

UNDERSTANDING MARKETING MANAGEMENT



The process of marketing has become a pervasive force within our social and economic environments. Our primary objective in this unit, therefore, is to provide an understanding and appreciation of the role and scope of marketing within our society and within individual organizations. As a business executive and entrepreneur of the future, you need to understand how marketing activities can help the public to meet its needs and assist organizations to successfully compete in an already intensely competitive environment. This unit explains what marketing is, what are the core concepts underlie the discipline of marketing, what basic tasks do marketing managers perform, the five competing concepts under which organizations can choose to conduct their marketing activities, and what role does marketing play in different industries, in nonprofit organizations, and in different countries.

School of Business

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Lesson - 1: Marketing – Primary Discussion

Objectives of this lesson

After reading this lesson, you will be able to:

- Know what marketing means
- Define marketing
- Identify the core concepts of marketing
- Explain their nature

Introduction

Modern marketing has two different meanings in the minds of people who use the term. One meaning of marketing conjures up the terms “selling, influencing, persuading” thought by a large number of persons and always viewed and discussed as a business activity. They mistakenly think of marketing only as selling and promotion tasks, but they are only two of several marketing functions. The other meaning of marketing unfortunately is weaker in the public minds; it is the concept of sensitively, “serving and satisfying human needs”. Here, we shall accept the second meaning since the success of a company depends to a great extent on identifying consumer needs, develop good products, and pricing, distributing, and promoting them effectively which this meaning focuses on.



Now the question may come to your mind is that why we have accepted the latter meaning. We are sure that you will be able to get the answer automatically as we proceed with our discussion in this lesson. Marketing is still misunderstood by many marketing professionals even in developed world. The activities of marketing are obvious to everyone. Some of the company functions, which are obviously marketing activities include selling, market research, advertising, etc., and all of these have been around since long. The word marketing which describes the above as part of one operational function (marketing) is relatively recent in terms of its modern usage. Marketing is a comparatively new field. The formal study of ‘exchange processes and relationships’ - which is called marketing - started in the 1920s. To give you a clearer idea about marketing, let us take a look at the historical process.

The activities of marketing are obvious to everyone.



The need for marketing evolved as a historical process. In the early stages of civilization, each person produced whatever he needed for himself. Later came the age of specialization, and each person made a set of one item and then exchanged the excess with the others for items which he needed. This was barter stage. From there, civilization moved to the stage of local markets, where people brought their produce to a particular spot - and exchanged goods there. In remote villages of Bangladesh, local bazaars are the meeting points where commodities are exchanged on certain days of the week. In more advanced communities, the temporary bazaar has evolved into a permanent feature with stalls and shops.

Later still, a need for money economy arose. The person who made bullock cart could not exchange this one piece for the different items that he needed from different people. There had to be a common denominator - and so a medium of exchange developed. This medium was beads at one time, cows at another - and many other items, until now we use money as a medium of exchange.

With the Industrial Revolution, which gave a fillip to the means of production of goods, the speed of selling could not keep pace with the speed of manufacture. Large quantities of stock started piling up. And a solution had to be found. Thus arose the need for marketing: knowing what the customer wants before planning to make it, offering products which the customer wants to buy, not produce which we find convenient to manufacture; organizing a distribution system which matches customer's habits - not the habits of our industry; and taking production

and distribution decisions on the basis of the feedback from the marketplace. One can be successful in marketing by giving the customer what he wants at the right price and by making it available at the right place and in the right quantity. Marketing is planned selling effort. It helps to increase the pace of selling in tune with the speed of manufacture.



What is Marketing?

Contemporary literature describes marketing variously as ‘a function’, ‘an orientation’, ‘an approach or attitude’, ‘a philosophy of business’, and ‘a technique or discipline’. In fact it is all of these. The American Marketing Association defines marketing as ‘those activities which direct the flow of goods and services, from production to consumption.’ Marketing is also defined as ‘the set of human activities directed at facilitating and consumating exchanges.’ The Institute of Marketing’s (of Britain) definition summarizes the essentials : Marketing is the management function which organizes and directs all those business activities involved in assessing and converting customer purchasing power into effective demand for a specific product or service, and in moving the product or service to the final consumer or user so as to achieve the profit target or other objectives set by a company.

In practice this usually entails the following tasks :

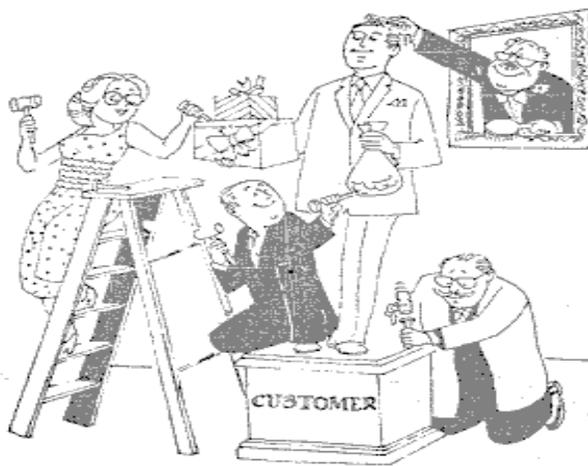
- Developing and implementing advertising and sales promotion plans.
- Maintaining the personal selling effort at a high level of performance and cost efficiency.
- Providing the planned degree of service to customers.
- Identifying opportunities in the market and producing sales forecasts as a basis for production planning.
- Ensuring that physical distribution of goods meets the needs of company strategy.
- Initiating and coordinating new-product innovation and developments.
- Developing a profitable product range, ensuring that product mix is the optimum to achieve corporate objectives.
- Reviewing product pricing and initiating necessary changes.

The relative importance of these tasks will of course differ from business to business, depending on its size, its complexity, and the nature of market conditions within which it operates.

Philip Kotler, on the otherhand, defines marketing 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.”¹ This is more a comprehensive definition and we will follow this definition throughout our discussion.

In essence, marketing covers all those activities involved in providing customer satisfaction, and making a profit for the manufacturer who makes use of available resources to the maximum. Marketing STARTS with the customer - what HE wants to have and ENDS with the customer - giving him what HE wants.

¹ . Kotler, Philip, Marketing Management, millennium edition, p. 8.



