
UNIT: - I BASIC CONCEPTS IN MARKETING MANAGEMENT

STRUCTURE

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1.0 Introduction to Marketing

Marketing is an ancient art and has, since the day of Adam and Eve, been practiced in one form or the other. In the modern world, Marketing is everywhere; most of the task we do and most of the things we handle are linked to marketing. Marketing is an activity. Marketing activities and strategies result in making products available that satisfy customers while making profits for the companies that offer those products. Your morning tea, your newspaper, your breakfast, the dress you put on for the day, the vehicle you drive, the mobile in your pocket, the quick lunch you have at the fast food joint, the PC at your desk, your internet connection, your e-mail ID almost everything that you use and everything that is around you, has been touched by marketing. Marketing has its imprint on them all depending on the product and the context/experience the imprint may be visible or subtle. But it is very much there. Marketing permeates most of your daily activities. Marketing is an omnipresent entity.

1.0.1 Learning Objectives

- **To understand the concept of Marketing in the present era**
- **Define marketing and the utility it creates for the customers**
- **Trace the origin of marketing and explain how it has evolved during the years**
- **To understand the Role of Marketing and the strategic marketing planning**
- **To understand different approaches of market**
- **To able to differentiate between selling and marketing**

1.0.2 Meaning of Market and Marketing

A market is any such person, group or organization which has existing or potential exchange relationship. It starts with customers and ends with customers. Creation of superior customer value and delivering high levels of customer satisfaction are at the heart of present day marketing. Companies today, needs to understand customer needs, study completion, develop and offer superior value at reasonable price, and make the product available to customer at convenient place. Only then their products will be in demand and sell consistently.

Marketing deals with customers. It is delivery of customer satisfaction at a profit. The twofold goal of marketing is to attract new customers by promising superior value and to keep current customers by delivering satisfaction.

1.1 Definition of Marketing

1.1.1 Market

The concept of market has undergone significant changes over the years, commensurate with the changes in the structure and scope of markets.

Kotler (1) defined market as

“A set of all actual and potential buyers of a product.”

This definition implies that wherever there is a buyer of a product or service, there is a market. It succeeded in changing the view that market is a place. Further this definition also indicates that market refers to the existence of buyers of a product or service, that when these things get exchanged, the marketing process commences.

Kohl's and Uhl (2) characterized market as

“an arena, wherein all buyers and sellers were highly sensitive to each other's transactions, and where what one did affected the other.”

This concept of market focuses on a situation where all buyers and sellers would be able to communicate with one another; they would also be capable, of exchanging products with each other. It could also be inferred from the definition that buyer-seller interaction is crucial to market.

According to Cochrane (3)

“a market is some sphere or space, where certain physical and institutional arrangements could be seen, and the forces of demand and supply are at work to determine prices with a view of transferring the ownership of some quantity of good or service.”

This definition brings to light that the exchange takes place in a market for a consideration, i.e., price. Apart from that, the exchange takes place with certain physical and institutional structure, there by the role of various facilities required to facilitate transfer of ownership are indicated.

1.1.2 MARKETING

Marketing refers to the various groups of activities that take place in a market. These activities are either planned or spontaneous. For example, production, assembling, distribution and storage could be planned, consumption is often spontaneous.

The American Marketing association (4) defined marketing as

“Market is an organizational function and a set of process for creating, communicating value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.”

According to Dahl and Hammond (5)

the purpose of production, assembling, storage, and transportation was consumption. All these steps from production to ultimate consumption were included in the term marketing. Hence, marketing is a set of activities without which what is produced cannot reach the ultimate consumer. Hence it might be said that the importance of these activities is the study of marketing.

Kotler (6) says

“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.”

To him, to define a marketing situation there should be two or are parties with potential interest, capable of communicating with each other and each possessing things of value to the other. From this definition is could be noted that marketing consists of a number of facilitating activities.

Often marketing is confused with selling. To clarify this, Kaddar's (7) distinction between the selling and marketing.

Selling is the process by which the salesman tries to dispose of the product at the best possible price. Marketing is much ore comprehensive and aims at maximizing the returns to the producer, at an affordable price to the consumer. Marketing starts with production and ends with the customer finally purchasing the product. Kaddar's definition is very clear in pointing out that selling is just one activity in the marketing chain of activities.

Pyle's (8) view of marketing was

That phase of business activity through which human wants were satisfied by the exchange of goods or services for valuable consideration usually money or its equivalent.

According to Philips (9)

Marketing was all the activities necessary to place tangible goods in the hands of the customer and includes only such activities as would involve a charge in the form of the goods. This definition is narrow in the sense that it excludes creation of place and time utility and such efforts as to inform the prospective buyers to motivate them.

When marketing is viewed as a process of moving goods and transferring rights of ownership with or without changes in the physical form of product, it involves several functions relating production to consumption.

Irwin (10)

Classified the marketing functions into tangible and intangible functions. Tangible functions included mainly the transporting, processing, storing and grading of products while intangible functions were those connected with transfer of ownership, financing, risk taking and guiding products to consumers in place, form and time.

Memoria and Joshi (11) defined marking as

business functions, which we most directly concerned with demand stimulation and demand fulfilling activities of the business enterprise.

According to abbot and Makeham (12)

Marketing meant different things to different people; to the housewife it meant shopping for food; to the farmer it means the sale of his product; and to the fertilizer distributor it meant the selling to the farmer.

In short, marketing would include all the activities performed from the stage of production to ultimate consumption. In other words it refers to functions of marketing viz., assembling, warehousing, grading, barding, packing, labeling, distribution, selling and servicing

1.2 Evolution of Marketing

Marketing is as old as human civilization. Even in the earliest stage of human civilization exchange was taking place, though, without any consideration. The evidence of this could be noted from the anthropological studies. The number of excavations that have taken place around the world has also confirmed this. However in those days, the exchange was not so well organized or structured. This was because, there was very little surplus and efforts to create surplus was not even realized. When groups of human beings started living in batches, there arose the need for exchange within the group or among the groups. Historical evidence indicated that this took place in a very crude barter term. This was the earliest seed for modern marketing.

Another convincing evidence is the number of ancient literatures of Indian origin. All of them referred to the classification of the society in to four groups viz., Brahmins, shathriyas, vasyas and sudras. Of these four groups, was mainly indulging in exchange activities. They were governed by ethical practices and considered it as sin to violate such practices.

As years rolled, the approach to marketing also changed. From a stage of household exchange of goods and services, exchange started taking place between families and households. Such an exchange always took place through barter system. But when exchange took place between different groups in the society, the need for a medium of exchange was felt. Originally stones were used which was replaced by anything which commanded social respect was accepted. But in due course, precious metals like gold and silver were used as a medium. It is interesting to note that till very recently, the value of many was linked to the value of gold. When man invented money, exchange became very smooth devoid of all the problems associated with the barter exchange system. While exchange was getting perfected, the world started looking at marketing in different ways.

Till the mid 1940's it was thought that the producers should produce what is possible and then make efforts to sell what is produced. In this approach, marketing was viewed from producers/sellers side. But this was proved to be a fatal mistake by Levitt through his historic article. Levitt brought sense to the world of marketing. He proved that *market should be facing customer rather than the customer facing the market*. In other words, manufacturers should contently look at the market to capture signals and translate that into acceptable products or services. Hence, marketing became customer focused and

customer centered. So the approach now turned out to be *'Produce what the consumers want'*. This automatically made every producer to identify his consumer and study his requirements so that what is produced is what is wanted.

1.3 Marketing Concepts

Marketing concept has undergone a great change over the period. The different stages of change are explained below.

1. PRODUCTION CONCEPT OF MARKETING

This is the oldest concept of marketing. It emphasizes that consumers will favour those products that are available and highly affordable and therefore management should focus on improving production and distribution activities.

