

Principles of Marketing

Chapter 1

INTRODUCTION TO MARKETING

Introduction

The concept of marketing is a wide term. The early stages of the growth of this discipline marketing was considered as selling and no distinction was made between the two terms 'Marketing' and 'Selling'. Thinkers and even some business managers would say that marketing was advertising. It is true that selling and advertising are parts of marketing. Marketing is much more than selling and advertising. Today the term 'marketing' has been clearly defined. Many organizations are involved in developing marketing activities to satisfy the needs of various groups of customers. This division of consumers has helped the development of new products and services and even specialization in selling is being attained. Many new concepts like Network marketing, Relationship marketing, Direct marketing are developed and are implemented to reach as many consumers as possible, through them. Satisfying the Consumer is the main mantra in today's marketing activity. With the development of new markets and new avenues of selling, a wide variety of consumer and producer goods have been designed and developed and for many marketing has become a good profession. Particularly in developing countries like India, marketing is occupying a vital place in business activity. Market driven economies are gaining power at the global level.

Meaning of Market

The term Market is derived from the Latin word "Mercatus" which means to trade, merchandise or a place where business is transacted.

Market is an exchange activity which takes place between buyers and sellers directly or through middlemen, in a place or otherwise, for a price, resulting in physical/legal delivery of ownership of goods. When used in general sense, market means a place where goods and services are purchased and sold.

Definition of Market

A market is an area for potential exchanges-**Philip Kotler**

Any person or group with whom an individual or organizations has an existing or potential exchange relationship can be considered as market-**W.J.Stanton**

A market is an aggregate demand of the potential buyers for a product/service-**American Marketing Association**

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Market, for most commodities, may be thought of not as a geographical meeting place, but as getting together of buyers and sellers in person, by mail, telephone, telegraph, or any other means of communication – **Mitchel**

Meaning of Marketing

Marketing is the process 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. Marketing is the ongoing process of planning and executing the marketing mix (product, price, place, and promotion) for products, service or ideas to create exchange between individuals and organizations.

In simple words, marketing is a process which carries goods from producer to consumer. Marketing bridges the gap between the consumer and producer. Marketing is concerned with handling and transportation of goods from the point of production to the point of consumption.

Nature of Marketing

•**Marketing is consumer-oriented process:** A business exists to satisfy human needs. Therefore, it is essential that the organization must first find out the customer's needs. Only such goods should be produced which best satisfy consumer needs. In other words, instead of trying to market what is easiest for us to make, we must find out much more about what the consumer is to buy.

•**Market starts and ends with the customer:** Marketing starts even before production starts. Under consumer oriented marketing, it is essential to understand what customers really want. Understanding of customer wants is possible only when the information is collected from the customers regarding their tastes, fashions, buying habit etc. Therefore, establishment of proper information system is essential for the success of the marketing function. Marketing research helps the organization to understand customer wants. Reliable Information helps the organization to produce right type of goods that are needed by the consumer. This helps in satisfying both the customers and the organization.

•**Marketing is the guiding element of business:** In the past marketing was considered as a function concerned with getting goods and services into the hands of customers. Today marketing is much more than this. Modern marketing is a function directed towards economic development of the country and in raising the standard of living of the people. Modern marketing involves the integration of various activities involved in marketing process. The responsibility of modern marketing is to reach customers at a maximum speed with minimum cost.

•**Marketing is a system:** Marketing has been viewed as an ongoing or dynamic process involving a set of interacting and interrelated activities to reach customer. It receives inputs from the customers in the form of valuable information. Using these valuable information,

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organization supply the desired products and services to satisfy customer needs and thereby earns profit.

- **Marketing is a goal-oriented process:** Marketing seeks to achieve some useful goals like any other business activity. The very basic aim of marketing is to generate considerable amount of profit through customer satisfaction. Increase in volume of sales, increase in profit and increase in growth are the three objectives of marketing. While attaining these objectives, organizations should assume social responsibilities to a greater extent.

- **Marketing is a process of exchange:** Marketing essentially a process of exchange. Goods and services are exchanged between the buyers and the sellers. Goods and services are handed over to the buyers by the organizations and the customers in turn give money to the organization. One more important exchange observed in marketing is information. Marketing information is exchanged between the buyers and the sellers. Information is power. Information is the foundation on which the organization success depends.

- **Marketing is a process:** Marketing involves various functions to be performed in an order. Various activities should be properly related. This process should be flexible. Any changes in social and environmental factors influence the marketing process. Therefore, marketing management should have a watch on these changes. The process should be improved to suit these changes.

Importance of Marketing

Marketing plays an important role in the success of a business enterprise. Marketing is primarily concerned with movement of goods and services from the producer to the consumers in order to satisfy their needs. Marketing contributes directly to keep the wheels of the organization moving on the path to progress and prosperity.