The Core Concepts of Marketing

By this time you are quite aware of the meaning and definition of marketing and you also know that we will base our discussion following the definition given by Philip Kotler. Let us cite the definition once again. “ Marketing is 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”². If we analyze this definition we can identify following concepts:

- *Needs*
- *Wants*
- *Demands*
- *Products*
- *Exchange*
- *Transaction*
- *Market.*

Let us now turn our attention on the above core concepts of marketing :

Need : What is a need? If an individual feels that he is deprived of something we may say that he is having a need. An individual may have different types of needs. There are three basic categories of needs viz. physical, social, and individual. Physical needs arise out of biological tension such as need for food and shelter. On the contrary social needs are created out of social interaction such as need for affection. Again, individual needs arise out of personal characteristics of the person

There are three basic categories of needs viz. physical, social, and individual.

² Kotler Philip, *Marketing Management - Analysis, Planning, Implementation, and Control*, Prentice-Hall of India Private Limited, 1997, p., 9

concerned such as need for self expression and knowledge. You should know that these needs vary from person to person, country to country, region to region and so on. An individual looks for an object when he has a need unmet and because of this, marketing is concerned more about human needs. Marketers try to identify varied human needs and attempt to meet these needs in a way better than their competitors.

- **Wants**

Human wants - the other concept of marketing, mean the conversion of needs to some tangible product or service. This conversion depends on the personality of the individual or his culture. For example, if a Bangladeshi is having a need for food he will look for rice to satisfy his need, while an Italian will look for spaghetti to meet the same need.

With the elapse of time and the development of science and technology, wants are becoming diverse. Keeping this in mind, marketers are continuously coming up with new products to meet people's new and changing expectations. To do this successfully, we mean, to match expectation and offerings, marketers should have the clear idea about the distinction between needs and wants. For example, a passenger transport company should be convinced that passengers do not need transport rather they need a service that minimizes distance, and a sandpaper manufacturer should believe that consumers do not want sandpaper rather they want a smooth surface. By this we want to mean that a marketer should not focus only on existing wants and loose sight of underlying customer needs.

Marketers should have the clear idea about the distinction between needs and wants.

- **Demands**

If wants for specific products are backed by purchasing power and willingness to buy, we call them demands. You know that wants are unlimited where resources are limited and hence people always buy those goods that provide them maximum satisfaction. It implies that people do not buy and cannot afford to buy everything they want. For example, many persons want a latest model Toyota car, but only a few will be willing and able to buy one of these cars. As a marketer, you should, therefore, identify basically how many people would actually be willing and able to buy your product, not how many want it, since this is less important to you. By making your product attractive, affordable, and easily available you can influence demand to a great extent and you should do it since markets now a days are highly competitive.

Product

How needs and wants are satisfied? The answer is through buying and using products (it includes services as well). It implies that there are products, made available by marketers to satisfy human needs and wants. Now how can we define a product? A product is a set of tangible and intangible attributes, including packaging, color, price, quality, and brand,

A product is a set of tangible and intangible attributes.

plus the seller's services and reputation. It may be a good, service, place, person, or an idea. In essence, then, consumers are buying much more than a set of physical attributes when they buy a product. They are buying want satisfaction in the form of the benefits they expect to receive from a product. If you are a producer, you must know what the consumers want and add in your products the features that best satisfy the wants of your consumers in order to survive in the face of extreme competition. If you fail in this, your customers will switch to substitutes.

Exchange

In reality, marketing emerges when people decide to satisfy their needs and wants through exchanging, we mean obtaining something (a desired object) by offering something in return from someone. In the contemporary world, exchange is the only recognized way through which an individual can obtain his desired object and hence it is considered the core concept of marketing. Exchange cannot take place in isolation. There are several conditions that must be met for exchange to take place. They are: (a) at least two parties must participate, (b) each must have something of value to the other, (c) each must also want to deal with the other party, (d) each must be free to accept or reject the other's offer, and, (e) each of them must be able to communicate and deliver. Unless these conditions are fulfilled, exchange cannot take place.

Exchange cannot take place in isolation.

Transactions

Transaction takes place if an agreement is reached between two parties involved in exchange. You should know that unless two parties negotiate and move toward an agreement they are not engaged in exchange, and hence, exchange is not an event rather it is a process. The basic unit of exchange is transaction and it consists of a trade of values between two parties involved in exchange. It means that both parties get something out of a transaction. For example, you have bought a trouser for Tk.1,000/-. This is a transaction between you and the trouser seller. Out of this transaction you have got a trouser and the other party received Tk.1,000/-. Transaction may also take place without the involvement of money as one of the trade of values as happens in case of barter transaction. In the barter transaction, both party receive goods or service as trade of value, not money.

Exchange is not an event rather it is a process.

Market

The concept of market basically emerged from the concept of transaction. For our purpose, we define market as a set of actual and potential buyer of a particular product. You should know that a market can develop around anything of value, whether a good, service, idea, or a person. A voter market of a particular constituency, for example, consists of people 18 years of age or older, both male and female and the sellers here are the people contesting for the said constituency.

From the premise given above, we can now conclude our preliminary discussion by reiterating the meaning of marketing once again. Marketing means working with markets to bring about exchanges for the purpose of satisfying human needs and wants. We can also put it in this way: marketing is a total of business activities designed to plan, price, promote, and distribute want-satisfying products to target markets to achieve organizational objectives. Marketing, therefore, serves to satisfy the objectives of both the parties - market and the marketer.

Questions for Review

1. One meaning of the term modern marketing conjures up the term –
 - a. Selling
 - b. Influencing
 - c. Persuading
 - d. All of the above.

2. The formal study of ‘exchange processes and relationships’ - which is called marketing - started in the –
 - a. 1920s
 - b. 1930s
 - c. 1950s
 - d. None of the above.

3. From the barter stage civilization moved to the stage of –
 - a. Specialization
 - b. Local markets
 - c. Guild system
 - d. None of the above.

4. Marketing means –
 - a. Knowing what the customer wants before planning to make it
 - b. Offering products which the customer wants to buy
 - c. Organizing a distribution system which matches customer’s habits
 - d. All of the above.

5. Contemporary literature describes marketing as –
 - a. ‘A function’
 - b. ‘An orientation’
 - c. ‘An approach or attitude’
 - d. All of the above.

6. Market means –
 - a. A place
 - b. Present customers
 - c. Potential customers
 - d. A set of actual and potential customers.

7. A human need is a –
 - a. State of felt deprivation
 - b. A complex physical state
 - c. A complex mental state
 - d. None of the above.

8. Why want varies?
 - a. Difference in culture
 - b. Difference in personality
 - c. Difference in culture and personality
 - d. a, b, and c.

9. A product is –
 - a. A tangible thing
 - b. A service
 - c. An idea
 - d. Anything capable of satisfying human need or want.

