
BLOCK 1 MARKETING AND ITS APPLICATIONS

Welcome to this course on marketing. In this course we are primarily concerned with the management of exchange process between a firm and its customers. A firm offers a product or a service concept to the potential customer who has a need for it. The Marketing Process matches the firm's offer and the consumer's need in such a way that both benefit, one in terms of profit and the other in terms of need satisfaction.

The course on marketing opens with this block entitled Marketing and its Applications. This block has three Units. The first of these units introduces the definition of marketing and then goes on to describe the various marketing decisions. The unit invites you to design the marketing strategy for a perfume. We are sure it will be interesting and rewarding.

The second Unit in the block attempts to establish the importance of marketing in a developing economy. Of particular interest to you will be the role marketing can play in promoting the concept of family planning in our own country.

The last Unit in this block will take you into the growing field of services. In this we would talk about the intrinsic characteristics of various services and how they influence the marketing of services.

UNIT 1 INTRODUCTION TO MARKETING

Objectives

The objectives of this unit are to help you to understand:

- the meaning of marketing;
- the marketing concept;
- the marketing mix; and
- how marketing concept and marketing mix are integrated in practice, thus resulting in the marketing process and strategy.

Structure

- 1.1 Introduction
- 1.2 The Meaning of Marketing
- 1.3 The Marketing Mix
- 1.4 The Marketing Strategy
- 1.5 Summary
- 1.6 Key Words
- 1.7 Self-assessment Test
- 1.8 Further Readings

1.1 INTRODUCTION

First of all, we welcome you to this course. Different people with different objectives would opt to learn marketing. However, marketing, as you will soon see, is important whether you are in the marketing function or any other function of a business. Besides, marketing is a very exciting field. It requires creativity for success. Thus, you have embarked on the study of an exciting subject which can also increase your creativity.

This course has been designed primarily to develop your awareness of the marketing-orientation. It is assumed that such knowledge about marketing decisions and processes will not only improve your personal competence but will also help in attaining your organisations' objectives.

1.2 THE MEANING OF MARKETING

Let us start by first understanding the meaning of the word marketing. Thereafter, we will offer you some definitions, and develop the theme further.

Let us raise the following question:

What do you understand by the word 'marketing'. You may write your answer in the space provided.

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The objective of this question is to make you start thinking on your own: While answering the above question have you thought that

Marketing is selling
or
Marketing is advertising
or
Marketing is promotion

If yes, then you are certainly on the right track.

In USA, 300 college administrators were asked about the meaning of marketing. As many as 90 per cent said that marketing was selling, advertising and/or public relations. It is no wonder that the Americans are bombarded with TV commercials, newspaper advertising, sales calls, etc.

Even in our own country when managers are asked this question the majority of them give a similar reply. It is important to understand that marketing is much more than selling or advertising, although these do form part of the marketing functions.

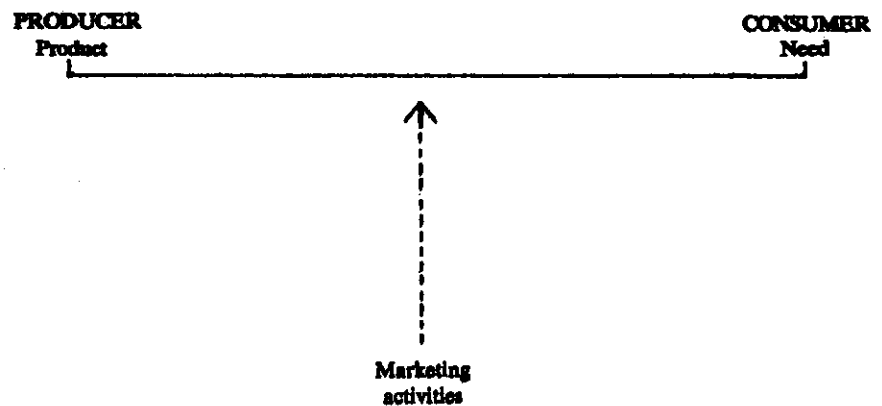
The American Marketing Association defines marketing as follows:

“Marketing is the performance of business activities that directs the flow of goods and services from producer to consumer or user.”