The importance of marketing is explained as follows:

- Marketing helps in the realization of the objectives for which the organization has been set up. In fact, effective marketing is essential for the survival and growth of organization.
- It helps the community to satisfy their economic and social needs and thus raise their standard of living. It ensures better deal and services for the consumers. It helps the enterprise to fulfill its social responsibilities.
- It helps in producing those products that are needed by the consumers and community at large. It activates the production-consumption chain. Thus, it helps in an efficient and productive utilization of resources, both humans and materials, eliminating wastages.
- It helps the enterprise to adapt to the changing conditions and circumstances.

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- It provides guidance to the organization on the innovations to be adopted, enabling it to face competition more squarely.
- It helps the enterprise in achieving the maximum efficiency, productivity and profitability with the minimum of effort and cost.
- It ensures the economic growth of the enterprises which results in growth and economic development of the country.

Concepts of Marketing

There are two concepts of marketing:

1. Traditional concept
2. Modern concept

Traditional Concept

- a. Production Orientation:** Large scale production followed by sales and cost reduction is the situation we find in many sectors, the present environment due to the technical expertness for mass production and expanded markets. The business response mainly consists of production orientation. It is set up by the marketing process starts only after production has taken place and completed. No sooner the product is delivered to the consumer. It reflects no consideration of consumer taste or preferences before production is planned and no concerned for the customer satisfaction.
- b. Product Orientation:** Product concept is that marketing philosophy which believes and operates on the principle that quality and good performance attracts consumers and the consumers will prefer and buy the products which are of high quality. The product concept encourages product innovation, research and development, product size, colour, design, branding, packaging, labeling, quality etc.
- c. Sales Orientation:** In this concept attention on selling is given due to fast generating competition, the managerial state of mind concerned with the problems of selling and distribution of products and attention towards sales volume attainment. In this situation sales department will be managed by experts and a large team of sales, personnel, will be directed to push products towards customers.
- d. Promotion Orientation:** Large scale production, tough competitions, consumer resistance. All these makes selling operation job very difficult. So in this concept more importance is given to communicate merits of products to consumers through different promotional Medias.

Modern Concept

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- a. **Social Concept:** The societal marketing concept believes in assessing the needs and wants of target customers and adopting the organization to produce and market, goods to give expected satisfaction more effectively than its competitors in such a way that enhances the consumers as well as the society well-being.
- b. **Consumer/ Customer Concept:** The modern marketing philosophy believes that organizations should understand the needs and wants of customers and should make relevant marketing efforts to satisfy their wants and needs more effectively than competition. It is not only putting sales efforts but first understanding needs and wants and then making the appropriate products to satisfy the needs and wants of the customers. The marketing concept believes in themes like – customer is a king, we are satisfied our customers are satisfied.

Scope of Marketing

- a. Primary elements of marketing
- b. Auxiliary elements

Primary elements of marketing

- a. **Goods:** Physical goods constitute the bulk of most countries production and marketing exercise. As of now china is the world's second largest economy in terms of nominal GDP. The country is one of the world's largest producers of a number of industrial and mineral products, including cotton cloth, cotton yarn, coal, crude oil, and a number of other products. The production of goods are primarily determined by the earning capacity of the people to buy and demand factor influenced by host of forces.
- b. **Services:** A type of economic activity that is intangible. As economics advance, growing proportion of their activities are focused on the production of services. Services include outsourcing call centres, software consulting, banking and financial services, health tourism, etc. as well as professionals such as accountants, lawyers, engineers and doctors. Many market offerings consist of a variable mix of goods and services.
- c. **Experiences:** By incorporating several products and services a business enterprise can develop a customer experience. A number of start-up companies have sprung up in recent years hoping to create a space tourism industry.
- d. **Persons:** Brand ambassadors have become a vital component of marketing in the present business environment. Marketers are attempting to quantify and qualify the use of celebrities in their marketing campaigns by evaluating their awareness, appeal, and relevance to a brands image and the celebrity influence on consumer buying behavior.
- e. **Events:** Marketers promote duration specifics events such as sporting events which includes Olympics, FIFA world cup, ICC cricket world cup etc. other events includes

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music concerts, fashion shows, trade shows. Sponsoring and promoting an event is an effective way to simultaneously support producers in a business area and advertise products, services and brands of business.

