Textbook written according to revised syllabus of S.Y.B.Com.
prescribed by Savitribai Phule University of Pune from 2014-2015
Also useful for other Universities in Maharashtra.

MAREKETING MANAGEMENT

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Diamond Publications

Marketing Management

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Preface

We have great pleasure in presenting this textbook on Marketing Management for the S Y B.Com. Course of University of Pune. The book has been prepared as per the revised syllabus of the June 2014 pattern. We hope to receive a warm welcome to the book from the students and teaching fraternity.

The importance of marketing is increasing day by day all over the world, including India. The existence of marketing, just like Almighty God, is felt everywhere. While taking kaleidoscopic view to appraise the new horizons of marketing management, one may notice a sea of change. Shift from sellers' market situation to buyers' market situation, and from modern consumer-oriented marketing to ultra-modern society-oriented marketing with an emphasis over environmentalism, have been a natural journey of the marketing flow. Constant changes in the sphere of marketing environment are influencing the marketing decisions and activities. Increasing importance of marketing communication, services marketing and consumer behaviour are some of the dimensions of modern marketing management. Several new trends and concepts like e-marketing, green marketing, rural marketing are playing crucial role in the present marketing world. Fortunately all these aspects have been considered in the revised syllabus of Marketing Management of S. Y. B. Com. Course of Pune University.

The present book is written considering all the topics and sub-topics mentioned in the revised syllabus. Attempt has been made to present the subject matter in a lucid, simple language with ample illustrations from the business world. Chapter outline given in the beginning will provide the apt introduction of the topic, whereas the questions given at the end of the chapter in the form of exercises will help students to face the examination with confidence.

We are grateful to our publisher Shri. Dattatraya Pashte and his staff for extending the support and cooperation in bringing out this book in such an attractive manner.

Dr. S. V. Kadvekar
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July 2014

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Chapter 1

Elements of Marketing Management

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1.1 Introduction

The great Russian novelist Count Leo Tolstoy has stated in one of his novels - 'All happy families are alike. Unhappy families differ in their own ways.' From marketing point of view, we may change this statement to express that there can be different reasons for the failures of different business organizations. However, if we try to find out the secret of prosperity of all the successful organizations, we can certainly identify one secret i.e. effective application of marketing functions and techniques. However, marketing is relevant and significant not only for the business organizations, but it is useful even to the non-business organizations and individual persons like all of us. Certainly, the importance of marketing has increased to a great extent in this modern world.

Marketing has become integral part of our day to day life. It is such a phenomenon that touches everyone's life. It is said that those who believe in Almighty God feel his existence everywhere. In case of marketing, however, whether you believe in it or not, the existence of marketing functions, principles and techniques is experienced by everyone and everywhere.

Kindly consider your daily routine. When you wake up in the morning, you brush your teeth with 'Colgate.' You drink 'Brook Bond Red Label' tea. You take bath using 'Liril' toilet soap. You wear 'Peter England' shirt and 'Levise' jeans trousers. You drive 'Honda Activa' scooter to your office. On the road, you are impressed by the colourful hoardings and boards of various consumer products. Window displays at various shops and show rooms attract attention of your eyes. When you feel thirsty, you drink 'Frooty' offered in a tetra pack. You are amazed to see the advertising war between 'Coca Cola' and 'Pepsi.'

When you watch television, you are hammered with constant advertisements. If you get headache due to such non-stop irritating advertisements, you remember 'Aspro' or 'Anacin' to get relief from the pain. Of course, you must have observed the aggressive communication war of various political parties during election campaigning. You must have noticed how young girls in India feel excited in using cosmetics imported from paris; whereas how citizens of London offer 'red carpet welcome' to alphanso mangoes of Ratnagiri, India.

Well, this has all been possible due to marketing functions and techniques. Truly, marketing is everywhere, and the importance of marketing management is increasing day by day.

Before we consider the various aspects and dimensions of marketing management, let us have some understanding about the basic concepts like market and marketing.

1.2 The Term Market

The word 'market' is derived from the Latin word used as 'mercatus' which means to trade. In this sense, market may be understood as a place where trading of goods and services takes place. In day to day life, we go to the vegetables market or fruits market to buy the vegetables or fruits respectively. Thus, in simple words, market may mean a convenient place where sellers and buyers meet each others to sell and buy different types of goods.