Do you agree with the above definition? Give your comments. Identify at least 20 products and services that are being currently marketed in India.

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This definition is undoubtedly an improvement on describing marketing as selling as it shows that marketing does encompass other activities besides selling. Schematically, this definition can be reproduced as shown below:

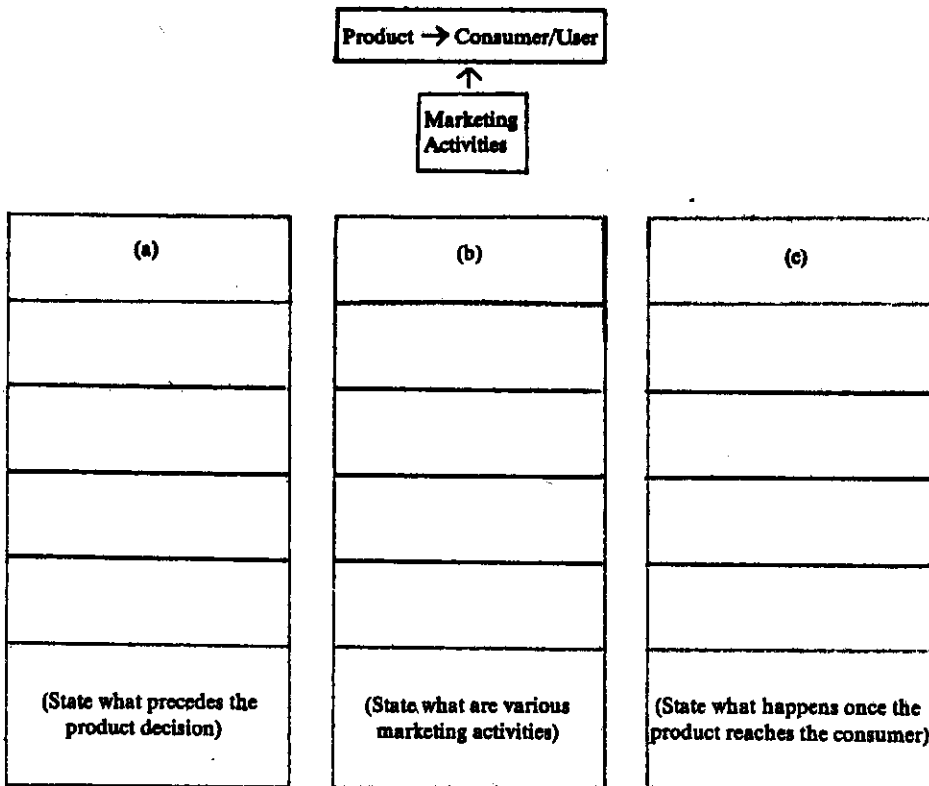


We can see that marketing, as per this definition, starts with a 'product'. This is very common idea among many people, for example, in advertising agencies, as they normally are required to advertise to sell a product which already exists. Similarly, salesmen are also given 'products' and asked to sell them. Therefore, to them marketing often, starts with a product.

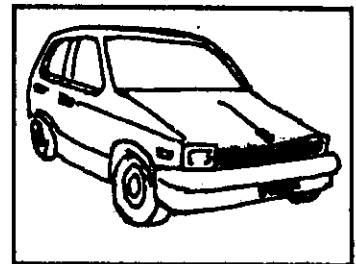
Human Needs and Marketing Concept

We would now like you to fill in what you think comes before a product comes into existence in the box marked (a) in Figure I. Also complete the box marked (c) with what you think should happen when the product or service has reached the consumer or user.