- f. **Places:** This includes towns, cities, states and whole country engaged in attracting tourists, investors, companies and NRIs. Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies.
- g. **Properties:** it refers to intellectual rights such as copyrights, patents and trademarks etc. it also includes financial property such as shares, bonds, debentures, warrants, etc. In order to buy and sell these properties marketing is required. Investment companies and banks are involved in marketing securities to both institutional and individual investors. These days' companies also sell and buy intellectual properties in the form of licensing agreements.
- h. **Organizations:** It refers to two or more people working together to achieve something. Organizations are spawned to meet the needs of the customers and they also aim at building brand loyalty among the customer. Organizations spend huge funds on corporate identity ads.
- i. **Information:** In the context of present business scenario information is the most valuable asset which can be marketed. An information asset is organized informed that is valuable and easily accessible to those who need it. Information assets comprise a wide range of corporate product, service and process information.
- j. **Ideas:** Products & services offered by marketers possess a basic idea which becomes the basic essence. In other words products and services are avenues through which ideas of organization are sold to satisfy a core need of the customer.

Auxiliary Elements of Marketing

- a. **Consumer Behavior:** The main role of marketing manager is to satisfy needs and wants of the customers. This can be effectively done by the study of consumer behavior. Consumer is the most important person to the marketer because the marketer takes into consideration on the liking and disliking of the consumer and he produces the goods & services accordingly. The more the customer behavior is learnt the more the needs and wants of the customers are fulfilled.
- b. **Marketing Research:** According to American Marketing Association, "Marketing Research is the function that links the consumer, customer and public to the marketer through information-information used to identify and define marketing opportunities and problems, generate, refine and evaluate marketing actions: monitor marketing

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performance; and improve understanding of marketing as a process”. Marketing research plays a significant role in identifying the needs of customers and meeting them in best possible way.

- c. **Customer Satisfaction:** In the current business environment, marketers cannot afford to alienate its customers. Marketers have to strongly focus on retaining customers and this can be done with the customer satisfaction surveys or post purchase feedback. Drastic measures may need to be taken to make sure this is done properly and make sure their customers keep spending with them.
- d. **4P’s of Marketing:** the marketing mix and 4P’s of marketing are often used as synonyms for each other. In fact they are not necessarily the same thing. “Marketing Mix” is a general phrase used to describe the different kinds of choices organizations have to make in the whole process of bringing a product or service to market. The 4Ps are Product, Place, Price and Promotion.

Approaches of Marketing

Marketing as a concept evolved decade by decade, its definition also changed with the passing time. Approach may be defined as the prospective by which the particular field or study is examined or the way in which a particular subject is studied. There are several approaches in the field of marketing.

The various approaches to marketing can be summarized as below:

1. **Product or Commodity Approach:** This approach uses marketing on behest of product or commodity which is marketed. It examines food, distribution after sales services, problems of producers, consumer satisfaction, reach of the product, segment covered by the product and every single detail which is concerned with the marketing of their product.
2. **The Institution Approach:** This approach use marketing in relation to various institutions which come into contract directly and indirectly in the marketing of a product. They mainly include transportation, storages and warehouses companies. Marketing intermediaries such as wholesalers, retailers, advertising agencies, marketing research firms etc.
3. **The Functional Approach:** It splits down the field of marketing into few functions. The purpose is to enable one to separate the essential from the non-essential elements. According to this approach middlemen perform the following functions-sharing the risk, transporting the goods and financing the operations. It also studies various functions involved in marketing and examines 3 basic functions namely-**a)** Functions of exchange **b)** Functions of physical distribution **c)** Facilitating or auxiliary functions.

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4. **Managerial Approach:** This approach combines certain features of the other three approaches. This approach lays emphasis on the applications aspects of marketing problems. Changes of marketing are Controllable and Non-Controllable. Example of controllable- personal selling, advertising etc. Non-controllable are economic, sociological, political factors etc.
5. **Societal Approach:** In this approach of marketing takes the society's well-being into account in addition to satisfaction of the consumers wants. Thus selling goods, services or an idea that promotes the overall welfare of a community. The social orientation focuses on production of product and services does not harm environment and condition of public health or safety. This social orientation is not only for the customer satisfaction but also for customer welfare and social welfare at large.
6. **System Approach:** The system approach can be defined as "a set of objects together with the relationships among them and their attributes". According to Philip Kotler, the following elements are included with the marketing system- company, market of a company, mediator, rivals and public which includes financial institutions, common public, independent press, culture and demography. He further envisages that "A marketing system is the set of significant institutions and flows that connect an organizations to its markets". The marketing systems can be divide primarily in large, medium and small size. The large size systems make clear the relations between producers, retailers and wholesalers. The medium size marketing systems depict the consistency between marketing and other functional activities within the firm. The small size systems explain the interrelation between the marketing activities.
7. **Scientific Approach:** In recent years, considerable progress has been made the study of marketing because of the scientific approach. This approach is otherwise known as interdisciplinary approach. It refers to the uses of all disciplines- social, physical, quantitative and business- to develop marketing insights, concepts and theories, investigate and solve marketing problems. It includes the application and integration of pertinent material to advance marketing.
8. **Technology Approach:** This approach use marketing through the technical aspects and aims at using the technology forward the marketing process. Internet marketing, mobile marketing etc. are products of this approach.
9. **Legal Approach:** This approach studies the legal aspects of marketing and the rules which govern the marketing distinction of goods and services. It includes the study of various laws such as COPRA (consumer protection act), essential commodities act, sale of goods act, etc.

