

Marketing : An Introduction

Chapter Outline

- 1.1 Concept and Nature of Marketing
 - 1.2 Scope of Marketing
 - 1.3 Functions of Marketing
 - 1.4 Importance of Marketing
 - 1.5 Evolution of Marketing Concepts and Philosophies
 - 1.6 The Marketing Concept
 - 1.7 Marketing Management Process : An Overview
 - 1.8 Challenges and Opportunities of Marketing
-

Marketing is the process of understanding customers' needs and wants and creating, pricing, promoting and distributing products to satisfy customers' needs and wants and building lasting relationships with them to generate revenues for the survival and growth of business. The study of marketing as a distinct subject is an integral part of the course curriculum of any undergraduate or postgraduate program in Commerce or Management. This chapter is devoted to an understanding of the concept, nature and importance of marketing, the philosophies of marketing and the challenges of marketing in the present era.

1.1 CONCEPT AND NATURE OF MARKETING

In old days, marketing was considered a process of '**telling and selling**', i.e., advertising and selling goods and services produced by a business. It had a narrow focus on the sale of goods and services by the marketers to the consumers or users. It ignored the needs, wants and expectations of the customers. That is why, the traditional concept of marketing is considered insufficient in the present day world characterized by digitalisation, liberalisation, globalisation and knowledge explosion.

1.1.1. Marketing as a Process of Satisfying Customers

Today, marketing is understood in the sense of satisfying customer needs and wants. It involves determining the requirements of potential customers and creating and supplying the products to satisfy their requirements. To quote Stanton, "*Marketing is a total system of*

interacting business activities designed to plan, price, promote and distribute want satisfying products and services to present and potential customers".

For Example, **Maruti Udyog** satisfies customers needs for conveyance and prestige by providing a variety of models of small and big cars, SUVs, etc. **McDonald** satisfies customers' need for food providing them with an assortment of fast foods. Consumer-oriented marketing ensures that all business activities revolve around the customer. According to American Marketing Association, "Marketing involves creating, communicating and delivering value to customers and managing relationships in a way that benefits both the organisation and the stakeholders".

Philip Kotler and Gary Armstrong (2016) have given a broad definition of marketing which runs as follows: *Marketing is a social and managerial process by which individuals and organisations obtain what they need and want through creating and exchanging value with others.*

What is Marketing?

"Marketing is an organisational function and set of processes for creating, communicating and delivering value to customers and for managing relationships in a way that benefits both the organisation and the stakeholders".

—American Marketing Association

Marketing is a social and managerial process by which individuals and organisations obtain what they need and want through creating and exchanging value with others.

—Philip Kotler and Gary Armstrong

Marketing has both social and managerial implications. It satisfies the needs of individuals by providing them the required goods and services. It also satisfies the need of the organisation which gets value from the customers by satisfying their needs. Thus, marketing is a process that helps in exchanging value with others.

As a process, the elements of marketing are as follows :

- (i) **Two Parties.** There are at least two parties-buyer or customer on the one hand, and seller or marketer on the other. Both the parties are free to interact and accept or reject the offer of each other.
- (ii) **Needs and Wants.** The focus of marketing is on identification and satisfaction of the needs and wants of buyers who could be individuals and organisations.
- (iii) **Market Offering.** It refers to a product or service having certain features (size, shape, quality, etc.) offered to buyers at a particular price. A good market offering is developed after analysing the needs and wants of customers. The customer must perceive the goods offered by the seller of 'value' in satisfying his needs and wants. In other words, the seller must offer 'value for money' to the buyer.
- (iv) **Exchange of Value.** Exchange of goods and services between the seller and the buyer takes place for a valuable consideration. In other words, the parties have something viewed valuable by each other. That means the buyer can offer value and the seller can offer goods which are perceived to be of value by the buyer.
- (v) **Satisfaction.** Marketing satisfies the needs of both the parties. The consumer gets want satisfying goods and services and the seller gets value in terms of money for his offering.

The essence of marketing is exchange relationship. Marketing is an interactive exchange between a firm and its customers. The firm offers goods and services and customers offer money value in exchange. To facilitate exchange, the seller communicates with customers in different ways and the customers provide feedback to the seller as shown in Fig. 1.1.