10. How many conditions must be satisfied for an exchange to take place?
 - a. 4
 - b. 5
 - c. Many
 - d. None of the above.

11. Explain the concept of marketing. Identify the core concepts of marketing and describe their nature.

12. Discuss what marketing means. Describe its nature.



Answers

1. d, 2. a, 3. b, 4. d, 5. d, 6. d, 7. a, 8. c, 9. d,
10. b.

Lesson - 2: Defining Marketing Management.

Objectives of this lesson

- After reading this lesson, you will be able to:
- Understand the impact of marketing on individuals and organization
- Define and describe marketing management
- Understand different states of demand, and
- Explain the tasks performed by a marketing manager at each of these states.

Introduction

Marketing touches all of us everyday in every sphere of our lives. How it influences us is important from marketing perspective. Marketers face different demand states of their products. Each of the demand states call for different marketing action that a marketer should be aware of.



The Impact of Marketing

You should realize that marketing is very exciting, fascinating, stimulating, and always dynamic in nature. Numerous activities are involved in it, not only advertising, selling, publicity and public relations. Great marketing achievements may be experienced by companies one year to meet equally sizable defeats the following year.

Marketing is very exciting, fascinating, stimulating, and always dynamic in nature.

Every organization's ability to survive is affected by marketing. Knowledge of marketing principles, concepts, and theories helps marketers cope with today's dynamic, complex environment in which major and unpredictable changes often occur, and this is an ongoing process.

Marketing accounts for a large part of everyone's budget. You will be surprised to know that marketing costs are estimated to comprise 50 percent or more of sales. That is, on the average, fifty paise out of every taka spent go to cover costs arising from such activities as marketing research, branding, packaging, transportation, warehousing, merchandising, advertising, personal selling and public relations and publicity.

Marketing also influences our quality of life. Increased consumer awareness about such issues as energy conservation, nutrition, and physical fitness as well as safer products contribute to the well-being of society of which we are a part. Marketing, in achieving these desirable ends, plays a significant role.

Marketing also influences our quality of life.

Because of its diversity and the numerous challenges, rewarding career opportunities exist in marketing. No business discipline has many

different career possibilities as marketing. It is known from different studies that approximately one out of three jobs is directly or closely related to marketing. The types of organizations with entry-level positions in marketing include among others, business firms such as manufacturers, service firms, wholesalers, retailers, advertising agencies, consulting firms and private and public nonprofit organizations such as hospitals, the performing arts, charities, special interest groups, and government agencies.

Defining Marketing Management

Marketing management is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals.³

Explaining the definition, you can understand that, marketing management is a process that involves analysis, planning, implementation, and control of goods, services, and ideas. The marketing management process is based on the idea of exchange. What is the goal of such a process? The simple answer is to provide satisfaction to everyone involved in the said process including company, customers, suppliers, and the channel members.

What a marketing manager does, or what roles he play in the process involving marketing management? His job in the process is to find prospects and to stimulate them to buy his products. But it does not truly explain the job being performed by a marketing manager. In addition to stimulating the demand for his products, he undertakes lot of other diversified activities. He has to influence the level, timing, and composition of demand in a way that will help his organization achieve the goals set by it. But, majority of the marketing experts believe that, marketing manager's job is to manage the demand for his product. You should realize that demands vary in terms of their states. In the following section we shall try to give you an idea on different demand states and the consequent marketing tasks.

Demand States and Marketing Tasks

- ***Negative Demand***

If major portion of the market dislikes the product and is willing to pay a price to avoid the product it is known as negative demand. Many people may not like to be vaccinated to remain safe from certain diseases, or females may not be ready to use "Copper T" as a birth control means. What a marketing manager should do if his product faces such a situation? He should try to find the reason (s) for this. Once reason (s) is/are identified actions may be taken on product modification, price change, modification of distribution network, or even changing the

³ . Kotler, Philip, Marketing Management, Millennium edition, p. 8.

promotional policy.

- ***No Demand***

If customers are not informed of or uninterested in the product this is known as a no demand situation. Housewives for example may not be interested in a new type of complicated iron. If a product faces a no demand situation, marketing manager should try to find out the inconsistencies in his product with that of customers' needs. Thereafter, ways should be sought to modify the product to make it more user friendly with the hope of creating interests in the customers.

Latent Demand

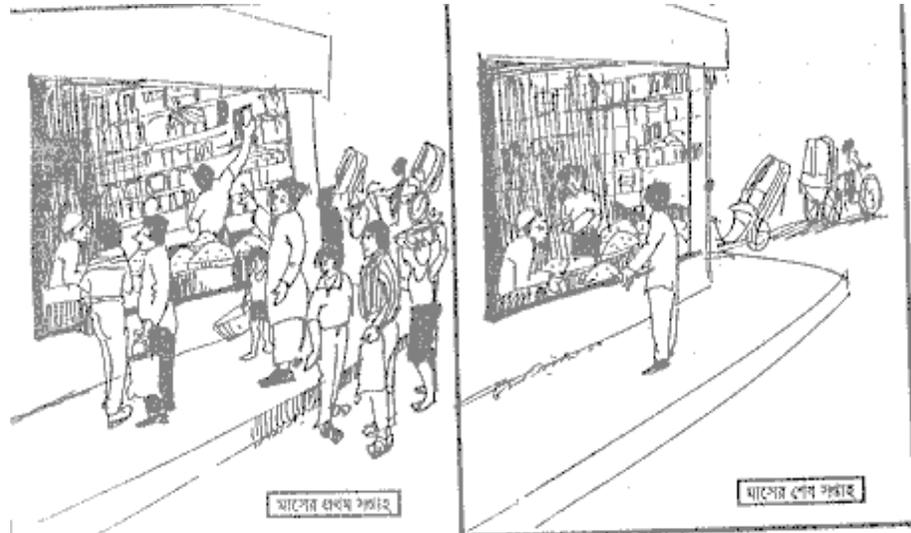
Consumers have numerous needs – some of them are expressed, while others are not. It may so happen that the products available in the marketplace cannot reasonably satisfy some of their needs. For example, there could be a latent demand for contraceptives not having any side affect. If such a situation prevails, it can be termed as a latent demand situation. Here, the marketing manager should first calculate the size of the potential market and thereafter try to develop products that can better meet such a need felt by the customers.

Declining Demand

Declining demand is a situation when sales of a company's product start falling. All companies usually face such a situation, but the time may vary. Jute goods manufacturers here in Bangladesh, for example, are facing this problem. The consequent marketing task is to analyze the causes of market decline and determine whether demand can be re-stimulated by finding new target markets, changing the product's features, or developing more effective communication.

