CHAPTER: Five

MARKETING

5.1 INTRODUCTION

5.2 Meaning and Definitions of Marketing

- **Philip Kotler-**"Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others"
- **American Marketing Association** - "It is the process of planning & executing the conception, pricing, promotion & distribution of ideas, goods & services to create exchange that satisfy individual & organizational goals".
- **The Chartered Institute of Marketing defines Marketing as "**Marketing is the management process for identifying, anticipating & satisfying customer requirements profitably."

- Marketing 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.*

5.3 Core Concepts of Marketing

5.3.1 Needs, Wants and Demand

- Needs , wants and demands
- Marketing offering- products and service, experience
- Value, satisfaction and quality
- Exchange, transactions and relationships; and
- markets.

Needs, wants and demands

Human needs are states of felt deprivation (deficiency).

- basic physical needs for food, clothing, warmth and safety
- social needs for belonging and affection; and
- individual needs for knowledge and self-expression.

These needs were not created by marketers; they are a basic part of the human make up (structure).

Wants are the form human needs take as they are shaped by culture and individual personality.

- Wants are shaped by one's society and are described in terms of objects that will satisfy needs.

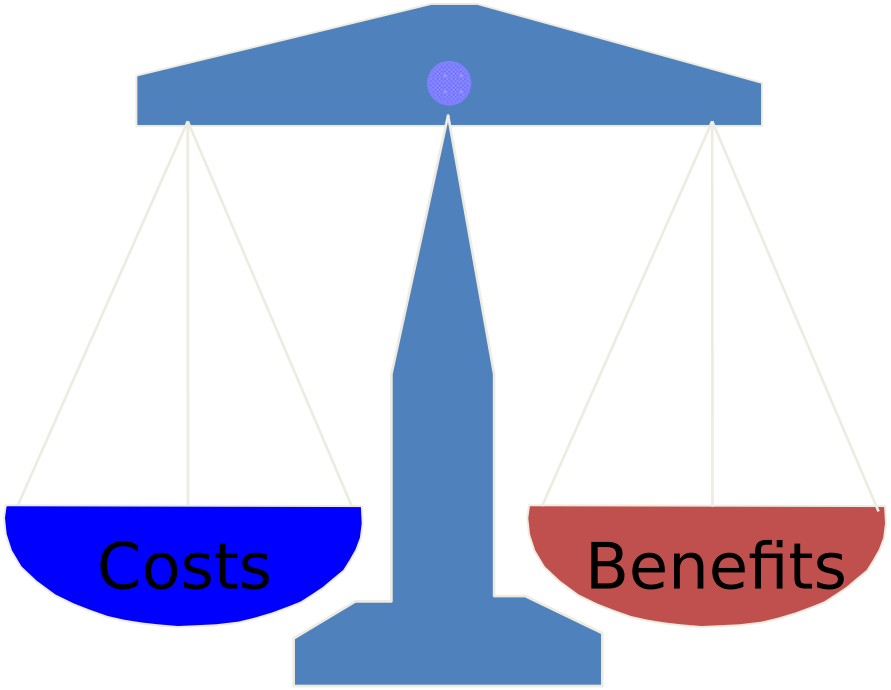
Demands – When wants backed by an ability and willingness to pay – that is, buying power.

Product: Anything that can be offered to a market to satisfy a need or want/can be tangible or intangible.

Cost: is the amount of money that are going to be expended or already incurred to acquire a product.

Exchange: is the act of obtaining a desired product from someone by offering something in return.

Value : Customer value is the difference between the values the customer gains from owning and using a product and the costs of obtaining the product.



A transaction: consists of a trading of values between two parties: one party gives X to another party and gets Y in return.

A **market:** is the set of actual and potential buyers of a product.

1. **Marketing creates utility**

- Utility- Value that comes from satisfying human needs.
- Form utility- is related to the change of form of inputs convert in to outputs.
- Task utility- is provided when some one performs a task for some one else
- Place utility- the role of distribution in marketing is mostly attached with place utility

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Information Utility: Information utility is created by informing prospective buyers that a product exists.