This holds good when

- i. the demand for a products exceeds the supply and
- ii. the product cost is high.

To overcome the problem of cost, production should take place in large scale to meet the demand. At the same time, price should also be addressed so that by making available large quantity, buyer who wants to buy the product would be able to buy. But there are occasions when the product is not attractive, even at low price, the buyers may not buy the product.

2. PRODUCT CONCEPT OF MARKETING

This concept believed that the consumers will favour those products that offer the best quality, performance and features and therefore the organization should devote its energy to making continuous product improvements. This concept implies that there is no effort required for marketing a product, as long as the product is good and its price is reasonable. This concept remained as an important guideline for the manufacturers for quite a long time. But when considering the reality, it could easily be proved that this concept is not true. A producer may feel that he should come up with a good quality product, while the consumers may look for better solution to a problem. FOR EXAMPLE, colleges may feel that the high school students want a liberal arts education, failing to note that the preference is for vocational education. Hospitals may feel that patients want fast cure but patients may be looking for permanent remedy. The consumers may not be aware of the product features and qualities unless a vigorous selling effort is made by the producers. Further, now a days every manufacture has a separate research and development section to facilitate continuous product improvement. For example, from a

stage of ordinary washing soap, continuous research has brought us the detergent powder easy to use. But this concept of marketing would expect a well organized promotional drive to make the product a success.

3. SELLING CONCEPT OF MARKETING

In this concept the importance of sales efforts to be undertaken to make the consumers buy the products which otherwise will remain unsold. So every organization has to make substantial selling and promotional effort to push the sales of its product. Even the best product cannot have desired sales without the help of sales promotion and aggressive salesmanship. This concept points out that goods are not bought but they have to be sold through organized advertisement and sales promotion efforts. FOR EXAMPLE, goods like automobiles are not readily bought by the consumers and they have to be sold only through promotional effort. Hence, the producers have to develop effective promotional effort. Hence, the producers have to develop effective promotional programmes to sell the products. Even in the case of election, several political parties attempt to project their candidates by using various promotional efforts. While, there is nothing illogical about this approach, yes, producer might have to conceal the flaws in the product and hard sell the product. Hence, more often than not, the consumers regret their decision after purchasing the product. Even if they try to force the producers to compensate the loss, it might not be forthcoming.

4. PROFIT CONCEPT OF MARKETING

According to profit concept of marketing, there is a necessity for the marketing function to generate profit for the organization. But it is the production activities which would determine the cost of manufacturing and so profit generation becomes the ultimate responsibility of the marketing function. For this purpose, the marketing personnel have to identify the right product and take it to the right people at the right time at right price through the right channel and with right promotion. This would indicate the extent to which the marketing function has to ensure profit realization for a firm. This in turn will force the production function to minimize its cost of production so that marketing function can try to optimize its activities by maximizing profit at minimum cost. On its part, the production department has to protect its own interest. So now a days, the production department would sell the product to marketing at a price befitting its cost of production and a market quantum of profit. In turn, the marketing would determine a price with which it would be able to generate profit and also meet its promotional expenses. Hence this concept of marketing underscores the need to minimize cost at every level, so that at every level every function can earn profit.

5. MODERN MARKETING CONCEPT

The modern marketing concept revolves around customer. It focuses on the ultimate customer and undertakes to meet his requirements in full. For this the organization has to correctly understand the customer requirement and deliver the desired products more effectively and efficiently than the competitors.

Hence a major shift took place in emphasis from product to customer. This has led to the manufacturers accept the philosophy, manufacturer is following the old approach, [manufacturing what he can], then he would be out of business in no time. The modern concept is built in recognition of consumers' sovereignty and so it helps every organization to maximise customer satisfaction and profit. It is this realization of the need to study customer want that very detailed research efforts are made to study and analyze consumer behavior. Similarly marketing information system has become a significant method of receiving valuable inputs about consumers' wants and needs. Based on this approach, every manufacturer has to redefine his production decision from design to delivery. A constant study of the change in consumer's behavior has become a necessity to remain in business. The unique selling proposition is developed on the basis of customer's reaction to various product features. Further, every manufacturer and marketing personnel tries to exceed customer expectations so as to win the customer from the competition. Customer complaints are given utmost respect and importance and the business consider the customer complaints as the best input for product improvement.

'A compiling customer is seen as the contributing customer.' Hence the modern marketing concept has changed the market for almost every product from seller's market' to 'buyer's market. At the same time, it should be noted that the tall claim that every organization tries to meet the customer expectations in full, is proved to be true on paper than in practice.

6. SOCIAL MARKETING CONCEPT

This philosophy of marketing underlines the importance of marketing activities to support and ensure social well-being. Marketing should determine the needs, wants and interests of target markets and deliver the desired satisfaction effectively. Only through this marketing can keep the competitors at bay. This broadened role of marketing is prescribed for marketing as in modern days, a number of products and services hasten environmental pollution, scarcity and inflation.

FOR EXAMPLE, excessive use of ground water resources to produce mineral water and earn money will result in faster depletion of water source. Similarly, use of harmful ingredients in product manufacturing/process, would cause irreparable damage to human beings. Further questionable business practices and unethical actions would bring about a severely damaged social fabric. Another important example is the Bhopal gas tragedy. Years have rolled without little efforts to uplift the victims. Profit maximizing efforts have only helped a small segment of the community and caused impoverishment of the community. Hence, in these days, marketing concept emphasizes that every organization should consciously explore the scope for it to contribute to the social-well being. When firms have started adopting this approach, not only they could substantially increase their sales, the society also benefited from this. Social marketing concept therefore aims at enabling consumers to get maximum satisfaction and contribute to their quality of life, designing product with consumer's interest as an input and ensuring all marketing efforts to have consumer as the focal point.

1.4 Role of Marketing

According to Mc Carthy, an effective macro market system is a necessary ingredient for economic development. To Peter Drucker, marketing may be the key to growth in less developed nations. Marketing can enable fuller utilization of resources and facilitates integration of countries and continents. For Nurkse marketing carries with it the solution to break through the vicious circle of poverty in every country. Hence, in every developing and less developed country efforts should be made to reorganize the marketing system.

It is well known that producers and consumers are separated from each other on several counts. Marketing should enable removing these separations. This could be understood by analyzing Mc Carthy's view point.

1. **Spatial separation:** This refers to the geographical separation between the producers and consumers. Producers have several compelling reasons to locate their operations in a particular place. But the consumers are wide spread. This separation could be avoided with a well knit logistic function. That is, by ensuring that the products reach the consumers at the right time, at right price in right shape and at right place. Simply this means if marketing can ensure time utility, place utility and form utility through its performance, then the spatial separation would disappear.
2. **Separation in time:** One of the basic functions of producers is to determine the time when the product/service is required by the consumers. If it does not reach the consumer at the time of need, it loses its appeal to consumers. Generally producers overcome this problem by using various rigorous forecasting and estimation techniques. Similarly by a well-planned inventory management, producers can easily manage demand and supply.
3. **Separation of information:** Most of the ills in marketing are caused by lack of information. Marketing information could be relating to various aspects like, product functioning or use, availability, price, etc. It is always said that the basic reason for market imperfection is deliberate information lack out. Selective information sharing is viewed as a marketing tactic. The more the consumers are ignorant the more the producer benefits. Hence if marketing ensures flow of relevant and useful information to the consumers at the right time, it would help to narrow the separation of intended of benefits and realized benefits.