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10. **Economic Approach:** This approach understands the economic aspects of marketing by studying various laws of economics such as the law of diminishing marginal utility, law of demand and law of variable proportion etc.
11. **Standard of Living Approach:** This approach is customer oriented. Its scope is widely extended. It converts the entire business in marketing. The activities prior to production and that after sale are included in the scope marketing. This approach assumes the living standard of people annexed with the development of marketing. In fact standard of living becomes as high as the marketing is developed. Customers' welfare is only possible when quality goods are manufactured and these are made available to them.
12. **Traditional Approach:** In marketing it was focused on make and sell concept. It covers with Production concept, product concept, selling concept.
13. **Modern Approach:** The modern approaches to marketing are customer centered and are focused on sense and serve concept. That means the main aim is to identify and meet the needs of the customers profitably. This approach includes marketing concept, customer concept, and societal marketing concept.
14. **Earlier Approaches:** The marketing orientation evolved from earlier orientations, namely the production orientation, product orientation and selling orientation.
15. **Contemporary Approaches:** Recent approaches in marketing include relationship marketing with focus on the customer, business marketing or industrial marketing with focus on an organization or institutional and social marketing with focus on benefits to society. New forms of marketing also use the internet and are therefore called internet marketing or generally e- marketing, online marketing, digital marketing etc.

Need, Want, Demand

These are the basic concepts in marketing. As a marketer we must understand well about the difference of needs, wants and demands.

Needs- The essential things for us to survive

There are five types of needs in marketing. Here the marketers should know in order to distinguish the type of customers' needs are as follows:

- a. **Stated needs:** A customer wants to buy a car and if he says he needs a car, then such need is termed as stated needs.
- b. **Real needs:** When the customer wants a car for actual need like he needs a car for going to work with low operating costs, not low initial price, then such need is real needs.
- c. **Unstated needs:** Customer also expects a good after sales service from the dealer when buying a car such need is termed as unstated needs.

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- d. **Delight needs:** The customer would like the dealer to include a gift with the car such as GPS navigation, sound systems to delight him, but he doesn't clearly express that he wants something with the car. That kind of need is termed as delight needs.
- e. **Secret needs:** Needs that customer feels reluctant to admit, for example the customer wants a car for the status symbol so that he can show his friends that he is a savvy consumer. But he feels uncomfortable to admit that status is important to him. That kind of need is termed as secret needs.

Wants- Specific objects to fulfill our needs

Wants are directed by our surrounding towards reaching certain needs. Therefore human's wants can be varied depending on each individual's perception, environment, culture and society. With the development of the information technology a lot of things have turned from the stage of wants to needs. Example: computers, smart phones, internet etc.

Demands- Willingness and ability to buy wants and needs

Needs or wants turn to be demands when a customer is willing and having the ability to buy that needs or wants. Example: many people want a Mercedes but only few can buy.

Customer Value

Customer Value is the perception of what a product or service is worth to a customer versus the possible alternatives. Worth means whether the customer feels she/he got benefits and services over what he/she paid. In simplistic equation form i.e $CV=B-C$ (customer value = benefits- cost).

Customer value is the phenomenon that keeps companies from teetering over the brink into bankruptcy and instead maintaining long term relationship with existing customers and earning repeat business by providing an excellent customer experience.

Customer Creation

Customer creation is one of the step in customer development model. The main goal here is to create demand with the end user and drive that demand into the company's sales channel. After validating customers and making initial sales to them, businesses can start spending more on marketing. It is important to validate before you begin spend money because not only this prevents you from spending money but also prevents you from wasting time to position business in wrong market.

Evolution of Marketing

Traditionally the objective of marketing was to make the goods available at places where they were needed. The emphasis then shifted from exchange to satisfaction of human wants. The scope of marketing was enlarged due to technological progress and multiplication of human

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needs and wants. In this process, traditional ideas on marketing were replaced by modern concepts. Each stage in the evolution of marketing has been explained in this model.

1. Production Orientation

During this stage, organizations believed that consumers are in favor of those products that are available widely and are not much costly. They focused on production efficiency by having a favorable input- output ratio that could be achieved through economics of scale which are the cost advantages that an organization obtains due to expansion and mass distribution.