Irregular Demand

Demands for certain products and services vary on a seasonal, daily or even hourly basis. It may cause problems of idle or overworked capacity. One of the examples is the transportation business where much of the equipment remains idle during off-peak hours. On the otherhand, they are found to be insufficient during peak hours of the day. Dhaka children's park for example, is under visited on weekdays, whereas it is found to be overcrowded on holidays. In such a situation a marketer should undertake synchromarketing activities. Here, companies try to find ways to alter the same pattern of demand through flexible pricing, promotion and other incentives.



- **Full Demand**

When companies are highly satisfied with their volume of business it is known as a full demand situation. In such a situation a marketer should try to maintain the current level of demand in the face of changing consumer preferences and increasing competition. A company can ensure this by improving the quality of its products and also by continually measuring consumer satisfaction to make sure that it is doing a good job from the consumers' point of view.

- **Overfull Demand**

If a company faces a demand level that is higher than it can or want to handle, it is known as an overfull demand situation. Sangsad bhaban plaza for example, is overcrowded in winter afternoon or summer evenings. Such a situation calls for demarketing activities. Here, companies find ways to reduce the demand temporarily or permanently. Demarketing consists of such steps as raising prices and reducing promotion and service. It may also consist of trying to reduce the demand coming from those parts of the market that are less profitable or less in need of the product. Bangladesh T & T Board charges higher rate for making calls at peak hours thus discourages particular segments not to use telephones at peak hours. It is not aimed at destroying demand but only to reduce its level. Such a reduction may be of temporary or permanent in nature.

- **Unwholesome Demand**

There are certain products consumption of which are either discouraged by the religion or the society, known as unwholesome products. Some of the products falling in this category are: cigarettes, alcohol, hard drugs, handguns, X-rated movies, pirated copies of software and, in Bangladeshi context, Indian movies available in video tapes and VCDs. Organizations

engaged in campaign against the consumption of such products should get people who like something to give it up, using such tools as fear messages, price hikes, and reduced availability.



Once you understand the states of demand you may be willing to know how marketers manage the demand situations they face. They can manage demand by carrying out marketing research, planning, implementation, and control. A good marketing planning calls for decisions on target markets, market positioning, product development, pricing, distribution channels, physical distribution, communication, and promotion. we shall analyze all these marketing tasks in subsequent lessons.

Activity:

Identify two local organizations involved in anti smoking campaign, and show how they undertake and implement this campaign.



Questions for Review

1. Marketing involves numerous activities, not only –
 - a. Advertising
 - b. Selling
 - c. Publicity
 - d. All of the above.

2. Understanding marketing principles, concepts, and theories helps marketers –
 - a. Cope with today's dynamic environment
 - b. Cope with the complex environment in which major and unpredictable changes often occur
 - c. Both a & b
 - d. None of the above.

3. Marketing costs are estimated to comprise –
 - a. 20 percent of sales
 - b. A significant percent of sales
 - c. 50 percent or more of sales
 - d. None of the above.

4. Market costs include costs arising from such activities as –
 - a. Marketing research
 - b. Branding and packaging
 - c. Transportation and warehousing
 - d. All of the above.

5. Rewarding career opportunities exist in marketing because of its–
 - a. Diversity
 - b. Numerous challenges
 - c. Both a & b
 - d. None of the above.

6. The popular image of the Marketing Manager is someone whose task is primarily–
 - a. To stimulate demand for the company's products
 - b. To ensure maximum profit for the company
 - c. To combat competitors
 - d. None of the above.

7. In 'no demand' situation the marketing task is to find ways -
 - a. To create demand
 - b. To connect the benefits of the product with the person's natural needs and interests.
 - c. To develop a new product aimed at satisfying people's need

- d. None of the above.
8. There is a strong latent demand for –
- a. More fuel efficient cars
 - b. Harmless cigarettes
 - c. Safer neighborhoods
 - d. All of the above.
9. Marketing management is essentially –
- a. Selling management
 - b. Distribution management
 - c. Promotion management
 - d. Demand management.
10. If major part of the market dislikes the product and may even pay a price to avoid it is called –
- a. Overfull demand
 - b. Negative demand
 - c. Declining demand
 - d. No demand.
11. How marketing managers manage demand?
- a. By carrying out marketing research, planning, implementation, and control
 - b. By identifying target markets and market positioning
 - c. By product development and pricing
 - d. By product development and distributing.
12. Define marketing management. Identify different states of demand and discuss the corresponding marketing tasks.

Answers

1. d, 2. c, 3. c, 4. d, 5. c, 6. a, 7. b, 8. d, 9. d,
10. b, 11. a.



Lesson - 3 : The Company Orientation Toward the Marketplace (Marketing Management Philosophies)

Objectives of this lesson

After reading this lesson, you will be able to:

- Identify five competing philosophies under which organizations can choose to conduct their marketing activities
- Understand the assumptions of different philosophies and conditions of their applications
- Compare and contrast the selling and marketing concept
- Decide on the most appropriate philosophy to adopt.

Introduction



You understand that marketing managers undertake activities to achieve desired exchange outcomes with target markets for their sustenance. You as a practicing or potential marketer should know which philosophy should guide you in performing your tasks as a marketing manager. You should also know how to look at your own interest, interest of your firm, customers as well as the society where you work. But, you should bear in mind that there could be conflicts in the interests of the parties concerned. For instance, I.V. fluid (intravenous fluid) manufactured by one of the Bangladeshi companies is excellent in quality but the type of container it uses is inconvenient as reported by the doctors as well as non biodegradable causing environmental hazards. This example clearly indicates that though this company's IV fluid is extremely effective and popular with users, but it may damage the environment badly.

In carrying out marketing activities, a marketing manager should be guided by an appropriate marketing management philosophy. The philosophy that a company selects must be an effective, efficient, socially responsible, and an appropriate one. Now a question comes, "which philosophy is the right one for a particular company?" To get the answer to this question, a marketing manager should first become aware of the alternative philosophies. Thereafter, he can select one based on his goal and the nature of the market that he serves. The alternative marketing management philosophies are: 'the production concept', 'the product concept', 'the selling/sales concept', 'the marketing concept', and 'the societal marketing concept'. We shall now discuss each of them in turn :

The Production Concept

The production concept is known to be the oldest marketing management philosophy. Advocates of this concept believe that low cost as well as widely available products are most favored by the market. If a firm decides to operate based on this concept, it will try to minimize production costs by making the production process efficient. Moreover, for its products to be favored by the consumers, it will try to make its distribution as extensive as possible. This concept is found to be applicable, if two situations prevail. **One**, when the demand for a product exceeds supply. This is seen in markets that are highly price sensitive and budget conscious. Under such situations, consumers will basically be interested in owning the product, not the quality or features of it. Thus, producers will be interested in increasing their outputs. **Two**, if the costs of production are found to be very high that discourage consumers to buy the product. Here, the company puts all of its efforts in building production volume and improving technology in order to bring down costs. Reduction in production costs helps the firm to reduce helping the market size to increase. A company can thus try to create a dominant position in the market where it operates. Application of this concept is also seen in the service firms such as hospitals. Application of this concept in the service firms such as a hospital is also criticized on the ground that it may cause deterioration in the service provided by the firm.