- 4. Separation in values:** One of the major role performed by marketing is to enable both the producers and the consumers to determine the value of the product/service. Normally producers to would determine the price of the product/service based on their cost of production. Consumers would consider price payable with the economic utility conferred by the product/service and their own capability to pay. If the interests of these two groups should be served, then marketing alone can achieve this. It has the demand forces and supply forces to interact and determine the true value of a product/service. This way both the seller and the buyer stand to gain.
- 5. Separation of ownership:** The basic requirement for exchange to take place is the transfer of ownership from the seller to the buyer. Sellers would transfer their ownership for a consideration and the buyers would get their ownership for a consideration. When the consideration in question is acceptable to both the parties, exchange is facilitated. Hence, it is marketing which can facilitate legal transfer of ownership for a consideration from the sellers to buyers. This is because producers do not want to retain the ownership of goods they produce and consumers want to get the ownership of goods before consuming the product or service.
- 6. Discrepancies of quantity:** It is well known that producer's objective is to minimize cost and maximize production. That is unless there is scale economy; producers would not be able to optimize their operations. On the other hand, consumers always require the product/service in convenient small quantity. This makes it imperative that marketing should provide efficient warehousing and storage system so that both producers and consumers would achieve their objectives.
- 7. Discrepancies of assortment:** A fundamental function of marketing is grading and standardization. Through this, marketing can enable the consumers to get the product of his choice and the producers would confine to manufacturing the grade or standard that they are capable of. FOR EXAMPLE, local manufacturers would build the features in their products to fulfill the expectations of the consumers in the locality, while a country level producer has to meet the requirements and aspirations of multitude of consumers with varying preferences. Some time, the manufacturers would have two brands one for the locality and the other for the country as a whole. Therefore, it is marketing which can give indications of consumer's preference and choice with which the producers would be able to plan and produce the product/service meeting such preferences/choice of the consumers.

Economy as explained by Mamoria and Joshi could be discussed to appreciate the contribution of marketing in modern economy. These are explained below.

1. Improvement in marketing efficiency brings about reduction in distribution cost, which could help to reduce the price. This in turn, would add to the national income.
2. When the marketing cost declines, the society stands to gain as product/service will be available at a cheaper price adding to the social well-being.
3. It is marketing which brings together the producers and consumers thereby facilitating both to share the common benefits in terms of new varieties and quality goods.
4. With widening of market, the employment potential of the country would also widen.
5. Scientific marketing contributes by eliminating unfair trade practices and stabilizing the price level.
6. Productive efficiency would increase, as marketing would ensure optimum allocation of resources.
7. Artificial scarcity would be avoided when marketing forces are allowed to operate.
8. Time and place utility of a product are achieved only through marketing.
9. Value addition to services takes place with marketing. For example, when a wholesaler or retailer performs his function, the product moves from the production end to consumption end. This is certainly a value addition to the service.
10. Pattern of consumption is determined other by the structure of the marketing system and by the value added to the goods or services through performance of marketing activities.

1.5 Strategic Marketing Planning

Stanton defines strategic marketing planning as the process of setting marketing goals, selecting target markets and designing a marketing mix to satisfy these markets and achieve these goals. The marketing strategy is therefore functional strategy. It is different from corporate strategy. However, the marketing strategy stems from the corporate strategy. In other words, the functional strategies should be in conformity with the overall strategy of the company. The functional strategy like marketing strategy sets the boundaries for all the action programmes related to marketing. According to staton, the six stages involved in strategic marketing planning process are:

1. **Situational analysis-with a purpose to determine where we are and where are we going.**
2. **Determine the objectives – these goals should be specific and realistic**
3. **Select and measure target markets-identify present and potential customers**
4. **Design marketing mix strategies and tactics – How do we get to where we want to go.**
5. **Prepare annual marketing plan-the how to do it guide to yearly marketing operations.**
6. **Implementation and evaluation – How are we doing? Did we do what we said we would do?**

Situation analysis consists of an analysis of external environmental forces and the non-marketing resources that influence an organization's marketing programmed. These factors are: political, economic, competitive, socio cultural, historical, etc. this analysis also reviews and evaluates an organization's existing marketing mix so as to identify the flaws and problems associated with them. This analysis will help an organization to know where it is and where it should reach in future, which may be called the first stage.

The second stage is to formulate the objectives. This includes both the corporate objectives as well as marketing objectives. At the time of setting the marketing objectives, care should be taken to make it specific, measurable and in conformity with the corporate objectives. It will be better to spell them out in writing so that there is no scope for confusion.

In the third stage, the organization should identify the present and potential customers. This is what is called selection of target markets. Apart from analyzing the existing market for its products, the organization should try to identify the new market for its products. For this purpose, the company has to adopt the marketing segmentation technique. Once the market is segmented, it is necessary to forecast the market for the product in each segment.

The fourth stage is to design a strategic marketing mix that enables the organization to satisfy the wants of its target markets and to achieve the marketing objectives. The design and later the operation of the marketing mix components constitute the bulk of a Company's marketing effort.

In the fifth stage, the strategic marketing planning is prepared. A series of short term marketing plans are prepared. Usually a period of one year is covered. They are called annual marketing plans. It includes a statement of objectives, identification of target markets, strategies relating to the marketing mix, information regarding the budgetary support for the marketing activity.

After formulating the strategic marketing planning in the above manner, the last stage is, it should be implemented and evaluated periodically. This is done to understand

how for the organization is following plan. If there are deviations, the causes and consequences of such deviations are analysed. Further, to design the future course of action, there is a need to analyze the changing marketing environment. The actual performance of the strategic plan has to be critically evaluated so as to accomplish the objectives of the company as desired and as planned. In the process of evaluation, if any defect is found, corrective measures should be incorporated immediately. It would also be wise to do this evaluation segment – wise so that the strategy developed for each segment can be perfected. It is also good to study the strategic planning of the competitor to come out with new ideas and plans.

1.6 Scope of marketing

Under marketing management a marketing programme is prepared on the basis of needs, wants, tastes and fashions of the customers. It involves decision making in regard to pricing of the products, publicity, distribution and after-sales service. Thus marketing management is an action science consisting of principles for improving the effectiveness of exchange. It represents professionalization in the carrying out of exchange relationships. In recent times marketing management has become a self-conscious craft. It is the analysis, planning, implementation and control of programmes designed to bring about designed exchanges for the purpose of personal or mutual gain. It relies heavily on the adaptation and coordination of product, price, promotion, and place for achieving effective response

1.7 Approaches of marketing

In layman terms marketing is the process of selling something at a shop or market place. To some it is the study of individual commodities and their movement in the market place; to others it is the study of institutions and persons who move these products or study of the economic contribution; to still others it is the study of the behavior of product movements and the way the persons involved to move them. The study of marketing has, thus, been approached in more than one way. However, these different approaches have immensely contributed to the evolution of the modern approach and the concept of marketing. To facilitate the study, these different approaches may be broadly classified as the commodity approach, the institutional approach and the managerial approach. Besides these well-recognized and established approaches, the recently developed societal and systems approaches have been attracting considerable attention. A brief description of these different approaches is given below, reflecting their respective focus and characteristics.

(i) Commodity Approach

In the commodity approach to the study of marketing, the focus of study is a specific commodity, say, wheat, rice, sugar, tea, fabrics, automobiles, etc. In this approach, the subject matter of discussion centers around the specific commodity selected for the study and includes the sources and conditions of supply, nature and extent of demand, the distribution of channels used and the functions, such as buying, selling, financing, advertising, storage, etc. performed by the various agencies. By repeating such studies in case of different commodities one gets a complete picture of the entire field of marketing.