Figure I: The Meaning of Marketing



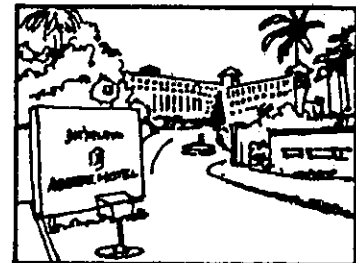
A Consumer Non-durable Product



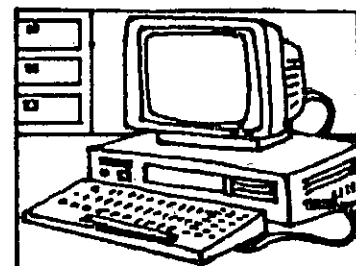
A Consumer Durable Product



A Concept



A Service



An Office Equipment

Let us now analyse what could have been written in box (a) in Figure I, for what comes before the product. You must remember that if you are an entrepreneur who wants to start a new business, you do not have a product. In fact you will have to decide what product you should manufacture and sell. How do you decide this? The answer to this question helps you in filling up (a). Please do so. The entrepreneur has first to decide what product he should select. This he can do only if he can identify the needs which require satisfaction among human beings. Once he has identified the need of a group of human beings (called market segment), he can determine the product which can help to satisfy that need. This is a part of the modern philosophy of marketing or the marketing concept.

Philip Kotler, a well-known author in the area of marketing, defines marketing as

“A human activity directed at satisfying needs and wants through exchange processes.”

Thus the most fundamental concept which must be realised as being the basis of all marketing activities is the existence of human needs.

The human need is a state in which a person feels deprived of something. There are many human needs described in many ways. Briefly, these needs can be divided into two types.

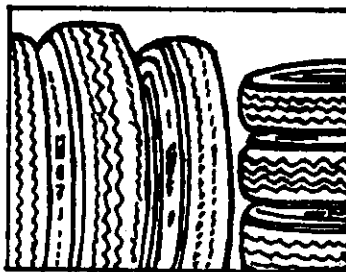
- 1 Physiological needs; and
- 2 Psychological and Sociological needs.

The physiological needs consist of the need for food, clothing, shelter and even sex. Similarly, there are social needs for belonging, affection and love from others. Of course, there are higher order psychological needs of self-actualisation. We are sure

you have already referred to Maslow's model of hierarchy of needs in courses MS 1 and MS 2. It is important to understand that at any time some needs in a human being are dormant and unsatisfied whereas others are active and are being satisfied. A marketing man may thus devise a product or service aimed at satisfying a certain dormant need and thus provide satisfaction to the user as shown in photographs. This is why a man is often described as 'a bundle of dormant wants'. The need exists but these have to be converted into 'wants' by a marketing strategy.

In a socially competitive society, people may have unlimited wants but the ability to buy may be restricted on account of their economic background. They will, therefore, select from among those products which give satisfaction or are needed more. Thus, when they are backed by ability to buy, the wants are converted into demand for your product. Therefore, when people decide to satisfy their needs and wants, in terms of marketing activities, exchange takes place. This explains in detail the definition given by Kotler. However, does this completely define marketing? Let us analyse this still further.

In Figure I, please fill in the box (b), if you have not already completed it. Perhaps you have written down items such as:



A Semi-durable Product

Introducing Product
Selling
Advertising
Distribution
Warehousing
Transportation, etc.

Similarly, in box (c) have you listed items such as

Satisfied Consumer
Revenues
Surplus
Profit, etc.

If yes, then we can develop a process-oriented definition of marketing, as "the process of ascertaining consumer needs, converting them into products or services, and then moving the product or service to the final consumer or user to satisfy certain needs and wants of specific consumer segment or segments with emphasis on profitability, ensuring the optimum use of the resources available to the organisation".

In practice, often, the business functions, such as production, finance and marketing, are performed by separate departments with their own way of thinking. Production is often considered the more important function as compare to marketing. This practice is, gradually losing ground and it is being recognised that unless you can sell a product, you should not manufacture it. Production-orientation evolved because often products were designed and developed by inventors who hoped that they would sell. However, if these products fail to satisfy some needs they would never sell in the market place. Therefore, consumer oriented thinking becomes necessary for any business to survive and grow.