The Product Concept

During the first three decades of the twentieth century, more and more industries were adopting mass production technique. The supply of manufactured goods was exceeding demand by the early 1930s. Manufacturers were facing excess production capacity and competition for customers. They started realizing that buyers will favor well made products and are willing to pay more for product extras, and the product concept started taking place in the minds of many producers. The product concept assumes that consumers will favor those products that are superior in quality, performance, innovative features, designs and so on. This concept of marketing is thought to have been simple: he who offered a standard product at the lowest price was going to win. A firm pursuing this philosophy tries to improve its products in terms of quality, performance, and any other perceptible feature. Followers of this philosophy keep on improving their products on continuous basis. Advocates of this concept, are of the opinion that consumers favor well-made products, products that are superior from the competing products in the above mentioned aspects. Many of the product-oriented firms often design their products taking little or no suggestions from their target customers. They are of the firm belief that product design or improvement aspects are better understood by their engineers or designers than the customers. They also do not compare their products with that of competitors' products to bring changes in their products. They sometimes

caught up with “LOVE AFFAIR” with the quality of their product and behave unrealistically as people do when they are in love with someone of opposite sex. “A general motors executive said years ago: ”How can the public know what kind of car they want until they see what is available?”⁴ Here engineers first design and develop the product, the manufacturing makes it, the finance department prices it, finally marketing and sales try to sell it.

This concept is still hold by many marketers and some are so influenced by this concept that they even forget that the market is going to other direction. Marketing has a very little room in this concept. The main emphasis here is on product. It is therefore understood that in the product concept, the management fails to identify what business it is in, which leads to the marketing myopia – i.e. short-sightedness on the role of marketing.

The Selling Concept/Sales Concept

The selling concept also developed at the same time the product concept developed, and still predominant in many industries. The great depression in America proved that producing enough goods or quality goods is no more a problem. The problem is to sell those products. Producing quality products does not necessarily guarantee its sale, and it was during this period the vital role of selling, advertising and other marketing functions were organized truly, and the selling concept came into existence. As defined by Philip Kotler, it holds that consumers, if left alone, will ordinarily not buy enough of the organization’s products. Aggressive selling and promotion activities can guarantee sales. According to him, consumers typically show buying inertia and sometimes resistant to buying and have to be influenced by different means so that they are agreed to buy. The company’s function is to influence consumers by using all possible sales techniques so that they are encouraged to buy more. As Kotler says, the selling concept is practiced most aggressively with unsought goods, those goods that buyers normally do not think of buying, such as insurance, encyclopedias, and funeral plots. This concept is mostly used in case of over capacity where a firm wants to sell what it makes. It starts with the point of production, which focuses on products and its aim is to earn profit through increased sales volume, and the means used are selling and promoting. Marketing in its true sense still does not get a strategic position in this concept. Marketing, here, indeed based on hard selling. In moving goods from producers to consumers, the function of personal selling is to push and advertising plays a pull function. These two strategies are used together and backed by marketing research, product development and improvement, pricing, dealer organization and cooperation, as well as physical distribution of goods themselves.

⁴ . Kotler Philip, “Marketing Management – Analysis, Planning, Implementation, and Control,” Ninth Edition, Prentice-Hall of India Private Limited, 1997, p. 18.

Thus selling, to be effective, must be preceded by several marketing activities such as needs assessment, marketing research, product development, pricing and distribution. If the marketer does a good job of identifying consumer needs, developing appropriate products, and pricing, distributing, and promoting them effectively, these products will sell very easily. Marketing based on hard selling carries high risks since a consumer if is not happy with the product will bad-mouth it to eleven acquaintances and it will multiply to the same rate by those; bad news travels fast.

One interesting point to mention here is that, emphasis is given on marketing research, not on market research. Besides its application in the tangible goods business, the selling concept is also practiced in nonprofit areas, such as fund-raisers, college admissions offices, and political parties.

The Marketing Concept

When companies started achieving the capability of producing in excess of existing demand, executives started realizing the need for reappraising the role of marketing in business operations. They also started recognizing the significant changes in market, in the field of technology, and in the ways of reaching and communicating with markets. These changes had led the evolution of “marketing concept” which, in essence, is a philosophy of management. Marketing concept can be contrasted with earlier concepts in terms of the principles of orientation. In the earlier concepts, goods would be brought to the market in the hope of finding customers, on the contrary, marketing concept suggests that marketing starts with the customers and works back to the production of desired products in the right amounts and with the right specifications. As Joseph C. Seibert says, “marketing management does not have the objective of creating customers insofar as it has the responsibility for creating or building markets. The orientation is directed toward making markets rather than making products.”⁵ According to Philip Kotler, the marketing concept holds that the key to achieving organizational goals consists of being more effective than competitors in integrating marketing activities toward determining and satisfying the needs and wants of target markets, or determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors. This definition suggests that marketing starts with the market, focuses attention on customers’ needs, and attains profit through customer satisfaction with the help of coordinated marketing.

Under this philosophy, marketer’s first task is to identify the needs and wants of his prospect, then should work backward through the trade channel and physical distribution and continue this reverse course beyond the shipping door, past the production and assembly line, right to the drawing boards and research laboratories. Under this concept, all aspects

⁵ *Seibert J. C., Concepts of Marketing Management, Harper & Row Publishers, New York, 1978, p.14.*

of company operations are aimed at satisfying customers' wants and desires. One important point to be mentioned here is that, a company's operation is also influenced by the company's overall target or objective. For example, a company might be aimed at satisfying consumers' wants and desires but, its overall objective might be to increase the profit volume.