(ii) Functional Approach

In the functional approach, the focus of marketing study is one of the different kinds of functions which are recognized for their repetitive occurrences and the necessarily performed to consummate market transactions. Though there is no unanimity about the number and nature of functions that constitute marketing, nevertheless, some functions often recognized are selling, storage, transportation, and financing. In this approach, marketing is regarded as the “business of buying and selling and as including those business activities involved in the flow of goods and services between producers and consumers”. These functions are also studied in relation to given commodities and marketing institutions in term of their nature, importance, operational methods, costs and problems.

(iii) Managerial Approach

In the managerial approach, the focus of marketing study is on the decision making process involved in the performance of marketing function at the level of a firm. The study encompass discussion of the different underlying concepts, decision influencing factors, alternative strategies – their relative importance, strengths and weaknesses, and techniques and methods of problem-solving. Here there is apt to be some confusion between the functional and managerial approaches to the study of marketing owing to the terms “functions” used in both these approaches. In the functional approach, the emphasis on the study of marketing functions is at the macro level and its scope extends to those functions only which are involved during the flow of goods and service from producers to consumers. In the managerial approach, on the other hand, the emphasis shift to the micro parts of the economy and settles at the level of a business firm which performs all those functions which impinge upon and are involved in the creation and distribution of goods and services desired by the market. The managerial approach thus entails the study of marketing at the micro-level-level of a business firm – of the managerial functions of analysis, planning, execution, coordination and control in relation to the marketing functions of creating, stimulating, facilitating and valuing transactions.

(iv) Institutional Approach

In the institutional approach to the study of marketing, the focus is on the study of the various middlemen and facilitating agencies. The study includes their position in the

distribution channels, the purpose of their existence, the functions performed and service rendered by them, their operating methods, the cost involved, and the problems faced by them. In order to obtain a comprehensive view of marketing, the study is related to each type of institution.

(v) Societal Approach

In the societal approach to the study of marketing, the entire marketing process is regarded not as means by which business meets the ends of consumers but as a means by which society meets its own consumption needs. In it, the focus of study, therefore, is the interactions between the various environmental factors (sociological, cultural, political, legal) and marketing decisions and their impact on the well-being of society. As such, in this kind of approach there is a significant element of normative and substantial reliance on the value judgment based on an accepted value system in the society at a point of time. The societal approach to the study of marketing is relatively recent and was born out of the criticism of the marketing behavior of business obsessed with profit attainment and growth by critics.

(vi) Systems Approach

Among the recent approaches to the study of marketing, the one that has been engaging considerable attention lately is the systems approach. It is based on Von Bertalanffy's "general system theory". He defined system as a "set of objects together with the relationships among them and their attributes. Systems thinking recognize the inter-relations and interconnections among the components of a marketing system in which products, services, money, equipment and information flow from marketers to consumers. These flows largely determine the survival and growth capacities of a firm. The focus of systems approach is, there sore, the analysis of these marketing flows and communication. It stresses built-in organizational capacity to adapt business to a changing ecosystem.

1.8 Difference between Selling and Marketing

Selling is an important activity of Marketing. It consists in transferring goods and services to the customers. The main emphasis in selling is on profit maximization through sales volume. Marketing on the other hand is a broader area and its functions as a whole aim at customer satisfaction and profits through such customer satisfaction. Again, in Marketing, the selling efforts are customer – oriented but in selling the efforts is company oriented.

The concept of selling assures that consumers if left alone will not buy enough of the company's products. Thus goods are already produced and an aggressive selling and promotion effort has to be perused]. The customers' demand on the other hand,

determines production in marketing. Thus, in selling the focus is on products while in marketing the focus is on customer needs.

The difference of marketing and selling can be shown as follows:

<i>Selling</i>	<i>Marketing</i>
<ol style="list-style-type: none"> 1. Selling starts with the seller and is preoccupied all the time with the needs of the seller. 2. Selling starts with the corporation's existing activities and products. 3. Selling emphasizes saleable surpluses within the corporation; seeks to convert products' into 'cash emphasizes getting rid of the stocks; concerns itself with the tricks and techniques of getting the customers to part with their cash for the products available with the salesman. 4. Selling over emphasizes the exchange aspect without caring for the value satisfactions inherent in the exchange. 5. Views business as a good producing process. 6. The seller determines what 'product' is to be offered. 7. The 'product' precedes the marketing efforts becomes the consequence of the product on hand. 	<ol style="list-style-type: none"> 1. Marketing starts with the buyer and focuses constantly on the needs of the buyer. 2. Under marketing, all activities and products take their direction from the consumer and his needs. 3. Marketing emphasizes identification of a market opportunity; seeks to convert 'customer needs' into products emphasizes fulfilling the needs of the customers. 4. Marketing concerns itself primarily and truly with the value satisfactions that should flow to the customer from the exchange. 5. Views business as a customer satisfying process. 6. What should be offered as a product is determined by the buyer; the seller makes a total product offering that would match and satisfy the identified needs of the identified customers. 7. The product is the consequence of the marketing effort; the marketing effort leads to products the consumers would actually want to buy in their own

<p>8. In selling, packaging is essentially seen as a mere protection or a mere container for the product.</p> <p>9. Cost determines price.</p> <p>10. Transpiration, storage and other distribution functions are perceived as mere extensions of the production function.</p> <p>11. The emphasis is one somehow selling' there is no coordination among the different functions of the total marketing task.</p> <p>12. Different department of the business operate as separate watertight compartments.</p> <p>13. In firms practicing 'selling' production is the central function; sales are a subordinate or secondary function.</p> <p>14. Selling views the customer as the link the business.</p>	<p>interest.</p> <p>8. In marketing, it is seen from the point of view of the customer; it is designed to provide the maximum possible convenience and satisfaction to the customer.</p> <p>9. Consumer determines price; price determines costs.</p> <p>10. They are seen as vital services to be provided to the customer-not grudgingly, but in the most willing manner.</p> <p>11. The emphasis is on an integrated approach; through an integrated strategy covering product, promotion, pricing and distribution.</p> <p>12. All department of the business operate in close integration with the sole purpose of producing consumer satisfaction.</p> <p>13. In Firms practicing marketing is the central function; the entire company is organized around the marketing function.</p> <p>14. Marketing views the customer as the very purpose of the business; sees the business from the point of view of the customer; customer consciousness permeates the entire organization, all department and all people in the organization all the time.</p>
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1.9 From Barter to complex marketing – A Historical perspective

Before the industrial revolution, single individual produces-farmers, artisans, family based cottage or small enterprises – dominated the exchange process. They produced goods for nearby customers and secured orders for making ornaments, furniture etc. further, producers and their customers were generally known to each other because they were all living in the same village or town. Therefore, selling was not a problem for producers. The situation began to change fast as industrial revolution broke out in the last quarter of the eighteenth century. The invention of steam engine, electricity, telephone etc propelled further development of human society. Newly built factories came up and they produced goods at cheaper costs in larger quantities. Factory production resulted in the emergence of towns and cities. People who lived in the villages hitherto migrated to towns and their way of living underwent dramatic transformation. They started buying factory made products. Companies and business enterprises came in all shapes and sizes in the last quarter of the nineteenth century. For instance, most of the multinational companies (MNCs) of today were born during the beginning of the 20th century. In India, many companies were founded during the second and third quarters of the twentieth century. For example, Birla group of companies came to exist during 1937-38 and they entered in many businesses after 1947-48. The TATA's ventured into three major industries – Tata electric companies, Tata Steel companies an Indian Institute of Science – at the beginning of the last century. Companies were organized as single proprietorships, partnerships, family owned companies and large corporations. They were either owned privately or publicly and were operated for making profits or providing service to the public. At the same time, companies also began to feel that the administration of all phases of a business operation was beyond the capabilities of a few individuals in the company. Therefore, authority was delegated to others and separate departments were created for different functions of a business operation. The sales department, for example, looked after sales and market expansion. Companies also shifted a portion of their marketing functions to middlemen – retailers, wholesalers, agents and brokers came to existence. The marketing activities conducted by the producers' sales department grew in importance as competition increased in the market and the task of sales department became increasingly complex. Marketing research, planning of advertising campaign, personnel selling, sales promotion etc became inevitable functions of the sales and marketing division of a company. Companies also obtained specialized services from agencies for advertisement planning or marketing research. In this way, marketing research agencies, advertising agencies and media agencies came to exist. Today, marketing is a complex activity. The single most reason that can be attributed for this complexity is rapid advancements in science and technology. The revolution in telecommunication and computer technology has changed the whole facet of the market exchange process. In order to generate and maintain demand, companies employ novel and sophisticated communication techniques to reach the target customers. In certain sectors, for example in the service sector, there is no face-to-face interaction between the service today's complex marketing system has come a long way-right from the time of a simple barter of goods through the stage of a money economy to today's complex marketing. Throughout all these stages, exchanges have been taking place. Historically,

