UNIT 1: FUNDAMENTALS OF MARKETING

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1.0 AIMS AND OBJECTIVE

After studying this unit, you should be able to explain: -

- what marketing is
- the difference between marketing and selling
- the core concept of marketing

- the marketing philosophies

1.0 INTRODUCTION

Business firms and non-profit organizations engage in marketing. Products marketed included goods as well as **services**, **ideas**, **people,** & **places**. Marketing activities are targeted at market consisting of products purchasers and also individuals and groups that influence the success of an organization.

The foundation of marketing is exchange. In which one party provides to another party something of value in return for something else of value.

In a broad sense, marketing consists of all activities designed to generate or facilitate an exchange intended to satisfy human needs.

The concept of market is very important in marketing. The American marketing Association defines a market as " The aggregate demand of the potential buyers for product or a product or services ". Philip Kotler defines "**A market as an area of potential exchanges"** Thus a market is a group of buyers and sellers interested in negotiating the terms of purchase/sale for goods or services. The negotiation work may be conducted face-to-face at a certain place or it may be done through other means of communication, such as correspondence, phone, cable, or it may be done through business middlemen.

E.g. brokers and commission agents.

1.2 MEANING AND DEFINITIONS OF MARKETING

Marketing can occur any time one social unit (person or organization) strives to exchange something of values with another social unit.

Thus, the essence of marketing is a transaction or exchange. In this broad sense, marketing consists of activities designed to generate and facilitates exchange intended to satisfy human needs or wants.

Business firms and non-profit organization engaged in marketing. Products marketed include goods as well as services, ideas, people and places. Marketing activities are targeted at market consisting of product purchasers and also individuals and groups that influence the success of an organization.

Marketing has been defined in various ways. The definition that serves our purpose best is as follows: -

i) Marketing is a social and managerial process by which an individual or group obtain what they need and want through creating, offering and exchanging of product of values with others (Philip Kotler)

ii) Marketing is the total business activity designed to plan, price, promote and distribute want satisfying products to target market to achieve organizational goal (William J.Stanton)

iii) Marketing is the creation and delivery of standard of living to society (Paul. Mazor)

iv) Marketing management is the process of planning and executing, the conception, pricing, promoting and distributing of ideas, goods and services to create an exchange that satisfy individual or group objectives (American marketing Association)

The above definitions of marketing resets on the following core concepts: needs, wants and demands; products (Goods, Services and Idea), value, cost and satisfaction: exchange and transaction; Relationship and Networks; market; and marketers and prospects.