The production orientation was based on Say's law which states that the "production of commodities creates, and is the one and universal cause which creates, a market for the commodities produced".

The main attributes of this orientation are:

- It is company focused
- Lays stress on mass production and mass distribution
- Objective is to attain economies of scale
- Based on the concept "supply creates its own demand"
- Ignores the needs and wants of consumers

2. Product Orientation

The organizations employing product orientation are chiefly concerned with quality of products. They assume that consumers prefer high quality products. Emphasis is laid on making superior products and then improving them overtime. The organization stress on R&D, innovation and performance of the product. Continuous evolution during the life cycles of the product to maintain the attention of the potential customers is the main focus of such organizations.

Organizations following this orientation lay inadequate consciousness to what customers really need and want. The main attributes of this orientation are:

- It is product focused
- Assumes that consumers are interested in products quality
- Based on the belief that consumers choose amongst different products on the basis of best quality for the price paid.

3. Selling Orientation

The organizations that employ sales orientation focus on the selling and promotion of a specified product. The selling orientation holds that if customers are not oriented properly, they will not buy enough of an organization's product.

This orientation is practiced most aggressively by organizations that have overcapacity or deal in unsought goods, i.e goods that consumers do not think of buying

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such as encyclopedias and insurance policies. The aim of these organizations is to sell what they have made rather than make what the target market wants.

The main features of this orientation are:

- It is company focused
- Lays prominence on sales volume
- Based on the belief that if customers are left alone they do not buy enough of organization's product
- Lays stress on aggressive selling tactics
- Used when organizations have over capacity or sell unsought goods

4. Marketing Orientation

It is a consumer centered orientation that is based on the “sense and respond” philosophy. The aim of organization following this orientation is to find right products for their customers rather than right customers for their products. It is a coordinated campaign between a company and its customers wherein the company tailors the product to meet the needs of the customers. The main attributes of this orientation are:

- It is consumer oriented
- Prominence is on attracting and maintaining customers by offering them those products that satisfy their need and meet wants
- Integrate all marketing activities in identifying and satisfying the needs of the consumers
- Prominence is on selling satisfaction and not merely selling goods

5. Holistic Marketing Orientation

The organization following holistic marketing orientation look at marketing as a complex activity and recognize that “everything matters” in marketing and that a broad consolidated perspective is essential in developing designing and implementing marketing programmes and activities.

There are following components that characterize holistic marketing orientation:

- **Relationship Marketing:** The goal of relationship marketing is to build mutually satisfying long term rapport with key stakeholders to earn and perpetuate business. The key stakeholders comprises of comprises of customers, employees, marketing partners such as suppliers, distribution, dealers etc.
- **Internal Marketing:** It is a process within an organization wherein the functional process abeam, motivates and empowers employees at all the levels of management to provide a satisfying customer experience. It is a process of ensuring that everyone in the organization adopts relevant marketing principles.
- **Integrated Marketing:** It is an approach of brand communications where different elements of the marketing mix work together to provide seamless

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experience to the customers. The brand communication is presented with similar tone and style so as to reinforce the brand's core message.

- **Socially Responsive Marketing:** It states that the effect of marketing extends beyond the organization and customers to society as a whole. Organization should take the present as well as the long term best interest of the society in consideration while formulating their marketing style.

The main characteristics of holistic marketing are:

- In marketing everything matters
- Lays importance on long term mutually satisfying rapport with all the stakeholders
- Employees at all levels in the organizations should aim to satisfy the customers
- All the marketing mix elements should reinforce the brand's core message
- Due consideration should be given to society's long term interest.

SELLING v/s MARKETING

Selling: Selling implies the process of transfer of title to goods or services in exchange of money. It is through selling that goods or services reach to ultimate consumer. Selling is considered as the vital function of marketing. Selling is a creative and difficult art. A seller should have zeal, imagination and presence of mind. Best-selling practices will ensure repeated or more sales.

Marketing: Marketing is a network of activities essential to transfer goods and services in exchange of money or money's worth for the mutual benefit of consumers and manufacturers. Marketing focuses on consumer satisfaction. Marketing plans, policies, strategies and programmes are formulated to effectively serve the customer demand. Marketing as per Philip Kotler "is a customer oriented approach backed by integrated marketing aimed at generating customer satisfaction as the key to satisfying organizational goals".

Selling	Marketing
Selling means transferring ownership of goods and services from manufacturers to buyers in exchange of money and money's worth.	Marketing means serving customer demands by offering and selling right product, at right price, in right amount, at right place and to right customer.
In selling emphasis is on maximizing sales.	In marketing emphasis is on customer satisfaction.
Selling starts after production.	Marketing starts before production.
In selling the focus is on seller's needs, i.e to convert product into cash.	In marketing focus is on customer's needs i.e providing product as per wants and needs of customer.