The above discussion suggests that, marketing concept is based on four main pillars, such as, a market focus, customer orientation, coordinated marketing, and profitability. The above bases suggest another clear definition of marketing concept put forwarded by W. J. Stanton. According to him, "in its fullest sense, the marketing concept is a philosophy of business which states that customers' want satisfaction is the economic and social justification of a company's existence. Consequently, all company activities in production, engineering and finance, as well as in marketing, must be devoted first to determining what the customers' wants are and than to satisfying those wants while still making a reasonable profit."⁶

Pillar- 1 of the Marketing Concept – Market Focus: Marketing concept suggests that, a company should focus its attention on marketing rather than production and selling, because in today's diverse market, it is not feasible for a company to operate successfully in every market and satisfy the market's needs. Therefore, it is ideal for a company to highlight its attention to a particular segment (s) of the total heterogeneous market.

Pillar - 2 of the Marketing Concept – Customer Orientation: Focusing on a particular market does not guarantee a company's success in the marketplace. What is needed for the success is customer orientation, i.e., carefully defining customer needs from customers' point of views. A company can do this with the help of market research, and hence, the role of market research plays a dominant role in marketing concept oriented companies. Customer orientation is important in the sense that, a company's future and progress depends on the customers. Customers can be new and old. It is crucial for a company to retain its old customers, since attracting new customers is very difficult and costly. A satisfied customer will buy again and again, and he/she will speak high about the company, which will increase the company's image and help attracting new customers. It is therefore, very important for a company to be customer oriented, i.e., to identify their needs and wants, and should reasonably satisfy those. To ensure customer satisfaction, a company should set up a system of encouraging complaints by customers, since it is seen from different studies that 96% unhappy customers never tell the company about their dissatisfaction, and hence, company should take initiative from its own to encourage customers to complain. It is also vital for a company, because, a criticism from a dissatisfied customer can cause the ruination of the firm, and on the otherhand, a company can get

⁶ Stanton W. J., *Fundamentals of Marketing*, McGraw-Hill, New York, 1981, p. 13.

quite helpful innovative ideas from its customers' complaints. It can also improve its product quality and service level if it knows what customers actually want. Thus it may increase the number of loyal customers and profit volume.

Pillar - 3 of the Marketing Concept – Coordinated Marketing:

Marketing concept is a total enterprise concept. In order to be successful, all marketing functions must be coordinated among themselves, and second, marketing itself must be well coordinated with other departments. A company managed under marketing concept must plan, organize, coordinate, and control its entire operation as one system directed toward achieving a single set of objectives applicable to the total organization.

All marketing functions must be coordinated among themselves.

There are obvious reasons behind coordinating marketing functions among themselves, and the main reason is to eliminate conflict. For example, if marketing functions are not coordinated among themselves, sales force might heavily criticize marketing people for setting a very high sales target.

The reason behind coordination with other departments is that, marketing cannot work in isolation. If employees of other departments do not recognize how they impact on customer satisfaction, marketing department cannot alone provide it.

To be marketing oriented a company is to carry out both internal and external marketing. By internal marketing, we mean, successfully hiring, training and motivating employees so that they can serve the customers well and satisfy them. Internal marketing is to be carried out first, because unless a company is not ready itself to provide customer satisfaction, it cannot go for external marketing. Under the marketing concept, marketing becomes the basic motivating forces for the entire firm. The status of marketing people also changes and marketing comes at the foreground of company operation and the entire company works to develop, manufacture and sell a product from the marketing point of view. In regards to what business are we in, company for example, says, "we sell beauty and hope instead of we sell cosmetics".

Under the marketing concept, marketing becomes the basic motivating forces for the entire firm.

The importance of different levels of management also changes with the adoption of marketing concept. Customers come at the top of the organization and then comes front line people who meet, serve and satisfy customers. Middle management are there to support front line people so that they can better serve the customers and top management stays at the base to support middle management so that they can effectively and efficiently provide support to the front line people.

Pillar- 4 of the Marketing Concept – Profitability: The ends of the marketing concept is to make profits through customer satisfaction. This suggests that, profit is to be made through satisfying customers' needs. As customers' needs are changing day by day, a marketing concept oriented company has to take this into account and modify its product, service and

activities with the change in needs, and to satisfy customers better than its competitors do to earn profit in the long run.

Marketing and Selling Concept Contrasted

Theodore Levitt of Harvard drew a perceptive contrast between the selling and marketing concepts. According to him, “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 with the whole cluster of things associated with creating, delivering and finally consummating it.” (source: Philip Kotler, Marketing Management – analysis, planning, implementation, and control, Prentice-Hall of India Private Limited, 1997, page: 20)

Marketing concept is based on four pillars, viz., target market, customer needs, integrated marketing, and

You know that the marketing concept is based on four pillars, viz., target market, customer needs, integrated marketing, and profitability. It takes an outside-inside view. On the otherhand, the selling concept takes an inside-outside perspective (see the figure below). Selling concept oriented companies start their planning with the factory, focuses on the company’s existing products, and undertakes heavy selling and promoting to produce profitable sales. Marketing concept starts with a well defined market, focuses on customer needs, coordinates all the activities that will affect customers, and produce profits by satisfying customers.

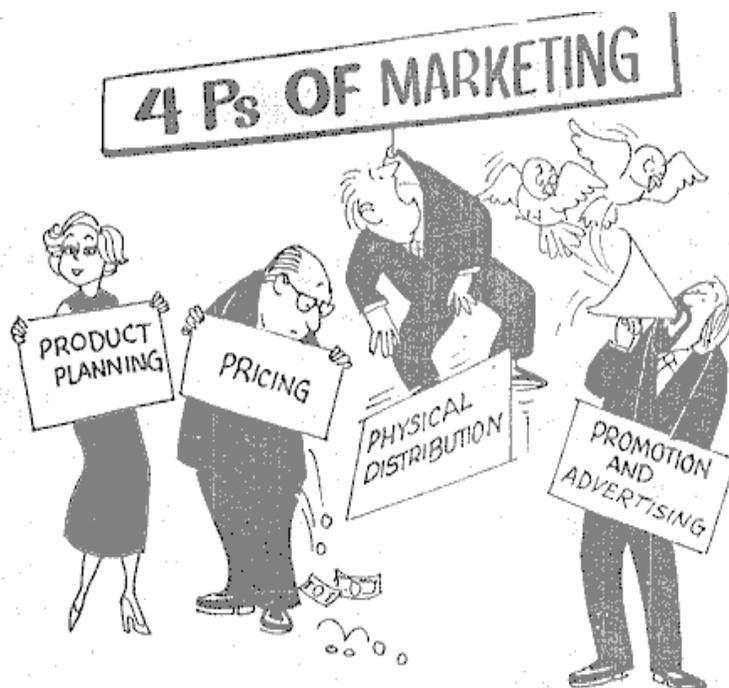
The Selling and Marketing Concept Contrasted

a. The Selling Concept

Starting point	Focus	Means	Ends
Factory	Products	Selling & Promoting	Profits through sales volume

b. The Marketing Concept

Starting point	Focus	Means	Ends
Target Market	Customer needs	Integrated Marketing	Profits through customer satisfaction