1.3 CORE CONCEPTS OF MARKETING

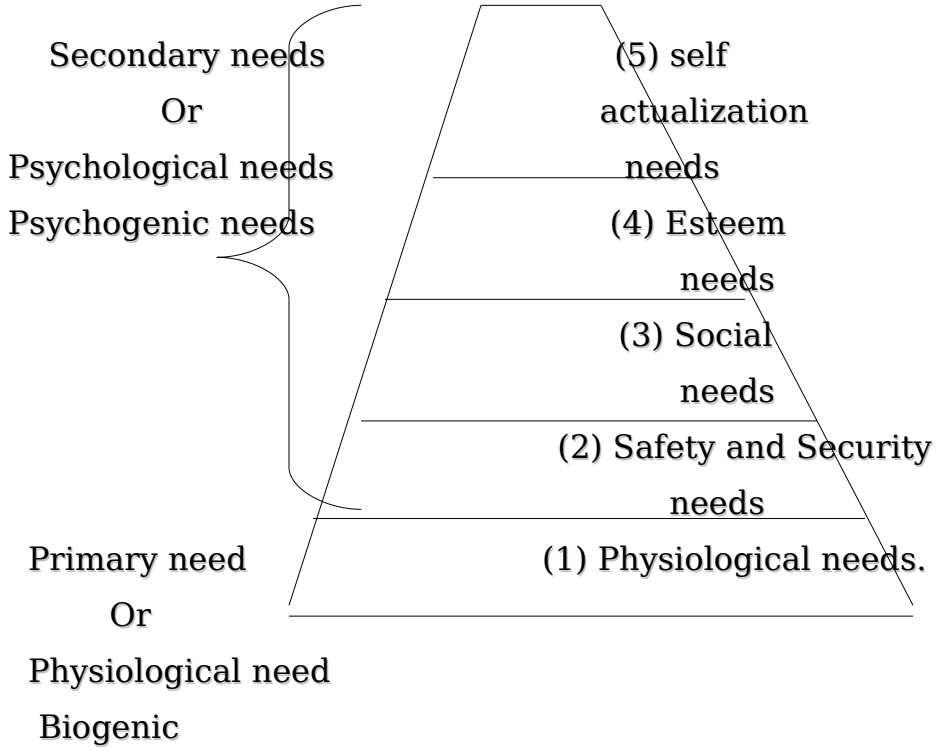
1.3.1 Needs, Wants and Demand

A person at any given time have a need. This need arises out of physical or psychological imbalances. Marketing starts with human needs and wants. People need food, air, water, clothing and shelter to servive. Beyond this, people have a strong desire for recreation, education and other services.

Need: - Human Need is a state of deprivation of some basic satisfaction. People require food, clothing, shelter, safety and belonging and esteem.

A person has many needs at any given time. Some needs are biogenic. They arises from physiological states of tension such as hunger, thirst and discomfort. Other needs are psychogenic; they arises from psychological state of tension such as the need of recognition, esteem or belonging.

Abraham Maslow, a behavioral scientist have talked about a human needs. He said, A human need takes the form of a hierarchy. That is, once a person is satisfied with his basic needs, he keep on opting for his secondary needs.



1. Physiological Needs: - Physiological needs arises out of physical imbalances. Which includes: Food, Shelter, Air, Water, Cloth etc.

2. Once the person is satisfied with his primary needs, he keep on opting to satisfy his secondary needs. Psychological needs arises out of psychological imbalances. The various needs under the various sub headings are as follows: -

- Safety and security

- Security and safety in the work place
- Protection
- Comfort and peace
- No threats or danger
- Orderly and net surroundings
- Assuming of long term economic well being

- Social Needs

- Acceptance
- Feeling of belonging
- Membership in group
- Love and affection
- Group participation

-Esteem or ego needs

- recognition and prestige
- confidence and leadership
- competence and success
- strength and intelligence

- Self-actualization needs

- Self fulfillment of potentials
- Doing things for the challenge of accomplishment
- Intellectual curiosity
- Creative and aesthetic appreciation

- Acceptance of reality

Therefore, the marketers' duty is to identify the unfilled needs of their product purchasers and tailor all activities towards fulfilling them.

Wants: - Wants are desires for specific satisfiers of needs. Human wants are continually shaped and reshaped by social forces and institutions including churches, schools, families and business cooperation.
Eg. A person needs food but wants spaghetti

Demands: - Demands are wants for specific products that are backed by ability and willingness to buy them. Wants become demand when supported by purchasing power. Companies must therefore measure not only how many people want their product but, more importantly how many would actually be willing and able to buy it.

1.3.2 Products (Goods, Services and Ideas)

People satisfy their needs and wants with products. A product is anything that can be offered to satisfy a need or want. Products broadly classify as tangibility and intangibility.

Tangible products (Goods) are those products, which can be seen, touched, felt etc.
Intangible products (services) are those products which can not be seen, touched, felt etc.
Further more, products could be classified as durability and use.

Durable products are those products which last longer and which require more time to make a purchase decision. Whereby consumers will compare on such basis as suitability, durability, after sales services, cost, features, etc.

Non-durable products: are those products which are consumed on a day-to-day basis and which does not require much time for purchases decision.

Products further more classified based upon use. On this classification we could find consumer goods and industrial goods.

Consumer goods are those goods, which are being use for consumption.
Industrial goods on the other hand are those goods, which are being, use to further produce another goods.
In general, a product can consists of as many as three components; physical goods, services, and ideas. The following concept is illustrated with the following example.

Example 1. A restaurant is supplying goods (foods, drinks, etc), services (cooking, seating, etc) and an idea (saves my time)

Example 2. A computer manufacturer supply goods (computer, monitor, printer), services (delivery, installation, training, maintenance etc) and an idea (computation power)

Example 3. A church offers more in the way of services sermons, singing, education, counseling) and ideas (community, salutation) etc.

1.3.3 Value, Cost, and Satisfaction

How do consumers choose among the many products that might satisfy their needs and wants?
The guiding concepts here are value and satisfaction.
Value is the consumer's estimate of the products overall capacity to satisfy his or her needs.
According to DeRose, value is "the satisfaction of customer requirement at the lowest cost of acquisition, ownership and use.

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

Satisfaction occurs when the product performance exceeded the customer expectation.
Therefore, in modern marketing era, the role of the marketer is to provide goods or services at attordable price by the consumer that meets its requirement and enhance the performance of the product to exceed the customers expectations.

