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# **DIPLOMA IN MANAGEMENT (DIM)**

**DIM-4**

**Marketing and Retail Management**

**Block**

**1**

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**Unit – 1**

**Introduction to Marketing**

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**Unit – 2**

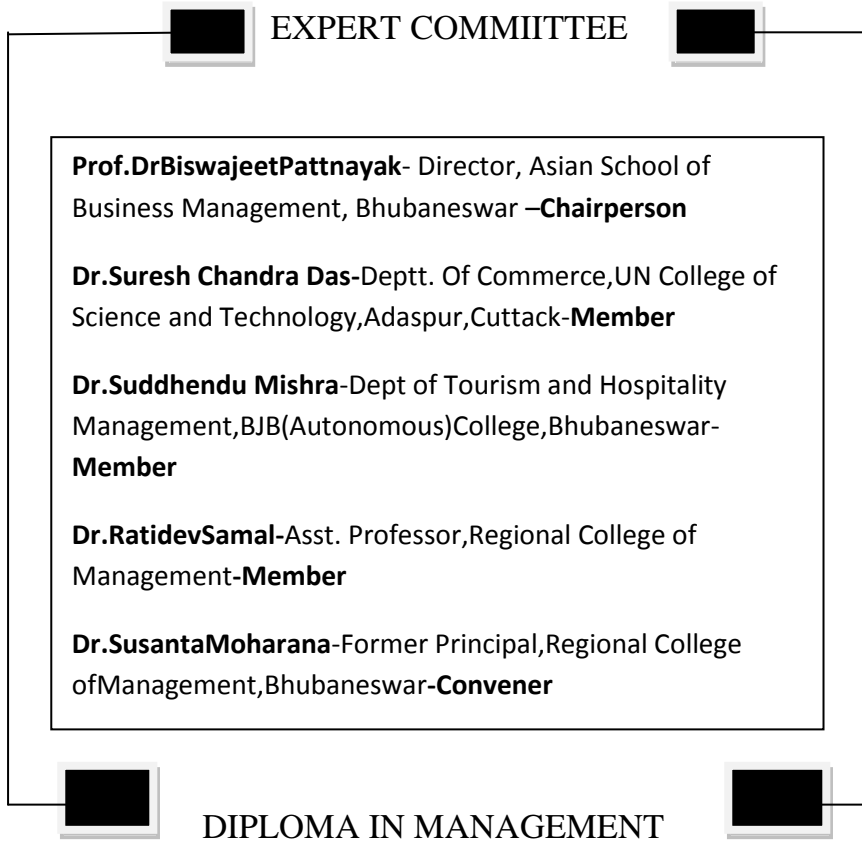
**Core Concepts of Marketing**

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**Unit – 3**

**Marketing Environment**

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## Unit – 1

### Introduction to Marketing

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#### Learning Objectives:

After completion of the unit you should be able to:

- Explain the meaning and concept of marketing.
- Understand the evolution of marketing.
- Describe the significance / importance of marketing.
- Familiarize with various approaches to marketing.
- Differentiate between 'marketing' and 'selling'.

#### Structure

- 1.1 Introduction
- 1.2 Definitions
- 1.3 Evolution of Marketing Concept
- 1.4 Concepts and Significance of Marketing
- 1.5 Approaches to the study of Marketing
- 1.6 Relationship with other Sciences
- 1.7 Distinction between Marketing and Selling
- 1.8 Let's Sum-up
- 1.9 Key Terms
- 1.10 Self-Assessment questions
- 1.11 Further Readings
- 1.12 Model Questions



## **1.1 Introduction**

First of all we welcome you to the course of marketing. Marketing is a pervasive phenomenon in the present-day world. Every day, we are exposed to marketing of goods, services and ideas. This section is designed to help you get acquainted with different concepts of marketing and how practically marketing takes place as an exchange process. This will help to understand marketing in an easier way and understanding the surrounding as well. The term market is derived from the Latin word 'MARCATUS' which means merchandise, traffic, trade or a place where business is conducted. The common use meaning of market is a place where goods are bought & sold. In its strict meaning market need not necessarily means a place of exchange . Ex- In case of money market there we don't have a place of meeting. So in case of marketing the mental co-ordination of both parties is required instead of face to face meeting. Marketing is essentially the process of communicating regarding the value of a product or service to the customers, for selling that product or service. Therefore, marketing is understood as an organizational function with a set of processes for creating, delivering and communicating this value to its customers, and includes customer relationship management that also benefits the organization. Marketing can be understood from a societal point of view, as the link between a society's material requirements and its economic patterns of response to those requirements. It satisfies these wants and needs by exchange processes and by building long term relationships. Marketing is hence a science of choosing the target markets through thorough market analysis and market segmentation, as well as understanding the consumer behavior and providing superior customer value.

## **1.2 Definitions**

The term marketing is defined by various distinguished authors and scholars in different manners under different perspectives. Let us discuss some of the prominent definitions of marketing:

### **1.2.1 Product oriented**

The performance of business activities that direct the flow of goods & services through producer to consumer or user.

### **1.2.2 Customer oriented**

Marketing is a business process by which products are matched with the markets & through which the transfer of ownership is affected.



### **1.2.3 System oriented**

It is a total system of interacting business activities designed to plan, price, promote, and distribute want satisfying products to target markets to achieve organizational objectives.

### **1.2.4 Kotler's Definition**

Kotler has defined marketing as a social & managerial process by which individual & group obtain what they need & want through creating, offering & exchanging products of value with others.

### **1.2.5 AMA's Definition**

The American Marketing Association most recently defined Marketing as “The activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large.”

## **1.3 Evolution of Marketing Concept**

Marketing concept has undergone a drastic change over years. Earlier it was production or later selling which was key to marketing idea but moving ahead now these have given way to customer satisfaction rather delight developing a modern marketing concept. Let's review the evolution of earlier marketing ideas;

### **1.3.1 Exchange Concept**

The exchange concept of marketing, as the very name indicates, holds that the exchange of a product between the seller and the buyer is the central idea of marketing. While exchange does form a significant part of marketing, to view marketing as more exchange will result in missing out the essence of marketing. Marketing is much broader than exchange. Exchange, at best, covers the distribution aspect and the price mechanism. The other important aspects of marketing, such as, concern for the customer, generation of value satisfactions, creative selling and integrated action for serving customer, are completely overshadowed in exchange concept.

### **1.3.2 The Production Concept**

It is one of the oldest concepts in business. It holds that consumers will prefer products that are widely available and inexpensive. Managers of production-oriented business concentrate on achieving high production efficiency, low costs, and mass distribution.



### **1.3.3 The Product Concept**

It proposes that consumers favor products that offer the most quality, performance, or innovative features. Managers in these organizations focus on making superior products and improving them overtime.

### **1.3.4 The Selling Concept**

It holds that consumers and businesses, if left alone, won't buy enough of the organization's product. The organization must therefore undertake an aggressive selling and promotion effort.

### **1.3.5 The Marketing Concept**

It emerged in mid-1950s, instead of a product-centered, make-and-sell philosophy, business shifted to a customer-centered, sense-and-respond philosophy. The marketing concept holds that the key to achieving organizational goals is being effective than competitors in creating, delivering, and communicating superior customer value to your chosen target markets. Theodore Levitt of Harvard drew a perceptive contrast between the selling and marketing concepts. Selling focuses on the needs of the seller, marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash, marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering, and finally consuming it. Several scholars have found that companies that embrace the marketing concept achieve superior performance. This was first demonstrated by companies practicing a *reactive market orientation* understanding and meeting customers' expressed needs.