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Selling ends with the sale of goods or services.	Marketing continues after sale. Post sale research is conducted to know consumer satisfaction with the product.
Selling is narrower in scope.	Marketing is wider in scope as it includes various functions.
Selling is a part of marketing.	Marketing includes selling and other activities.
Selling is based on the principle 'let the buyer beware'.	Marketing is based on the principle 'let the seller beware'.
Selling is routine activity.	Marketing is philosophy of management. It includes planning, decision making and execution of marketing plans and programmes.
Selling is a routine activity.	Marketing is customer oriented.
Selling has a short term perspective.	Marketing is long term perspective.
Selling is concerned with sale of goods already produced and designed.	Product designing and development is an important marketing function.
Selling is fragmented approach.	Marketing is an integrated approach.
Personal selling has great importance in selling.	In marketing, personal selling, advertising, product designing, packaging, product pricing and product distribution are equally important.
Profits through sales volume.	Profits through customer satisfaction.

MARKETING ENVIRONMENT

Marketing environment is ever changing marketers realize that environmental scanning would provide them with continuous interaction between the customers and the business they are in, based on integration, the marketing managers can evolve marketing strategies to ensure effective and efficient goal achievement. The environment of a business enterprise may be static or dynamic.

Marketing attributes of a business are affected by a large number of environment factors that surrounds the company. These factors or forces influence the decision making capability of the enterprise.

Marketing environment refers to the encompasses the marketing team within an organization and includes all of the outside factors of marketing that affect the team's ability to develop and maintain successful customer relationships with their targeted customer group.

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According to Philip Kotler, “Marketing environment refers to the external factors and forces that affect the company’s ability to develop and maintain successful and relationships with its target customers”.

Concepts of Marketing Environment

There are rapid changes taking place in the business environment today. On one hand rapid changes are taking place in the field of science and technology. On the other hand people are responding to these changes by changing in their food habits, change in social customs, change in cultural belief and values.

Concept marketing is the marketing process of understanding the hidden needs of the customer, creating awareness in the minds of the customer about product/service, initiate/effect changes in the customers’ minds and create a sense of need in customers to buy the product or service. Concept marketing in essence is marketing a new product/service concept to the customers. It is creating a primary demand for the product. Concept marketing is an act of converting a new concept into a product or redesigning the existing product to meet the changing needs of consumers.

Importance of Marketing Environment

The marketing manager needs to be dynamic to effectively deal with the challenges of environment. The environment of business is not static. It is changing with fast speed. The following importance of environment scanning has been suggested by various authorities.

1. **Increased general awareness:** It creates an increased general awareness of environmental changes on the part of management.
2. **Greater effectiveness:** It guides with greater effectiveness in matters relating to government.
3. **Marketing analysis:** It helps in marketing analysis.
4. **Resource allocations:** It suggests improvements in diversification and resource allocations.
5. **Capitalize upon opportunities:** It helps firms to identify and capitalize upon opportunities rather than losing out to competitors.
6. **Objectives qualitative information:** It provides a base of objective qualitative information about the business environment that can subsequently be of value in designing the strategies.

MICRO ENVIRONMENT

Micro environment refers to the company’s immediate environment i.e those environmental factors that are in its proximity. These factors influence the company’s non-capability to produce and serve the market. These also the groups of people who affect the company’s prospects directly. These factors are:

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- 1. Company:** Various groups in an organization like the top management, finance, operation, human resourcing, research and development (R&D), accounting, etc. needs to be taken into account by the marketing management for designing the marketing plans. With marketing team taking lead other departments like manufacturing, finance, legal and human resources takes the responsibility for understanding the customer needs as well as creating customer value.
- 2. Suppliers:** Even regarding the suppliers the organization can think of availing the required material or labor according to its manufacturing program. It can adopt a purchase policy which gives bargaining power to the organization. The quality and reliability of vendors are very essential for smooth functioning of business of any organization. Marketing managers must have a control on the supplier's availability and costs. Any shortage or delay of supplies in term of natural disasters or other events can cause damage to sales in short run and lead to customer dissatisfaction in long run.
- 3. Market Intermediaries:** They are also an important component for company's overall value delivery network. They include those individuals or firms who help the company in promotion, sales and distribution of its goods to the final buyer. The intermediaries are the middle men, distributing agencies, market service agencies and functional institutions.
- 4. Customers:** The most important actors in the company's micro environment are its customers. The whole of value delivery network aims to engage the target customers and create strong relationships with them. Goodwill built up by the company sometimes influences the consumers to become the customer of the company.
- 5. Competitors:** They are those who sell the goods and service of the same and similar description in the same market. Apart from this competition there are other forms of competition like product differentiation. It is therefore necessary to build an efficient system of marketing. This will arouse confidence and with better results.
- 6. General Public:** The public refers to the group of people who have an actual or potential interest in the company's product or who can have an impact on the organization's ability to achieve its objective. It is the duty of the company to satisfy the people at large along with its competitors and the customers. It is necessary for future stay and growth. A public is defined as "any group that has an actual or potential interest in or impart on a company's ability to achieve its objective".

