

# Marketing

By: Ankita Aggarwal

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# Sample Preview of The Chapter

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# MARKETING

## BASIC CONCEPTS OF MARKETING

1

### Nature and Scope of Marketing

#### INTRODUCTION

Marketing is a systematic design of business activities for planning, pricing, distributing or promoting a good or service to the target market. American Marketing Association defines it as “Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user”. Business organisations conduct their marketing activities under five marketing concepts. These concepts are based on the philosophy of the company to decide, whether the interest is society or customers. Marketing has evolved out of these concepts. During the late 80s in the initial stages of Industrial Revolution, there was no competition and producers believed in production concept, which means, consumers prefer inexpensive and widely available products. So major emphasis was on high production efficiency. But as more companies came in, product concept emerged where companies started to improve their product features. Later in 1920’s selling concept came into being, where producers believed in aggressive selling and promotion of a product or service to sell their products. And as the competition increased, producers started realizing the value of customer and customer satisfaction. Companies started analyzing what customer need or want and the main idea was to satisfy customers and maximize profits.

Customer is considered as a king. Many people think selling and marketing as the same thing. But a successful manager should know the difference between them. Selling is to sell what producer produces, not what a customer wants. Whereas marketing is satisfying customers by the means of product. Selling aims at sales maximization. Marketing aims at profit maximization. Marketing is a vital activity of a business process. It holds an important place in the enterprise as it helps to increase sale and earn revenue. It helps to create utilities of time, place and possession. It increases per capita income and raises the standard of living. It ensures the better services to the consumer and creates employment in the field of marketing. Marketing in a developed economy gets the advantage of the matured marketing system. Due to lack of effective competition, seller’s domination in the market, low income groups, lack of knowledge and less supporting services. Marketing involves four basic activities-product, pricing, physical distribution and promotion. Combining these four activities in the right proportion to achieve the target goal is known as marketing mix. These basic elements are the four P’s of the marketing mix. If the company is unable to design an effective marketing mix, it will not be able to succeed and achieve its marketing goals.

**CHECK YOUR PROGRESS**

**Q. 1. Distinguish between production concept and product concept.**

**Ans.**

<i>Production Concept</i>	<i>Product Concept</i>
<ul style="list-style-type: none"> <li>■ Belief Consumer prefers inexpensive and widely available products.</li> <li>■ Concentration on high product efficiency, mass distribution and low cost.</li> <li>■ This concept can be used in developing countries where customers are more interested in products and not in its features.</li> </ul>	<ul style="list-style-type: none"> <li>■ Consumer prefers high quality, performance and innovative features.</li> <li>■ Focus on product and its improvement.</li> <li>■ Product and its features are kept in concern and not the customer expectations.</li> </ul>

**Q. 2. Distinguish between selling concept and marketing concept.**

**Ans.**

<i>Selling Concept</i>	<i>Marketing Concept</i>
<ul style="list-style-type: none"> <li>■ Producers believe in aggressive selling and promotion of the product.</li> <li>■ Concentration is on seller's need.</li> <li>■ Seller is considered to be the king.</li> <li>■ Aim is to sell what they make, not what customer wants.</li> <li>■ Sales Maximization.</li> <li>■ View customers as the last link in the business.</li> </ul> <p><b>Starting Point:</b> Factory</p> <p><b>Means:</b> Selling and promotion</p> <p><b>Focus:</b> Product</p> <p><b>Ends:</b> Profits through sales volume</p>	<ul style="list-style-type: none"> <li>■ Producers believe in providing goods and services as per customer needs and wants.</li> <li>■ Concentration is on buyer's need.</li> <li>■ Customer is the king.</li> <li>■ Main idea is to satisfy customer by the means of product.</li> <li>■ Profit maximization.</li> <li>■ Think customer and Act customer</li> <li>■ Target market</li> <li>■ Integrated marketing</li> <li>■ Customer needs</li> <li>■ Profits through customer satisfaction</li> </ul>