when man came into existence, his needs and wants were limited to food, clothing and shelter. Later, his inquisitive nature taught him to experiment with new things that could comfort and facilitate his life. He, therefore, learnt many new things including cultivation of crops, making wheels for transport, making wooden articles, earthenware etc. which made his life comfortable. In the early days, people used to live in villages and the village economy was made up of isolated self-sufficing economic units. The villagers were generally cultivating crops and tending domestic animals. There were artisans such as carpenters, weavers, potters and other service providers such as washer men, cobblers, barbers etc., and they produced goods and services not only for their own consumption but also for exchanging with others what they could not produce. For example, artisans could exchange their products with the cultivators for paddy, wheat or for animals like cows, horses etc.

The barter system of exchange is the most inconvenient method because it insists that there must be a double coincidence of wants and needs between the parties involved in the transaction. Later, when money came to act as a common medium, the exchange process became very easy and convenient. The Greeks were the first to use metal coins as money. With the spread of civilization and trade relations between nation by land and sea, many countries started using silver, gold, copper etc., as money. However, the development of paper money is considered as an important milestone in the history of the exchange process because the paper money removed all the difficulties of barter exchange and facilitated flourishing of trade and industry. The internet medium has created digital relationships between customers and sellers. Online shopping is gaining momentum now a days. Shopping complexes, supermarket chains, franchise retail chain outlets are emerging as important institutions in the marketing exchange process.

The model of the modern complex marketing system outlines that many institutions participate and facilitate a firm's marketing function. For example, institutions such as advertising agencies, marketing research firms, retailing channels, banking and insurance companies, transport organization and other innumerable service providers all play vital roles in the marketing efforts of a firm. In fact, today's marketing manager has to coordinate serial jobs before putting his company's products in the target market place.

Let us consider a brief discussion on how the above said institutions make up the complex marketing system.

Advertising Agencies :

No product is sold without advertising backup. Advertising is increasingly becoming the job of specialists-copy writing, art-directing, cinematography, film shooting, editing, sound effect, animation, media planning, scheduling etc. Hence, marketing firms use the services of advertising agencies. They fully participate in all aspects of the firm's product-planning, product research, test marketing and advertising campaign planning.

Marketing Research Firms:

Modern business is very complex. Managers require data for decision making on marketing issues or to plan a marketing program. Like the advertising agencies, marketing research agencies also provide specialized services to marketing firms. Medium and small sized firms utilize the services of marketing research agencies. Large sized firms, like Hindustan Lever, own their research divisions.

There are many marketing research agencies in India. Some of the leading ones are given below: 1. Operations Research Group (ORG). it was set up in 1960 at Baroda as an in-house research agency and it is the oldest market research agency in India. ORG's retail audit covers 75 consumer products. It has three major divisions-marketing research, public system and social research system-to deal with different research areas. 2. Marketing and Research Group (MARG), kolkatta. 3. Marketing Research Centre and Advisory Services (MRAS). 4. Indian market Research Bureau (IMRB). Keeping abreast with the changing environment and they serve up to the expectations of client companies. In a changed environment, marketing research has become a part of the marketing function of many companies and marketing research agencies play the role of consultant to many companies in India. The marketing manager of a firm has to decide his marketing program according to the consultant's advice.

Retailing :

As a result of growing competition, every firm is trying for greater visibility for its products in the market place as well as premier shelf space at the showrooms or point-of-purchase (POP). So, retail management is also becoming a complex task to a marketing manager because retailers are all engaged in marketing their shelf-space. To avoid over dependence on retailers, some producers in the consumer goods market have set up their own retail outlets. Another significant trend in recent years is that many marketing service agencies have come up in the areas of financial services, marketing of consumer products etc. for example, adishwar marketing, a Bangalore based marketing agency, markets more than 100 consumer products under its own brand 'Worldstar'.

Freight Transportation:

Moving the products to the consumption point has made marketing a complex system. The marketing manager has to cope with several issues. Generally, freight transportation in India is dependent on roads and railways. In designing the distribution network of a firm, a marketing manager has to understand the commercial transport environment to minimise the cost of transporting the cargo.

Direct Marketing:

The development of direct marketing is another important feature of modern marketing. Many companies, particularly MNCs, use mail, telephone, fax, e-mail (internet) to communicate with their target market directly. Tele shopping, on-line shopping and digital ATM services are all part of the direct marketing system. Marketers solicit a direct response from target customers through telephone or internet (on-line shopping). Thus, telecommunication tools are used for direct marketing.

Public Relations consultancy:

Independent public relations consultancy firms have come up in recent times. They offer package for corporate communications. There is an 'International Public Relations Association' headquartered in London. In India, for example, Ritam Communicatio, (Kolkata), a private PR consulting agency, offers a total package of solutions for corporate communications. Ritam's clients are beverage giant Pepsi, Air India and many other consumer goods manufacturers.

Event Management firms:

Like any other organization, event management firms are coming up in India. They offer their clients services for organizing corporate events. A marketing manager must be aware of event management as a tool of corporate publicity. Event management is not like advertising. Catherin Pivotal, a Bhubaneswar based event management firm, differentiates between advertising and event management. In advertising, we do not know what the customers feel about the publicity package and the product at large. But, in event management there is a greater scope for immediate feedback. Generally, a marketing firm organizes corporate event to build up a corporate image and public goodwill. When a marketing manager does not have expertise in organizing a corporate events. We now understand that marketing is essentially concerned with exchange and trade. Exchange has existed ever since mankind came into existence. The early process of exchange resulted in the setting up of village markets. Later, markets emerged in cities and towns to facilitate trading as a result of industrialization. The advancement in science and technology, in later days, has manipulated the whole process of exchange and made it a complex system to manage.

1.10-LET US SUM UP

- A Market is any such person, group or organization which has existing or potential exchange relationship. It starts with customers and ends with customers.
- Kotler (1) defined market as
 - “a set of all actual and potential buyers of a product.”
- The American marketing association defines marketing as:

“Marketing is a organizational function and a set of process for creating, communicating, and delivering value to customers and for managing customer relationship in ways that benefit the organization and its stakeholders.”

- Marketing is essentially concerned with exchange and trade. The early process of exchange through the existence of village markets were exchanged against goods (barter exchange). However, the development of paper money in the latter days removed all the difficulties of barter exchange and contributed to flourishing of trade and industry. Industrial Revolution led to dramatic changes in their way of living and they started buying factory made products. Large markets emerged in cities and town. Companies and business enterprises came to exist in all shapes and sizes at the close of nineteenth century. The advancement in science and technology has manipulated the whole process of exchange and made it complex systems to manage now.

Therefore, today's marketing manager is expected to be a versatile person to co-ordinate several jobs including marketing research, advertising, distribution etc., before putting his company's products in the target market place.