Peter Drucker stresses this by saying that marketing is so important that it is not enough to have a strong sales department entrusted with marketing. In his view, "concern and responsibility for marketing must permeate all areas of the enterprises".

Normally, a salesman would like to think of his activity as a 'selling' process. When he does this, he is more concerned with handing over his product and receiving money in exchange. However, if he adopts the modern philosophy of treating it as a 'buying' process, his job becomes easier. He puts himself in the shoes of the customer and asks the question-Why should I buy this article?'-When he does this, he will start feeling and thinking as the customer does. His job will become smoother, as he will then know both the benefits and the disadvantages of the product or the service he is offering. This is an illustration of customer-oriented focus.

1.3 THE MARKETING MIX

Marketing is performed within a certain environment which itself is always changing. The marketing activities have, therefore, to change in consonance with environment to be continuously effective. In order to appreciate this process it is easier to divide the marketing activities into four basic elements which are together referred to as the marketing mix. These four basic elements are:

- i) Product,
- ii) Price,
- iii) Promotion, and
- iv) Place (or physical distribution).

As all these four start with the letter 'P' they are, at times, referred to as the four Ps of the marketing mix or the 4Ps in marketing.

The word product stands for the goods or services offered by the organisation. Once the needs are identified, it is necessary to plan the product and after that keep on analysing whether the product still satisfies the needs which were originally planned for, and if not, to determine the necessary changes. You will learn this in greater detail when we talk about product strategies, about how new products are introduced, how they have to be modified in due course to continue to be successful in sales, and why marginal or non-profitable products should be removed, unless they are contributing in some way to the overall benefit of the organisation.

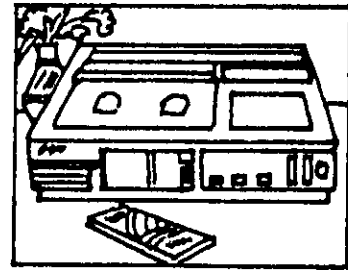
Price refers to the money value that the customer has to pay. The product has to be adequately priced. This involves considerations of the profit margin, the cost, the possibility of sales at different prices and the concept of the right price.

Promotion is the aspect of selling and advertising, or communicating the benefits of the product or service, to the target customers or the market segment involved in order to persuade them to purchase such products or services.

It includes selling through advertising as well as the sales force. Besides, a certain amount of promotion is done through special seasonal discounts, competitions, special price reductions, etc. collectively called sales promotion.

Finally, physical distribution refers to the aspect of the channels of distribution through which the product has to move before it reaches the consumer. It also includes the logistics aspects of distribution such as warehousing, transportation, etc. needed for geographical distribution of the products.

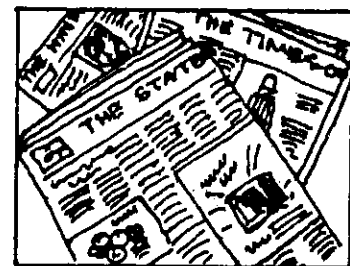
It is also concerned with the selection of distribution channels. The organisation must decide whether it should sell through wholesalers (who buy in large quantities and sell to retailers) and then to retailers (i.e., the shopkeepers, who ultimately sell to consumers), or whether directly to the consumers. There are many ways in which a product can be moved from the producer to the consumer. The optimum method has to be determined in terms of both consumer satisfaction and profitability to the organisation, or optimum use of the organisation's resources.