The great 'Marketing Guru' Philip kotler has defined the term 'market' as 'an area for potential exchanges.' According to him, market may be referred as an area where there are buyers with unsatisfied wants; sellers with sufficient products to offer; and necessary means of transport and communication. The area being small or big, there can be district, state, national or international markets for different commodities. It means physically meeting at a specific place is not necessary for trading transactions. In this modern world, as we know, trading can be undertaken with the help of business correspondence, or telephonic conversation, or through internet. Certainly, e-marketing has changed the nature and extent of market.

The American marketing Association defines market as, 'the aggregate demand of the potential buyers for a product or service.' In this sense, the term market may represent the total probable demand or potential customers for a product or service. Market, here, may include people with unsatisfied wants and ability to spend the money. Thus, when it is said that there is a good market for imported cosmetics in Pune, it means there exists a probable demand or potential buyers at Pune for such cosmetics.

From the definitions given above, the term market can be expressed in three ways - market as a convenient meeting place; an area of potential exchanges, and a probable customer demand for the product. Thus, there are three concepts of market-place concept, area concept and demand concept of market.

From the above discussion, it is possible to understand the nature and features of market. Kindly see figure 1.1 in this content.

The Market

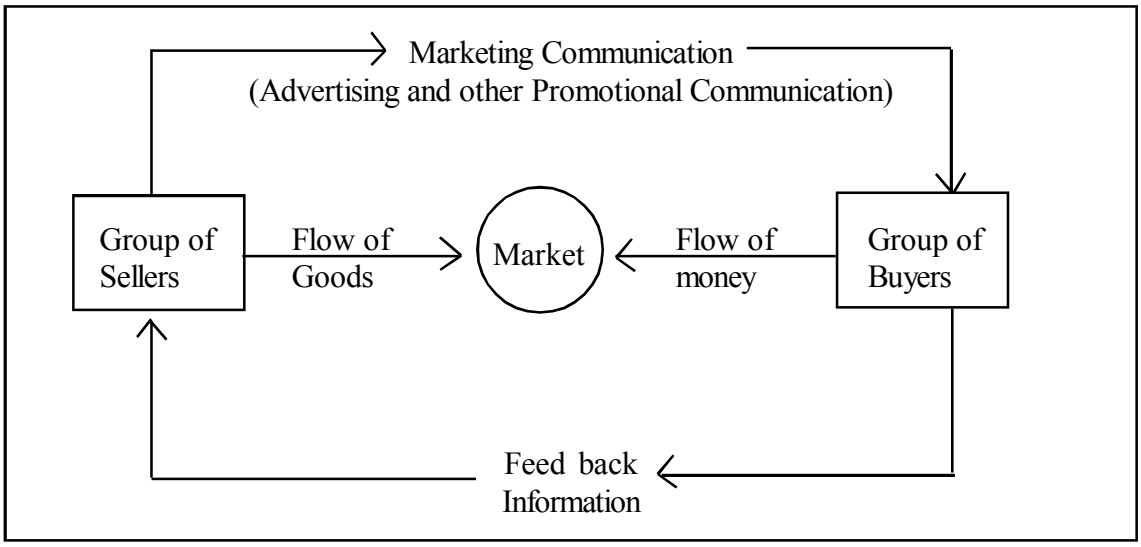


Figure 1.1

As shown in the figure given above, on the one hand, there is a group of sellers, ready to offer the goods; while on the other hand, there is a group of buyers who is eager to buy the goods. In the market, goods offered by sellers are exchanged against money offered by the buyers. With the help of advertising and means of sales promotion, sellers communicate about the products to customers. Once the goods are consumed or used, customers provide feedback information about the products to sellers.

Although marketing activities are significant for every businessman, their nature may differ in different types of markets. Markets can be of various types on the basis of geographical area (local, national and inter-national market); scale of operations (wholesale and retail market); nature of products (commodity market and capital market); regulations imposed (regulated and unregulated marekt); and time period. (very short period, short period and long period market).

