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About the Tutorial

Marketing Management is an organizational discipline, which deals with the practical application of marketing orientation, techniques and methods in enterprises and organizations and with the management of a company's marketing resources and activities.

This is a brief introductory tutorial that explains the methodologies applied in the rapidly growing area of marketing management.

Audience

This tutorial will be useful for students from management streams who aspire to learn the basics of Marketing Management. Professionals, especially managers, aspirants of entrepreneurship, regardless of which sector or industry they belong to, can use this tutorial to learn how to apply the methods of Marketing Management in their respective enterprise.

Prerequisites

To understand this tutorial, it is advisable to have a foundation level knowledge of business and management studies. However, general students who wish to get a brief overview Marketing Management may find it quite useful.

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1. Marketing — Overview

What is a Market?

A market can be defined as the summation of all the buyers and sellers in an area or region under consideration. The area may be a country, a region, a state, a village or a city.



Market is a place where goods, commodities or services provided by the sellers are swapped with the buyers or purchasers for some value combined with need, demand, supply etc.

We can say that it is a place, which satisfies the potential needs of the buyers as well as the sellers. The market may have a physical existence or a virtual one. It may be local or global one.

Characteristics of a Market

A market has its own characteristic features. It involves only exchange and trade of commodities but that activity also has its own features.

Let us take a look at the characteristics of a market.

- A place for swapping goods and services for some value. The goods can be swapped for money, land or some other commodity.
- This is a place where you can negotiate commodities
- Coverage of all customer requirements is possible here
- This is a place for innovation and creation
- There is potential or capacity for buying and selling.
- There is share of consumption as well as total part of demand.

Let us now take a look at the key elements of the market.

Elements of a Market

The key elements that make a market, without which a market is not complete, or the elements on which a market depends are as follows:

- **Place** – The area where the swapping of goods, commodities or services takes place between the seller and the buyer. The place should be convenient to both the parties.
- **Demand** – Market runs on supply and demand. A seller provides the products or services and a buyer wants to fulfill his/her requirements. A product with high demand is supplied more.
- **Seller** – A seller is the person or the party who offers a variety of or even a single product or service to others in return of some valuable item.
- **Buyer** – A buyer is the person or party who needs a product or service and in return is ready to pay some valuable item as demanded by the seller for the product.
- **Price** – This is the cost or the amount that is to be paid for a product or service. It should be fixed; else, it may lead to conflict as well as an imbalance in the seller-buyer relationship.
- **Government Regulation** – The government makes some regulations that both the buyer and seller have to abide. Everyone is treated equally in front of the law. For example, the buyer is not allowed to sell illegal products while the seller is prohibited from buying them.

Types of Goods

If a person wants to buy a car, following things need to be considered: what type of a car does he /she need, which brand, what are the brands available, what is the budget, etc. Most importantly, with this factor, one gets a variety of choices in a limited budget.

Presence of Competition

Lakme launches a new product, which gives the customer three-in-one service. It works as a face wash, face scrub as well as face pack. But the question is what was the need.

The simple answer is competition; this product is a technique to attract more customers and cope with the growing competition.