Product



Price



Promotion



Place

1.4 THE MARKETING STRATEGY

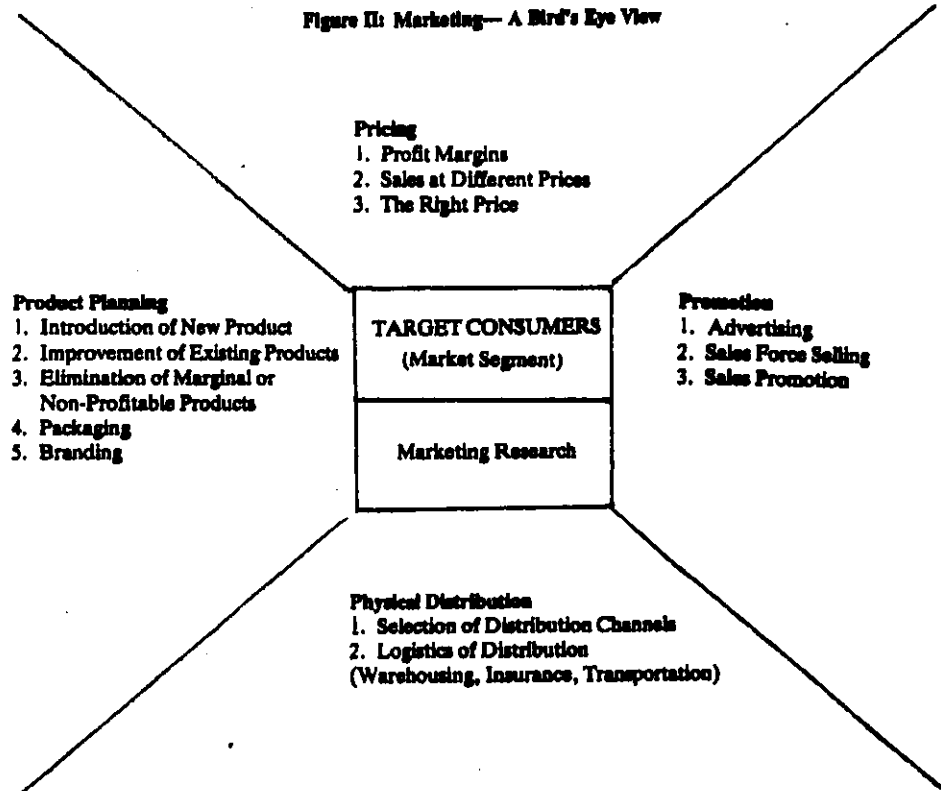
Having now understood the importance of consumer orientation as well as the elements of the marketing mix, it should be remembered that the marketing strategy consists in directing a proper marketing mix towards a target group of customers or market segment. This is illustrated in Figure II. It will be noticed that the "Four Ps" are decided and directed at the consumers on the basis of proper diagnosis of firm-market system arrived through the process of marketing research.

This chart also gives you a bird's eye view of marketing. Let us take an illustration to show you how in practice one would go about determining the marketing activities in terms of consumer orientation. We will take a hypothetical example.

As we learnt, the first step in the marketing process is the identification of the need

of a group of persons or market segment. Let us presume that the need is 'to be more attractive to the opposite sex'. In terms of this need, we can select many different types of products. The one which comes first to mind is perfumes. Therefore, let us take our product as perfumes. Let us now design our marketing strategy.

Figure II: Marketing— A Bird's Eye View



Market Segmentation

You should now decide on the type of consumers for whom you wish to market perfumes.

Write down below the characteristics of a group of customers whom you would like to aim your product at.

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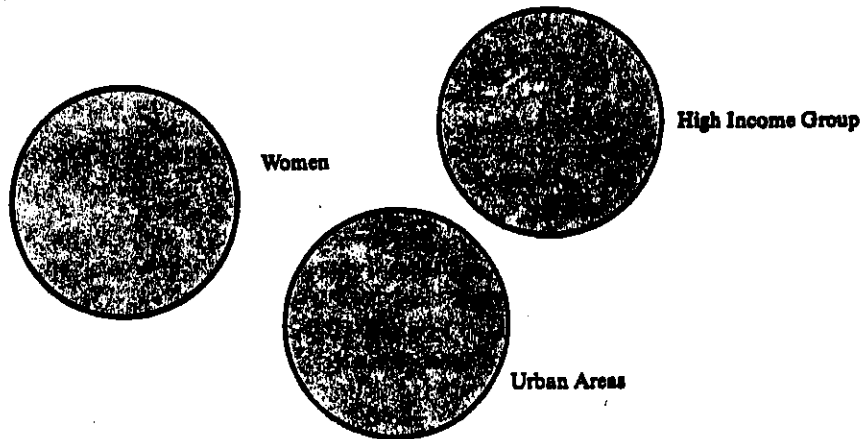
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You have written down your suggestion and since we do not know your suggestion, let us illustrate.