1.3 The Concept of Marketing

Even though 'marketing' seems to be a familiar term to all of us, different people have different ideas about the same. For a house wife, marketing may mean nothing but shopping in the markets i.e. purchasing in the market. A salesman may take it as visiting or approaching the prospective customers. For a farmer, marketing may mean bringing his produce to the market, while a seller may consider it as convincing the prospective buyers to buy his products. A layman may not be able to distinguish 'marketing' from 'selling.' Few others may say, marketing means advertising. To avoid the confusion, it is absolutely essential to have clarity regarding the precise meaning of the term marketing.

Basically, it should be remembered that selling and marketing are not inter-changeable terms. Selling may be understood as a business transaction where in the seller offers the products or services already possessed by him to the buyer in exchange of money. On the other hand, marketing may be understood as the process of understanding the expectations of prospective customers, and then producing and distributing the goods and services in such a manner that would result into complete satisfaction of the customers.

Let us consider a simple example to understand these two terms. A person may go to a retail shop to buy a pack of hair oil. He will have to pay the specified price and accept the delivery of product possessed by the shopkeeper. This is a selling transaction. While purchasing the same, buyer may complain over the problem of using plastic bottles in winter as the oil becomes solid. Shopkeeper cannot have solution over the same. Marketing concept refers to understanding of such problem faced by the consumers, and then offering a modified product to satisfy the consumers. The same thing was observed when Marico Industries offered a solution over such problem by offering its hair oil 'Parachute' in plastic cans instead of bottles. As a result, consumers faced no problem while using the hair oil even in winter season, and they were happy.

Thus, it should remembered that selling and marketing are not interchangeable terms. Marketing is a broad term and selling is just a part or function of marketing. In other words, selling is just 'a tip of the iceberg' called as marketing.

Let us consider now few definitions of marketing to know the term in a better manner.

According to American Marketing Association, "Marketing 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." If we analyse this definition, we may understand that marketing create exchanges that satisfy individual and organizational goals. Here, 'individuals' means the consumers and 'organizations' means sellers. Thus exchange of ideas, goods and services satisfy both sellers as well as buyers. Of course, for exchange the analysis, planning and execution regarding product manufacturing, pricing, distribution and promotion has to be done in the marketing process.

According to Philip Kotler, "Marketing means meeting the customer needs profitably." This definition indicates two aspects - One, marketing basically tries to meet or satisfy the needs of customers; and second, marketing aims at earning the profit while achieving customer satisfaction. Kotler has also stated that marketing is building profitable customer relationships. The aim of marketing is to create value for customers and capture value in return.

In the words of great management scientist Peter Drucker, "Marketing is so basic that is cannot be considered as a separate function of management. It is a whole business seen from the point of view of its final result i.e. from the consumers point of view." This definition gives utmost importance to he reactions and expectations of consumers, and emphasizes the consumer oriented approach of marketing.

According to Philip Kotler and Garry Armstrong, "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." This definition indicates the existence of certain core or basic concept or marketing.

Core Concepts of Marketing

To understand the nature of marketing, it is essential to understand the core concepts of marketing which are linked with each others as shown in the figure 1.2