- Time utility- it is created when products are available to customers as they want them.
- Possession utility- as selling is one major activity in marketing it creates possession utility by selling the products to the customers (transfer of ownership)

5.5 Marketing Philosophies

The role that marketing plays within a company varies according to the overall strategy and philosophy of each firm.

- There are five alternative concepts under which organizations conduct their marketing activities:
  1. Production concept
  2. Product concept
  3. Selling concept
  4. Marketing concept
  5. Societal marketing concepts
  6. Relationship Marketing

1. Production concept

- It is one of the oldest concept in business
- It holds that consumers prefer products that are widely available and inexpensive.
- This concept is useful when:
  - Demand for a product exceeds the supply
  - When the product's cost is to high and improve the productivity in need to bring it down.
  - In developing countries where consumers are more interested in obtaining the product than its features .
  - When a company wants to expand its market.

2. Product concept

The philosophy that consumers will favor products that offer the most quality, performance, and innovative features.

- Thus an organization should devote energy to making continuous product improvements
- This concept lead to marketing myopia (a short sighted view of marketing, which focuses on the product it self rather than the customers benefits.

3.Selling concept

- The idea that consumers will not buy enough of the organization's products unless the organization undertakes a large – scale selling and promotion effort.
- Common features of this concept are;
  - Typically practiced unsought goods(goods that buyers do not think of buying like encyclopedia, insurance
  - The organization must be good at tracking down prospects and selling them on product benefits
  - Practiced when product is over capacity – aim is to sell what they make rather than make what the market wants.

4. Marketing concept

The marketing management philosophy that holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do.
The company should be more effective than its competitors in creating, delivering and communicating, customer value to its chosen target market Features
Meeting needs profitably
Find wants and fill gaps
Love the customer not the product
This concept has target market, customer needs, integrated marketing, and profitability

Exhibit 2-7

❖ Difference b/n selling and marketing concepts

Selling – focuses on needs of sellers, Inside-out perspective (focuses on existing products and uses heavy promotion and selling efforts),
Marketing – out side –in perspective (focuses on customer needs, values, and satisfaction),

Exhibit 2-8

5. Societal Marketing Concept

The idea that the organization should determine the needs, wants, and interests of target markets and deliver the desired satisfactions more effectively and efficiently than competitors in a way that maintains or improves the consumer's and society's well – being.

This concept is new marketing management philosophy

It addresses the question of whether the pure marketing concept is adequate in age of environmental problems, resource shortages, rapid population growth, world wide economic problems, neglected social services

possible conflicts b/n consumer short run wants and consumer long run welfare. It calls upon marketers to balance

- company profit
- customers wants
- society's interest

It asks if the firm that senses, serves, and satisfies individual wants is always doing what is best for consumers and society in the long run.

This concept pure marketing concept over looks possible conflicts b/n consumer short run wants and consumer long run welfare.

6. **Relationship Marketing**

- Relationship marketing is the practice of building long term satisfying relations with key parties - customers, suppliers, distributors- in order to retain their long term preferences and business. The ultimate outcome of relationship marketing is the building of a unique company asset called a marketing network. In this case, customer experience rather than customer satisfaction is the most critical component in relationship marketing.