MACRO ENVIRONMENT

The macro environment consists of the physical environment, socio-cultural forces, demographic forces, scientific and technical knowledge, economic forces and political legal forces.

A. The Physical Environment

Natural resources along with other aspect of natural world influence marketing activities thus analysis of mega environment must cover features like extent of endowment of

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natural resources in the country, ecology, climate etc. all of which constitutes the natural environment underlined henceforth.

1. **Natural Resources:** Business depends on natural resources and the extent to which the country/region under situation is endowed with these resources has an impact on the functioning of the business firms. Raw material are one major part whereby firms are concerned with their availability as they need and shortage in critical conditions. The availability of natural resources may have direct and far reaching impact on marketing activities depending on geographic regions.
2. **Climate:** It is another aspect that is of interest to a business firm as firms with products whose demand depends on climate and firms depending on climate dependent raw materials will be particularly concerned. Thus these firms need to study the climate in depth and decide their production locations and marketing territories appropriately.
3. **Ecology:** Firms are also concerned with ecology and at the same time all societies are also very much concerned about ecology, especially about issues like environmental pollution, protection of wild life, ocean wealth. Business firms need to know the nature and dimensions of environmental regulations to what extent these factors is going to affect their business prospects and know the role of environment activities in the region.
4. **Green Marketing:** Ecologically marketing of safe products and promoting activities beneficial to the physical environment is termed as green marketing. In India, the country is rich in natural resources like iron, coal, ocean wealth etc.

B. The Socio cultural Environment

The socio cultural factor of the environment consists of customs, lifestyles and values that distinguish the society in which the firm operates. Socio cultural factor influences the ability of the firm to acquire resources make goods and services and function in the society also includes anything within the framework of society that can likely affect an organization.

1. **Culture:** Every society has a culture that guides everyday life and in the marketing environment the word culture refers to social institutions, values, beliefs and behaviors. Culture is shaped by mankind as it is learned rather than inborn.
2. **Values and Beliefs:** A value that represents the goals of a society which views as important and expresses a culture's collective ideas of chosen ways of acting. It reflects abstract ideas about what is good, right, and desirable.
Belief is an opinion concerning the existence or characteristics of physical and social phenomena whether correct or not particularly important in terms of a person's actions. It is the marketer's job to study the social environment and reflect the surrounding culture's values and beliefs in a marketing strategy.

C. Demographic Environment

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The term demography and demographics is taken from the Greek word demos means people. It is the study of size, composition, location, race, occupation, etc.

A businessman's first and foremost topic is population or market size as without population there is nothing for a market. Thus before entering into marketing it is must to keep in mind about the changes that happens with the population.

1. **Age structure of the total population and its changes:**The different ages of people such as children, teenage, old person should be kept in mind at the time of planning or doing marketing strategy as a product cannot be certified for every ages of customer.
2. **Changed family life:** Nowadays one can easily identify the changes of family lifestyle such as the growth of working class women, income capability of women, adult marriage of women and the right of divorce of women etc. and because of more service or job outside home, the household task of women has taken over by slaves. Thus things create market for products and marketers to get benefited from their work and growing rapidly.
3. **Education and profession:** Education rate and job distribution is to be remembered at the time of doing marketing strategy as the taste, choice, habits, communicating practice cannot be same of either an educated or a non-educated person. As our education rate is growing on a regular basis, people are eager to do industrial job or service more than farming and thus considering these changes is important while marketing strategy.
4. **Geographical shift in population:** Geographically living and shift of geographical living of population generate influence on marketing as for a lot of reason people tend to go to big cities because of which people's lifestyle and their demand styles are changing.

D. Scientific and Technical Knowledge Environment

Science is understood as the gathering of knowledge about humans and the environment whereby technology is the function of science for practical purposes while the two expressions are sometimes used interchangeably.

