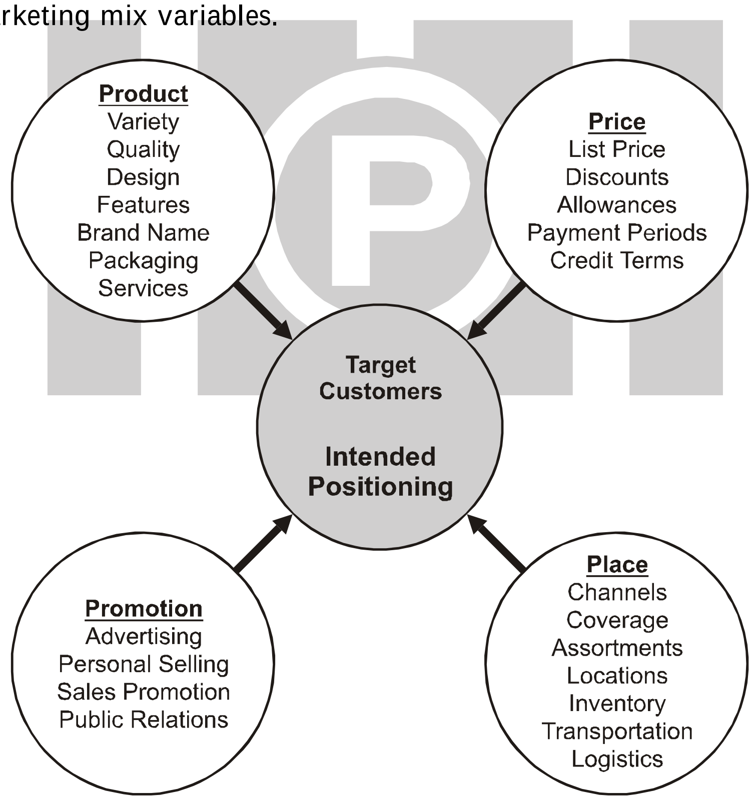


Fig. 1.7: The Marketing Mix Variables

(Source: **Philip Kotler,** *Principles of Marketing*, **10th Ed., Pearson/PHI)**

Product stands for the goods and services offered by a company to the target market, to satisfy needs and wants.

Price refers to the money value that the consumers have to pay to buy the product or service.

Promotion refers to activities of personal selling, advertising, and communicating product benefits and attributes to target consumers to persuade them to purchase.

Place stands for physical distribution activities through which the product moves from the factory to the customer. Channels of distribution, logistics, warehousing, transport, etc. come under the place variable.

To be successful, the marketing programmes have to blend the four variables into an ideal integrated action plan aimed at achieving the corporate objectives. While the four Ps concept relates to the seller's perspective of the market, there are four Cs in the consumer's view. They are:

Four Ps	**Four Cs**
Product	Customer solution
Price	Customer cost
Place	Convenience
Promotion	Communication

To be effective, marketing people have to consider the four Cs first and then build the four Ps based on the requirements.

Box 1.3

Nirma Washing Powder — Successful Blend of Marketing Mix

'Nirma', as a product, created a marketing miracle, when it was introduced in the domestic market. In 1969, when the detergents were priced so exorbitantly that for most of the Indians it was a luxury item, Nirma envisioned the vast fabric wash market segment and sensed a tremendous potential therein. The product was launched blending the four Ps in the most appropriate way. Nirma was priced at almost one third of that of the competitor brands, especially Surf, and placed widely at all retail points, resulting into instant trial by the customers. The promotion on TV and other media helped to create awareness about the product, among the public.

Owing to the success of the marketing mix combination used, and the quality and utility of the product, the consumers became loyal to the Nirma brand, helping it to overtake the decades-old brands like Surf, in terms of volumes. Nirma brand has been ranked as the "most widely distributed detergent powder brand in India" as per All India Census of Retail Outlets (1997). As per ORG-MARG Rural Consumer Panel (1998) survey, Nirma brand has been ranked as highest in terms of penetration in washing powder category.

Nirma has, over the years, introduced products in toiletries and personal care with soaps, shampoos and toothpaste, thus offering the consumer a complete product portfolio.