### **1.3.6 Holistic Marketing Concept**

The trends and forces defining the 21<sup>st</sup> century are leading business firms to a new set of beliefs

and practices. Today's best marketers recognize the need to have a more complete, cohesive approach that goes beyond traditional applications of the marketing concept. This concept is based on the development, design, and implementation of marketing programs, processes and activities that recognizes their breadth and interdependencies. Holistic marketing recognizes that "everything matters" in marketing- and that a broad, integrated perspective is often necessary. Holistic marketing is thus an approach that attempts to recognize and reconcile the scope and complexities of marketing activities.



## **1.4 Concepts and Significance of Marketing**

Any economy, developed or under-developed or developing, whether pure or cock-tailed, is a market oriented economy. Industry, today, involves the production of all the essential goods for a profitable sale rather than for self or borne consumption by the producer and his immediate households. Since, 'profit maximization' is the watchword of any prudent producer and discerning distributor, this marketing system, constitutes the bed-rock foundation for the production. That is, production and marketing are the two pillars of an efficient economy, whereas, production and consumption are the two wheels of an economy which are linked by the powerful belt of marketing. By its very nature, a market oriented economy is a dynamic economy, characterized by the steady growth and expansion of markets. In such an economic system, it is the function of marketing system to transform the benefits of productive efficiency in terms of higher levels of living via distribution. If the levels of living are low in any country then that can be directly attributed to the least developed marketing system. The need for the market grows out of the division of labour, mass and specialized production calls for the existence of mass markets in which the entire output can be put in or pushed out at a reasonable margin of profit. To reach the far-flung markets of the world, marketing services are inevitable.

## **1.5 Approaches to the Study of Marketing**

- **Commodity Approach**

The 'commodity approach' refers to the detailed study of the problems encountered in marketing particular products that may be consumer, industrial or agricultural-products such as hair-oils, transistors, pens, paper, ties, clothing, lathe machines, bull-dozer, oil-engines, generators, wheat, rice, cotton, dairy-products etc. Number of problems crop up in the movement of goods from the point of production to the point of consumption. We may take up any type of product and study how each of them is marketed. This detailed analysis encompasses the study of classification of products, characteristics of each kind of

product, source of supply, the persons engaged in exchange, its transportation, financing, storage and advertisement. For every product, we have to apply this criterion that becomes repetitive. Though there may be certain differences in marketing, most of the product similarities out-weigh the differences. By studying the products individually, we get the full picture of marketing.



- **Institutional Approach**

This approach studies the various marketing institutions particularly the middlemen or facilitating agencies which perform the marketing functions. It emphasizes the type of middlemen and agencies involved. We are to study wholesaling, retailing and various other agent-middlemen at the distribution level. Under the title of wholesaling, we are to concentrate on the functions performed and services rendered by the group of these people, the problems that they face in the flow of goods. Retailing takes into account the study of nature and significance of retailing in terms of functions and services performed and rendered by retail institutions like departmental stores, multiple shops, supermarkets, mail-order houses, co-operatives, etc. In case of agent middlemen, we are to dig in about their functions and services, as they are essential adjuncts in the machinery of marketing. It is more or less a study of all those institutions that are instrumental in moving the wheels of marketing. It will cover institutions like, regulated markets, stock exchanges, commodity exchanges, banking and other organisations, including governmental institutions that provide legal base for marketing activities.

- **Functional Approach**

The ‘functional approach’ refers to the classification and study of specialized activities which are performed in doing marketing work i.e., functions of marketing system. It analyses each function, in relation to the importance of its performance. The different marketing functions are, selling, buying, transportation, ware-housing, financing, risk taking and market-intelligence. All these functions are to be studied separately in order to understand their importance. To illustrate, we may study the selling function in relation to marketing of a particular product like a lathe-machine or rice or a T.V. Set etc., and as to how each of the different institutions, engaged in marketing of these products, perform the activities; that is the function of retailers, wholesalers, manufacturers etc. By careful investigation of how each of the functions of marketing are performed and what problems they face and how much they cost, we are able to obtain an understanding of marketing.

## **1.6 Relationship with other Sciences**



The marketing manager faces many difficulties because of the necessity of integrating the several variables of the marketing mix. Marketing management comes across again further challenges. The marketing manager should also be able to use to the benefit of the concern the concepts and ideas, given by the economics, psychology, sociology, anthropology, mathematics and statistics. He can better use these subject experts in his job of marketing management as he is not a specialist in all these fields. These sciences have given the management methods like projective techniques, mathematical models and programming, statistical sampling and measurement. These all behavioural sciences give to the marketing manager many clues for his programming and activity. Products are purchased due to habit, impulse, social pressure, prestige. Like a psychologist, the marketing manager is also interested in personality, attitudes and motives of human beings. Hence, the marketing manager should be in a position to use, where relevant, the ideas advanced by other sciences.



## **1.7 Distinction between Marketing and Selling**

The best way to distinguish between these two concepts is to say that the marketing concept is more oriented towards helping the customer whereas the selling concept is more oriented towards helping the seller.

In the selling concept (which was a more popular concept a few decades ago), the idea was to take a product that already existed and figure out how best to sell it. This meant that the firm's only real goal was to persuade customers to buy whether the product really fit their needs or not.

In the marketing concept, this is reversed. The firm tries to find out what customers wants and then goes out and attempts to provide a product that will fill the need. This is, as you can see, much more beneficial to the The marketing concept asserts that businesses are required to focus on the consumers' needs and wants so they can offer products or services that will satisfy these needs better than the competition. The marketing concept brings to the fore the principle of competitive advantage and superior offerings. This concept was developed because with time, consumers grew to be more discerning and selective about their purchase decisions. In this regard businesses invested in strategies that would provide them with information about what the consumer needs prior to product development.

The selling concept, on the other hand, asserts that consumers need to be influenced in order to buy the products on offer through promotional campaigns. The focus of this concept is directed towards turning products into cash for the business.



Overall the differences between the two are;

- The selling concept focuses on the needs of the seller while the marketing concept focuses on the needs of the buyer
- The selling concept works to turn products into cash while the marketing concept works to satisfy the customers' needs through the product
- In the selling concept, competition is predominantly centered on sales while in the marketing concept the competition is centered on consumer satisfaction

Selling concept is used when a company wants to get rid of its inventory, irrespective of customer needs. To achieve this, the company will use aggressive marketing, discounts, strong publicity, etc. A good example is insurance. The emphasis is on getting the sale volumes, rather than building long term customer relationships. The company generates profits by selling the commodity and the price is determined by the cost incurred by the company. Generally, the company will use existing technology and services and sell them by aggressive marketing. This approach is a short term method to achieve targets.

Marketing concept, on the other hand, relies on customer needs and emphasizes customer satisfaction, thereby hoping to build long-term relations. Here, the product is manufactured as per the needs of the customer and the company tries to be as innovative as possible (to stay ahead of competition). The customer decides the price (how much money is the customer planning to obtain this product or service?, etc.) and this price will determine the cost of the product. This long-term strategy relies on innovation. All the departments of the company work in conjunction to bring out a product that will, hopefully, satisfy the customer, unlike selling concept, where departments work in isolation.