The Societal Marketing Concept

Marketers reassessed the adequacy during early eighties of the marketing concept as a basic management philosophy. The reasons were the environmental and social conditions such as increased environmental pollution, energy shortages, population boom, neglected social services, hunger and poverty around the globe and so on. Martin L. Bell and C. William Emory, citing the critics of the marketing concept, maintained that, the operational interpretation of customer orientation has not approached the philosophical meaning of providing long-run customer satisfaction and the broader needs of society as the ultimate goal of marketing. It is argued that, the role of marketing must be related to social improvement rather than economic gain. It should also be related to human aspirations rather than only human needs and wants. Marketers should emphasize on conservation rather than consumption. They should also consider customers and themselves as the integral parts of the greater society, not as economic factors only. Because of such demands, marketers today are facing dilemma; they find difficulties in determining how much emphasis to be given on social consideration and how much on consumer need satisfaction. For example, marketers face conflicts between disposable containers and diminishing natural resources. If a firm looks at the consumers' interests, it will not mind using disposable containers, but, consumerism groups, environmentalists, and other special interest groups might rate the company low in its societal consumer welfare commitment. The societal marketing concept has developed out of the conflict between short-term needs of individual consumers and the long-run well-being of society. This concept is also termed as "the human

Concept is also termed as “the human concept”

concept”, “the intelligent consumption concept” and the “ecological imperative concept”. No matter what the name you give to this concept, it highlights on different aspects of the same problem. This is basically a management orientation, that holds that the key task of the firm is to determine the needs and wants of target markets and to adapt the organization to delivering the desired satisfactions more efficiently and effectively than its competitors in a way that preserves and enhances the well-being of the consumers in particular and the society in general.

Philip Kotler defines it as “the societal marketing concept holds that the organization’s task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer’s and the society’s well-being”⁷ .

It calls upon marketers to balance three considerations in setting their marketing policies, namely, company profits, consumer want satisfaction, and public interest.

Companies may adopt societal marketing concept if it does not result in competitive disadvantage or loss in the company profits. It is because the basic goal of any contemporary company is to keep its customers happy and making profits through serving and satisfying customers.

⁷ *Ibid*, p., 27

Questions for Review

1. Marketing activities should be carried out under a well-thought-out philosophy of –
 - a. Efficient marketing
 - b. Effective marketing
 - c. Socially responsible marketing
 - d. All of the above.
2. How many concepts are there under which organizations can choose to conduct their marketing activities?
 - a. Many
 - b. 5
 - c. 7
 - d. 9
3. Managers of production oriented organizations concentrate on –
 - a. Achieving high production efficiency
 - b. Wide distribution
 - c. Both a & b
 - d. None of the above.
4. The product concept holds that consumers will favor those products that offer –
 - a. The most quality
 - b. The most performance
 - c. The most innovative features
 - d. All of the above.
5. The selling concept/Sales concept holds that consumers, if left alone–
 - a. Will ordinarily not buy enough of the organization's products
 - b. Will buy competitors' products
 - c. Both a & b
 - d. None of the above.
6. This selling concept assumes that –
 - a. Consumers typically show buying inertia or resistance
 - b. Must be coaxed into buying
 - c. Both a & b
 - d. None of the above.
7. The selling concept to be effective, must be preceded by several marketing activities such as –
 - a. Needs assessment
 - b. Marketing research
 - c. Product development, pricing and distribution
 - d. All of the above.

8. The marketing concept holds that the key to achieving organizational goals consists of –
 - a. Being more effective than competitors
 - b. Determining the needs and wants of target markets
 - c. Delivering the desired satisfactions more effectively and efficiently than competitors
 - d. All of the above
9. A highly satisfied customer –
 - a. Stays loyal longer
 - b. Talks favorably about the company and its products
 - c. Offers product/service ideas to company
 - d. All of the above.
10. The oldest concept in business is –
 - a. The production concept
 - b. The selling concept
 - c. The product concept
 - d. The societal marketing concept.
11. The selling concept is practiced most aggressively with –
 - a. Farm products
 - b. Raw materials
 - c. Convenience goods
 - d. Unsought goods.
12. The starting point of marketing concept is –
 - a. Customer needs
 - b. Integrated marketing
 - c. Target market
 - d. None of the above.
13. The societal marketing concept is also called –
 - a. The human concept
 - b. The intelligent consumption concept
 - c. Ecological imperative concept
 - d. All of the above.
14. Does the marketing concept imply that marketers should confine themselves only to those wants and needs that consumers say they want to satisfy? Justify your answer discussing the concept in detail.
15. Identify and explain the five competing philosophies under which organizations can choose to conduct their marketing activities.
16. Compare and contrast the selling and marketing concept. How would you decide on the most appropriate philosophy to adopt?



Answers

1. d, 2. b, 3. c, 4. d, 5. a, 6. c, 7. d, 8. d, 9. d,
10. a, 11. d, 12. c, 13. d.

Lesson -4 :Rapid Adoption of Marketing Management (Application of Marketing Management)

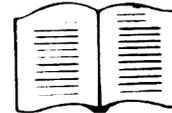
Objectives of this lesson

After reading this lesson, you will be able to:

- Understand different areas of application of marketing management
- Decide how the concept of marketing management be applied to your field effectively

Introduction

This is the era of marketing orientation. Contemporary marketers adopt marketing concept in their marketing practices. Marketing concept is now not only applied in the field of product marketing. It is rather adopted by others, such as service marketers, professionals, and nonprofit organizations.