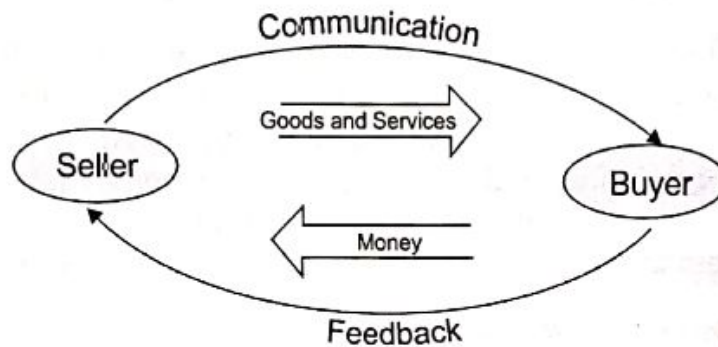


Fig. 1.1. Mechanism of Exchange in the Market.

How are customers' needs and wants satisfied?

A business can satisfy customers' needs and wants through **market offerings**, i.e., a combination of products, services, information or experiences offered to a market to satisfy a need or want. In this process, customer needs should be given the greatest attention and marketing offering should be created or recreated to satisfy the customer needs. Some sellers suffer from **marketing myopia** as they commit the mistake of paying more attention to the products offered by them than to the benefits produced by the products. But the customers are interested in benefits that satisfy their needs.

1.1.2 Marketing as a Process of Creating and Capuring Value

According to Kotler and Armstrong, "Marketing is the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return." Marketing starts with creating value for customers. It involves understanding the needs and wants of customers and designing products to satisfy such needs and wants. The products offered denote 'market offering' which is intended to provide total satisfaction to the customers. The marketer's association with the customers continue even after the sale of the product which leads to building strong customer relationships. The end result of marketing is capturing value from the customers in the form of sales, market share and profits.

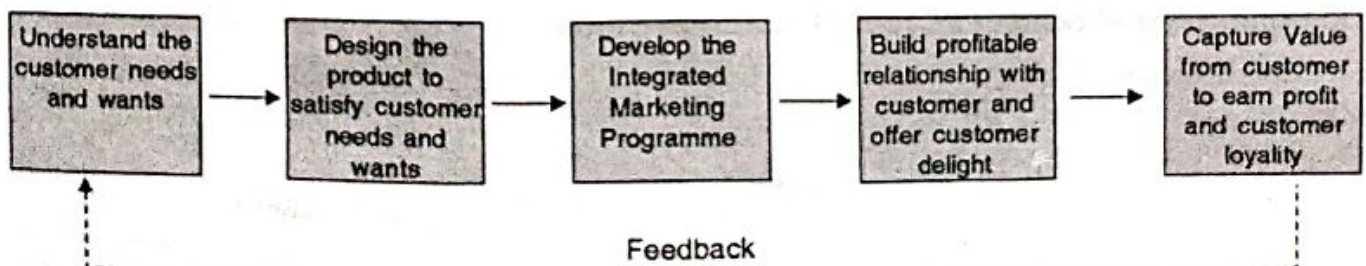


Fig. 1.2 The Process of Marketing

As shown in Fig. 1.2, the process of marketing involves the following interrelated steps:

- (i) Understand the market, i.e., customer needs and wants.
- (ii) Design the product to satisfy customer needs and wants.
- (iii) Develop an integrated marketing program that delivers superior value to the customer.
- (iv) Build profitable relationships with, customers and offer 'customer delight'.
- (v) Capture value from customers to earn profits and customer loyalty.

The first four steps are aimed at understanding the needs and wants of customers, creating superior customer value and building strong customer relationships. It is in the final step that the marketers reap the reward of creating superior value, i.e., they capture value from the customers in the form of **sales, profits and customer loyalty**.

Customer Needs, Wants and Demands

Marketing begins with identification of human needs and wants. Needs are feelings of deprivation of some satisfaction. People need food, air, water, clothing and shelter to survive. These needs exist in the very nature of human biology and marketers do not create them. *Wants* are desires for satisfaction of needs. Human needs are few but wants are many. Human wants are continually shaped and reshaped by families, social institutions and cultural factors.

