III BBA- MARKETING MANAGEMENT

UNIT-1:

MEANING OF MARKETING:

The term “Market” has been derived from the Latin word “Mercatus” which means “to trade”. A market is essentially a place where goods and services are offered for sale.

The term market refers to a commodity or commodities and buyers and sellers who are in direct competition with one another.

DEFINITION OF MARKET:

According to Pyle, “Market includes both place and region in which buyers and sellers are in free competition with one another”.

DEFINITION OF MARKETING:

According to Hansen, “Marketing is the profess of discovering and translating consumer needs and wants into product and service specifications, creating demand for these products and services and then in turn expanding this demand”.

FUNDAMENTALS OR ORIENTATION OF MARKETING:

The following are the changes that have taken place in the fundamentals of marketing with the growth of business activities:

(i) Production Orientation
(ii) Sales Orientation
(iii) Marketing Orientation
(iv) Customer Orientation and
(v) Management Orientation.

(i) **Production Orientation:** during the early days of business activities the emphasis was mainly on production. The then businessmen thought that they could produce anything and sell.

(ii) **Sales Orientation:** the idea of mass production of goods as conceived in the previous stage did not work later. Further, with the growth of transport and communication and improvement in the lifestyles of people ate attitude of businessmen had to change from production to sales.

(iii) **Marketing Orientation:** When emphasis shifted from sales to marketing, the sellers realized the need for a systematic approach towards from production of goods, fixing the price, packing, sales promotion to making sale would be in tune with the needs of the buyers.

(iv) **Customer Orientation:** The marketers latterly decided to give all that the buyers expect in the goods and services marketed. This is mainly due to competitive pressures. Customers can select the alternative that best fulfils his needs. Therefore, every marketer now strives hard to satisfy the customer’s needs.

(v) **Management Orientation:** Management is the art of getting things done by others. The present day’s marketers are well versed in management and they adopt a systematic approach. The task of customer satisfaction is being achieved by planning, organizing, coordinating and controlling all marketing activities.

ROLE AND IMPORTANCE OF MARKETING:

1) **Meets consumer needs and wants:**

needs pre-exist in market. Marketers identify the needs of the consumer and adopt their marketing strategies accordingly. They influence wants, as these are shaped by cultural and individual personalities. Their needs are satisfied through the exchange process.

2) **Ensures organization survival, growth and reputation:**

A business survives because of customer retention and increase in the market share. Marketing helps companies achieve their objectives because it is customer-centric. Marketing helps in satisfying customers beyond their expectations.

3) **Widens market:**

Marketers use mass communication tools such as advertising, sales, promotion, event marketing and PR to promote their products far and wide. Moreover, PR programmes build and protect a company's image and product. Revolutions in media technology have made marketing more interactive.

4) **Adapting the right price:**

Price is a critical element in the marketing mix of a producer because it generates revenue. Marketing strategies help in setting fair prices, incorporating appropriate changes, and preparing a right approach. The exchange process move smoothly when prices are fixed in a favourable manner.

5) **Better product offerings:**

Most companies sell more than one product. Physical products, that is goods have to be well packed and labelled. In contrast, services are characterized by intangibility and inseparability. Thus, marketing plays an active role by designing and managing product offerings.

6) **Creates utility:**

Much of a product's utility is created through marketing. Utility is the ability of a product to satisfy wants. Marketing creates form, place, time, information and possession utility. For example, a car fulfills the need to possess a vehicle and ride it.

7) **Management of demand:**

Marketers are skilled professionals who play a key role in influencing level, timing and composition of demand. A demand can be a negative demand, no demand, latent demand, declining demand, irregular demand, full demand or overfull demand. Marketing helps in dealing with these varied levels of demand.

8) **Face competition:**

Competitive orientation is important in today's global markets. Marketing helps in maintaining balance of consumers' expectations and competitor's offerings by monitoring the market closely. Superior services, premium products and efficient dealership are used by marketers to retain their market share.