**Q. 3. Distinguish between marketing concept and societal concept.**

**Ans.**

<i>Marketing Concept</i>	<i>Societal Concept</i>
<ul style="list-style-type: none"> <li>■ Producers believe in providing goods and services as per customer needs and wants.</li> <li>■ Concept implies only on consumer satisfaction</li> <li>■ It helps to maximize profit.</li> <li>■ Think customer, act customer.</li> </ul>	<ul style="list-style-type: none"> <li>■ It is also known as humanistic marketing and ecological marketing.</li> <li>■ Concept implies on customer satisfaction and societal welfare.</li> <li>■ It helps the business to build good image.</li> <li>■ Along with customers, also keep the society in concern.</li> </ul>

**Q. 4. What are the four Ps of marketing?**

**Ans.** The four Ps of marketing are:

- Product
- Price
- Physical Distribution
- Place

The four Ps are together called Marketing mix:

**Product:** Any good or service that an organisation offers to the customer. It keeps in concern the product features, quality, design, style, packaging, branding etc.

**Price:** Amount paid by the buyer for the value of the product. Price of the product has to be reasonable, keeping in mind the cost of production, profit margins etc.

**Physical Distribution:** involves the distribution of product via distribution channels, that a product go through to reach the customers. It includes channels, transport, warehouses, coverage, location etc.

**Promotion:** Persuading customers to purchase the product or service by marketing and advertising measures.

**Q. 5. State the distinction between selling and marketing.**

**Ans.** Selling emphasises on the needs of seller not buyer. So the aim is to sell what a seller produces not what a customer wants, whereas, marketing emphasises on the needs of the customers, and its aim is to satisfy the customers. Selling concentrates on seller's needs, whereas marketing concentrates on buyer's needs.

Selling views customer as the last link, it produces the product first and then decides to sell the product, whereas marketing view the customers as the first link, it identifies the customer's needs and wants and then produces the product that can satisfy them. Selling considers seller as the king and marketing considers customer as the king. Selling emphasises on sales. Maximization and marketing emphasis on profit maximization. Many managers think that selling and marketing are similar terms, but they are considerably different from each other

**TERMINAL QUESTIONS**

**Q. 1. Define marketing and explain its implications. Explain how marketing is different from selling.**

**Ans. Marketing:** American Marketing Association offers the following formal definition. Marketing is an organisational function and a set of processes for creating, communicating and delivering value of customers and for managing customer relationship in ways that benefit the organisation and its stake holders. Marketing is understanding the customer's needs, wants and interests and serve them in such a way that it helps the organisation to use the resources optimally and sell their products profitably.

Main idea is to satisfy customer and win customer loyalty to meet the objective of profit maximization.

<i>Starting Point</i>	Target Market
	↓
<i>Focus</i>	Customer needs
	↓
<i>Means</i>	Integrated marketing
	↓
<i>Ends</i>	Profits through customer satisfaction

**Q. 2. What are the marketing concepts? Explain the process of evolution of these concepts.**

**Ans. Marketing Concepts:** Philosophy of the company, to decide the interest of organisation is customer or society. There are various concepts under marketing activity:

- (1) The Production concept
- (2) The Product concept

- (3) The Selling concept
- (4) The Marketing concept
- (5) The Societal concept

These concepts were evolved as the result of technological advancement, improvement in communication and transport facilities, economic conditions and growing population..

Production concepts emerged during the initial stages of industrial revolution, where producers believed in production efficiency, low cost and mass distribution. But as the competition increased, producers were finding it difficult to sell their product. Then came the product concept where producers started to concentrate on improving the product and selling concept where producers use aggressive selling methods to sell their product. The major flow of the concept was, it did not take the consumers's needs and wants into consideration. Then came into being the marketing concepts. And now it plays a very important role in every organisation.

**Procter and Gamble (P&G)**

**Our Purpose:** we will provide branded products and services of superior quality and value, that improve the lives of the world's consumers. As a result, consumers will reward us with leadership sales, profit, and value creation, allowing our people, our shareholders, and the communities in which we live and work to prosper.