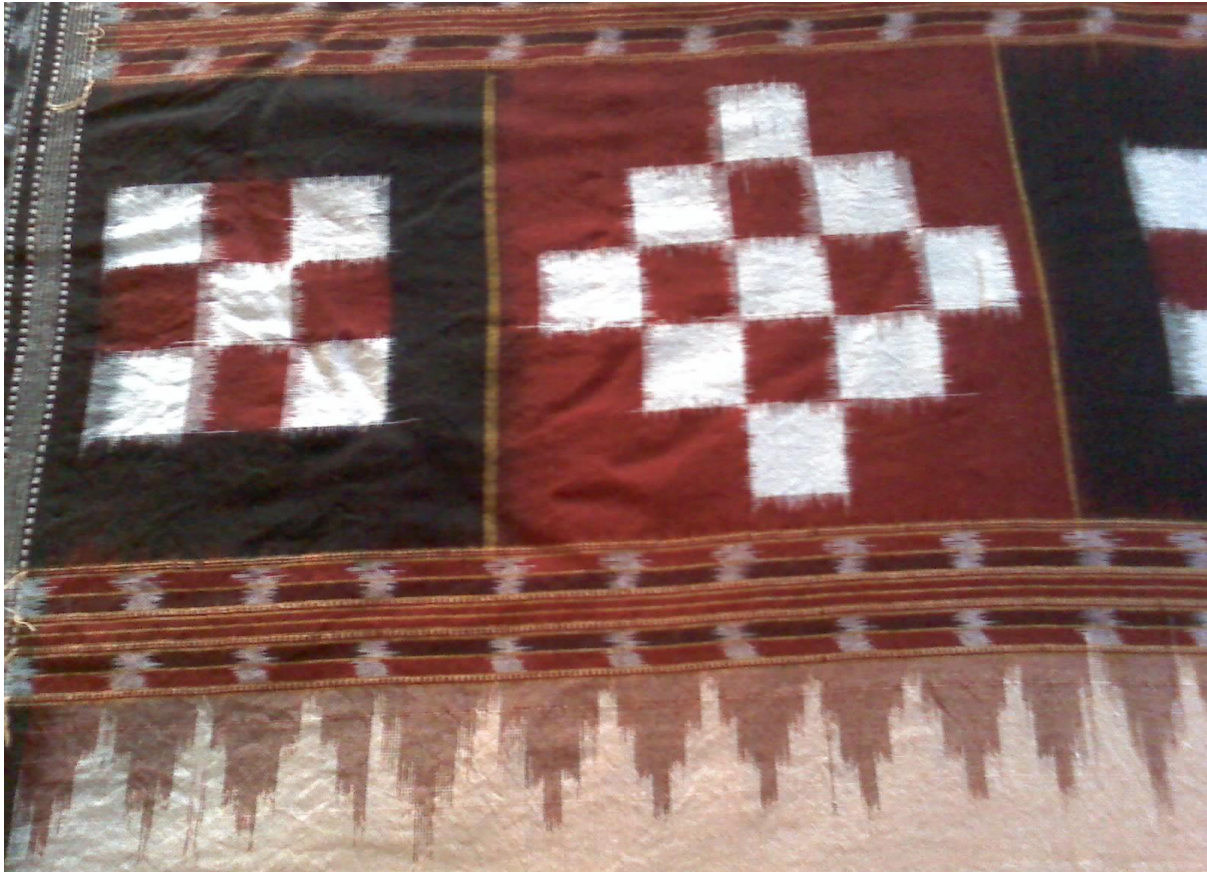
The logo for Lakmé, featuring the brand name in a purple, serif font with a horizontal line through the middle of the letters.

Expectation of buyers

We buy a product only if it stands up to our expectations. Yardley claims that it moisturizes and nourishes the skin for six hours, so a person with dry skin will buy it expecting that claim to be true.

Cultural Factors

Cultural factors like the culture and tradition we follow also affect the market. For example, an Oriya woman would prefer a Sambalpuri saree for some special event over silk or any other type.



Economic Factors

An individual will prefer buying gold only when the rates are down. When the rate is Rs 20,000 for 10g, the customers increase while, when the rate is Rs 26,300 for 10g, the customers decrease.

Social Factors

What the market provides is very much dependent on social factors. Analysis shows that social factors impact the business of beverage companies. For example, Pepsi projects itself as a non-alcoholic beverage because it has to maintain the strict differences in cultures around the world.

Political Factors

Political factors are also important. Something that is banned by the government cannot be sold in the market, for example, the recent meat ban.

Objectives of Marketing Management

Marketing management is the process of planning & implementing the conception, pricing, promotion and distribution of products or services. It is a target-oriented process and an operational area of management.

Marketing management is basically an organizational discipline, which focuses on the practical usage of marketing orientation, techniques and methodologies in companies and organizations and on the management of a firm's marketing resources and activities.

The following are the main objectives of marketing management:

- To satisfy the clients' requirements and their objectives.
- To leverage the gain for the growth of business.
- To develop customer base for the business.
- To create an appropriate marketing mix.
- To raise the quality of life of people.
- To build a good image of the organization.
- To maintain the long-run concept.