Core Concepts of Marketing

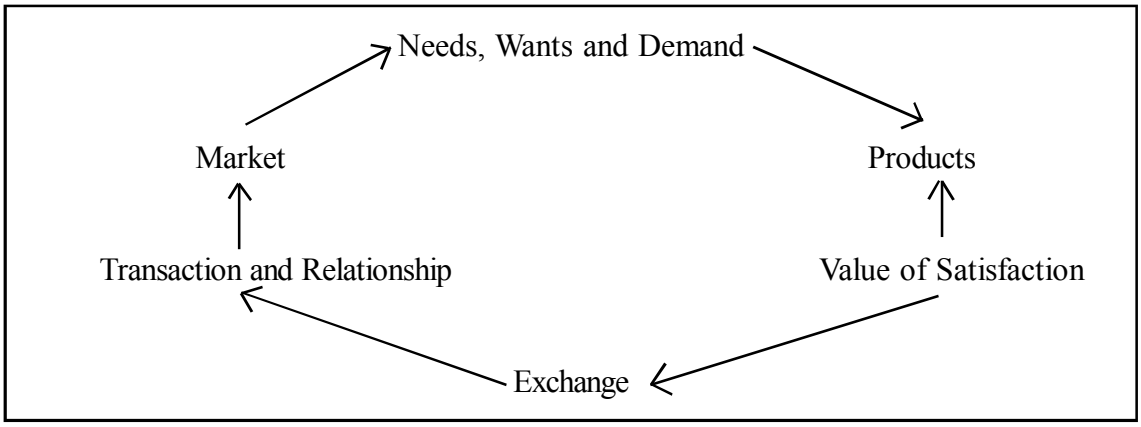


Figure 1.2

(1) Needs, Wants and Demand

Marketers should basically try to understand the needs, wants and demands of target consumers.

Needs are the basic human requirements. Need indicates a feeling of deprivation. Food, clothing and shelter, for example, are the basic needs.

Want is a specific form of object considered to satisfy the need. Wants are shaped by social and cultural norms and availability of the objects to satisfy the needs. Hence, human beings all over the world need food; but an American might want burger and cola, an Italian might want Pizza and Pasta, while an Indian might want rice and curry.

Demands are the wants for specific products supported by the purchasing power or ability to pay. Many people, for example, might want to buy BMW motor car, but only few can afford to buy it. Marketers are interested not only in the wants for their products, but in identifying and creating demand for their products.

(2) Products

Products means anything which has capacity to satisfy the need or want of the prospective customer. The term product may include the tangible physical objects like biscuits, chocolates, pressure cookers, motor cycles etc. as well as intangible services like life insurance,

transportation, entertainment etc. There are several products with variety of models or types, expressed in different brand names in this modern world.

(3) Value and Satisfaction

Products possess differed values and offer different amount of satisfaction. For example, if a person intends to buy a vehicle to travel from his residence to work place, he might buy a bicycle or motor cycle or a motor car. All these alternatives are available at different prices and offer different amount of satisfaction. A rational consumer purchases that product which offers maximum satisfaction at the price affordable to him.

(4) Exchange

People decide to satisfy their needs and wants through exchange of products for consideration. Exchange is an act of obtaining desired object from somebody by offering him something in return. Exchange is the legal and fair way to obtain the products.

(5) Transaction and Relationship

Transaction is a unit of measurement of business activity. When the buying or selling transaction takes place, it leads to relationship developed between the seller and buyer.

(6) Market

The concept of transaction leads to the concept of market. As observed earlier, the term market may mean a convenient place, or an area of exchange, or a potential demand for the product.

1.4 Marketing Management : Meaning and Nature

Basically, the term management is understood as an art of getting things done through and with others in a formally organized group. It is a process with three elements – planning, implementation or execution, and controlling. It includes performance of five basic functions such as planning, organizing, directing, coordinating and controlling. When the management process is undertaken with reference to marketing activities, it is called as marketing management. In business organization, marketing management is that part of business management, which is concerned with marketing.

The term 'marketing management' may be defined as, "the process of managing the marketing programmes for accomplishing organizational goals and objectives." It represents management concept in action and includes marketing planning; organizing, directing and co-ordinating marketing activites; and marketing control.

According to Philip Kotler, "Marketing management is the art and science of choosing target markets and building profitable relationship with them. This involves getting, keeping and growing customers through creating, delivering and communicating superior value." Thus,

marketing management involves managing demand which in turn, involves managing customer relationships. The marketing managers have to identify ways and means to handle different demand situations. Marketing managers not only have to identify and increase the demand, but sometimes even have to change or reduce the same to achieve desired organizational objectives. Philip Kotler has also referred marketing management as, 'the conscious effort to achieve desired exchange outcomes with target markets.'

1.5 Marketing Management Process

Management process, as observed earlier, includes three basic elements – planning, implementation or execution and controlling. Marketing Management process includes these elements with reference to marketing activities as shown in the figure 1.3.

