

CHAPTER 11

MARKETING

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

- explain the meaning of 'marketing';
- distinguish between 'marketing' and 'selling';
- list out important functions of marketing;
- examine the role of marketing in the development of an economy in a firm, to the society and to consumers;
- explain the elements of marketing-mix;
- classify products into different categories;
- analyse the factors affecting price of a product;
- list out the types of channels of distribution; and
- explain the major tools of promotion, viz. advertising, personal selling, sales promotion and publicity.

WHERE DO COMPANIES DO THEIR BUSINESS?

In the Markets or in the Society?

It is an undisputed fact that a company's survival does not depend upon its consumers alone, but a diverse set of stakeholders like the government, religious leaders, social activists, NGOs, media, etc. Hence, earning the satisfaction of these segments is also as imperative as they add to the power of the brand by word of mouth.

The social concern adds to the strength of the brand. Corporates that embraced the deepest social values, have been successful in building powerful brand, and, eventually, robust customer relationship. The area of corporate social justice fall under two broad categories. The issues such as the nutrition of children, child care, old-age homes, amelioration of hunger, offering aid to those affected by natural calamities, etc. needing instant attention with humanitarian perspective, comes under the first category.

The issues that contribute to making society a pleasant place to live in the long run, may be grouped under the second category. The issues which come under this category are health awareness and aid, education, environmental protection, women's employment and empowerment, preventing unjust discriminations (on the basis of caste, community, religion, ethnicity, race, and sex), eradication of poverty through employment, preservation of culture, values, and ethics, contribution to research, etc.

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Procter and Gamble's (P&G) philosophy is that it should lead the industry in implementing a global environmental programme. P&G is one of the first companies in the world to actively study the influence of consumer products on the environment and introduce concentrated products, recycled plastic bottles, and refill packages to the industry. The overall packaging per case has been reduced by an average of 27% and a reduction of 37% in air, waste, and water emissions has been achieved consistently since 1990. P&G contributes to sustainable development and addresses environmental and social issues connected with its products and services.

Source: Adapted from 'Effective Executive', Feb. 2006

Let us consider a typical day in our life. Right from the time we get up in the morning to the time we go to bed, we use number of products to satisfy our different needs. Beginning with the breakfast, we take such items as bread, butter, milk, and rice, to satisfy our hunger; use the services of a bus or an auto or a cycle to reach to our school or place of work; read books, magazines and newspapers, to keep ourselves informed and acquire knowledge; use computers, cell phone, television and other gadgets for communication/entertainment; and purchase many other products like gifts, shoes, clothing, furniture, etc., from market to satisfy our different needs.

Who makes these products and why? These products are manufactured and marketed by different firms. For example, Lifebouy soap, Closeup toothpaste, Surf detergent powder are manufactured by Hindustan Lever; Ariel detergent powder by Procter and Gamble, Dairy Milk Chocolate by

Nestle, Atlas Cycles by Atlas cycle company, Kwality Ice-creams by Kwality Walls, LG Televisions by LG Electronics and so on. These firms are called marketers. These firms undertake various activities to stimulate the demand for their products and earn profit by satisfying customer's needs and wants. People purchase products because these satisfy some of their needs.

Number of activities are performed by the marketers to facilitate exchange of goods and services between producers and the users of such products. These activities are referred to as marketing activities.

For a proper understanding of marketing, number of questions need to be answered. These include: What do we mean by a market? What can be marketed? Is it products or services or something more? Who is a marketer? What is marketing management? These points have been taken up for discussion in the following sections.

“Business is not financial science, it’s about trading, buying and selling. It’s about creating a product or service so good that people will pay for it.”

— Anta Roddick

“Marketing takes a day to learn. Unfortunately it takes time to master.”

— Philip Kotler

WHAT IS A MARKET

In the traditional sense, the term ‘market’ refers to the place where buyers and sellers gather to enter into transactions involving the exchange of goods and services. It is in this sense that this term is being used in day to day language, even today. The other ways in which this term is being used is in the context of a *product market* (cotton market, gold or share market), *geographic market* (national and international market), *type of buyers* (consumer market and industrial market) and the *quantity of goods transacted* (retail market and wholesale market).

But in modern marketing sense, the term market has a broader meaning. It refers to a set of actual and potential buyers of a product or service. For example, when a fashion designer designs a new dress and offers it for exchange, all the people who are willing to buy and offer some value for it can be stated to be the market for that dress. Similarly, market for fans or bicycles or electric bulbs or shampoos refers to all the actual and potential buyers for these products.

WHAT IS MARKETING

The term marketing has been described by different people in different ways. Some people believe that marketing is same as ‘shopping’. Whenever they go out for shopping of certain products or services, they describe it as marketing. There are some other people who confuse marketing with ‘selling’ and feel that marketing activity starts after a product or service has been produced. Some people describe it to mean ‘merchandising’ or designing a product. All these descriptions may be partly correct but marketing is a much broader concept, which is discussed as follows:

Traditionally, marketing has been described in terms of its functions or activities. In this respect, marketing has been referred to as performance of business activities that direct the flow of goods and services from producers to consumers.

As we know, most of the manufacturing firms do not produce goods for their own consumption but for the consumption or use by others. Therefore, to move the goods and services from the producer to consumers,

a number of activities, such as product designing or merchandising, packaging, warehousing, transportation, branding, selling, advertising and pricing are required. All these activities are referred to as marketing activities.

Thus, 'merchandising', 'selling' and distribution are all parts of a large number of activities undertaken by a firm, which are collectively called marketing.