1.3.4 Exchange and Transactions

People can obtain products in one of four ways. The first way is self-production. People can be relieve hunger through hunting, fishing or fruit gathering. In this case, there no market and no marketing. The second way is coercion (applying forces). Hungry people can wrest or steal food from others. The third way is begging. Hungry people can approach others and beg for food.

Marketing emerges when people decided to satisfy needs and wants through exchange.

Exchange is the act of obtaining a desired product from someone by offering something in return. For exchange potential to exist, the following conditions must be satisfied: -

1. There are at least two parties
2. Each party has something that might be of value to the other party
3. Each party is capable of communication and delivery
4. Each party is free to accept or reject the exchange offer
5. Each party believes it is appropriate or desirable to deal with the other party.

Transaction: - is the trade of values between two parties.
Eg. If Mr. A gives 'X' to Mr. B and receives Y in return, that is a transaction.

Eg. If Mr. A gave $400 to Mr. B and obtained a TV set. This is a classic monetary transaction.

Transaction however do not require money as one of the traded value. A barter transaction consists of the trading of goods or services for other goods or services is also possible.

A transaction involves several dimensions, at least two things of values, agreed upon conditions, a time of agreement, and a place of agreement. Usually a legal system arises to support and enforce compliance on the part of contract, people would approach transactions with save distrust, and everyone will lose.

1.3.5 Relationship and Networks

Transaction marketing is a part of a larger idea called 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. Smart marketers try to build up long term, trusting, win-win relationship with valued customers, distributors, dealers and suppliers. They accomplish this by promising and delivering high quality, good service, and fair prices to the other parties over time.

Relationship marketing results in strong economic technical and social ties among the parties.

The ultimate outcome of relationship marketing is the building of a unique company asset called a marketing network. A marketing network consists of the company and all of its supporting stockholders: customers, employees, supplies, distributors, retailers, and agencies, university scientists, and others with whom it has built mutually profitable business relationships. The operating principle is simple:

Build a good network of relationship with key stakeholders, and profit will follow.

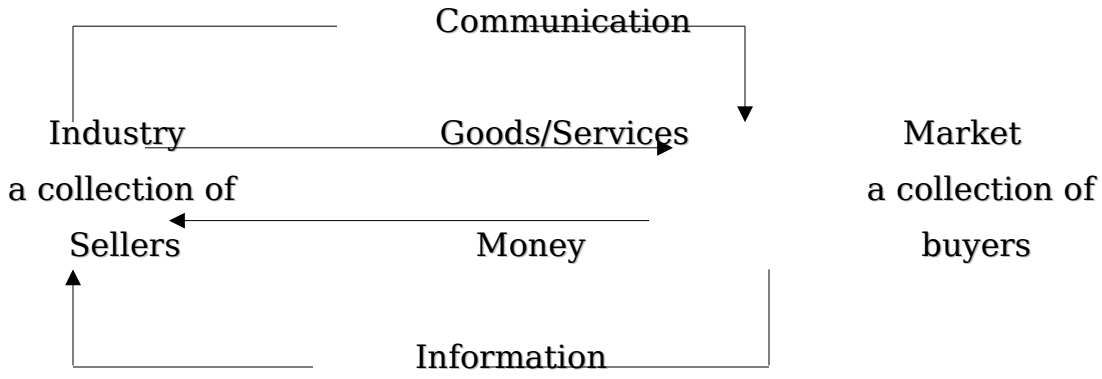
1.3.6 Market

The concept of exchange leads to the concept of a market.
A market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy their need or want.

Thus the size of the market depends on the number of people who exhibit the need or want, have resources that interest others, and are willing and able to offer these resources in exchange for what they want.

Traditionally, a market was the place where buyers and sellers gathered to exchange their goods. The seller and the buyer are connected by four Flows. The seller sends goods and services and communications (ads, direct mail and so forth) to the market; in return they receive money and information (attitudes, sales data, and so forth).

In the diagram below the inner loop shows an exchange of money for goods and services; the outer loop shows an exchange of information.



All modern economies are abound in markets. Essentially, manufactures go to resource markets (raw-material markets, labor markets, money marketers and so on), buy resources and turn them into goods and services and sell the finished products to intermediaries, who sell them to consumers. Consumers sell their labor, for which they receive money with, which they pay for the goods and services they buy. The government uses

tax revenues to buy goods from resources, manufacturer and intermediary markets and uses these goods and services to provide public services. Each nation's economy and the whole world economy consist of complex interacting sets of markets that are linked through exchange process.