Marketing Management Process

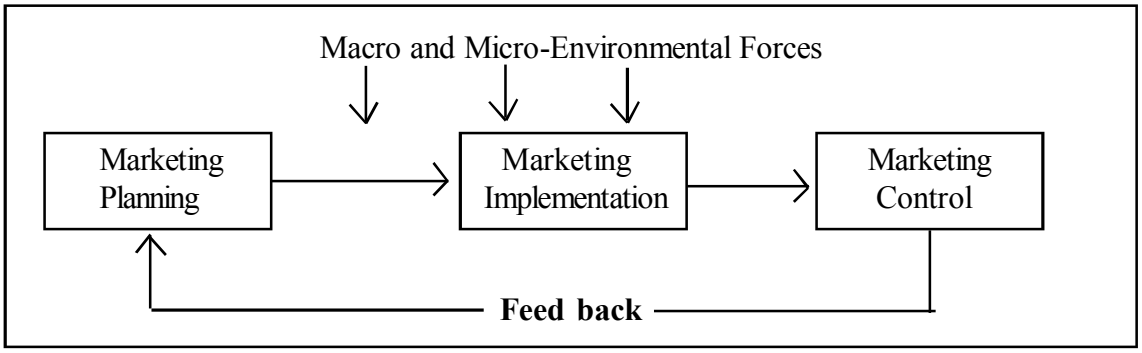


Figure 1.3

As shown in the figure 1.3, marketing management process starts with marketing planning. Marketing planning includes deciding in advance about various components of marketing. It includes predetermining marketing objectives and standards of performance; marketing policies, procedures and strategies; marketing budgets; marketing projects and programmes etc. It includes planning about various functions such as selling, distribution, advertising etc. regarding different products marketed by the organization. It includes predeterming the probable activities and expected performance to be achieved in future. In marketing implementation or execution, predetermined marketing plans are actually put into action. It means, marketing organizations are established. Recruitment, selection and training of marketing staff is undertaken. Human, monetary and other resources are collected. Then direction and coordination of marketing activities is undertaken. In marketing control, actual marketing performance is compared with the planned marketing performance and marketing objectives. Deviations are analysed and feedback is given to modify the marketing planning or implementation, if necessary. Again modified plans are executed.

In this sense, it is a continuous and ongoing process. Of course, it should be remembered

that such marketing management process is affected by various types of micro and macro-environmental forces.

1.6 Components of Marketing Management

Marketing management is a process which includes performance of various managerial functions related to marketing activities aiming at complete consumer satisfaction. The components of marketing management are shown in the figure 1.4.