**Our Values**

**P& G is its people and the values by which we live:** We attract and recruit the finest people in the world. We build our organisation from within, promoting and rewarding people without regard to any difference unrelated to performance. We act on the conviction that the men and women of Procter & Gamble will always be our most important asset

**Leadership:** We are all leaders in our area of responsibility, with a deep commitment to deliver leadership results.

We have a clear vision of where we are going.

We focus our resources to achieve leadership objectives and strategies. We develop the capability to deliver our strategies and eliminate organisational barriers.

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**Integrity:** We always try to do the right thing.

We are honest and straightforward with each other.

We operate within the letter and spirit of the law.

We uphold the values and principles of P&G in every action and decision.

We are data-based and intellectually honest in advocating proposals, including recognizing risks

**Trust:** We respect our P&G colleagues, customers, and consumers, and treat them as we want to be treated.

We have confidence in each other's capabilities and intentions.

We believe that people work best when there is a foundation of trust.

**Ownership:** We accept personal accountability to meet our business needs, improve our systems, and help others improve their effectiveness.

We all act like owners, treating the Company's assets as our own and behaving with the Company's long term success in mind.

**Q. 3. Describe the profile of a company which has adopted the marketing concept.**

**Ans. Passion for Winning**

- We are determined to be the best at doing what matters most.
- We have a healthy dissatisfaction with the status quo.
- We have a compelling desire to improve and win in the marketplace.

**Principles**

- We are strategically focused in our work.
- We show respect for all individuals.
- The interests of the company and the individual are inseparable.
- Innovation is the cornerstone of our success.
- We are externally focused.
- We seek to be the best.
- Mutual interdependency is a way to life.

We work together with confidence and trust across business units, functions, categories, and geographies.

We take pride in results from reapplying others' ideas.

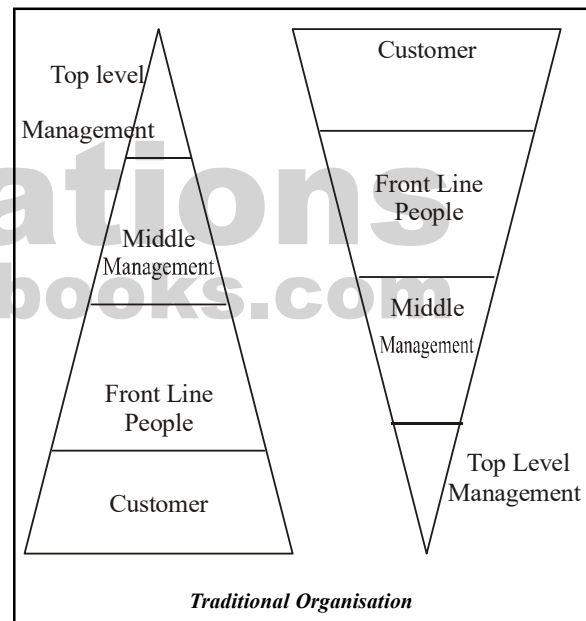
We build superior relationships with all the parties who contribute to fulfilling our Corporate Purpose, including our customers, suppliers, universities, and governments.

**P&G Diversity:** P&G named among 40 best companies for diversity.

For the second year in a row, P&G has been recognized by Black Enterprise magazine as one of the 40 Best Companies for Diversity. The Black Enterprise annual list is compiled by identifying companies which have demonstrated significant representation of African Americans and other ethnic minorities in four key areas: corporate procurement, corporate board participation, senior management, representation and total workforce.

**Q. 4. What is consumer's place in modern marketing?**

**Ans.** In the modern marketing, the customer is the king. The main idea of the marketer is to understand the needs and wants of the customer and satisfy them. All the activities revolve around customer and he is kept in the centre. Marketers now believe that no company can be successful without satisfying customers.



(Source: Marketing Management, Philip Kotler Kevin Lane Keller P. 132)

Managers now believe in customer-oriented approach to earn profit and gain goodwill. The value of customers is taken into consideration to gain legal customers. They say "Think customer and act customer".