- Marketing concept has undergone a great change over the period.

1. PRODUCTION CONCEPT OF MARKETING
2. PRODUCT CONCEPT OF MARKETING
3. SELLING CONCEPT OF MARKETING
4. PROFIT CONCEPT OF MARKETING
5. MODERN MARKETING CONCEPT
6. SOCIAL MARKETING CONCEPT
7. SOCIAL MARKETING CONCEPT

- Stanton defines strategic marketing planning as the process of setting marketing goals, selecting target markets and designing a marketing mix to satisfy these markets and achieve these goals.
- There are different approaches for the study of Marketing. They are
 - Commodity Approach
 - Functional Approach
 - Managerial Approach
 - Institutional Approach
 - Societal Approach
 - Systems Approach
- There is a difference between selling and marketing. The main emphasis in selling is on profit maximization through sales volume. Marketing on the other hand is a broader area and its functions as a whole aim at customer satisfaction and profits through such customer satisfaction. In Marketing, the selling efforts are customer – oriented but in selling the efforts is company oriented. In selling the focus is on products while in marketing the focus is on customer needs.

- The model of the modern complex marketing system outlines that many institutions participate and facilitate a firm's marketing function. Institutions such as advertising agencies, marketing research firms, retailing channels, banking and insurance companies, transport organization and other innumerable service providers all play vital roles in the marketing efforts of a firm.

In this chapter meaning and definition of market and marketing are given. How the marketing concept evolved over a period of time is also discussed at length with various examples. Next the role of marketing in modern economies is explained at length followed by how strategic marketing planning has to be carried out in organization is discussed.

1.11 CHECK YOUR PROGRESS- THE KEY

- Activity 1* Suggest the type of products required for the following:
Increasing complexities in life, Hazardous chemicals and fertilizers and Inorganic foods
- Activity 2* Develop a suitable marketing plan for a telecom company to help it retain its
its
Customers
- Activity 3* Select a company in your city and identify what practices it adopted to be
Customer-oriented.

Self assessment Questions.

1. _____ is the process of planning and executing the conception, pricing promotion and distribution of ideas, goods and services to create exchange that satisfy individual and organizational goals.
 - a. Selling
 - b. Manufacturing
 - c. Marketing
 - d. Advertising
2. Which concept holds that consumers will favor those products that offer the most quality, performance or innovative features?
 - a. Production concept
 - b. Product concept
 - c. Marketing concept
 - d. Selling concept

3. Which concept holds that consumer will prefer products that are widely available and inexpensive?
 - a. Production concept
 - b. Product concept
 - c. Marketing concept
 - d. Selling concept

4. Which of the following departments generates actual revenues for an organization?
 - a. Production department
 - b. Finance department
 - c. Marketing department
 - d. Research and development department

5. What is the basic difference between a 'need' and 'want'?
 - a. A want is a basic requirement whereas a need arise when wants are satisfy
 - b. A need is a basic requirement whereas a want arise when needs are satisfy
 - c. Both needs and wants are basic requirements of customers
 - d. None of the above

6. Societal marketing is a key concept that firms adopt to ensure long term profitability. Which of the following alternatives explains the societal marketing concepts in the most appropriate manner?
 - a. Initiatives for product promotion and distribution
 - b. Initiative to offer batter quality product at minimum price
 - c. Initiatives to maintain and improve to societal wellbeing
 - d. Initiative to satisfy customer needs and wants

7. Businesses have gone through different phase or stages of marketing over the years. Identify the correct sequences from the following options.
 - a. Production era – Product era – Sales era – Marketing era
 - b. Product era – Production era -Sales era – Marketing era
 - c. Product era – Production era - Marketing era -Sales era
 - d. Production era – Product era – Marketing era - Sales era

8. Which of the following alternatives is the most important factor in modern marketing?
 - a. Product

- b. Process
- c. Customer
- d. Profit

9. Marketer can provide four types of utility to target customers. Which of the following is not a form of utility offered by marketers?

- a. Time utility
- b. Form utility
- c. Position utility
- d. Place utility

10. Marketers must adopt a different approach while selling intangible products. Which of the following combinations truly represents intangible products?

- a. Goods and services
- b. Services and ideas
- c. Goods and products
- d. Goods and ideas

Correct Answers of the above questions:

1. c 2. b 3.a 4.c 5.b 6.c 7.a 8.c 9.c 10.b .

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UNIT: - II Marketing -Function, Task and Philosophies

STRUCTURE

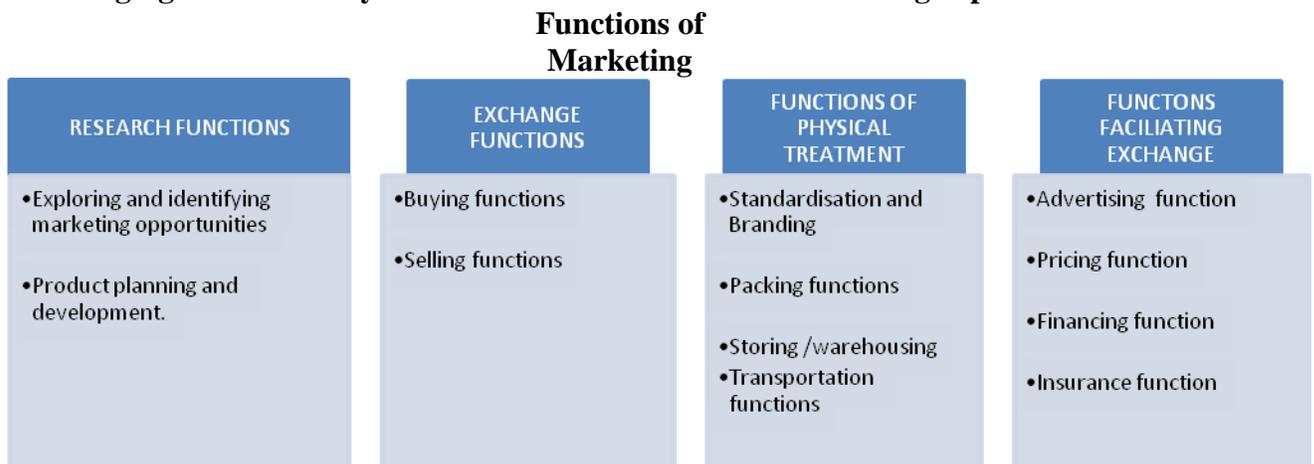
- 2.0 Functions of Marketing
- 2.1 Task of Marketing
- 2.2 Significance of marketing
- 2.3 Philosophies of Marketing
- 2.4 Major Problems of marketing Management in India
- 2.5 Functions of marketing manager
- 2.6 Challenges of marketing in India
- 2.7 Let us Sum up
- 2.8 Check your progress- The Key

2.0 Functions of Marketing

In most of the business the major purpose of marketing department is to generate revenue for the business by selling want satisfying goods and services to the customers. In order to fulfill this purpose, the Marketing Manager performs the following functions:

- **RESEARCH FUNCTIONS**
- **EXCHANGE FUNCTIONS**
- **FUNCTIONS OF PHYSICAL TREATMENT**
- **FUNCTIONS FACILITATING EXCHANGE**

These functions of Marketing are subdivided to understand the function clearly. The following figure will clearly show the various functions of marketing department.



2.0.1 RESEARCH FUNCTIONS

1. Exploring and identifying marketing opportunities

The first step in identify and explore various marketing opportunities in the market. Marketing research helps in analyzing the habits, advertisement and its effectiveness, popularity of the product etc. The scope of marketing research is very wide. It may cover all the areas of business which have impact on the marketing function.