1. **The digital technology and internet have changed everything:** Historians point out those technological innovations can change more than the manner business is done in an industry, in fact major technological innovations can change entire cultures. Nowadays computer technology can be characterized by the saying digital convergence. The internet is transforming society and making sure that distance is no longer an obstacle. The internet has become the most important communication medium and is a macro environmental force that is having an intense impact. The internet has brought about changes especially in the field of commerce and E-commerce is considered as the business model for the millennium thus changing the marketing role. These days, technology is a major force that an industry and business organizations have to reckon with as for a business firm, technology affects will not only be for its final products but also raw materials, processes and operations and finally its customer segments too.

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2. **Options available in technology:** The firm should analyze the overall technological environment along with options available in the given industry as for a firm the concerns about the level of technology prevailing generally in the country effects is important. It has to thus assess the relative merits and cost effectiveness of alternative technologies along with technological changes that is taking place in accordance to its industry at the international level.
3. **Governments approach in respect of technology:** Matters pertaining to technology and the freedom of operations is often restricted by the government regulations but there are some areas where the governments may actually support the modern technology usage.
4. **Technology selection:** Firms need to scrutinize the technology environment and select those technologies that will be considered appropriate for the firm and the given product market position. Thus need arises towards forecasting of technological trends assessing both current and emerging technologies as well as developing the inputs for right technology choice.

E. Economic Forces/Environment

Economic and competitive forces robustly pressurize marketing activity at all levels and thus macro marketing concerns like economic systems and general conditions are discussed henceforth.

1. **Economic system:** The system whereby a society allocates its sparse resources and traditionally, capitalism, socialism, communism has been considered world's major economic systems. The competitive structure of a market is explained as the number of competing firms in some sector of an economy and the percentage of the market held by every competitors. The four types of competitive market structure are pure competition, monopolistic competition, oligopoly and monopoly.
 - **Pure competition:** This is characterized by free entry, a homogeneous product, involving many sellers and buyers of whom none can control the price. It exists when there are no barriers to competition and where the market consists of lots of small, competing firms and buyers, thus allowing for a steady flow of supply and demand for product. Therefore price is not controlled by either buyer or seller.
 - **Monopolistic competition:** The principal characteristics is the product differentiation i.e. a large number of sellers offer like products but differentiated by a minor differences for example as in product design, color, style, technology etc. Business firm engaged in this type of competition has adequate influence on the market place to exert control over their own prices.
 - **Oligopoly:** This is characterized by a small number of sellers who control the market. Oligopoly is illustrated by the commercial aircraft industry, which is controlled by two large firms i.e. Boeing and Airbus Industries. The distinguishing characteristic is their control over the market place as measured by

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the market share and this makes each company in an oligopoly having a strong influence on product offering, price and market structure within the industry.

- **Monopoly:** This is characterized by a single seller in a market and in which there are no suitable substitute products.
2. **Economic conditions:** Economic conditions around the world is an area of interest to marketers as for example the most significant long term trend in US economy is the transition to a service economy. We can see continuing shift of workers missing from manufacturing and going into services where approximately 80% of US jobs are to be found. This shift has affected both the economic conditions as well as marketing activity.

F. Political and legal forces/ Environment

1. **Political Environment:** This is a major component of macro environment for an industrial/business firm. In fact it is often a by-product of political environment as both the economic and industrial policies followed by a nation is greatly depended on its political environment. The practices and policies of government as well as the legal environment laws and regulations along with their interpretation will affect marketing activities in several ways.
2. **Legal Environment:** Business firms need to operate within the framework of the prevailing legal environment and thus have to understand the implications of all the legal provisions in relation to their business. Business legislation can be classified into following categories based on the area covered by them.
 - Corporate affairs and customer protection
 - Employee protection
 - Corporate protection
 - Protection of society as a whole against unbridled business behavior
 - Regulations on products prices and distribution.

MARKETING MANAGEMENT

Marketing management is the activity of planning and executing the conception, pricing, promotion and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.

Definition

According to Philip Kotler “marketing management is the analysis, planning, implementation and control of programmes designed to bring about desired exchanges with target audiences for the purpose of personal and of mutual gain. It relies heavily on the adoption and coordination of product, price, promotion and place for achieving responses”.

Importance

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1. Marketing management is the company function charged with defining customer targets and the best way to satisfy their needs and wants competitively and profitably.
2. Marketing management has the task of influencing the level timing and composition of demand in a way that will help the organization achieve its objectives.
3. Marketing management contributes to improved performance in the market place. It helps in an efficient and productive utilization of resources, both human and materials by eliminating wastages.
4. It plays an important role in the economic growth and overall development of nation. It raises the standard of living and helps the organization in the achievement of its social responsibilities.
5. It helps the organization to adapt to the changing conditions and environment.
6. It results in maximum efficiency, productivity and profitability with the minimum effort and cost.
7. It guides the organization on the innovations to be adopted, enabling it to face competition more safely.