Now, we are clear about the need and objective of marketing management. Moving forward, let us discuss the broad marketing concepts in detail.

2. Marketing — Concepts

Marketing concept is the philosophy that companies should examine the requirements of their customers and then make decisions to satisfy those needs in a better manner than the competitors.

Today, most of the companies have adopted various marketing concepts, but this has not always been the case. Let us now understand major marketing concepts.

The major marketing concepts are:

- Production concept
- Sales concept
- Marketing concept

Production Concept

According to the production concept, a company should focus on those items that it can produce most efficiently and also focus on creating supply of low-cost items that create the demand for the products.

The key questions that a company needs to ask itself before producing an item are:

- Can we produce the item?
- Can enough of it be produced?

This concept worked fairly during the 1920s as the items that were produced were largely those of basic necessity and there was a relatively high level of unfulfilled demand. Virtually everything that could be produced was sold easily by a sales team whose task was to complete the transactions at a price fixed by the cost of production. All in all, this concept prevailed until the late 1920's.

Sales Concept

According to this concept, the companies would not only produce the items but would also try to convince customers to buy them through advertising and personal selling. Before producing a product, the key questions were:

- Can we sell the item?
- Can we account enough for it?

This concept paid little attention to whether the item actually was required. The goal simply was to beat the competition with little focus on customer satisfaction. Marketing was an operation performed after the product was developed and produced and many people came to relate marketing with hard selling. Even today, people use the word "marketing" when they actually mean "sales."

Marketing Concept

The marketing concept relies upon marketing studies to define market segments, their size, and their requirements. To satisfy those requirements, the marketing team makes decisions about the controllable parameters of the marketing mix.

This concept was introduced after World War II as the customers could afford to be selective and buy only those items that precisely met their changing needs and these needs were not immediately obvious. The key questions changed to:

- What do customers actually want?
- Can we improve it while they still want it?
- How can we keep the customers satisfied?

In reply to these discerning customers, companies began to adopt marketing concepts, which includes:

- Focusing on customer requirements before developing a product
- Aligning all operations of the company to focus on those needs
- Realizing a gain by successfully satisfying customer needs over the long-term

When companies began to adopt this concept, they actually set up separate marketing departments whose objective was to satisfy customer needs. Mostly, these departments were sales departments with expanded responsibilities. While this widened sales department structure can be found in some enterprises today, many of them have structured themselves into marketing organizations having a worldwide customer focus.

3. Marketing — Marketing Process

Marketing process includes ways in which value can be created for the customers to satisfy their requirements. It is an endless series of actions and reactions between the customers and the companies making attempt to create value for and satisfy the needs of customers.

In marketing process, the situation is examined to identify opportunities, the strategy is formulated for a value proposition, tactical decisions are taken, plan is executed, and results are monitored.

The following four steps are involved in the marketing process:

Situation Analysis

Analysis of the situation in which the company finds itself serves as the basis for identifying chances to satisfy unfulfilled customer needs.

Situational and environmental analysis is done to identify the marketing options, to understand the company's own capabilities and to understand the surroundings in which the company is operating.

Marketing Strategy

After identifying the marketing options available, a strategic plan is developed to pursue the identified options. An analysis is done and the best available option is chosen; a plan or strategy is made for that option.

Marketing Mix Decisions

At this step, elaborated tactical decisions are made for the controllable parameters of the marketing mix. It includes decisions related to product development, product pricing, product distribution and product promotion.

Implementation and Control

Finally, the marketing plan is executed and the outputs of marketing efforts are monitored to adjust the marketing mix according to the market changes.

This being the final step, it transforms the written or planned strategy into action and the product is presented according to this process.