The marketing and selling concepts are usually perceived as being the same, but there are some important differences between the two of them.



The first major difference is given by the fact that the selling concept is focused on the product, while the marketing concept is focused on consumers needs.

While the selling concept is focused on the sales volume, the marketing concept targets the profits.

The selling concept accentuates sellers needs, while the marketing concept emphasizes buyers needs.

In the selling concept, the price is determined by the cost, while in the established by the consumers.

The selling concept uses the existing technology and it aims the reducing of costs, while the marketing concept adopts the new technologies and the cost is established accordingly.

## **MARKETING SELLING**

Marketing includes selling and other activities like various promotional measures, marketing research, after sales service, etc.	Selling is confined to persuasion of consumers to buy firm's goods and services.
It starts with research on consumer needs, wants, preference, likes, dislike etc., and continues even after the sales have taken place.	Selling starts after the production process is over and ends with the handing over the money to the seller by the buyer.
Focus is on earning profit through maximisation of customers' satisfaction.	Focus is on earning profit through maximisation of sales.
Customer's need is the central point around whom all marketing activities revolve.	Fragmented approach to achieve short-term gain.
It is an integrated approach to achieve long term goals like creating, maintaining and retaining the customers.	All activities revolve around the product that has been produced.
Stresses on needs of buyer.	Stresses on needs of the seller.

### **1.8 Let's Sum-up**

Marketing has deeply impacted the standard of living of human being. Its concepts and applications should be properly understood by human being for a better experience. The term market is derived from the Latin word 'MARCATUS' which means merchandise, traffic, trade or a place where business is conducted. The common use meaning of market is a place where goods are bought & sold. A market may be considered as a convenient meeting place where buyer & seller gather together for exchange of goods. Marketing is a business process which matches the

product according to the market demand to achieve organizational objective.

Kotler has defined marketing as a social & managerial process by which individual & group obtain what they need & want through creating, offering & exchanging products of value with others.



## 1.9 Key Terms

Market,

Marketing,

Buying,

Selling,

Exchange Process

## 1.10 Self-Assessment Questions

1. Define marketing and discuss in brief the various concepts of marketing.

Ans:

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2. Distinguish between marketing and selling in your own words.

Ans.

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### 1.11 Further Readings

- 2 Philip Kotler- Marketing Management, Printice –Hall of India., New Delhi.
- 3 Ramaswamy and Namakumari- Marketing management, MacmillanPublishers India Ltd., New Delhi.
- 4 RajanSaxena- Marketing Management, Tata Mc-Graw Hill Education Pvt Ltd., New Delhi.
- 5 K. Karunakaran- Marketing Management, Himalaya Publishing House., Mumbai.

### 1.12 Model Questions

1. Describe the evolution of marketing concept.
2. Explain the different approaches to the study of marketing in your own words.

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## Unit-2

### Core Concepts of Marketing

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### Learning Objectives

After you work out this lesson, you should be able to:

- List out the various core concepts of marketing
- Understand how all these core concepts are interconnected
- Explain how marketing is changing in a connected world

### Structure

- 2.1 Introduction
- 2.2 Needs, Wants and Demands
- 2.3 Products
- 2.4 Value and satisfaction
- 2.5 Exchange, Transactions and Relationships
- 2.6 Markets
- 2.7 Marketing in a connected World
- 2.8 Let's Sum-up
- 2.9 Key Terms
- 2.10 Self-Assessment Questions
- 2.11 Further Readings
- 2.12 Model Questions

### 2.1 Introduction

Having defined marketing in the previous unit from different perspectives and also as 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 lesson examines the important concepts that are included and implied in this definition. It is important to note that they are linked, with each one building on the one before it. Marketing Management is a social and managerial process by which individuals or firms obtain what they need or want through creating, offering, exchanging products of value with each others.



## 2.2 Needs, Wants and Demands

The most basic concept underlying marketing is that of human needs. A need is a state of felt deprivation. It is a part of the human makeup. Humans have many needs, viz., physical needs, social needs, spiritual needs and so on. Wants are the form taken by needs as they are shaped by the one's culture and personality. Wants are thus shaped by both the internal and external factors. Wants are described in terms of objects that will satisfy needs. For example, thirst is a need. To quench this thirst, a person may consider a number of options (want-list)—drink water or a soft drink or a fruit juice. These objects (which represent the different choices for a person to fulfill his/her need) comprise the potential want-list. As people are exposed to more objects that arouse

their interest and desire, marketers try to provide more choices, that is, more want-satisfying products. People have almost unlimited wants but limited resources. Therefore, they want to choose products that provide the most satisfaction for their money. When backed by buying power (ability), a want becomes a demand.

### EXAMPLES OF NEED/ WANT/ DEMAND:

**Need:** It is state of deprivation of some basic satisfaction. eg.- food, clothing, safety, shelter.

**Want:** Desire for specific satisfier of need. eg.- Indians *needs* food – *wants* paneer tikka/ tandoori chicken.

Americans *needs* food- *wants* hamburger/ French fries.

**Demand:** Want for a specific product backed up by ability and willingness to buy. eg.- Need – transportation. Want – car (say, Mercedes).....but able to buy only maruti.

Therefore, *demand* is for maruti.

Marketers cannot create needs. Needs pre-exists. Marketers can influence wants. This is done in combination with societal influencers.

Demand influenced by making product- APPROPRIATE, ATTRACTIVE, APPROACHABLE, AFFORDABLE and AVAILABLE EASILY.

To target consumers ( 4 P's)- Product/ Promotion/ Price/ Place



## 2.3 Products

A product is anything that can be offered to a market to satisfy a need or want. People satisfy their needs and wants with products. Though the word suggests a physical object, the concept of product is not limited to physical objects. Marketers often use the expressions goods and services to distinguish between physical products and intangible ones. These goods and services can represent cars, groceries, computers, places, persons and even ideas.

Customers decide which entertainers to watch on television, which places to visit for a holiday, which ideas to adopt for their problems and so on. Thus the term 'product' covers physical goods, services and a variety of other vehicles that can satisfy customers' needs and wants. If at times the term 'product' does not seem to be appropriate, other terms such as market offering, satisfier are used.

### EXAMPLES OF PRODUCTS- GOODS/ SERVICES/ PLACE:

Product is anything that can satisfy need/ want.

Product component-

1. Physical Good.
2. Service.
3. Idea.

eg. Fast food- burger/ pizza.

Physical Good - material eaten.

Service – purchase of raw material/ cooking

Idea – speed of computer/ processing power.

Importance of product lies in - Owning them (minor)

- Obtaining them (major).

Hence, products are really a via- media for services.

Hence, in marketing, focus is on providing/ satisfying service rather than providing products.

**Marketing Myopia:** Focus on products rather than on customer needs.

## 2.4 Value and Satisfaction

When the customers have so many choices to choose from to satisfy a particular need, how do they choose from among these many



products? They make their buying choices based on their perceptions of a product's value. The guiding concept is customer value. A customer

will estimate the capacity of each product to satisfy his need. He/She might rank the products from the most need-satisfying to the least need-satisfying. Of course, the ideal product is the one which gives all the benefits at zero cost, but no such product exists. Still, the customer will value each existing product according to how close it comes to his/her ideal product and end up choosing the product that gives the most benefit for the rupee – the greatest value.



$$\text{Value} = \frac{\text{Benefits}}{\text{Costs}} = \frac{\text{Functional Benefits} + \text{Emotional Benefits}}{\text{Monetary Costs} + \text{Time Costs} + \text{Energy Costs} + \text{Psychic Costs}}$$

**Tools for tracking and measuring Customer Satisfaction:**  
Complaint and Suggestion systems, Customer satisfaction surveys, Ghost shopping, Lost customer Analysis.