A want is something one would like to have. It is not absolutely necessary, but it would be good to have. *For example*, your body needs liquid to survive. Water is a good liquid to drink when you feel thirsty. But at times you may want milk, fruit juice or some cola drink to satisfy this need. Milk and fruit juice are good because they give you vitamins and minerals your body requires without giving you the fat and excess sugar found in a cola drink. Still, you may prefer Thumps Up, Pepsi or Coke as it tastes good. But you don't need cola drink to survive.

People may require a product to satisfy a need. However, they purchase a specific brand or from a certain company based on their wants. In other words, **need defines the total market and wants define the market segments**.

Demands are wants for specific products and services. They are backed by the ability and willingness to buy. Wants which are supported by purchasing power become demands. Marketers influence wants and demands by making products attractive, affordable and easily available to the target group of consumers. For example, a marketer might promote the idea that a certain brand of pen (e.g., PARKER) would satisfy the need for social status.

Designing the Product to Create Customer Value

After understanding the needs and wants of the customers, the marketer should design and develop a product to satisfy their wants. This step basically involves creating value proposition for the customers.

A value proposition is the set of benefits (or values) a company promises to deliver to the customers to satisfy their needs. For example, BMW promises "**the ultimate driving machine**". Value proposition can be used to differentiate a brand from the competing brands and get competitive advantage in the target markets. Therefore, the marketers must design strong value propositions for the customers. They can communicate value proposition to the customers through various promotional activities like advertising,

publicity, sales promotion, etc. and arrange for distribution of want satisfying products to the customers.

Developing an Integrated Marketing Program

Integrated marketing program is needed to communicate and deliver superior value to target customers to satisfy their needs. It involves blending of the **four Ps** of marketing, namely, **product, price, place and promotion** and creation of a market mix to satisfy the needs and wants of customers. Marketing mix involves decision with regard to product (*i.e.*, market offering), price (*i.e.*, the charge for the offering made available to customers and promotion (*i.e.*, communicate the market offering to the target customers). All such decisions are taken in an integrated matter to serve the target customers better.

Customer Satisfaction and Delight

The extent of customer satisfaction depends on the product's perceived performance relative to the customer's expectation. Thus, a customer would be dissatisfied if the product's performance falls short of expectations. If expectations are fulfilled, the customer would be satisfied and if product's performance exceeds expectations, the customer would be highly satisfied or delighted. It is the delighted customers who give repeat orders to the business firm and also give word of mouth publicity to the firm's product. The survival and growth of a business firm depends to a great extent on the creation of highly satisfied or delighted customers.

Building Profitable Relationships

Marketing enables people to satisfy their needs and wants through exchange relationships. Exchange is the act of obtaining a desired product (or benefit) from a company by offering money value in return. Marketing also involves actions taken by the marketer to build and maintain desirable exchange relationships with target customers. Marketers try to build strong relationships by consistently delivering superior customer value. Besides attracting new customers, they also try to retain the existing customers. These are the two basic goals of modern marketing.

The key to building lasting customer relationships is to (i) **create superior customer value**, and (ii) **deliver satisfaction**. A customer would buy from the firm that offers the highest *customer perceived value*, *i.e.*, the customer's evaluation of the difference between all the benefits and all the costs of a market offering (*i.e.*, product) relative to those of other firms. Many people prefer to buy sweets from **Haldiram's** store as compared to other sweet shops because of higher perceived value.

Customer satisfaction depends upon the product's perceived performance relative to his expectations. If the performance exceeds expectations, the customer would be delighted. He would become a 'loyal customer' and place repeat orders with the firm. That is why, modern marketers place greater emphasis on Customer Relationship Management (CRM).

What is CRM?

Customer Relationship Management (CRM) is the process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.