4. Marketing — Functions

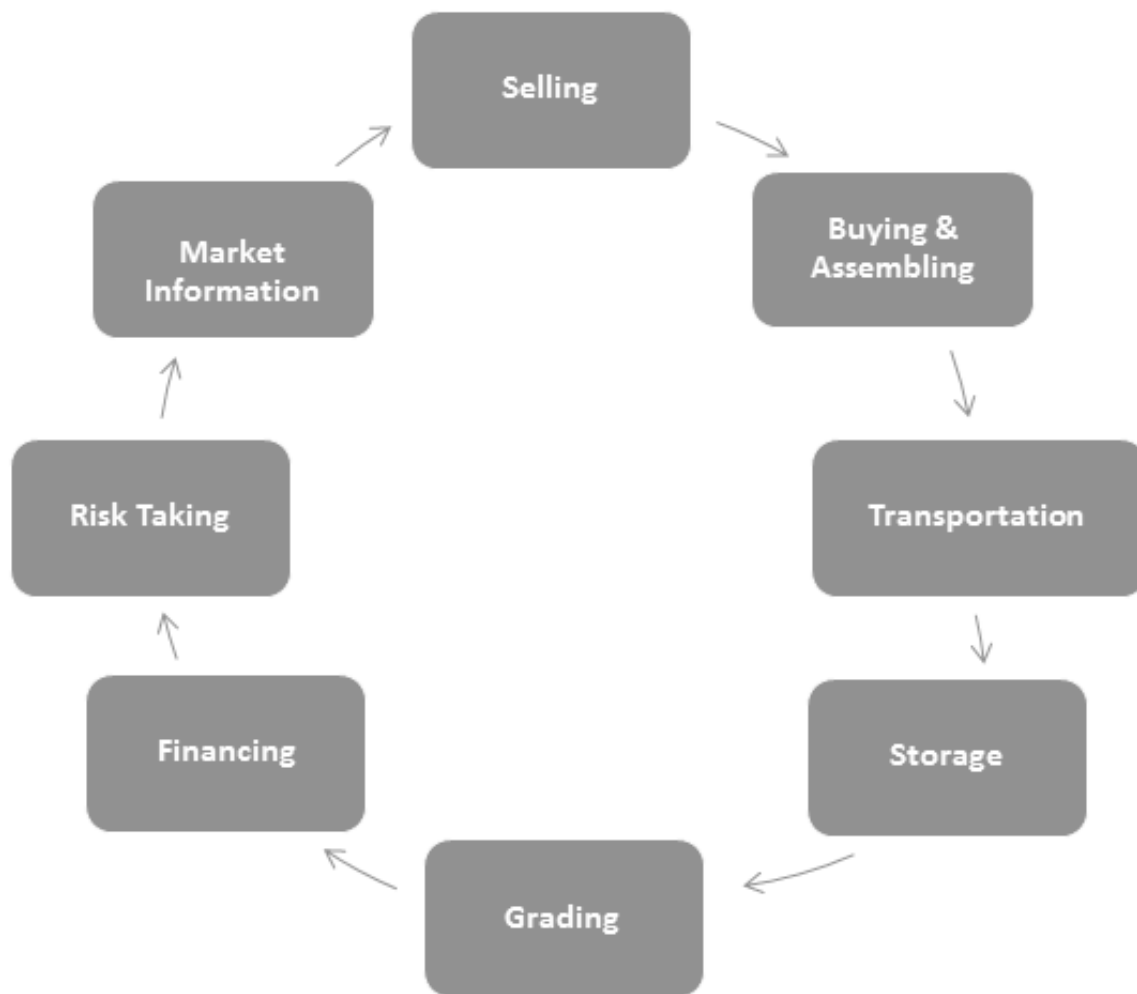
The term functions of marketing management means the main role of this type of management in any organization.

Major Functions of Marketing Management

We need to understand the major functions of marketing management in order to understand and groom our organization. The following are some of the major functions of marketing management:

- Selling
- Buying and Assembling
- Transportation
- Storage
- Standardization and Grading
- Financing
- Risk Taking
- Market Information

The marketing process performs certain activities as the products and services move from the producer to consumer. All these activities or jobs are not performed by every company.



Nonetheless, it is recommended that they be carried out by any company that wants its marketing systems to function successfully.

Selling

Selling is the crux of marketing. It involves convincing the prospective buyers to actually complete the purchase of an article. It includes transfer of ownership of products to the buyer.

Selling plays a very vital part in realizing the ultimate aim of earning profit. Selling is groomed by means of personal selling, advertising, publicity and sales promotion. Effectiveness and efficiency in selling determines the volume of the firm's profits and profitability.