#### **EXAMPLES OF VALUE/ COST/ SATISFACTION:**

Decision for purchase made based on value/ cost satisfaction delivered by product/ offering. Product fulfills/ satisfies Need/ Want. Value is products capacity to satisfy needs/ wants as per consumer's perception or estimation. Each product would have a cost/ price elements attached to it.

Eg. - Travel from city A to city B.  
Need – to reach B ( from A)  
Method/ Products- Rail/ air/ road or train/ plane.  
Satisfaction – Estimated in terms of time lead & travel comfort.  
*VALUE*- Products capacity to satisfy.  
*COST*- Price of each products.

### **2.5 Exchange, Transactions and Relationships**

Marketing occurs when people decide to satisfy needs and wants through exchange. Exchange is the act of obtaining a desired object from someone by offering something in return. Thought it is only one of the many ways people can obtain a desired object, it allows a society to produce much more than it would with any alternative system. For an

exchange to take place, several conditions must be satisfied. Of course, at least two parties must participate, and each must have something of value to the other. Each party also must want to deal with the other party and each must be free to accept or reject the other's offer. Finally, each party must be able to communicate and deliver. These conditions simply make exchange possible. Whether the exchange actually takes place depends on the parties' coming to an agreement. If they agree, we must conclude that the act of exchange has left both of them better off or at least not worse off. After all, each was free to reject or accept the offer. In this sense, exchange creates value just as production creates value. It gives customers more consumption possibilities.



A transaction is marketing's unit of measurement. It consists of a trade of values between two parties. A monetary transaction involves trading goods and services in return for money whereas a barter transaction involves trading goods and services for other goods and services. Transaction marketing is part of the larger idea of relationship marketing. Marketing is shifting from trying to maximize the profit on each individual transaction to maximizing mutually beneficial relationships with consumers and other parties. This is based on the assumption that if good relationships are built, profitable transactions will simply follow.

***EXAMPLES OF EXCHANGE/ TRANSACTION:***

To satisfy need/ want, people may obtain the product through

- Self Production
- By force or coercion
- Begging
- Exchange

**EXCHANGE:** - The act/ process of obtaining a desired product from someone by offering something in return. For exchange potential to exist, the following conditions must be fulfilled.

- a) There must be at least two parties.
- b) Each party has something of value for other party.
- c) Each party is capable of communication & delivery
- d) Each party is free to accept/ reject the exchange offer.
- e) Each party believes it is appropriate to deal with the other party.

**TRANSACTION:** - Event that happens at the end of an exchange. Exchange is a process towards an agreement. When agreement is reached, we say a transaction has taken place.



- a) Barter transaction.
- b) Monetary Transaction.
  - 1) At least two things of value.
  - 2) Condition agreed upon.
  - 3) Time of agreement.
  - 4) Place of agreement.
  - 5) May have legal system for compliance.

Proof of transaction is BILL/ INVOICE.

TRANSFER: - It is one way. Hence, differ from Transaction.

NEGOTIATION: - Process of trying to arrive at mutually agreeable terms.

Negotiation may lead to – Transaction

- Decision not to Transaction

### ***EXAMPLES OF RELATIONSHIPS/ NETWORKING:***

Relationship marketing:- It's a pattern of building long term satisfying relationship with customers, suppliers, distributors in order to retain their long term performances and business.

Achieved through promise and delivery of

- high quality
- good service
- fair pricing, over a period of time.

Outcome of Relationship Marketing is a **MARKETING NETWORK**.

**MARKETING NETWORK:** It is made up of the company and its customers, employees,

suppliers, distributors, advertisement agencies, retailers, research & development with whom

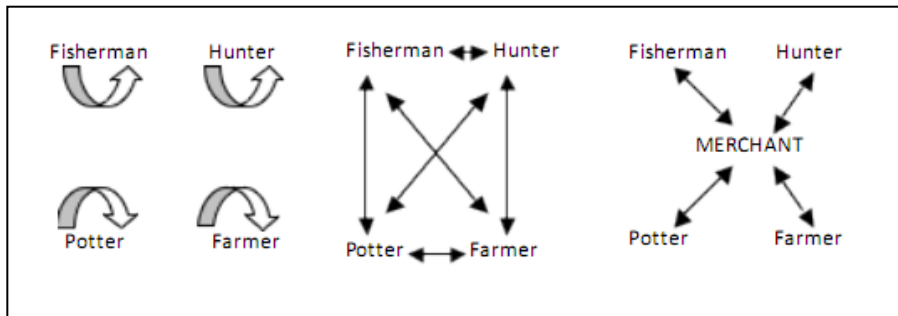
it has built mutually profitable business relationship.

Competition is between whole network for market share and NOT between companies alone.

## **2.6 Markets**

The concept of transactions leads to the concept of a market. A market is the set of actual and potential buyers of a product. It may exist in a physical environment as a marketplace or in a virtual environment (on the internet platform) as a market space. To understand the nature of a market, imagine a primitive economy consisting of only four people – a farmer, a fisherman, a potter and a hunter. The following Figure shows the different ways in which these traders could meet their needs. In the first case, self-sufficiency, they gather the needed goods for themselves. In the second case, decentralized exchange, each person sees the other three as potential buyers who make up a market. In the third case,

centralized exchange, a new person called a merchant appears and locates in a central area called a marketplace. Each trader brings goods to the merchant and trades for other needed goods. Merchants and central marketplaces greatly reduce the total number of transactions needed to accomplish a given volume of exchange. As economies grow, exchange becomes even more centralized, as seen in the growth of huge companies. Large supermarkets now serve millions of people who formerly shopped in smaller outlets.



## 2.7 Marketing in a connected World

The internet and the resultant connected world has posed some special challenges and opportunities for marketers. Prof. Mohanbir Sawhney (Kellogg School of Management) has used two interesting metaphors (hunting Vs. gardening) to describe marketing hither-to and marketing hence-forth.