9) **Discharge social responsibilities:**

Rising customer expectations, government pressure and environmental degradation have forced companies to practice higher levels of social responsibilities. Here, social marketing plays an important role. Cause-related marketing is widely used by big corporate houses. For example, through the promotion of low-priced Lifebuoy, Hindustan Unilever Limited spreads hygiene awareness in rural areas.

10) **Economic growth:**

Marketing creates demand. Increased demand encourages production and distribution activities. As a result, industrial growth is boosted and income levels improve due to increased employment opportunities. This improves the standard of living by offering superior and improved products. Thus, the overall economic growth is boosted.

RELATIONSHIP OF MARKETING WITH OTHER FRUNCIONAL AREAS OF MANAGEMENT:

The relationship of marketing with other functional areas are as follows:

FUNCTIONAL AREAS OF MANAGEMENT:

In business management is applied in the following key functional areas:

Production – known as PRODUCTION MANAGEMENT

Finance – known as FINANCIAL MANAGEMENT

Personnel – known as PERSONNEL MANAGEMENT

Marketing – known as MARKETING MANAGEMENT

I. PRODUCTION AND MARKETING:

The production department performs the following important activities in the process of delivering the finished goods to the marketing department for sale are:

- ✓ Establishment and maintenance of the factory building, plant and equipment.
- ✓ Management of purchase, storage and transportation of the necessary raw-materials.
- ✓ Adhering to the production schedule.
- ✓ Ensuring effective production control.

II. FINANCE AND MARKETING:

The finance department assists the marketing department by making available the necessary funds to enable the latter to carry out the various marketing activities are:

a) The marketing department requires funds for both short-term and long-term operations. It needs working capital to meet transportation expenses, packing expenses, advertisement expenses and so on.
b) The need for funds for long-term operations arises owing to the fact that the marketing department may have to acquire certain fixed assets for carrying out their activities.
c) The marketing department will have to come only from the finance department.

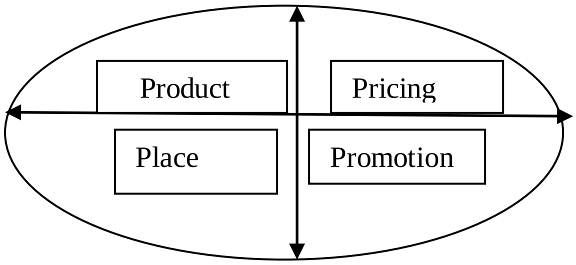
III. PERSONNEL AND MARKETING:

The manpower needs of the marketing department are met by the personnel department. Salesmen need to be employed to work for the marketing department. The personnel department will arrange to recruit and select the right candidates.

It also arranges for training salesmen. It maintains all the necessary records pertaining to every employee and also handles such matters as employee transfer, promotion etc.

CONCEPTS OF MARKETING MIX:

Marketing mix is the combination of 4 P's, namely:



P-PRODUCT: The product policy of the marketer will provide for such decisions as product mix, new product development, product modification, product alteration, and product elimination, strategy for the product life cycle, branding and packing.

P-PRICING: The pricing policy of the marketer will help him in taking pricing decisions. The marketer should have knowledge of the various kinds of pricing, pricing policies in vogue and the determinants of price.

P- PLACE (Physical Distribution): It is basically concerned with the flow of goods to the consumers and includes such functions as transportation, storage and warehousing.

P- PROMOTION: The promotional policy of the business will provide for decisions pertaining to the promotional to be used. The various promotional tools in use are sales promotion, advertisement, personal selling and publicity.

APPROACHES OF MARKETING:

- Product approach
- Functional approach
- Institutional approach
- Decision-making approach
- Legal approach
- Economic approach
- Systems approach.

  - **Product approach:** The focus here is the product. A detailed study will be made on the nature of the product, the source of supply, the pricing pattern, the kind of promotional tool used, packing, brand selection, the middlemen in the market and so on.
  - **Functional approach:** Each of the functions of marketing, namely, buying, assembling, selling, transport, standardization, grading, storage and warehousing, financing, risk-taking and market information will be analysed in detail.