Buying and Assembling

It deals with what to buy, of what quality, how much from whom, when and at what price. People in business purchase to increase sales or to decrease costs. Purchasing agents are much tempted by quality, service and price. The products that the retailers buy for resale are selected as per the requirements and preferences of their customers.

Assembling means buying necessary component parts and to fit them together to make a product. 'Assembly line' marks a production line made up of purely assembly functions. The assembly operation includes the arrival of individual component parts at the work place and issuing of these parts for assembling.



Assembly line is an arrangement of employees and machines in which each individual has a particular job and the work is passed directly from one employee to the next until the product is complete.

Transportation

Transportation is the physical means through which products are moved from the places where they are produced to those places where they are needed for consumption. It creates locational utility.

Transportation is very important from the procurement of raw material to the delivery of finished products to the customer's places. Transportation depends mainly on railroads, trucks, waterways, pipelines and airways.

Storage

It includes holding of products in proper, i.e., usable or saleable, condition from the time they are produced until they are required by customers in case of finished products or by the production department in case of raw materials and stores.



Storing protects the products from deterioration and helps in carrying over surplus for future consumption or usage in production.

Standardization and Grading

Standardization means setting up of certain standards or specifications for products based on the intrinsic physical qualities of any item. This may include quantity like weight and size or quality like color, shape, appearance, material, taste, sweetness etc. A standard gives rise to uniformity of products.

Grading means classification of standardized items into certain well defined classes or groups. It includes the division of products into classes made of units possessing similar features of size and quality.

Grading is very essential for raw materials; agricultural products like fruits and cereals; mining products like coal, iron and manganese and forest products like timber.

Financing

Financing involves the application of the capital to meet the financial requirements of agencies dealing with various activities of marketing. The services to ensure the credit and money needed and the costs of getting merchandise into the hands of the final user are mostly referred to as the finance function in marketing.

Financing is required for the working capital and fixed capital, which may be secured from three sources — owned capital, bank loans and advance & trade credit. In other words, different kinds of finances are short-term, medium-term, and long-term finance.

Risk Taking

Risk means loss due to some unforeseen situations. Risk bearing in marketing means the financial risk invested in the ownership of goods held for an anticipated demand, including the possible losses because of fall in prices and the losses from spoilage, depreciation, obsolescence, fire and floods or any other loss that may occur with the passage of time.

They may also be due to decay, deterioration and accidents or due to fluctuation in the prices induced by changes in supply and demand. The different risks are usually termed as place risk, time risk, physical risk, etc.

Market Information

The importance of this facilitating function of marketing has been recently marked. The only sound foundation on which marketing decisions depend is timely and correct market information.

Right facts and information minimize the aforesaid risks and thereby result in cost reduction. Even ultimate buyers need market information about availability of items, their quality standards, their prices and the after sale service facility.

5. Marketing — Environment

Marketing environment can be defined as the composition of all the factors affecting the market, marketing system and functions related to marketing.

Types of Layers

There are different layers of marketing environment. Each layer has special characteristics. Marketing environment has the following four layers:

- Organizational environment
- Marketing environment
- Macro environment
- Micro environment

Organizational Environment

An organizational environment consists of forces or institutions surrounding an organization that affect performance, operations and resources. It includes all of the key elements that exist outside of the company's boundaries and have the potential to affect a portion or all of the organization.

Marketing Environment

The market environment is a marketing term that refers to factors and forces that affect a company's behavior.

By the term company's behavior, we mean the company's ability to build and maintain successful relationships with customers, clients and all the people related to it.

Macro Environment

The term **macro** means **large**. Macro refers to large factors or vital factors like social factors, for example, male-female ratio, social changes, new lifestyle, or arrival of new thought. Examples of economic factors are per capital income, balance of payment, balance of trade, inflation rate, and gross domestic product.

Other factors like geographical, cultural, political, demographical and legal factors such as competitions and technology are also included in this environment.

Examples: Geographical distribution, distance from market, age, sex, literacy etc., cultural differences, cultural change, arrival of a new tradition, government decision-making, new plans, programs & policies, government support, political disturbances and so on.

End of ebook preview

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