Perfumes can be purchased by both men and women. Suppose you have selected 'women' as your group of customers and removed men from your target group. Assume that you have gone still further in defining your consumer target by deciding to aim only at the sophisticated group. But, this is rather vague.

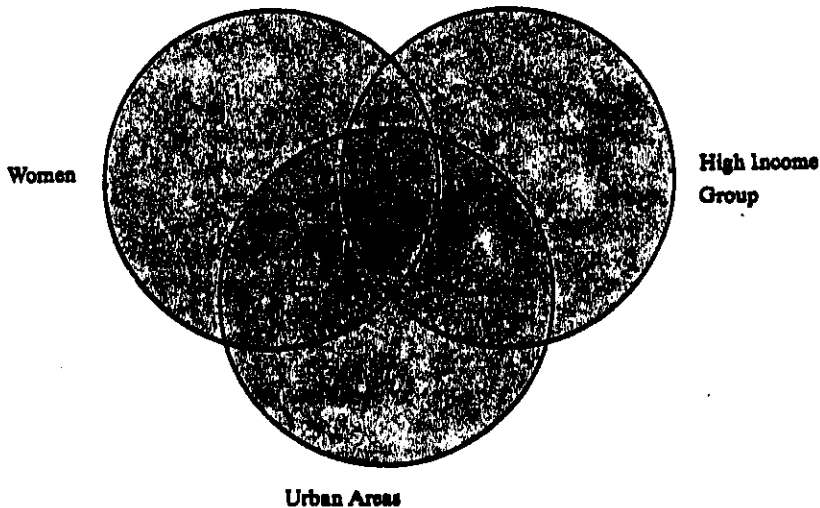
We should, define the word sophisticated. Our definition perhaps would give us two more characteristics: (1) the high income group and (2) in the urban areas. Let us presume that the circles given in Figure III represent these three types of groups.

Figure III: Market Segments



Now let us put these together. This gives us the picture as given in Figure IV.

Figure IV: Market Segment Crystallization



There are as many as seven segments from which a selection has to be made. Segment no. 1 relates to women only, Segment no. 3 to the High Income Group only and Segment no. 2 to a combination of these two and so on. Can you identify the Segment at which we are aiming? Please tick the relevant one below:

- 1
- 2
- 3
- 4
- 5
- 6
- 7

The correct answer is no. 5, as it is a combination of all these three groups. You can now see how the target has become very well defined. It is like shooting either with a shotgun or a rifle. The shotgun spreads and the rifle hits the bull's eye. In marketing, we would like to define the bull's eye very carefully so that there is no scattering or wastage in our marketing effort. This is known as market segmentation.

Product Planning

Now we need to go into details about the exact product. We have defined it as a perfume and that the perfume must be of high quality.

Can you now describe the bottle that you would use? Give your suggestions here:

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Even the selection of the bottle is important. You cannot use a large bottle, even though the cost of the perfume actually may not be high. You are aiming at a 'sophisticated' group of women. Therefore, a very small delicate bottle must be selected.

As against this, had you selected men as your customers, what type of bottle would you have selected? Please write down your answer below:

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The bottle would be square looking and solid in appearance. It would create the image that 'it is manly to use perfumes'.

An attractive package obviously must be used with good colour design and high quality paper. By now you may have realised perhaps that the cost of the perfume is relatively very low as compared with the beautiful bottle, the packaging and the marketing or the promotional effort, which is likely to follow.

Promotion

In connection with promotion, please list below the magazines and newspapers that you would use.

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We are sure you must have selected appropriate high quality magazines in the Indian context. What about an advertising theme?

What would be your advertisement line?
Give some of your suggestions here.

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Perhaps you would show a woman passing by and the men swooning, or a group photograph where men are clustered around one particular woman who seems to have used our perfume. Thus 'exclusivity' has to be built in through advertising.