Marketing Hither-to:	Marketing Hence-forth:
Marketing as hunting	Marketing as gardening
Market as a jungle	Customer relationships as garden to be tended
Customers as targets	Marketer as gardener
Marketers as hunters	Partners as players in the ecosystem
Segmentation as rifle	Customer loyalty as roots
Vs. shotgun approach	Lifetime profits as harvest
Products as mousetraps	Marketing process as seed, feed and yield
Salespeople as baiters-and-switchers	
Promotions as campaigns	
Relationships as conquests/acquisitions	
Loyalty as lock-in and retention	
Customer visits as eyeballs and traffic	

The underlying reason for this shift is the rise of information democracy made possible by the internet. For information symmetry (characterized by scarce information, ill-informed customers, monologue kind-of exchanges and ‘command-and-control’ marketing) the society is moving towards information democracy (characterized by ubiquitous information, well-informed customers, conversations kind-of exchanges and ‘connect-and-collaborate’ marketing). The Cluetrain Manifesto ([www.cluetrain.org](http://www.cluetrain.org)) describes markets as conversations in the following manner:

*Markets are conversations. Their members communicate in language that is natural, open, honest, direct, funny and often shocking... Most corporations, on the other hand, only know how to talk in the soothing, humorless monotone of the mission statement, marketing brochure, and your-call-is-important-to-us busy signal. Same old tone, same old lies. No wonder networked markets have no respect for companies unable or unwilling to speak as they do.*

In the connected world, the empowered customers can:

(1) Get objective information for multiple suppliers without relying on the manufacturer or the retailer (e.g., [Edmunds.com](http://Edmunds.com));

- (2) Initiate requests for information and advertising from manufacturers (e.g., DealTime.com);
- (3) Design and configure customized offerings (e.g., Dell.com);
- (4) Use buying agents to pit sellers against each other (e.g., Free markets Online);
- (5) Unbundle offerings and arbitrage across channels (e.g. Ritz Camera);
- (6) Pay by the minute, by the month, by the mile (e.g., IBM e-business on demand) and
- (7) Communicate with peers and experts for feedback on products and brands (e.g. Amazon.com and Epinions.com).



## 2.8 Let's Sum-up

Marketing Management is a social and managerial process by which individuals or firms obtain what they need or want through creating, offering, exchanging products of value with each others. Need is state of deprivation of some basic satisfaction. Want refers to the desire for specific satisfier of need. Demand is the want for a specific product backed up by ability and willingness to buy any product or service. A product is anything that can be offered to a market to satisfy a need or want. They make their buying choices based on their perceptions of a product's value. The guiding concept is customer value. Marketing occurs when people decide to satisfy needs and wants through exchange. Exchange is the act of obtaining a desired object from someone by offering something in return. A transaction is marketing's unit of measurement. Relationship is a pattern of building long term satisfying relationship with customers, suppliers, distributors in order to retain their long term performances and business. A market is the set of actual and potential buyers of a product. It may exist in a physical environment as a marketplace or in a virtual environment (on the internet platform) as a market space. The internet and the resultant connected world have posed some special challenges and opportunities for marketers

## 2.9 Key Terms

Needs, Wants and Demands

Products

Value and satisfaction

Exchange, Transactions and Relationships

Markets

## 2.10 Self-Assessment Questions



1. Define marketing and discuss in brief the various concepts of marketing.

Ans:

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2. Explain the core concept of marketing in relation to exchange, transaction and relationships.

Ans:

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## 2.11 Further Readings

1. Philip Kotler- Marketing Management, Printice –Hall of India., New Delhi.
2. Ramaswamy and Namakumari- Marketing management, MacmillanPublishers India Ltd., New Delhi.
3. RajanSaxena- Marketing Management, Tata Mc-Graw Hill Education Pvt Ltd., New Delhi.
4. K. Karunakaran- Marketing Management, Himalaya Publishing House., Mumbai.

## 2.12 Model Questions

1. Explain how more emphasis on the concept of product leads to 'marketing myopia'?
2. With regard to the emerging concept, state how marketing is done in a connected world?
3. Write short notes on:
  - (a.) Needs, wants and demand
  - (b.) Value and satisfaction



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## Unit – 3

### Marketing Environment

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#### Learning Objectives:

After completion of the unit you should be able to:

- Explain the meaning and concept of marketing environment.
- Draw a line of distinction between micro and macro environment.
- Describe the significance of scanning the environment.

#### Structure

- 3.1 Introduction
- 3.2 Scanning the Environment
- 3.3 Concept of Micro and Macro Environment
- 3.4 Micro Environment
  - 3.4.1 The Company
  - 3.4.2 Company's Suppliers
  - 3.4.3 Marketing Intermediaries
- 3.4.4 Physical Distribution
- 3.4.5 Customers



- 3.4.6 Competitors
- 3.4.7 Public
- 3.5 Macro Environment
  - 3.5.1 Demographic Environment
  - 3.5.2 Economic Environment
  - 3.5.3 Physical Environment
  - 3.5.4 Technological Environment
  - 3.5.5 Political Environment
  - 3.5.6 Legal Environment
  - 3.5.7 Social and Cultural Environment
- 3.6 Let's Sum-up
- 3.7 Key Terms
- 3.8 Self-Assessment Questions
- 3.9 Further Readings
- 3.10 Model Questions



### **3.1 Introduction**

Marketing activities are influenced by several factors inside and outside a business firm. These factors or forces influencing marketing decision-making are collectively called marketing environment. It comprises all those forces which have an impact on market and marketing efforts of the enterprise. According to Philip Kotler, marketing environment refers to “external factors and forces that affect the company’s ability to develop and maintain successful transactions and relationships with its target customers”.

The marketing programme of a firm is influenced and shaped by a firm’s inwardly need to begin its business planning by looking outwardly at what its customers require, rather than inwardly at what it would prefer to produce. The firm must be aware of what is going on in its marketing environment and appreciate how change in its environment can lead to changing patterns of demand for its products. It also needs to assess marketing opportunities and threats present in the surroundings. An environment can be defined as everything which surrounds and impinges on a system. Systems of many kinds have environments with which they interact. Marketing can be seen as a system which must respond to environmental change. Just as the human body may have problems, it

fails to adjust to environmental change. Similarly, businesses may fail if they do not adapt to external changes such as new sources of competition or changes in consumers' preferences.



### 3.2 Scanning the Environment

The marketing environment offers both opportunities and threats. Successful companies know the vital importance of constantly watching and adapting to the changing environment. A company's marketers take the major responsibility for identifying significant changes in the environment. More than any other groups in the company, marketers must be the trend trackers and opportunity seekers. Although every manager in an organisation needs to observe the outside environment, marketers have two special aptitudes. They have disciplined methods – marketing intelligence and marketing research – for collection of information about the marketing environment. They also spend time in the customer and competitor environment. By conducting systematic environmental scanning, marketers are able to revise and adapt marketing strategies to meet new challenges and opportunities in the market place.

The following are the benefits of environment analysis that help marketing analysis.

- It can assess the impact of opportunities and threats on the business.
- It facilitates the company to increase general awareness of environmental changes.
- It is possible to develop effective marketing strategies on the basis of analysis.
- It helps to capitalize the opportunities rather than losing out to competitors.
- It facilitates to understand the elements of the environment.
- It helps to develop best strategies, in the light of analysing “what is going around the company”.

### 3.3 Concept of Micro and Macro environment

A marketing oriented company looks outside its premises to take advantage of the emerging opportunities, and to monitor and minimize the potential threats face by it in its businesses. The environment consists of various forces that affect the company's ability to deliver products and

services to its customers. Therefore, the marketing environment is made up of two types. They are: Micro-environment and Macro environment.



### 3.4 Micro Environment

The micro-environment of the company consists of various forces in its immediate environment that affect its ability to operate effectively in its chosen markets. This includes the following.

- The company
- Company's supplier
- Marketing intermediaries
- Customers
- Competitors
- Public

#### 3.4.1 The company

In designing marketing plans, marketing management takes other company groups into account – Finance, Research and Development, Purchasing, Manufacturing, Accounting, Top Management etc. Marketing manager must also work closely with other company departments. Finance is concerned with funds and using funds to carry out the marketing plans.