  - **Institutional approach:** The institutions engaged in the field of marketing become the focal point of such an approach. These include manufacturers, wholesalers, retailers, transport organizations, warehouses and so on.

  - **Decision-making approach:** Decisions help to find solution to problems. Problems faced by marketers are caused by controllable and uncontrollable factors. The controllable factors include quality, price, cost, profit, production, sales, and promotional tool and so on. The uncontrollable factors include among other Government policies, competitions action and suppliers decisions.

- **Legal approach:** This approach considers only the legal aspects of marketing. A number of laws have been enacted in India to safeguard the interests of both the buyers and sellers. The Sale of Goods Act, The Consumer Protection Act, The Essential Commodities Act, Prevention of Food Adulteration Act.

- **Economic approach:** The economic aspects affecting marketing get priority in such on approach. There are a number economic concepts like cost, revenue, competition, demand and supply that affect marketing.

- **Systems approach:** A system is an organized body of identifiable independent parts. These parts are called sub-systems. If business as a whole is a system, production, finance and marketing are the sub-systems.

DISTINGUISH BETWEEN SELLING AND MARKETING:

Selling is basically concerned with one aspect, namely, putting the goods into the hands of the buyers for a price. Transfer of ownership is the most essential element of selling. Selling is part of marketing.

Marketing is concerned with the performance of all such activities that facilitate selling.

Distinction between Marketing and Selling:

Marketing	**Selling**
1. Selling is part of marketing. 2. Marketing starts before production. 3. Marketing is concerned with buyer's needs. 4. It is a changing concept. 5. It requires the performance of several activities including selling. 6. It is the starting point of all business activities. 7. The philosophy of marketing is 'customer satisfaction'.	1. Marketing is not part of selling. 2. Selling starts after production. 3. Selling is concerned with seller's needs. 4. It is static. 5. It is concerned with just one aspect, namely, transfer of title for a price. 6. It is done towards the end. 7. 'Profit maximisation' is the philosophy of selling.

MARKETING ENVIRONMENT:

Marketing environment mean the condition in which marketing activities are performed. It includes both the internal and external environment.

VARIOUS FACTORS AFFECTING MARKETING ENVIRONMENT:

Various factors affecting marketing function.

The environmental factors that are affecting marketing function can be classified into :

1) **Internal environment** and

2) **External environment**

1) **Internal Environment of Marketing:**

This refers to factors existing within a marketing firm. They are also called as controllable factors, because the company has control over these factors: It can alter or modify factors as its personnel, physical facilities, organization and function means, such as marketing mix, to suit the environment.

There are many internal factors that influence the marketing function, they are :

a) **Top Management**: The organizational structure, Board of Director, professionalization of management etc. Factors like the amount of support the top management enjoys from different levels of employees, shareholders and Board of Directors have important influence on the marketing decisions and their implementation.
b) **Finance and Accounting**: Accounting refers to measure of revenue and costs to help the marketing and to know how well it is achieving its objectives. Finance refers to funding and using funds to carry out the marketing plan. Financial factors are financial polices, financial position and capital structure.
c) **Research and Development**: Research and Development refers to designing the product safe and attractive. They are technological capabilities, determine a company ability to innovate and compete.
d) **Manufacturing** : It is responsible for producing the desired quality and quantity of products. Factors which influence the competitiveness of a firm are production capacity technology and efficiency of the productive apparatus, distribution logistics etc.,
e) **Purchasing** : Purchasing refers to procurement of goods and services from some external agencies. It is the strategic activity of the business.
f) **Company Image and Brand Equity** : The image of the company refers in raising finance, forming joint ventures or other alliances soliciting marketing intermediaries, entering purchase or sales contract, launching new products etc.

In organization, the marketing resources like organization for marketing, quality of marketing, brand equity and distribution network have direct bearing on marketing efficiency. They are important for new product introduction and brand extension, etc..

2) External Environment of Marketing:

External factors are beyond the control of a firm, its success depends to a large extent on its adaptability to the environment.