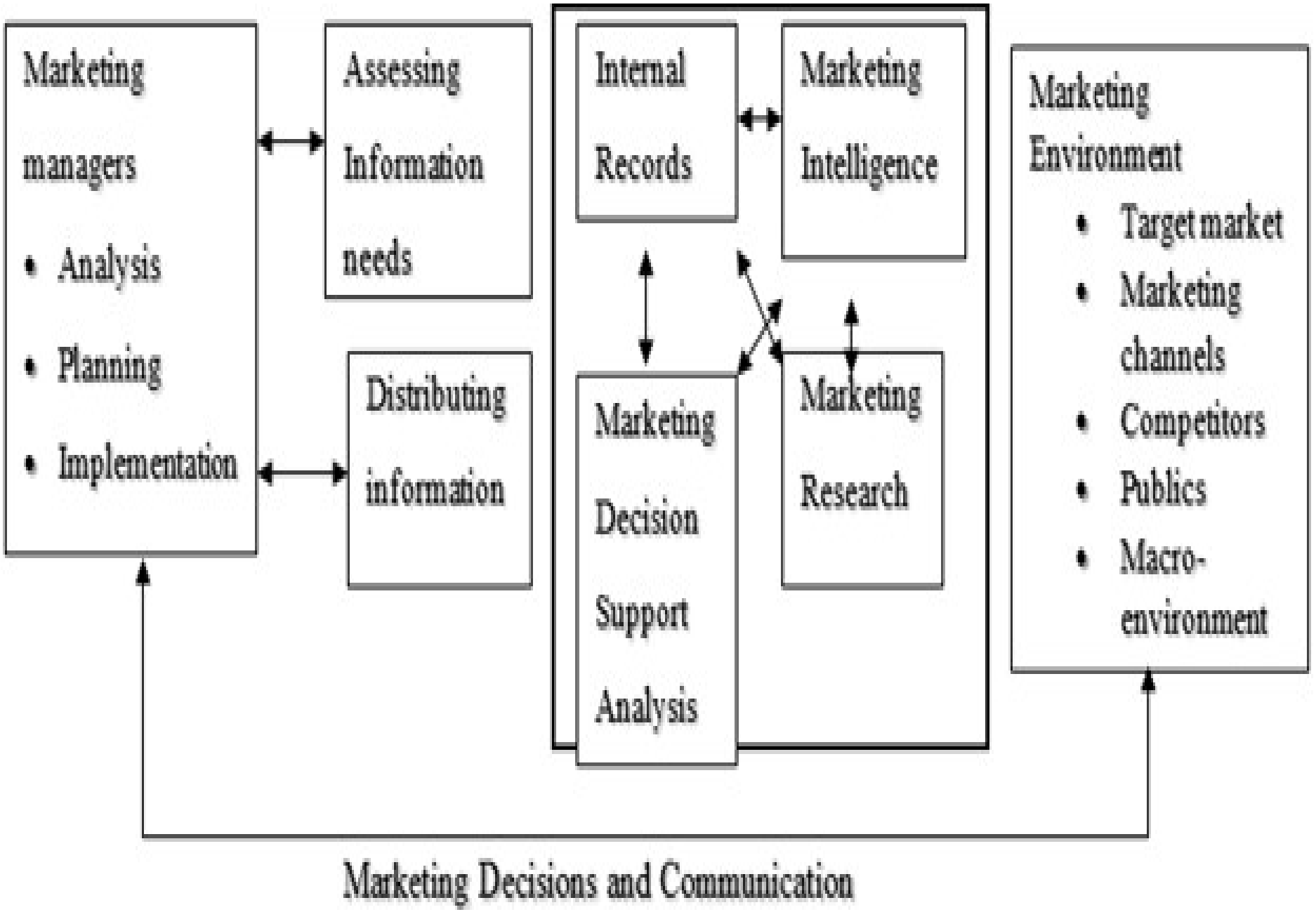
Table 5.2: Summary of the Evolution of Marketing

Production	§ Consumers favor products that are available and highly affordable § Improve production and distribution § 'Availability and affordability is what the customer wants'
Product	§ Consumers favor products that offer the most quality, performance and innovative features § 'A good product will sell itself'
Sales	§ Consumers will buy products only if the company promotes/ sells these products § 'Creative advertising and selling will overcome consumers' resistance and convince them to buy'
Marketing	§ Focuses on needs/ wants of target markets and delivering satisfaction better than competitors § 'The consumer is king! Find a need and fill it'
Relationship marketing	§ Focuses on needs/ wants of target markets and delivering superior value § 'Long-term relationships with customers and other partners lead to success'

5.6 Marketing Information Systems

A marketing information system consists of people, equipment and procedure to gather, sort, analyze, evaluate and distribute needed timely and accurate information to marketing decision makers.