1.3.7 Marketers and Prospect

The concept of market brings us full circle to the concept of marketing. Marketing means working units markets to actualize potential exchange for the purpose of satisfying human needs and wants.

When one party is more actively seeking an exchange than the other party, we call the first party a marketer and the second party a prospect.

A marketer is someone who is seeking one or more prospects who might engage in an exchange of values.

A prospect is someone whom the marketer identified as potentially willing and able to engage in an exchange of values.

The marketer can be a seller or a buyer. Suppose several people want to buy a house that has just become available. Each prospective buyer will try to market himself or herself to the seller. These buyers are actually doing the marketing.

In the normal situation, the marketer is a company serving a market in the face of competitors. The company and the competitors send their respective products and messages directly and /or through marketing intermediaries to end users. Their relative effectiveness is influenced by their respective suppliers as well as major environmental forces (demographic, economic, physical, technological, political /legal, social/cultural).

1.4 IMPORTANCE OF MARKETING

On the average, about 50 cents of each dollars we spend as consumers goes to cover marketing costs.

The money pays for designing the products to meet our needs, making products readily available when and where we want them, and informing us about producers. These activities add want satisfying ability or what is called utility, to products.

A customer purchases a product because it provides satisfaction. That something that makes a product capable of satisfying want is its utility. And it is through marketing that much of a products utility is created.

Then potential buyers must be informed about the products existence and the benefits is offers through various forms of promotion. The kinds of utility that marketing provides in the process are as follows: -

1. Form Utility: -

Form utility is associated primarily with production- the physical or chemical changes that makes a product more valuable. When limber is made into furniture, form utility is created. This is production, not marketing. However, marketing research may aid in decision making regarding product design, color, quantities produced, or some other aspect of a product. All of these things contribute to the product form utility.

2. Place Utility

Place utility exists when a product is readily accessible to potential customers. So physically moving the products to a store near the customers add to its value.

3. Time Utility

Time utility means having a product available when you want it. Having a product available when we want it is very convenient but it means that the retailer must anticipate our desires and maintain an inventory. Thus, there are costs involved in providing time utility.

4. Information Utility

Information utility is created by informing prospective buyers that a product exists. Unless you know a product exists and where you can get it, the product has no value. Advertising that describes a sales person answering a customer questions about the durability of a product creates information utility. Image utility is a special type of information utility. It is the emotional or psychological values that a person attaches to a product or brand because of its reputation or social standing.

5. Possession Utility

Possession utility is created when a customer buys the product-that is, ownership is transferred to the buyer.

Thus, for a person to consume and enjoy the product, a transaction must take place. This occurs when you exchange your money for a product.

1.5 MARKETING PHILOSOPHIES

Large-scale marketing activities in the world did not take shape until the industrial revolution is the latter part of the 1800s. Clearly, marketing activities should be carried out under a well-thought out philosophy of efficient, effective and socially responsible marketing. There are five competing concepts under which organizations can choose to conduct their marketing activities:

The production concepts: the product concept; the selling/sales concept; the marketing concept and the societal marketing concept.

1.5.1 The Production Concept

The production concept is one of the oldest concepts in business.

The production concept holds that consumers will favor products that are widely available and low in cost. Managers of production-oriented

organization concentrates on achieving high production efficiency and wide distribution.

The assumption that consumers are primarily interested in product availability and low price holds in at least two situations. The first is where the demand for a product exceeds supply, as in many developing countries. Here consumers are more interested in obtaining the product that in its fine points, and supplies will concentrate on finding ways to increase production.

The second situation is where the product's cost is high and has to decreased to expand the market.

1.5.2 The Product Concept

Other businesses are guided by the product concept.
The product concept holds that consumers will favor those products that offer the most quality, performance or innovative features. Managers in product oriented organization focus their energy on making superior products and improving them over time.

Under the concept, mangers assume that buyers admire well-made products and can appraise product quality and performance.

Product-oriented companies often design their products with little or no customer input. They trust that their engineers will know how to design or improve the product.

1.5.3 The Selling Concept/sales Concept

The selling concept (or sales concept) is another common approach
The selling concept holds that consumers, if left alone, will ordinarily not buy enough of the organization product. The organization must therefore undertake an aggressive selling and promotion effort.

This concept assumes that consumers typically show buying inertia or resistance and must be coaxed into buying. It also assumes that the company has made available a whole battery of effective selling and promotion tools to stimulate more buying.