The external marketing environment consists of :

(i) Macro environment, and

(ii) Micro environment

(i) Micro environment: The environmental factors that are in its proximity. The factors influence the company's non-capacity to produce and serve the market.The factors are :

1) **Suppliers:** The suppliers to a firm can also alter its competitive position and marketing capabilities. These are raw material suppliers, energy suppliers, suppliers of labor and capital. According to michael Porter, the relationship between suppliers and the firm epitomizes a power equation between them. This equation is based on the industry condition and the extent to which each of them is dependent on the other.

The bargaining power of the supplier gets maximized in the following situations:

a) The seller firm is a monopoly or an oligopoly firm.

b) The supplier is not obliged to contend with other substitute products for sale to the buyer group.

c) The buyer is not an important customer.

d) The suppliers' product is an important input to the buyer's business and finished product.

e) The supplier poses a real threat of forward integration.

2) **Market Intermediaries:** Every producer has to have a number of intermediaries for promoting, selling and distributing the goods and service to ultimate consumers. These intermediaries may be individual or business firms. These intermediaries are middleman (wholesalers, retailers, agent's etc.), distributing agency market service agencies and financial institutions.

3) **Customers**: The customers may be classified as:

A) **Ultimate customers:** These customers may be individual and householders.

B) **Industrial customers:** These customers are organisation which buys goods and services for producing other goods and services for the purpose of other earning profits or fulfilling other objectives.

C) **Resellers:** They are the intermediaries who purchase goods with a view to resell them at a profit. They can be wholesalers, retailers, distributors, etc.

D) **Government and other non-profit customers:** These customers purchase goods and services to those for whom they are produced, for their consumption in most of the cases.

E) **International customers:** These customers are individual and organizations of other countries who buy goods and services either for consumption or for industrial use. Such buyers may be consumers, producers, resellers, and governments.

F) **Competitors:** Competitors are those who sell the goods and services of the same and similar description, in the same market. Apart from competition on price, there are like product differentiation. Therefore, it is necessary to build an efficient system of marketing. This will bring confidence and better results.

G) **Public:** It is duty of the company to satisfy the people at large along with its competitors and the consumers. It is necessary for future growth. The action of the company do influence the other groups forming the general public for the company. A public is defined as 'any group that has an actual or potential interest in or impact on a company's ability to achieve its objective.' Public relations are certainly a broad marketing operation which must be fully taken care of.

(ii) Macro Environment:

Macro environment factors act external to the company and are quite uncontrollable. These factors do not affect the marketing ability of the concern directly but indirectly the influence marketing decisions of the company.

These are the macro environmental factors that affect the company's marketing decisions :

a) **Demographic Forces:** Here, the marketer monitor the population because people forms markets. Marketers are keenly interested in the size and growth rate of population in different cities, regions, and nations ; age distribution and ethnic mix ; educational levels; households patterns; and regional characteristics and movements.

b) **Economic Factors:** The economic environment consists of macro-level factors related to means of production and distribution that have an impact on the business of an organization.

c) **Physical Forces:** Components of physical forces are earth's natural renewal and non-renewal resources. Natural renewal forces are forest, food products from agriculture or sea etc. Non- renewal natural resources are finite such as oil, coal, minerals, etc. Both of these components quite often change the level and type of resources available to a marketer for his production.

d) **Technological Factors:** The technological environment consists of factors related to knowledge applied, and the materials and machines used in the production of goods and services that have an impact on the business of an organization.

e) **Political and Legal Forces:** Developments in political and legal field greatly affect the marketing decisions. sound marketing decision cannot be taken without taking into account, the government agencies, political party in power and in opposition their ideologies, pressure groups, and laws of the land. These variables create tremendous pressures on marketing management. Laws affect production capacity, capability, product design, pricing and promotion. Government in almost all the country intervenes in marketing process irrespective of their political ideologies.

f) **Social and Cultural Forces**: This concept has crept into marketing literature as an alternative to the marketing concept. The social forces attempt to make the marketing socially responsible. It means that the business firms should take a lead in eliminating socially harmful products and produce only what is beneficial to the society. These are numbers of pressure groups in the society who impose restrictions on the marketing process.

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