The marketing information system is illustrated as fig 5.1 below:


Marketing managers
Analysis
Planning
Implementation
Assessing Information needs
Distributing information
Internal Records
Marketing Intelligence
Marketing Decision Support Analysis
Marketing Research
Marketing Environment
Target market
Marketing channels
Competitors
Publics
Macro-environment
Marketing Decisions and Communication

5.6.1 Marketing Research

Marketing research is the systematic way of setting objective, collection , analysis, and dissemination of information for the purpose of assisting management in decision making.

5.6.1.1 The Role (Significance) Of Marketing Research In Decision Making

There are three Functional Roles of Marketing Research. These are:

Descriptive Function - the gathering and presentation of statements of fact.

Diagnostic (analytical) Function - The explanation of data.

Predictive Function - Specification of how to use the descriptive and diagnostic research to predict the result of a planned marketing decision.

5.6.1.2 Marketing Research Components

Marketing researchers deal with many aspects which includes;

Market size

Market Share

Market penetration

Brand equity research

Buyer decision processes research

5.6.1.3 Customer Satisfaction Research
under this there are different types of research that are used to assess about customers.

1. Distribution channel audits
2. Marketing effectiveness and analytics
3. Mystery Consumer or Mystery shopping
4. Positioning research
5. Price elasticity testing
6. Sales forecasting
7. Segmentation research and Test marketing

5.6.1.4 Marketing Research Process

Is a process which consists of a number of steps to be accomplished in a logical and systematic manner.i.e.

Step 1*: Define the research purpose or objectives*

Step 2*: Research Design Formulation*

Step 3*: Gather at this stage secondary data,*

Step 4*: Gather Primary Data*

Step 5*: Data Processing and Analysis*

Step 6*: Report Preparations and Presentation*

5.6.2 Marketing Intelligence

Is the systematic process of gathering, analyzing, supplying and applying information (both qualitative and quantitative) about the external market environment.

Marketing intelligence is used to determine:

Current and future market needs

Changes in the business environment that may affect the size and nature of the market in the future.

Environment that may affect the size and nature of the market in the future.

5.6.2.1 The Importance of Marketing Intelligence

a. *It promote external focus.*

b. Identification of new opportunities

c. Smart segmentation.

d. Early warning of competitor moves

e. Minimizing investment risks.

f. Quicker, more efficient and cost-effective information

5.6.2.2 Ways to Undertake Marketing Intelligence

I. Unfocused scanning

II. Semi-focused scanning

III. Informal search

IV. Formal search:

5.6.3 Competitive Analysis

Competitive analysis refers to determining the *strengths and weaknesses* of competitors and *designing ways to take opportunities or tackle threats* posed by competitors.

5.6.3.1 Uses of Competitive Analysis

Helps management understand *its competitive advantages*

Generates understanding of *competitors' past, present and future strategies.*

Provides an informed basis to develop *strategies to achieve competitive advantage in the future.*

Helps *to forecast the returns* that may be made from future investments.

5.6.3.3 Steps of Competitive Analysis

1) Identify your competitors

2) Gather information about competitors

3) Gathering Information on Competitors

4) Analysing the Competition

5) Develop a pricing

5.7 The Marketing Mix and Marketing Strategies

5.7.1 The 4 P's of Marketing/The Marketing Mix

Is the set of marketing tools that the firm use's to pursue and achieve its marketing objectives in the target market.

According to Mc Carthy marketing mix are 4p's

1. Product (product variability, quality, design, features, brand name, packaging, sizes, services, warranties, returns)
2. Price (least price, discounts, allowances, payments period, credit terms,)
3. promotion (sales promotion, advertisements, sales force, public relations, direct marketing)
4. place (channels, coverage, assortment, location, inventory, transport)

5.7.2 What Is Marketing Strategy?

Is a process that enable an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage.

1. Pricing Strategy

I. Price Skimming; Many companies that invent new products initially set high prices to 'skim' revenues from the market.

II. Penetration Pricing; Companies set a low initial price in order to *penetrate* the market quickly and deeply to attract a large number of buyers quickly and win a large market share.

***III. Cost-plus pricing*:** adding a standard mark-up to the cost of the product.

IV. Mark-up pricing: certain percentage of the selling price is added to unit cost

V.Competition-Based Pricing: Also called going-rate pricing .May price at the same level, above,
or below the competition

VI. Psychological Pricing; A pricing approach that considers the psychology of prices and not simply the economics; the price is used to say something about the product.