The selling concept is practiced more aggressively with unsought goods, those goods that buyers normally do not think of buying, such as insurance, encyclopedia, and funeral plots.

Most firms practice the selling concept when they have over capacity. Their aim is to sell what they make rather than make what the market wants.

Therefore, people are surprised whet they are told that the most important part of marketing is not selling; selling is only the tip of marketing iceberg.

1.5.4 The Marketing Concept

The marketing concept is a business philosophy that challenges the three concepts we just discussed. Its central tents crystallized in the mid 1950s.

The marketing concept holds that the key to achieving organizational goals consists of being more effective than competitors in integrating marketing activities toward determining and satisfying the needs and wants of target markets.

The marketing concept has been expressed in many colorful ways:

> “Meeting needs profitably
>
> “Find wants and fill them
>
> “Love the customers, not the product etc.

The marketing concept rests on four pillars: target market, customer needs, integrated marketing, and profitability. The marketing concept takes an outside –in perspective. It starts with a well defined market, focuses on customers’ needs, integrates all the activities that will affect customers, and

produces profit by satisfying consumers. A brief discussion of the following concept is as indicated below.

1. Target market: -

No company can operate in every market and satisfy every market and every need. Nor can it always do a good job in this one broad market: even Microsoft cannot offer the best solution for every information processing need. Companies do best when they define their target market(s) carefully and prepare a tailored marketing program.

2. Customer Needs: -

A company can define its target market but fail to fully understand the customer's needs. Although marketing is about meeting needs profitably, understanding customer needs and wants is not always a simple task.

Consider the customer who says he wants an "inexpensive" car. The market must probe further we can distinguish among five types of needs.

1. Stated Needs (the customer wants an inexpensive car)
2. Real Needs (the customers wants a car whose operating costs, not its initial price is, low)
3. Unstated Needs (the customer expects goods service from dealer)
4. Delight Needs (the customer buys the car and receives a complimentary)
5. Secret Needs (the customer wants to be seen by friends as a value oriented consumer)

Customer oriented thinking requires the company to define customer needs from the customer's point of view. Every buying decision involves trade-offs, and management cannot know what these are without researching customers.

In general, a company can respond to customers request by giving customers what they want, or what they need, or what they really need. The

key to professional marketing is to understand their customer real needs and meet them better than any other competitor can.

Because, a highly satisfied customer

- Stays loyal longer
- Buys more as the company introduces new products and upgrades existing producers.
- Talks favorably about the company and its products
- Pays less attention to competing brands and advertising and is less sensitive to price
- Offers product ideas to the company
- Costs less to serve than new customers because transactions are raised.

Integrated marketing: When all the company's departments' work together to serve the customer's interest, the result is integrated marketing. Unfortunately, not all employees are trained and motivated to work for the customer. An engineer complained that the sales people were "always protecting the customer and not thinking of the company's interest".

Integrated marketing takes place on two levels: First the various marketing functions-sales force, advertising, product management, marketing research, and so on- must work together. Too often the sales force is made at the product managers for setting "too high a price" or "too high a volume target", or the advertising director and a brand manager cannot agree on advertising campaign.

All these marketing functions must be coordinated from the customer's point of view.

4. Profitability

The ultimate purpose of the marketing concept is to help organizations achieve their goals. In the case of private firms, the major goal is profit. In the case of non-profit and public organizations, it is surviving and attracting enough funds to perform their work. In for-profit organizations, the key is not to aim for profits as such but to achieve them as the by-product of doing the job well.

1.5.5 The Societal Marketing Concept

The societal marketing concept holds that the organization should determine the needs, wants and interests of target markets. It should then deliver the desired satisfactions more effectively and efficiently than competitors in a way that maintains or improves the consumers and the society's well-being.

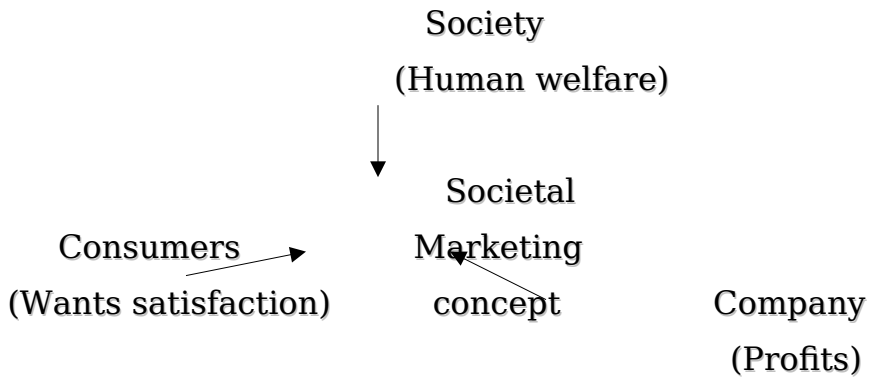
The societal marketing concept holds that the organization's task is to determine the needs, want, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumers and the society's well being.