(Source: www.nirma.com)

Ad showing Nirma Products

THE ROLE OF MARKETING MIX IN MARKETING PLANNING AND MARKETING STRATEGY

Marketing mix has an important role to play in Marketing Planning and Marketing Strategy. Planning is an important managerial activity, which is a basic requirement for all organisations. Any organisation will need general and specific plans to fulfil its objectives.

The primary concern of marketing planning is marketing strategy formulation. Marketing planning involves preparing action plans to shape the future growth of an organization. Achieving profitability, meeting competition, protecting and improving market share, and promoting brand image are its concerns. The task involved is to identify the consumers' needs in various segments, develop suitable products or services to meet those needs and generate profits. This is achieved through marketing planning and marketing strategy.

Marketing planning and strategy formulation is to be done reckoning the environmental variables of marketing like competition, the consumer, the government, and legal, political and natural forces. While the organisation can choose, alter and control its marketing mix variables, it cannot choose or alter the environmental variables against which the products are marketed. Using the marketing mix variables, the organisation tackles the environment variables. It skilfully selects and adjusts the marketing mix variables and brings them in alignment with the environmental variables. This is the process involved in formulating the organisation's marketing strategy – assembling the marketing appropriately.

The four Ps of marketing have to be assembled in the best possible combination. This process involves choosing the appropriate marketing activities and the allocation of the appropriate marketing effort and resources to each one of them. The organisation has to consider how to generate targeted sales and profitability. Different combinations of marketing mixes are considered with varying levels of expenditure on each marketing activity to identify the most effective combination. It then chooses the best combination of mix of product, price, place and promotion to ensure success.

It is necessary to work out marketing mix for every brand because the competition in the market is ultimately at the brand level. And it is the marketing mix that decides how much strength the brand has at its disposal to fight competition.

CHOOSING THE OPTIMUM MARKETING MIX

In theory as well as in practice the marketing mix elements can be combined in any number of ways. Optimisation is to be achieved by trying out several alternative combinations. The marketing mix elements are substitutable by one another to a certain extent. Resources can be taken away from one element and assigned to another, to achieve balance as per the marketing objective of the firm. The organisation can achieve its marketing objective using different combinations of the marketing mix.

This is done by assigning relevant weightage to each of the elements depending on the objective and the context. Even within an element, weightage may have to be given to various sub elements. For example, within promotion, advertising and brand-building activities may get a higher weightage, if the objective is higher market share in the long run. Personal selling and sales promotion may get a higher weightage, if the objective is higher sales in the short run. The firm can consider different combinations of sales target levels also and marketing mix expenditure, and select the optimum one from the profit and other relevant angles.

The marketing mix is the most visible part of the marketing strategy of an organisation. The strategy manifests through the marketing mix of the organisation – through what the organisation does with product, price, promotion and distribution.

QUESTIONS FOR DISCUSSION

1. Marketing is managing profitable customer relationships. Discuss.
2. Explain the core marketing concepts and their linkage to one another. Give examples.
3. Distinguish between customer value and customer satisfaction.
4. The marketing function is conducted by various companies based on alternative concepts. Discuss.
5. Differentiate between selling concept and marketing concept. Give examples.
6. The 'marketing mix' is one of the major concepts in modern marketing. Justify the statement.
7. Discuss how market segmentation, target marketing and positioning are interrelated. Give examples.
8. What are marketing offers? Explain with examples.
9. Write short notes on:
   (i) Demand
   (ii) Customer relationship
   (iii) Societal marketing concept
   (iv) Target marketing
   (v) Competitive advantage

(vi) Market positioning

(vii) Marketing mix

(viii) Customer value

End Notes

1. C.K. Prahalad is Professor of Corporate Strategy at the University of Michigan and a globally recognised business consultant.
2. Philip Kotler, *Principles of Marketing*, 10 ed., Pearson / PHI.
3. *Ibid.*
4. *Ibid.*
5. *Ibid.*
6. *Ibid.*
7. McCarthy, Jerome E., *Basic Marketing – A Managerial Approach,* 12 ed., Homewood, Illinois, 1960.