The R&D Department focuses on designing safe and attractive product. Purchasing Department is concerned with supplies of materials whereas manufacturing is responsible for producing the desired quality and quantity of products. Accounts department has to measure revenues and costs to help marketing know-how. Together, all of these departments have impact on the marketing plans and action.

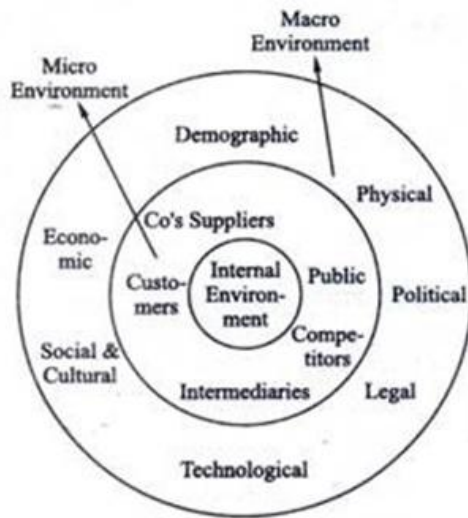
#### The internal environment (Within the company)

The marketing management, in formulating plans, take other group of the company into account. They are:

- Top Management
- Finance
- R&D
- Manufacturing
- Purchasing
- Sales Promotion
- Advertisement etc.

Environmental forces are dynamic and any change in them brings uncertainties, threats and opportunities for the marketers. Changes in the environmental forces can be monitored through environmental scanning,

that is, observation of secondary sources such as business, trade and Government, and environmental analysis, that is, interpretation of the information gathered through environmental scanning.



**Figure-1: The organization's Marketing environment**

### 3.4.2 Company's Suppliers

Suppliers provide the resources needed by the company to product its goods and services. They are important links in the company's overall customer "value delivery system". Supplier developments can seriously affect marketing. Marketing managers must watch supply availability – supply shortages or delays, labour strikes and other events can cost sales in the short run and damage customer satisfaction in the long run. Marketing Managers also monitor the price trends of their key inputs. Rising supply costs may force price increases that can harm the company's sales volume.

In business-to-business marketing, one company's supplier is likely to be another company's customer and it is important to understand how suppliers, manufacturers and intermediaries work together to create value. Buyers and sellers are increasingly co-operating in their dealings with each other, rather than bargaining each transaction in a confrontational manner in order to make supply chain management most effective and value-added products are sold to the target markets.

### 3.4.3 Marketing Intermediaries

Intermediaries or distribution channel members often provide a valuable link between an organisation and its customers. Large-scale manufacturing firms usually find it difficult to deal with each one of their final customers individually in the target markets. So they chose intermediaries to sell their products.



Marketing intermediaries include resellers, physical distribution firms, marketing service agencies, and financial intermediaries. They help the company to promote, sell, and distribute its goods to final buyers. Resellers are distribution channel firms that help the company to find customers for goods. These include whole-sellers and retailers who buy and resell merchandise. Selecting and working with resellers is not easy. These organisations frequently have enough power to dictate terms or even shut the manufacturer out of large markets.

#### **3.4.4 Physical Distribution**

Firms help the company to stock and move goods from their points of origin to their destinations. Working with warehouse and transportation firms, a company must determine the best ways to store and ship goods, and safety marketing services agencies are the marketing research firms, advertising agencies, media firms, and marketing consulting firms that help the company target and promote its products to the right markets.

When the company decides to use one of these agencies, it must choose carefully because those firms vary in creativity, quality, service and price. Financial intermediaries include banks, credit companies, insurance companies, and other businesses that help finance transactions or insure against the risks associated with the buying and selling of goods. Most firms and customers depend on financial intermediaries to finance their transactions.

#### **3.4.5 Customers**

Consumer markets consists of individuals and households that they buy goods and services for personal consumption. Business markets

buy goods and services for further processing or for use in their production process, whereas reseller markets buy goods and services to resell at a profit.

Government markets are made up of government agencies that buy goods and services to produce public services or transfer the goods and services to others who need them. Finally, international markets consist of the buyers in other countries, including consumers, producers, resellers and governments. Each market type has special characteristics that call for careful study by the seller.



### **3.4.6 Competitors**

No single competitive marketing strategy is best for all companies. The company's marketing system is surrounded and affected by a host of competitors. Each firm should consider its own size and industry position compared to those of its competitors. These competitors have to be identified, monitored to gain and maintain customer loyalty.

Industry and competition constitute a major component of the micro-environment. Development of marketing plans and strategy is based on knowledge about competitors' activities. Competitive advantage also depends on understanding the status, strength and weakness of competitors in the market. Large firms with dominant positions in an industry can use certain strategies that smaller firms cannot afford. But being large is not enough. There are winning strategies for large firms, but there are also losing ones. And small firms can develop strategies that give them better rate of return than large firms enjoy.

### **3.4.7 Public**

General public do take interest in the business undertaking. The company has a duty to satisfy the people at large along with competitors and the consumers. A public is defined as "any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives.

Public relation is certainly a broad marketing operation which must be fully taken care of Goodwill, favourable reactions, donations and hidden potential fixture buyers are a few of the responses which a company expects from the public. Kotler in this regard has viewed that "companies must put their primary energy into effectively managing their relationships with their customers, distributors, and the suppliers, their overall success will be affected by how other publics in the society view their activity. Companies would be wise to spend time monitoring

all their public's understanding their needs and opinions and dealing with them constructively”.

**Every company is surrounded by seven types of public, as shown below:**

- Financial—banks, stock-brokers, financial institutions.
- Media—Newspaper, magazines, TV.
- Government—Government departments.
- Citizen—Consumer Organisations; environment groups.
- Local—neighbourhood residents, community groups.
- General—General Public, public opinions.
- Internal—Workers, officers, Board of Directors.



### **3.5 Macro environment**

The macro-environment consists of broader forces that not only affect the company and the industry, but also other factors in the micro-environment.

**The components of a macro-environment are:**

- Demographic Environment
- Economic Environment
- Physical Environment
- Technological Environment
- Political Environment
- Legal Environment
- Social and Cultural Environment

**The components of a macro-environment are described as follow**

#### **3.5.1 Demographic Environment**

Demography is the study of population characteristics that are used to describe consumers. Demographics tell marketers who are the current and potential customers, where are they, how many are likely to buy and what the market is selling. Demography is the study of human populations in terms of size, density, location, age, sex, race, occupation and other statistics. Marketers are keenly interested in studying the demography ethnic mix, educational level and standard of living of different cities, regions and nations because changes in demographic characteristics have a bearing on the way people live, spend their money and consume.

For example, one of the demographic characteristic is the size of family. With the number of small families increasing in India, the demand for smaller houses and household items has increased significantly. Similarly, the number of children in a family has reduced significantly over the years. So, per child spending in a family has increased significantly.



According to the World Health Organisation, young people in the age group of 10-24 years comprise 33% of the population and 42% of our population consists of age group, 0-24 years. Teen-agers in the age group below 19 years comprise 23%. The senior citizen age group above 65 years comprise only 8% of total population. About 58% of the working population is engaged in agricultural activities, with highest, that is 78% in Bihar and Chattisgarh and lowest 22% in Kerala.

Since human population consists of different kinds of people with different tastes and preferences, they cannot be satisfied with any one of the products. Moreover, they need to be divided in homogeneous groups with similar wants and demands. For this we need to understand the demographic variables which are traditionally used by marketers, to segment the markets.