It may be noted here that marketing is not merely a post-production activity. It includes many activities that are performed even before goods are actually produced, and continue even after the goods have been sold. For example, activities such as identification of customer needs, collection of information for developing the product, designing suitable product package and giving it a brand name are performed before commencement of the actual production. Similarly, many follow up activities are required for maintaining good customer relations for procuring repeat sale.

In modern times, emphasis is placed on describing marketing as a social process. It is a process whereby people exchange goods and services for money or for something of value to them. Taking the social perspective, Phillip Kotler has defined marketing as, "a social process by which individual groups obtain what they need and want through creating offerings and freely exchanging products and services of value with others".

Thus, marketing is a social process where in people interact with others, in order to persuade them to act in a

particular way, say to purchase a product or a service, rather than forcing them to do so. A careful analysis of the definition shows the following important features of marketing:

1. Needs and Wants: The process of marketing helps individuals and groups in obtaining what they need and want. Thus, the primary reason or motivation for people to engage in the process of marketing is to satisfy some of their needs or wants. In other words, the focus of the marketing process is on satisfaction of the needs and wants of individuals and organisations.

A need is a state of felt deprivation or feeling of being deprived of something. If unsatisfied, it leaves a person unhappy and uncomfortable. For example, on getting hungry, we become uncomfortable and start looking for objects that are capable of satisfying our hunger.

Needs are basic to human beings and do not pertain to a particular product. Wants, on the other hand, are culturally defined objects that are potential satisfiers of needs. In other words, human needs shaped by such factors as culture, personality and religion are called wants. A basic need for food, for example, may take various forms such as want for *dosa* and *rice* for a South Indian and *chapatti* and *vegetables* for a North Indian person.

A marketer's job in an organisation is to identify needs of the target customers and develop products and services that satisfy such needs.

2. Creating a Market Offering: On the part of the marketers, the effort involves creation of a 'market offering'. Market offering refers to a complete offer for a product or service, having given features like size, quality, taste, etc.; at a certain price; available at a given outlet or location and so on. Let us say the offer is for a cell phone, available in four different versions, on the basis of certain features such as size of memory, television viewing, internet, camera, etc., for a given price, say between Rs. 5,000 and Rs. 20,000 (depending on the model selected), available for sale at say firm's exclusive shops in and around all metropolitan cities in the country. A good 'market offer' is the one which is developed after analysing the needs and preferences of the potential buyers.

3. Customer Value: The process of marketing facilitates exchange of products and services between the buyers and the sellers. The buyers, however, make buying decisions on their perceptions of the value of the product or service in satisfying their need, in relation to its cost. A product will be purchased only if it is perceived to be giving greatest benefit or value for the money. The job of a marketer, therefore, is to add to the value of the product so that the customers prefer it in relation to the competing products and decide to purchase it.

4. Exchange Mechanism: The process of marketing works through the exchange mechanism. The individuals (buyers and sellers) obtain

what they need and want through the process of exchange. In other words, the process of marketing involves exchange of products and services for money or something considered valuable by the people.

Exchange refers to the process through which two or more parties come together to obtain the desired product or service from someone, offering the same by giving something in return. For example, a person feeling hungry may get food by offering to give money or some other product or service in return to someone who is willing to accept the same for food.

In the modern world, goods are produced at different places and are distributed over a wide geographical area through various middlemen, involving exchanges at different levels of distribution. Exchange is, therefore, referred to as the essence of marketing. For any exchange to take place, it is important that the following conditions are satisfied:

- (i) involvement of at least two parties viz., the buyer and the seller.
- (ii) each party should be capable of offering something of value to the other. For example, the seller offers a product and the buyer, money.
- (iii) each party should have the ability to communicate and deliver the product or service. No exchange can take place if the buyers and sellers are not able to communicate with each other or if they can not deliver something of value to the other.

- (iv) each party should have freedom to accept or reject other party's offer.
- (v) the parties should be willing to enter into transaction with each other. Thus, the acceptance or rejection of the offer takes place on voluntary basis rather than on the bases of any compulsion.
- The points listed above are the necessary conditions for an exchange to take place. Whether the exchange actually takes place or not depends on the suitability of the act of exchange to both the parties, whether it makes the parties better off or at least not worse off.
- Another important point to be noted is that Marketing is not merely a business phenomena or confined only to business organisations. Marketing activities are equally relevant to non-

What can be Marketed?

Physical Products	: DVD player, Motor cycle, ipods, Cell phone, Footwear, Television, Refrigerator.
Services	: Insurance, Health Care, Business Process Outsourcing, Security, Easy Bill service, Financial Services (Investment), Computer Education, Online Trading.
Ideas	: Polio Vaccination, Helpline, Family Planning, Donation of Blood (Red cross), Donation of money on Flag Day (National Foundation for Communal Harmony).
Persons	: For Election of Candidates for Certain Posts.
Place	: 'Visit Agra - 'City of Love', 'Udaipur - 'The City of Lakes', 'Mysore - The City of Gardens', 'When Orisa celebrates, Eleven the God Join In'.
Experience	: Customised Experiences as Dinner with a cricketer (say Dhoni); Lunch with a celebrity (say Bill Gates or Aishwarya Roy) or experience of Balloon Riding, mountaineering, etc.
Properties	: Intangible rights of ownership of real estate in financial property (Shares, Debentures).
Events	: Sports events (say Olympics, Cricket series), diwali mela, fashion show, music concert, film festival, elephant race (Kerala Tourism).
Information	: Production packaging and distribution of information by organisations such as by universities, research organisation, providing information as market information (marketing research agencies), technology information.
Organisations	: For boosting their public image organisations such as Hindustan Lever, Ranbaxy, Dabur, Proctor and Gamble, communicate with people. Example, Phillips says, 'Let's make Things Better'.