2. Product planning and development.

Marketing research identify the needs of the customers, increasing the sale of the product, storage and transportation activities etc. Therefore, it is necessary to plan and develop products which meet the specifications of the customers. Marketing planning is used to develop and define the marketing objectives and make strategies and plans to fulfill or achieve the set objectives. Products are the foundation of any marketing programme. In this we make the important decision like what, why, when to produce, how to produce i.e the production technique to be used, the design, size, quality shape of the product etc.

2.0.2 EXCHANGE FUNCTIONS

1. Buying assembling and manufacturing functions:

Purchasing right types of material or goods at right time and in right quantities is very important for quality as well as cost control. It involves determination of requirements, finding the suitable sources of supply, placing the order and receiving the goods. Assembling on the other hand involves collection of goods purchased from different sources. Raw materials are purchased and assembled in order to produce goods and service. Finally the goods purchased are assembled to make them ready to use by customer.

2. Selling

The function to be performed to sell the products/services/idea to satisfy customer needs or wants. Using advertising, personal selling, and sales promotion to match goods and services to customer needs Selling has become a science of human relations and an art of getting along with people so effectively that sales resistance may be reduced to the minimum.

2.0.3 FUNCTIONS OF PHYSICAL TREATMENT

1. Standardisation, Grading and Branding

Standardization means setting up of specifications of a product. Grades of agricultural products are based on these specification and standards. Industrial goods are given brand names by their manufactures to convey to the customers that their goods conform to certain well-defined standards. These activities promote the sale of products.

2. Packaging.

Packaging has become one of the essential services of modern marketing. It gives protection to goods from its route from manufacturer to consumer. It even protects the goods during its life with the user. Packaged goods are generally more convenient to handle. Packaging also gives individuality to a product. It makes easier for the consumer to identify a product by looking at its package. Packaging facilitates the sale of a product. It acts as a silent salesman of the manufacturer, particularly at a place where there is widespread use of self-services, automatic vending and other self-selection methods of retail selling. Sometimes, packages are duly sealed to ensure products of right quality to the consumers. In the absence of sealing, duplicate products may be distributed to the consumers by unscrupulous dealers. Now days it is also used by the manufacturer to establish his branded products as distinct from those of his rivals. Labeling involves putting identification marks on the package. The label is an important feature of a product. It is that part of a product which contains information about the producer and the product. The label is used to communicate brand, grade and other information about the product.

3. Storing /warehousing

Goods which are produced have to be stored properly in warehouses to protect them from any damage which may be caused by external environment say moisture,heat,etc. They are stored in warehouses till they are actually sold in the market. Thus, warehousing creates time utility. In addition, modern warehouses perform certain marketing services also such as grading, packaging, labeling, etc.

4. Transportation:

Transportation provides place utility by delivering goods from one place to another. Transport plays a significant part in the economic, social and political development of a country. Rapid industrialization and exchange of goods and services cannot take place unless sufficient facilities for transportation are available. It is with the help of various means of transport that raw materials are transported from the place of their production to the industrial centre where they are converted into finished products. By doing so, transportation removes the distance problem and creates place utility. A region may specialize in the production of those goods and services for which it is most suited. This leads to production of goods and services in different regions at the lowest possible cost. Transportation also plays a crucial role in the price mechanism. It tends to equalize and stabilize the prices of various commodities by moving them from the areas where they are surplus to those areas where they are in short supply.

2.0.4 FUNCTIONS FACILITATING EXCHANGE:

1. Advertising function

Advertisement gives the message about the product and promote its sale. It facilitates creation of a non-personal link between the advertiser and the receivers of the message. The importance of advertising has increased in the modern era of large scale production and tough competition in the market. Business firms use several media of advertisement to sell their products. These include newspapers, magazines, radio, television, cinema halls, hoardings, window displays, etc. Marketing department thus takes care of deciding the means of advertisement and producing the most suitable advertisement and also finding and evaluating the effectiveness of the advertisement.

2. Pricing function

Pricing is deciding the price of the product. It is influenced by the cost of product and services offered, profit margin desired, prices fixed by the rival firms and Government policy.

3. Financing

Financing and marketing functions of a business are inter-linked with each other. The marketing department has an important say on policies of the finance department in regard to cash and credit sales. Financing of customer purchasing has become an integral part of modern marketing. The provision of goods to the customers on credit basis is an important device to increase the volume of sales. A manufacturer has also to provide credit facilities to wholesalers and retailers. As a matter of fact, credit is the lubricant that facilitates the operation of the marketing machine.

4. Insurance function

Insurance helps to cover the risk involved in exchange of goods and services. It covers risks in storage and transportation. Loss or damage to goods or property may arise due to fire, theft, natural calamities like flood or earthquake and so on. People employed in business firms are also liable to the risks of injury or loss of life due to accidents in the work-place. Business firms are able to provide for protection against these risks by insurance companies. Thus can cover the risks on payment of a premium and recover the loss, if any, arising out of the risk.

2.1 Task of Marketing & Significance of Marketing

2.1.1 Marketing management task

Marketing management is essentially demand management. The primary task of marketing function is to simulate and attract demand for the company's product and

services. However, it is also performs the task of regulating the levels, timing and charter of demand in a way that would help the company to achieve its objectives. In the process, marketing management must deal effectively under distinguishable demand states.

Sl.No	State of Demand	Marketing Task	Formal Name
1.	Negative Demand	Reverse the negative demand	Conversional Marketing
2.	Latent Demand	Developed demand	Developmental Marketing
3.	Faltering Demand	Revitalise Demand	Remarketing
4.	Full Demand	Maintain Demand	Maintenance marketing

Source: P Kotler 1981.

2.1.2 Conversional Marketing

This is associated with a state of negative demand for a product of services in a market. In other words, negative demand exist for a product or services when substantial or majority consumers show a dislike and do not patronize it. For example the TATAs and RPG's venture in to mushroom producing involving projects multi-core rupee investments recently. They targeted US European market and not the Indian domestic market. Mushroom products must explore the state of negative demand in the domestic market keeping in the mind that the vegetarian consumers may resist the product because of beliefs, values, sentiments whereas the non – vegetarian customers may not show adequate interest because the packaged mushroom so expensive.

The challenges of negative demand to marketing management is to develop a plan that will cause demand to rise from negative to positive. The marketing task is known as conventional marketing.

2.1.3 Developmental Marketing

Developmental marketing is associated with a state of latent demand where a substantial number of customers in the market strongly share the need for a product/services that does not exist at all. For instance, the growing middle class constitutes a good market for passenger

Cars at affordable price in India. In fact, owning a passenger car is the ultimate dream of an Indian middle class family. But the Indian auto industry does not offer a car at an affordable price to full the dream of a middle class family. When Maruti – Suzuki launched its 800 CC vehicle in 1980's, it was promised as a 'common man's car'. But steadily rising price has not fulfilled the middle class dream.

2.1.4 Remarketing

It is associated with a state of faltering demand – a state In which the demand for a product or services is less than its used to be and further decline is expected in the absence

of some remedial efforts. The challenge of faltering demand is revitalization and the marketing task is remarketing. In these days of hi – tech products, many traditional products loose demand. For example, these days Indian consumers exhibit a strong interest and desire for fast – foods and processed items rather than traditional foods. The remarketing strategy of traditional food providers warrants search for new propositions to the changed markets, for e.g., highlighting that traditional food is good for health.

2.1.5 Maintenance marketing

Full demand is a state in which the current level of demand for a product or services is equal to the desired level. The task of the marketing management is to monitor the demand level continuously and maintain. This is called maintenance marketing and its calls for maintaining efficiency in carrying out marketing activities and being vigilant in spotting new forces that threatens to erode the demand for a particular product or service.