### **3.5.1.1 Income**

Income determines purchasing power and status. Higher the income, higher is the purchasing power. Though education and occupation shapes one's tastes and preferences, income provides the means to acquire that.

### **3.5.1.2 Lifestyle**

It is the pattern of living expressed through their activities, interests and opinion. Life-style is affected by other factors of demography as well. Life-style affects a lot on the purchase decision and brand preferences.

### **3.5.1.3 Sex**

Gender has always remained a very important factor for distinction. There are many companies which produce products and services separately for male and female.

### **3.5.1.4 Education**

Education implies the status. Education also determines the income and occupation. With increase in education, the information is wider with the customers and hence their purchase decision process is also different. So the marketers group people on the basis of education.



### 3.5.1.5 Social Class

It is defined as the hierarchical division of the society into relatively distinct and homogeneous groups whose members have similar attitudes, values and lifestyle.



### 3.5.1.6 Occupation

This is very strongly associated with income and education. The type of work one does and the tastes of individuals influence one's values, life-style etc. Media preferences, hobbies and shopping patterns are also influenced by occupational class.

### 3.5.1.7 Age

Demographic variables help in distinguishing buyers, that is, people having homogenous needs according to their specific wants, preferences and usages. For instance, teenagers usually have similar needs. Therefore, marketers develop products to target specific age groups. The youth are being targeted through advertisements and promotional campaigns, stores are being designed with 'youthful' features, youth events are being sponsored, and even new technology is developed with their tastes in mind.

**The age groups that attract the attention of marketers can be classified as:**

#### **Infant**

The population of India is growing at an alarming rate. The rate of infant deaths has declined considerably due to the advancement in medicine. Although infants are consumers of products, their parents are the decision makers. The size of a family is decreasing and the average income of family is increasing.

#### **School going teens**

In this segment, there is a great demand for school uniforms, bags, shoes, books, stationary, confectioneries, food, albums, bicycles and other similar products.

#### **Young adults**

Marketers target the young adults in the age group 18-30 years with products like motorbikes, music systems, clothes, sports cars etc. Two-wheeler manufacturers in India target this segment of people. In the last five years, various companies like, Bajaj, Hero-Honda, Kinetic, TVS etc. have introduced a large number of models to attract young adults.



### **Adults(35-45 Years)**

Consumers, in this age group, are more health conscious and look for stability and financial independence. The industries that are benefited by them are: Pharmaceuticals, personal products, fitness products, gym equipment's, cars, home appliances, consumer durables, banks, insurance companies, etc. Marketers push products specifically designed for this age group.

### **Senior citizen**

This consumer group boosts the demand for health care services, select skin care products, financial planning etc.

### **Women**

Women constitute nearly 50% of India's population. They are actively taking up professions. This shift in their role has generated a greater demand for childcare and convenience products that save time in cooking, cleaning and shopping. Marketers are trying to come up with products that are easier to handle, less heavy, convenient to use etc. The change in the role of women is paving the way for a change in the role of men. Advertisements portray men cleaning, cooking and caring for their children, which was unthinkable in the past.

## **3.5.2 Economic Environment**

Economic environment is the most significant component of the marketing environment. It affects the success of a business organisation as well as its survival. The economic policy of the Government, needless to say, has a very great impact on business. Some categories of business are favourably affected by the Government policy, some adversely affected while some others remain unaffected. The economic system is a very important determinant of the scope of private business and is therefore a very important external constraint on business.

**The economical environmental forces can be studied under the following categories:**

### **3.5.2.1 General Economic Conditions:**

General Economic Conditions in a country are influenced by various factors. They are:

- Agricultural trends
- Industrial output trends
- Per capita income trends
- Pattern of income distribution
- Pattern of savings and expenditures
- Price levels
- Employment trends
- Impact of Government policy
- Economic systems.



### **3.5.2.2 Industrial Conditions**

Economic environment of a country is influenced by the prevalent industrial conditions as well as industrial policies of a country. A marketer needs to pay attention to the following aspects:

- Market growth
- Demand patterns of the industry
- Its stage in product life cycle.

### **3.5.2.3 Supply sources for production**

Supply sources required for production determines inputs which are available required for production. They are,

- Land
- Labour
- Capital
- Machinery and equipment etc.

Economic environment describes the overall economic situation in a country and helps in analysis GNP per capita rate of economic growth, inflation rate, unemployment problems etc.

### 3.5.3 Physical Environment

The physical environment or natural environment involves the natural resources that are needed as inputs by marketers or those that are affected by marketing activities. Environmental concerns have grown steadily in recent years. Marketers should be aware of trends like shortages of raw materials, increased pollution, and increased governmental intervention in natural resources management. Companies will have to understand their environmental responsibility and commit themselves to the 'green movement'.

Potential shortages of certain raw materials, for examples, oil, coal, minerals, unstable cost of energy, increased levels of pollution; changing role of Government in environment protection are a few of the dangers the world is facing on physical environment forces. Other aspects of the natural environment which may increasingly affect marketing include the availability and cost of raw materials, energy and other resources, particularly if those resources and energy come from non-renewable sources.

### 3.5.4 Technological Environment

The technological environment is the most dramatic force now facing our destiny. Technological discoveries and developments create opportunities and threats in the market. The marketer should watch the trends in technology. The biggest impact that the society has been undergoing in the last few years is the technological advancement, product changes and its effects on consumers.

Technology has brought innumerable changes in human lives, be it in the field of science, medicine, entertainment, communication, and travel or office equipment. Name any field, and one can see changes in product or efficiency and faster services.

One of the most dramatic forces shaping people's lives in technology. Technology has released such wonders as penicillin, open-heart surgery and birth control pill. It has released such horrors as the hydrogen bomb, nerve gas, and the sub-machine gun. very new technology is a force for "creative destruction". Transistors hurt the vacuum tube industry, xerography hurt the carbon paper business, autos hurt the railroads, and television hurt the newspapers. Instead of moving into the new technologies, many old industries fought or ignored them and their business declined. Yet it is the essence of market capitalism to be dynamic and tolerate the creative destructiveness of technology as the price of progress.





Technology essentially refers to our level of knowledge about 'how things are done'. That is understanding this aspect of the marketing environment is much more than simply being familiar with the latest hi-tech innovations. Technology affects not only the type of products available but also the ways in which people organize their lives and the ways in which goods and services can be marketed.

Computer-aided design (CAD) and computer-aided manufacturer (CAM) have shortened the time required for new products to reach the market and increased the variety of products that can be produced cost effectively. The benefits of CAD/CAM are clearly evident in the car industry. Mass production is in standardized models. Computer systems have also contributed substantially to the growth of various forms of direct marketing such as direct mail, direct response marketing etc.

### **3.5.5 Political Environment**

The political environment consists of factors related to the management of public affairs and their impact on the business of an organisation. Political environment has a close relationship with the economic system and the economic policy. Some Governments specify certain standards for the products including packaging. Some other Governments prohibit the marketing of certain products. In most nations, promotional activities are subject to various types of controls. India is a democratic country having a stable political system where the Government plays an active role as a planner, promoter and regulator of economic activity.