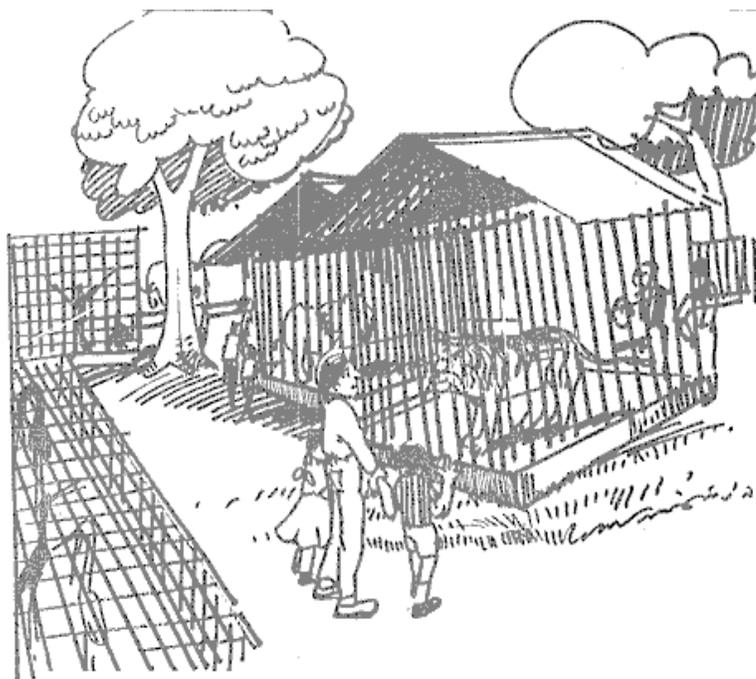
Adoption of Marketing Concept in Different Sectors

In recent times, there has been found a widespread use of marketing management. It is now a subject of growing interest in all sizes and types of organizations including business, service, professional, and nonprofit firms. Its application is not only limited in the developed countries, but also found to be in use by organizations of the developing countries.

Marketing in the Business Sector: Most of the companies operating in the field of business now have realized the importance of marketing management. But, they did not realize its importance simultaneously. Different firms understood its necessity at different periods. Among the firms operating in the business sector, the consumer packaged goods companies, consumer durable good companies, and industrial equipment companies realized its importance earlier than others. They as a result have adopted it very quickly to excel their competitors. Other businesses such as, producers of steel, chemicals, and paper realized the importance of marketing somewhat later. It is not a surprise to know that some of the companies in the business sector are yet to realize the role and importance of marketing. Among those who have adopted marketing, some still misunderstand marketing. You can easily understand this by asking them a question like “what business are you in?” You may note that, majority will respond in a wrong way. A cosmetic manufacturer for example, respond to your query by mentioning that he is in the cosmetic production and selling business. But, to be truly marketing led, he should believe that, he is in the business of hope and beauty production and selling.

With regards to the marketing's application, you should note that significant changes took place over last couple of decades. For example, service firms like airlines and banks, have significantly adopted the concept of marketing in their operation. This is even observed here in Bangladesh among the private and multinational banks. They are heavily focusing their activities on customers and trying to provide state-of-the-art customer service - an indication of marketing orientation adopted by them. Other firms in the business sector are gradually realizing that they should also adopt marketing philosophy, and as a result some have already adopted it. Examples include among others, insurance and stock brokerage companies, professional service providers, such as lawyers, accountants, physicians, and architects. These firms are now relying heavily on marketing activities such as advertising, pricing, and physical distribution.

Marketing in the Non Profit Sector: The term nonprofit organization will refer to any private or public nonprofit institution. If the organization does not intend to earn and distribute potential profits, its activity can be called nonprofit marketing. Nonprofit organizations such as colleges, hospitals, museums, and symphonies are now also attracted to marketing. Numerous private and public nonprofit organizations during 1970s, introduced marketing in their operations for the first time. Nonprofit private organizations side by side public nonprofit organizations, ventured into the marketing field, including advocates of social causes (equal rights groups, environmental groups, peace groups, and consumerism groups); religious services; cultural organizations (museums, theatrical groups); educational groups (private schools, colleges, and universities); and philanthropic groups (foundations, charity hospitals, and private welfare groups). They have now marketing departments engaged in researching and developing, and developing outstanding ads to attract customers. Various factors were responsible for these developments, including the gradual recognition that every organization can benefit by applying principles of effective marketing. In response to declining sources of funds, other forms of support, changing needs of target markets, and increased competition, administrators in nonprofit organizations are forced to find more effective ways to serve and satisfy human needs and wants through exchange processes.



Now, you do not ask a question like “should we use marketing?” to a private and public nonprofit organizations. You rather now ask them a question like, “how can you effectively implement marketing to better serve your target markets and achieve organizational objectives?”

Marketing in the Global Sector : Once marketing theory and practice were limited to certain Western countries. It is now found to take its position in other countries around the globe. But, the question may come to your mind is ‘what is the reason for the adoption of marketing by the companies around the world?’ One of the answers could be that, marketing is now considered as a multinational phenomenon. Companies try to expand their markets beyond their national territories, and as a result, they need to be marketing led to face competition abroad. “A small Indian soap company called Nirma bested the mighty Hindustan Lever Company of India, which has dominated the Indian soap market, by aggressively introducing a lower-priced value brand accompanied by a strong and memorable radio jingle campaign against Lever’s most established brands”⁸.

Marketing is now considered as a multinational phenomenon.

You should be amazed to know that, developing countries like Indonesia, Malaysia, Egypt, and Colombia are organizing international seminars on latest developments in marketing, once the domain of developed countries like the US, the UK, and Japan. The developing countries are also providing advanced marketing training to their business executives to adopt marketing and to cope up with the advanced nations. Socialist

⁸ Kotler Philip, *Ibid*, p. 31.

countries are now also following the foot steps of both developing and the advanced countries with regards to marketing's applications in business. The then socialist countries, now taking keen interests in marketing and offering advanced courses on marketing through colleges and universities. The translated version of Philip Kotler's Marketing Management book now sells very well in Poland and Russia, once treated as very closed countries. Companies around the globe now are realizing that they have to either adopt marketing or perish.



Activity:

Identify a Bangladeshi organization involved in creating social awareness and write in detail its activities.

Questions for Review

1. Marketing spread most rapidly in –
 - a. Industrial equipment companies
 - b. Consumer durable companies
 - c. Consumer packaged goods companies
 - d. All of the above.

2. Within the past few decades which types of firms have moved toward modern marketing?
 - a. Consumer service firms
 - b. NGOs
 - c. Governmental organizations
 - d. Multinational companies.

3. Which of the following is a non profit organization?
 - a. An opera house
 - b. A museum
 - c. A university
 - d. All of the above.

4. Marketing theory and practice is now limited to –
 - a. Europe
 - b. Certain western European countries
 - c. USA
 - d. Indonesia, Malaysia, Egypt, and Colombia

5. Translated version of Philip Kotler's Marketing Management book has recently selling very well in –
 - a. Hungary
 - b. Poland
 - c. Russia
 - d. Both b & c.

6. Write a short essay on the rapid adoption of marketing concept in different sectors.

Answers

1. d, 2. a, 3. d, 4. d, 5. d.