The societal marketing concept questions whether the pure marketing concept is adequate in an age of environmental problems, resource shortages, rapid population growth, world wide economic problems, and neglected social services. It asks if the firm that senses, serves and satisfies individual wants is always doing what's best for consumers and society in the long run. According to the societal marketing concept, the pure marketing concept overlooks possible conflicts between short-run consumer wants and long run consumer welfare.

The selling and marketing concept contrasted

	Starting Point	***Focus***	***Means***	***Ends***
Selling	Existing Factory	Selling products	Selling and promoting	Profits through sales volume
Marketing	Market needs	Customer	Integrated marketing	Profit through customer satisfaction

Three considerations underlying the societal marketing concept.



Check Your Progress Exercise

1. Define the term marketing? And explain the core concepts of marketing?

   .....

   .....

2. Identify and explain briefly the marketing philosophies?

   .....

   .....

3. Identify at least three distinction between marketing and selling.

   .....

   .....

4. Discuss the importance of marketing?

   .....

   .....

1.7 SUMMARY

Business firms and non-profit organization engage in marketing. Products marketed include goods as well as services, ideas, people and places.

Marketing activities are targeted at markets, consisting of product purchases and also individuals and groups that influence the success of an organization.

The foundation of marketing is exchange, in which one party provides to another party something of value is return for something else of value. In a broad sense, marketing consists of all activities designed to generate or facilitate an exchange intended to satisfy human needs.

In a business context, marketing is the total system of business activities designed to plan, price, promote, and distribute want satisfying products to target markets to achieve organizational objectives. Also, it is a social and managerial process by which an individual obtain what they need and want through creating, offering and exchanging of product of values with other.

A business philosophy called the marketing concept developed to aid companies with supply capabilities that exceed consumer demand. According to a marketing concept, a firm is best able to achieve its performance objectives by adopting a customer orientation and coordinating all of its marketing activities. More recently, the societal marketing concept has been proposed as a philosophy by which a company can satisfy its customers and at the same thing fulfill its social responsibility.

Marketing activities have undergone a series of successive stages. The evolution starts with a production orientation, passed through a product orientation followed by a sales orientation, then to marketing orientation and societal orientation stage.

The main difference between marketing and selling is that is **selling** the emphasis is on the product; **in marketing** the emphasis is on customer's wants.

1.8 ANSWER KEY TO CHECK YOUR PROGRESS EXERCISE

1. Refer to sections 1.2 and 1.3
2. Refer to section 1.5
3. Refer to sections 1.5.1 to 1.5.5
4. Refer to section 1.4

1.9 REVIEW QUESTIONS

Part I – Say True of False

1. Market is a specific area where the **buyers** and **sellers** meet for a potential exchange.
2. One of the conditions for an exchange to exist is there should be an implied coercion.

3. Wants are **desires** for specific satisfies of needs
4. Products a broadly classified as **tangibility** and **intangibility.**
5. One of the distinction between marketing and selling is the former is profit oriented while the latter is sales volume oriented.
6. A transaction may be an exchange with some consideration
7. Computation power can be considered as a product.
8. In the marketing concept the aim of the producer is to sell what they make rather than making what the market wants
9. Companies and customers always benefited when products are designed with advanced features.
10. **Needs** are the specific satisfiers of **wants**

Part II- Fill in the blanks

1. _____ is the act of obtaining a desire product
2. _____ is the ultimate outcome of transaction marketing
3. _____ arises when the product performance exceeds customer's expectation
4. _____ arises out of biogenic and psychogenic imbalances
5. _____ is the customer expectation of a product performance
6. _____ is the specific products that are backed by ability and willingness to buy
   them
7. _____ is the state of deprivation for some basic satisfaction
8. _____ a person seeking for an exchange to take place
9. _____ is a person to whom an often and exchange is forwarded
10. _____ is anything that can be offered to satisfy a human needs or wants.