Businessmen, therefore, are conscious of the political environment that their organisation faces. Most Governmental decisions related to business are based on political considerations in line with the political philosophy following by the ruling party at the Centre and the State level. Substantial number of laws has been enacted to regulate business and marketing to protect companies from each other, to protect consumers from unfair trade practices, to protect the larger interests of society against unbridled business behaviour. Changing Government agency enforcement and growth of public interest groups also bring in threats and challenges.

### **3.5.6 Legal Environment**

Marketing decisions are strongly affected by laws pertaining to competition, price-setting, distribution arrangement, advertising etc. It is necessary for a marketer to understand the legal environment of the country and the jurisdiction of its courts.

**Below given some Indian business laws that affects business in India.**



- Indian Contract Act 1872
- Factories Act 1948
- Minimum Wages Act 1948
- Essential Commodities Act 1955
- Securities Contracts Regulation Act 1956 (SEBI Act)
- The Companies Act 1956
- Trade and Merchandise Act 1958
- Monopolies and Restrictive Trade Practice Act 1969
- The water (Prevention and Control of Pollution) Act 1974
- The Air (Prevention and Control of Pollution) Act 1981
- Sick Industrial Companies (Special Provisions) Act 1985
- Environment Protection Act 1986
- Consumer Protection Act 1986
- Securities and Exchange Board of India Act 1992
- Different Taxation Laws.

### **3.5.7 Social and Cultural Environment**

Socio-cultural forces refer to the attitudes, beliefs, norms, values, lifestyles of individuals in a society. These forces can change the market dynamics and marketers can face both opportunities and threats from them. Some of the important factors and influences operating in the social environment are the buying and consumption habits of people, their languages, beliefs and values, customs and traditions, tastes and preferences, education and all factors that affect the business.

In India, social environment is continuously changing. One of the most profound social changes in recent years is the large number of women entering the job market. They have also created or greatly expanded the demand for a wide range of products and services necessitated by their absence from the home. There is a lot of change in quality-of-lifestyles and people are willing to have many durable consumer goods like TV., fridge, washing machines etc. even when they cannot afford them because of their availability on hire-purchase or instalment basis.

Culture influences every aspect of marketing. Marketing decisions are based on recognition of needs and wants of the customer, a function of customer perceptions. These help in understanding of lifestyles and behaviour patterns as they have grown in the society's culture in which the individual has been groomed. Thus a person's perspective is generated, groomed and conditioned by culture.

### 3.6 Let's Sum-up

Marketing can be seen as a system which must respond to environmental change. Just as the human body may have problems, it fails to adjust to environmental change. Similarly, businesses may fail if they do not adapt to external changes such as new sources of competition or changes in consumers' preferences. The environment consists of various forces that affect the company's ability to deliver products and services to its customers. Therefore, the marketing environment is made up of two types. They are: Micro-environment and Macro environment.



### 3.7 Key Terms

- Marketing intermediaries
- Customers
- Competitors
- Public
- Demographic Environment
- Economic Environment
- Physical Environment
- Technological Environment
- Political Environment
- Legal Environment
- Social and Cultural Environment

### 3.8 Self-Assessment Questions

1. What do you mean by environmental forces and how it affects the marketing environment of an organization?

Ans:

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- Describe the impact of economic environment on 21<sup>st</sup> century organizations.

Ans.

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### 3.9 Further Readings

1. Philip Kotler- Marketing Management, Printice –Hall of India., New Delhi.
2. Ramaswamy and Namakumari- Marketing management, MacmillanPublishers India Ltd., New Delhi.
3. RajanSaxena- Marketing Management, Tata Mc-Graw Hill Education Pvt Ltd., New Delhi.
4. K. Karunakaran- Marketing Management, Himalaya Publishing House., Mumbai.

### 3.10 Model Questions

1. Explain the significance of marketing environment in the changing business world.
2. Highlight how technology is putting a profound impact on modern marketing.





## Answers to Self-Assessment Questions

### Unit – 1

#### **Define marketing and discuss the holistic marketing concept.**

Marketing has been defined by several eminent experts and professional bodies at different points of time. For our practical purpose, we define marketing as follow:

Prof. Philip Kotler has defined marketing as a social & managerial process by which individual & group obtain what they need & want through creating, offering & exchanging products of value with others.

The American Marketing Association most recently defined Marketing as “The activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large.”

Today’s best marketers recognize the need to have a more complete, cohesive approach that goes beyond traditional applications of the marketing concept. This concept is based on the development, design,

and implementation of marketing programs, processes and activities that recognizes their breadth and interdependencies. Holistic marketing recognizes that “everything matters” in marketing- and that a broad, integrated perspective is often necessary. Holistic marketing is thus an approach that attempts to recognize and reconcile the scope and complexities of marketing activities.



### **1. Distinguish between marketing and selling in your own words.**

The best way to distinguish between these two concepts is to say that the marketing concept is more oriented towards helping the customer whereas the selling concept is more oriented towards helping the seller. In the selling concept (which was a more popular concept a few decades ago), the idea was to take a product that already existed and figure out how best to sell it. This meant that the firm's only real goal was to persuade customers to buy whether the product really fit their needs or not.

(For detail refer to Distinction between Marketing and Selling.)

## **Unit – 2**

### **3. Explain the term marketing and discuss in brief the various concepts of marketing.**

**Ans.**

Marketing is a social & managerial process by which individual & group obtain what they need & want through creating, offering & exchanging products of value with others.

Various concepts of marketing may be described under the following heads:

- Needs, Wants and Demands
- Products
- Value and satisfaction
- Exchange, Transactions and Relationships
- Markets
- Marketing in a connected World

**Explain the core concept of marketing in relation to exchange, transaction and relationships.**

**Ans.**

Marketing occurs when people decide to satisfy needs and wants through exchange. Exchange is the act of obtaining a desired object from someone by offering something in return. Though it is only one of the many ways people can obtain a desired object, it allows a society to produce much more than it would with any alternative system.



A transaction is marketing's unit of measurement. It consists of a trade of values between two parties. A monetary transaction involves trading goods and services in return for money whereas a barter transaction involves trading goods and services for other goods and services.

Marketing is shifting from trying to maximize the profit on each individual transaction to maximizing mutually beneficial relationships with consumers and other parties. This is based on the assumption that if good relationships are built, profitable transactions will simply follow.

## Unit – 3

### **1. Explain the significance of marketing environment in the changing business world.**

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

The marketing programme of a firm is influenced and shaped by a firm's inwardly need to begin its business planning by looking outwardly at what its customers require, rather than inwardly at what it would prefer to produce. The firm must be aware of what is going on in its marketing environment and appreciate how change in its environment can lead to changing patterns of demand for its products. It also needs to assess marketing opportunities and threats present in the surroundings. An environment can be defined as everything which surrounds and impinges on a system. Systems of many kinds have environments with which they interact. Marketing can be seen as a system which must respond to environmental change. Just as the human body may have problems, it fails to adjust to environmental change. Similarly, businesses may fail if they do not adapt to external changes such as new sources of competition or changes in consumers' preferences.

**2. Highlight how technology is putting a profound impact on modern marketing.**

Technology has brought innumerable changes in human lives, be it in the field of science, medicine, entertainment, communication, and travel or office equipment. Name any field, and one can see changes in product or efficiency and faster services.

The marketer should watch the trends in technology. The biggest impact that the society has been undergoing in the last few years is the technological advancement, product changes and its effects on consumers.