Components of Marketing Management

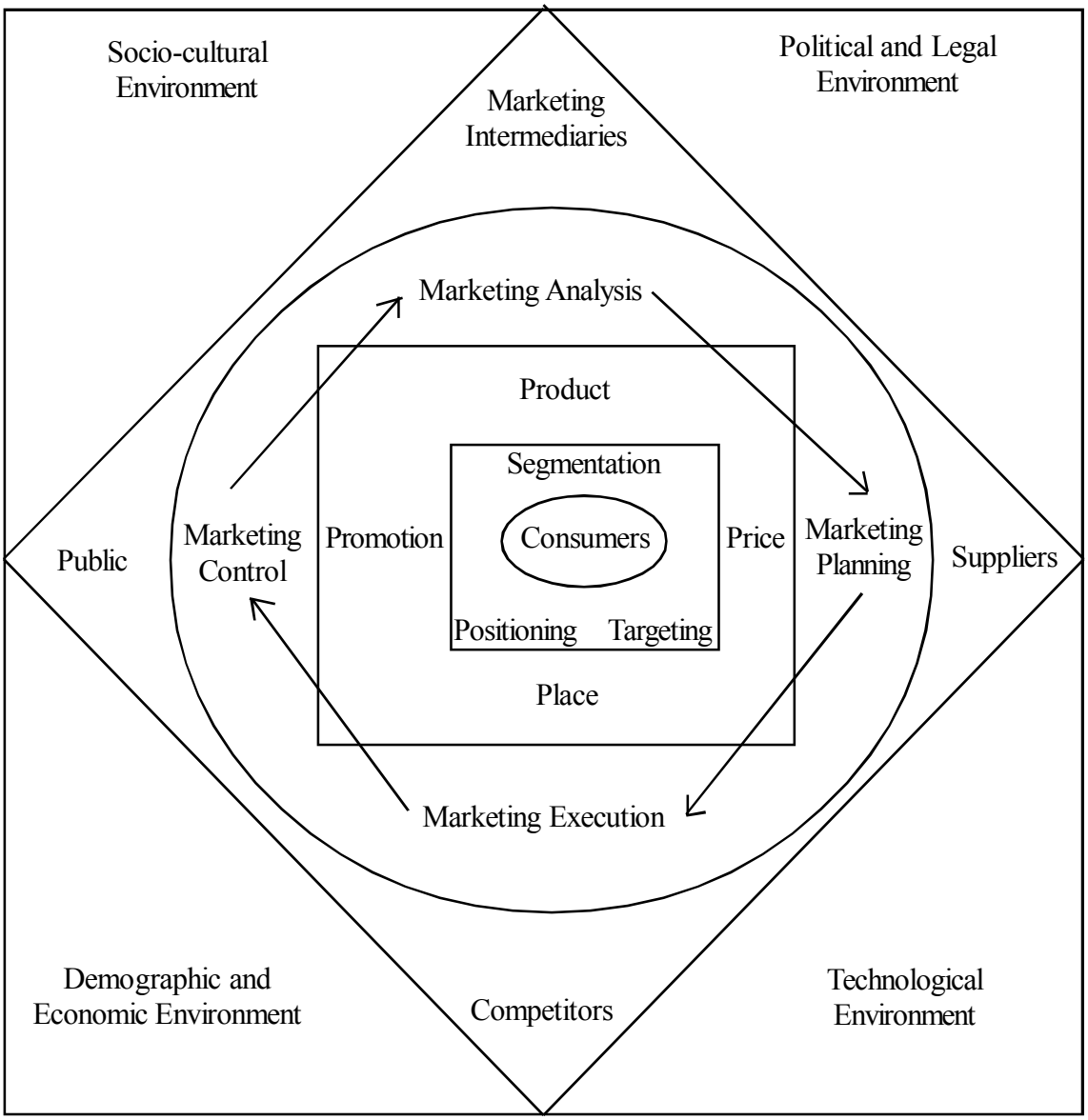


Figure 1.4

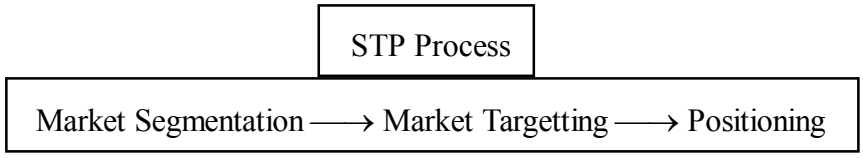
The components of marketing management, as shown in the figure 1.4, include various aspects such as consumer orientation; segmentation, targeting and positioning process; marketing mix; marketing functions; marketing environment; and marketing management process. Let us briefly consider all these aspects.

(1) Consumer Orientation

Modern marketing is a consumer oriented acivity. Modern marketing aims at complete and absolute satisfaction of consumers. It starts with consumers and ends with consumers. Marketers basically try to understand expectations of consumers by conducting market survey. Market research activities are also undertaken to know whether consumers are really satisfied or not. In this competitive environment, marketers are interested in knowing about consumers' buying behavior. They are curious to know – why consumers buy, what they buy; and how consumers buy, what they buy. Hence, knowledge of buying motives, factors influencing buying behaviour and buying decision process of consumers are essential components of marketing management. Marketing management also includes the understanding of buying behaviour of industrial organizations.

(2) Segmentation, Targeting and Positioning (STP) Process

In the modern world, where the number of potential buyers for a consumer product could be a huge one, market segmentation is considered as an effective marketing strategy to achieve consumer satisfaction. A market segment is a meaningful buyer group having similar wants. Market segmentation is a process of taking the total heterogeneous market for a product and dividing it into several sub-markets or segments, each of which tends to be homogeneous in all significance. By using different methods or bases such as geographic, demographic, psychographic, behavioural bases etc., the total market is divided into certain meaningful consumer groups.



After market segmentation process is over, marketers decide which market segment/s are to be targeted or concentrated. Considering the same, different models or types of products with different features, having different brand names are offered to the market.