Physical Distribution

With regard to distribution, you would now have to think of adequate shops which would need to be induced to store the product, how these products would be sent to the shops and so on. Perhaps you would use 'exclusive shops' for this purpose, such as large well-known departmental stores, which must be induced to stock your perfumes. As against this distribution system, some organisations may even decide

on selling entirely through the sales force, although that would be perhaps a more expensive method. This is where discretion and creativity comes into designing of an adequate marketing mix strategy. This is what makes marketing so exciting and challenging.

Pricing

Finally, the aspect of pricing has to be considered carefully. Suppose all your calculations have brought you to a total cost per unit of Rs. 6. At what price would you offer this product? Suppose the margin of profit which would satisfy you is Rs. 2. Would you offer this at Rs. 8?

Give below your preference with the reasons for it.

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We are sure you must have remembered, when arriving at the final pricing figure, that the price must be high enough to appeal to this so called 'sophisticated' group. If the price is too low, an image might be created that by the use of this product the user would develop some skin rash or trouble. This is what is meant by the concept of the 'right' price.

The above illustration has dealt with the marketing mix very briefly, as each of these elements will be dealt with in separate units in great depth. The objective of the above illustration is to show you how these 4Ps of marketing have to be aimed at the consumers and ultimately must result in both consumer-satisfaction and profitability for the organisation. Thus, starting with identification of needs requiring satisfaction, we have ended with marketing decisions.

1.5 SUMMARY

You have now some idea of what comes under the study of 'Marketing for Managers'. You have noticed that marketing is not really an activity which should be looked upon in a vacuum or in isolation. It is in essence taking a view of the whole business organisation and its ultimate objectives. Concern for marketing must penetrate all areas of the enterprises. Marketing emphasises the belief, handed down for a long time by good marketing people, that the 'customer is the king' and his satisfaction must be the ultimate aim of a business activity, if the business unit desires continued success over a long period of time. It is because of this that all business thinking in management must start with identification of a 'need' of a group of likely customers or persons. This leads to identification of the type of 'product' or service to be offered. The product or service is aimed at satisfying the needs of a group of consumers, known as customer segment or segments. This is followed by a host of decisions and activities known as the marketing mix directed to secure consumer-satisfaction as well as profitability for the organisation.

1.6 KEY WORDS

Marketing concept: It emphasises consumer-orientation and satisfaction as well as profitability for the organisation.

Need: A human need is a state in which a person feels deprived of something.

Price: This is the money value for the product or service offered by an organisation.

Retailer: This is the shopkeeper who buys generally from wholesalers or at times from manufacturers and then sells directly to consumers or users. The retailers may range from a small pan shop to a large departmental store.

Selling: This consists of exchange of a product by the salesman or shopkeeper with the

customer for money and, in case of the modern concept of selling, it must result in satisfaction of the consumer and profitability for the organisation.

Want: A need has to be converted into a want for our product or service through adequate marketing strategy, such as promotion.

Wholesaler: He is a person who buys large quantities from the manufacturer and then sells in smaller quantities to the shopkeeper or retailer who ultimately sells it to the consumer or user.

1.7 SELF-ASSESSMENT TEST

The following questions are given for self-assessment to find out whether you have understood and remembered the concepts presented in this unit. You are therefore, advised to revise the unit quickly and then, on separate sheets of paper or in a note book, write your own answers for the following questions and assess them yourself.

Questions

- 1 Define 'Marketing' and distinguish it from mere 'Selling'.
- 2 As an illustration, take the consumer item 'after-shave lotion'. Design your marketing strategy, describing the steps in the marketing process starting with defining the 'market segment', then explaining the designing of the 'Four Ps' in Marketing and ending with the ultimate objectives of marketing.

1.8 FURTHER READINGS

Kotler, Philip, 1986. *Marketing Management—Analysis Planning and Control*, Prentice-Hall of India Private Limited: New Delhi.

Davar, R.S., 1969. *Modern Marketing Management in the Indian Context*, Progressive Corporation Private Limited: Bombay.