2. Promotion Strategies

1. Advertising; Paid form of non personal communication, about an organization or its products transmitted to a target audience through a mass/broadcast medium.

2. Personal Selling

Personal selling is a promotional method in which one party (e.g., salesperson) uses skills and techniques for building personal relationships with another party.

3. Public Relations/Publicity(PR),

Is a form of communication that seeks to change the perceptions of customers, shareholders, suppliers, employees and other publics about a company and its products.

4. **Sales promotion;** Describes promotional methods using special short-term techniques to persuade members of a target market to respond or undertake certain activity.

3. Distribution Strategies

Marketing Channels are individuals/organizations involved in the process of making the product available for use or consumption by consumers.

Can be of two types;

Direct channels: In this type of channel, producers and end users directly interact.

Indirect channels: In this type of channel intermediaries are inserted between seller and buyer.

condition put into consideration to use best distribution strategies are;

Company Factors: financial, human and technological capabilities of a company to do its business activities.

Market Characteristics: Geography, market density, market size, target market

Product Attributes: perishability, value and sophistication of the product

Environmental Forces: those forces that affect the business like competition, technology and culture.

5.8 Selling and of Customer Service

5.8.1 The Concept of Service

It is any *act or performance* that *one party can offer* to another that is *intangible* and does not result *in the ownership of anything*.

Distinctive features of services includes, *intangibility, inseparability, variability, and perishability* as opposed to goods.

Services are highly variable, because they depend on who provides. Based on this concept, service is characterized as; *situational, difficult to measure, subjective and influenced by the service provider*.

5.8.2 The Concept of Customer

Customer is a person or organization that buys a product or service either for use or for resale. Customers can be internal (e.g. member of the organization) or external (customers coming from outside).

A thorough understanding of the concept of customer service enables organizations to provide quality service by using proper service management approaches.

5.8.3 Strategic Activities needed for Quality Customer Service Delivery

Plants should identify important strategic activities to ensure consistent, efficient and excellent customer service delivery. i.e

1. Establishing a clear customer service strategy.
2. Ensuring that correct people are in place with correct skills to deliver outstanding personal service.
3. Establishing clear service delivery processes.
4. Improving in terms of process improvement, quality monitoring and recovery continuously.
5. Participatory Management.

Satisfaction

Customer handling and satisfaction is a key for successful and Managers and employees should work hand-in-hand to improve their service delivery. programs organizations.

Existing customers must be satisfied with the existing service. As they are also means of potential customers.

The first most important principle here is not losing a single customer.

Retaining existing customers, however, requires systematic handling. You have to make customer satisfaction your religion. Understand the importance of satisfying

Customer retention and satisfaction comes not from words, but from putting time, effort, and money to satisfy customers.

Major reasons to lose customers are:

Poor service,

Poor quality and

Rude behaviour.

5.8.4.1 Considering Customers as an Invaluable Asset

The value of one customer is infinite, and you cannot possibly calculate it.

This includes, sales to him in his lifetime as well as to customers he generates for you through word of mouth.

This means, your most precious asset is your customer. But We think of immediate profit and ignore the future profits expected over the lifetime of the customer.

5.8.4.2 Reducing Customer Complaints

Every single complaint should be treated as an opportunity to improve the quality of your products and services.

Research findings about Customer satisfaction:

91% of customers who have complaints decide never come back. But if **resolved quickly**, **82%** of them will return.

There is *no investment like investment in customer satisfaction.*

Treat the *cost of satisfying a customer as an investment rather than as an expense*.

You will get *unmatched returns through referrals, repeat purchases decreased operational costs and increased profits.*

5.8.4.3 Place Yourself in The Customer's Shoes

You have the right to choose your customers but not the luxury to compromise on your level of service.

Get rid of the unwanted customer but do it with tact. Part with the unwanted customer with a smile and a handshake.

Place yourself in the customer's shoes. 'Do unto your customer as you would have done unto you'.


Thanks !