Position is the way marketers try to lock their product or brand inside a consumer's mind. It is a place occupied by a specific product or brand in consumer's perception in comparison with its competitiors. Positioning can be done on several basis and criterias, such as product features and uses, novelty of the product or brand, price and discounts offered etc. Positioning is a fountainhead decision on the basis of which various marketing mix decision are taken. Hence, this 'segmentation, targeting, positioning process' is an important part of marketing management.

(3) Marketing Mix

In this consumer oriented marketing process, efforts are made to satisfy the consumers by taking suitable marketing decisions related to various important aspects. Consumer satisfaction is thus possible by designing suitable marketing mix for a chosen market segment.

The term 'marketing mix' includes a group of important marketing decisions related to four vital aspects such as product, price, place and promotion. These four elements of marketing mix are also called as '4 Ps of Marketing Mix.' According to Philip Kotler, 'Marketing mix means the set of controllable tactical marketing tools –product, price, place and promotion, that the firm blends to produce the response, it wants in the target market.'

Marketing mix includes several sub-decisions related to these four elements, as shown in the figure 1.5

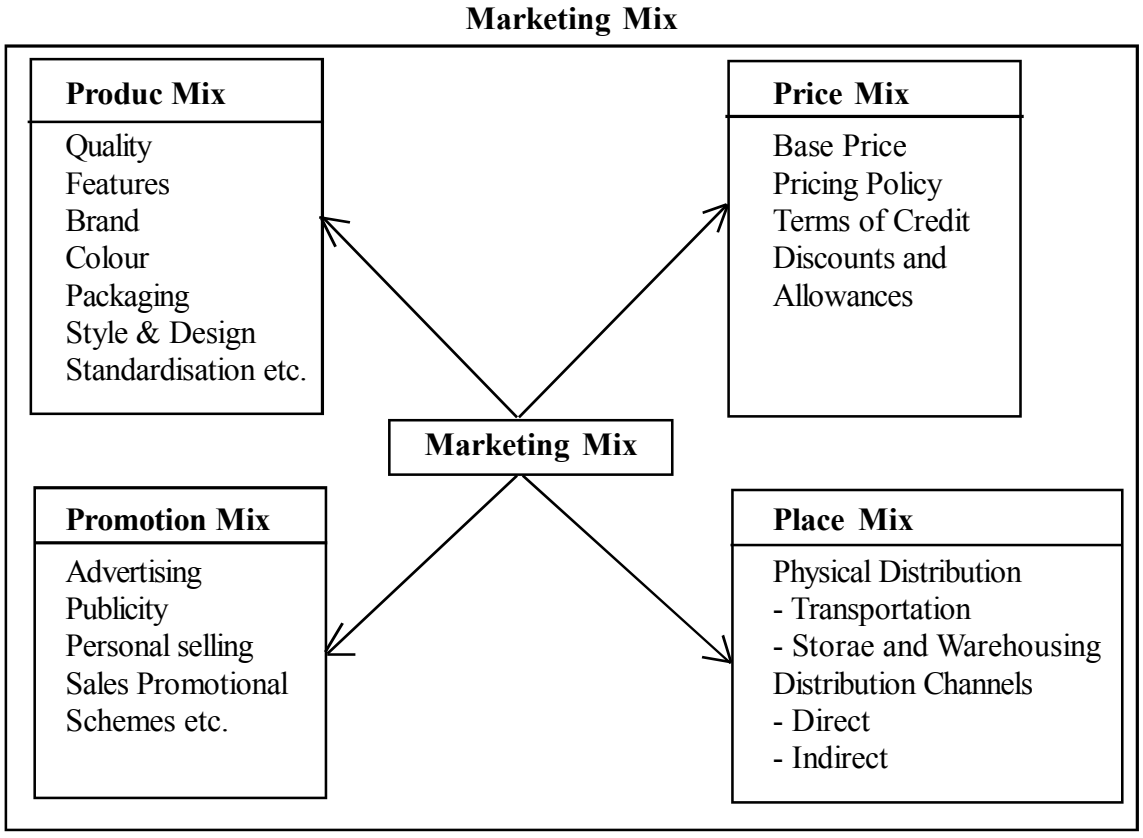


Figure 1.5

While determining the marketing mix, marketers have to decide product mix which means they have to take decisions regarding product features, uses, quality, packaging colour, style and design, brand name, standardization, warranty etc. Price mix includes the decisions