—Phillip Kotler and Gary Armstrong

1.2 SCOPE OF MARKETING

The scope of marketing is determined by the market offering of an organisation. *Market offering is a combination of goods, services, ideas, persons, places, information, etc. offered to a market to satisfy specific needs and wants of people.* Market offerings are not limited to physical goods only. They also include services like banking, insurance, transport, air travel, hotel stay, tourism, etc. which are not tangible in nature and can't be owned by the buyers. Market offerings can also include ideas, persons, organisations, places, etc. as discussed below :

- (i) **Goods.** An item is considered goods if it tangible, i.e., it is something that could be felt, tasted, heard, smelled or seen. The examples are bread, fruits, mobile phone, bike, T.V., fridge, etc. However in some cases there is a fine line between items that affect the senses and whether these are considered tangible or intangible. We often see this with digital goods accessed via the Internet, such as listening to music online or visiting an information website. In these cases there does not appear to be anything that is tangible or real since it is essentially computer code that is proving the solution. However, for our purpose, we distinguish these as goods since these products are built (albeit using computer code), and stored (e.g., on a computer hard drive). They generally offer the same benefits each time (e.g., quality of the download song is always the same).
- (ii) **Services.** These consist of services of professionals like doctors, advocates, chartered accountants, electricians, etc. and other services such as banking, insurance, transport, etc. Marketing of services has gained greater importance these days. Something is considered a service if it is an offering a customer obtains through the work or labour of someone else and is intangible in nature. Services may result in the creation of tangible goods, but the main solution being purchased is the service. Unlike goods, services can't be stored, they are only available at the time of use (e.g., hair salon) and the consistency of the benefit offered can vary from time to time (e.g., not exactly the same hair styling each time).
- (iii) **Ideas.** An Idea is a mental concept and is intangible in nature. A marketer may market an idea to change the behaviour or perception of the target people in some way. For example, pulse polio campaign, and anti-smoking campaign are intended to promote specific ideas intended to alter the behaviour or perception of the target groups of people. The first one suggests people to administer polio drops to their small children and second persuades people to avoid smoking which could cause throat and lung cancer. Such ideas are propagated through mass media, audio-visual shows, exhibitions, street plays, etc.

- (iv) **Persons.** Marketing of persons has become a specialized job these days. Experts are employed to market specific personalities like politicians, actors, painters, astrologers, etc. *For instance*, the election campaign by the major political parties generally concentrate on marketing their leaders to the voters.
- (v) **Organisations.** Many organisations including social, political, religious, educational, etc. market themselves to build up their reputation and to make people aware about their activities.
- (vi) **Places.** The marketing of places is also a common feature of the day. Tour and travel agencies induce people to visit various tourist and health resorts, such as Red Fort (Delhi), Pink City (Jaipur), Taj Mahal (Agra), Goa, etc. It is also known as **destination marketing**.
- (vii) **Events.** Event marketing promotes time-based events such as trade-fairs, socio-cultural events, religious events, sports events, entertainment nights, etc.. The famous examples include International Trade Fair and Book Fair at Pragati Maidan (New Delhi), Indian Premier League Matches(IPL), Kumbh Mela at Prayagraj, World Cup Matches, and many other events.
- (viii) **Experience.** Experiential marketing is intended to promote activities that provide fun-filled thrilling experience to people. The examples are joyrides in amusement, theme and water parks at specified locations.
- (ix) **Real Estate.** Real estate builders and developers use organised marketing to promote their market offerings, *i.e.*, plots, flats, executive suites, commercial shops, and offices, etc.

Trends in Marketing

- ❑ **Services Marketing :** It is application of the concepts, tools, and techniques of marketing to services. A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Services may be financial, insurance, transportation, banking, health, educational or utilities.
- ❑ **Person Marketing :** People are also marketed. Person marketing consists of activities undertaken to create, maintain or change attitudes or behaviour of people towards a particular person. For example, politicians, sports persons, film stars and professionals market themselves to promote their careers.
- ❑ **Organisation Marketing :** It consists of activities undertaken to create, maintain, or change attitudes and behaviour of target audiences towards an organisation. Both profit and non-profit organisations can market their activities.
- ❑ **Place Marketing :** Place marketing involves activities undertaken to create, maintain or change attitudes or behaviour towards particular places, say, historical sites and tourism centres.