In these days of cutthroat competitive environment and ever advancing technology, maintenance full demand for a product or service seems to be a distant reality. However marketing task is also concerned with tactical issues such as keeping the price right, improving product quality, motivating field sales forces and distributors, keeping control over costs etc as means for maintain demand.

2.2 SIGNIFICANCE OF MARKTING

Customer decides as to what products suits their needs. Education, media, etc has changed the type of goods required by customers. Especially in the last decade there is total shift of goods required by the customers. Mobile Repairing centers, day care centers computer centers, which had no place are very important now a days. Marketing affects our livers in many ways. The product satisfy customer needs and wants and also remove hindrances between the marketers and customers by creating utilities for them by adding value to the product. By removing these hindrances, marketing ensures free and smooth exchange of goods and services from marketers to customers. These utilities are as follows.

2.2.1 Form Utility.

Form utility converts the raw form of products into meaningful final products. Thus, customers force marketers to direct production department in terms of specific customer needs satisfaction.

2.2.2 Person Utility:

Person Utility fills the gap between the producers and the ultimate customer. Marketing helps to remove the hindrance of person by means of trade. Trade, as a part of marketing, plays a major role in establishing contact between producers as providers of goods and

services and customers as users or consumers of those goods and services to satisfy their needs. Various traders, namely, wholesaler, retailer, and mercantile agents operate to provide person utility.

2.2.3 Exchange Utility

Marketing helps to bring together the producers of goods ready to sell their goods for money and the consumers of those goods ready to part with their money (purchasing power), thus removing the hindrance of exchange. Moreover, with money as the medium of exchange, payment for goods and services is made through banks. In this way, banks help to remove the hindrance of exchange and enable the buyers to procure goods on credit. Further, bank often finance trade in ways more than one. Thus exchange utility is provided by money, banking, and finance.

2.2.4 Place Utility

Place utility brings the producer of goods and services closer to the customer. Goods may be produced at one place where advantages of location in market may be available whereas the buyers of such goods may be situated at a far off place. The barrier of distance between the place of production and the market where these products can be sold is removed by different means of transport. Besides transporting goods from the place of production to that of consumption, the services of insurance to cover the risk of loss during transit and storage and packaging to protect goods against damage and pilferage are also aimed at removing hindrance of place.

2.2.5 Time Utility

Goods are normally produced in anticipation of demand and as such they are to be stored as long as the demand for the same comes up. Such stored goods are to be released as and when demand materializes. This function of storage and preservation is performed by warehouses which remove the hindrance of time by balancing the time gap between production and consumption, thus creating time utility. During this process of storage, insurance plays its role by removing the risk of loss or damage through theft or fire

2.2.6 Knowledge Utility.

Advertising and salesmanship help to remove the hindrance or lack of knowledge on the part of the prospective buyers by bringing to the notice of the customer the utility of buying the goods and services offered. A producer may find it difficult to sell his products unless and until he brings it to the knowledge of the prospective consumers the utility and the distinctive features of his products.

2.3 Philosophies of Marketing

MARKETING PHILOSOPHIES

There are various concepts and philosophies which act as a guidelines and holds good when the various decision are to be made in marketing. According to Phillip Kotler there are five concepts in marketing.

- The production concept.
- The product Concept
- The selling Concept
- The marketing concept
- The societal Marketing Concept.

2.3.1 The Production concept.

It will lead to economies of scale and decline in cost per unit. The philosophy holds that high production efficiency and wide distribution coverage would sell the product offered to the market. Thus, the concept holds that customer favors products with low offered price and easily available product.

This orientation of the organization is mostly practiced in situations where demand exceeds supply or product cost in high that can be brought down by mass production. The market situation in most of the developing countries is such that while demand for products exists, the products are not available.

2.3.2 The Product Concept

The firms following this philosophy believe that by making superior products and improving their quality over time, they will be able to attract customer. The underlying assumption is that customer favours quality, performance, innovative features, etc. the buyer will admire such products. Given the product concept, superior products are perhaps always welcomed by the customer. But product is only one element of the total marketing-mix. Thus better product at high price (because improvement in quality might be at a cost) will not disturb customer budget, it is believed. However, as we shall see, pricing is one of the elements of segmentation basis. The division of demographic on economic grounds of affordability, would come in that way of implementing such better quality products at high prices.

2.3.3 The Selling Concept.

The concept adoption comes when there is aggressive selling and promotional efforts. The consideration of this philosophy is customer buying inertia and resistance. The assumption is that customer, if left alone, would not buy enough of the company's product. This sort of customer attitude is mostly found for unsought goods like surgery, insurance, videophone, etc. Here hard-Sell takes place. The other areas are from the non-profit organizations.

2.3.4 The Marketing Concept.

Consumer-oriented marketing has given rise to a new philosophy in business known as 'marketing concept'. The marketing concept emphasizes the determination the requirements of potential customer and supplying products to satisfy their requirements. Marketing should be viewed as an integrated process of identification, assessment and satisfaction of human wants. The marketers following consumer orientation regard the creation of customer and satisfaction of his wants as the justification of business. Determination of wants of the customers takes precedence over production. In other words, product is developed and produced to satisfy the needs of the customers. Thus, the emphasis is on selling satisfaction and not merely o selling goods.

2.3.5 The Societal Marketing Concept.

Humanistic or societal marketing concept holds that the firm's task is to determine the needs, wants and interests of target markets and to deliver desired satisfactions in such a way that preserves or enhances the consumer's and the society's well-being. Thus, every firm should take every firm should take care of social and ethical considerations while developing their marketing strategies. This would help the organization to create its better public image.

2.4 MAJOR PROBLEMS OF MARKETING MANAGEMENT IN INDIA

The major problems of marketing management in India are as follows.

2.4.1 Lack of trained, effective and experienced Marketing Personnel

There is a lack of well trained, efficient and experienced personnel in India. To handle the complex problems of marketing management in fast development economy of India it requires larger number of institutions to impart training and turn out larger number of well trained and competent personnel.

2.4.2 Lack of Marketing Research

Marketing research helps in collecting the useful information. There is very little work done in the field of marketing research in India. Marketing decisions are a combination of judgment and information on facts. Today's executive has a difficult task in making decisions and appraisals. Marketing research by providing the relevant facts can help the executive much to raise the level of their work. Marketing research facilitates decision making. There is a great need of research in marketing management both for the development of domestic as well as international trade. There are special considerations which must be borne in mind whilst preparing the marketing strategy for penetrating markets abroad. Therefore for good marketing management, there is great need for marketing research.

2.4.3 Lack of scientific Product Planning

There is absence of scientific product planning in India. Proper product planning is an act of marking out and supervising the research screening, development and commercialization of new products, the modification of exiting lines and the discontinuance of marginal or unprofitable items. In India very little attention is paid toward product planning,. Development in marketing management and product planning go hand in hand. The consumers also fail to get the maximum satisfaction by their purchases when the products do not match their likings. There are three aspects of product planning which should always be kept in view developing, modifying or discounting products. Few products are developed in some companies as they are afraid of taking risks. Thus opportunities are lost. Hence for marketing management development of product planning must be done properly

2.4.4 High Marketing Cost

Marketing research, promotional strategy advertising effort, packaging, selling expenses are constantly mounting up. Sometimes they become for bidding and a great hurdle comes in the way of developing marketing management on scientific lines. For proper development of marketing management, these costs need be kept well within control. With the growth of large scale industries in public sector and private sector after independence the need for development of marketing management is being specially felt in India. Efforts should be made to set up more and more institutions to impart training in the specialized fields of marketing research, product planning and marketing management. Our industrialists should take more interest in improving quality of their products and reducing costs so that India can have an access to foreign markets and successfully face competition of the foreign producers. It will be possible by developing marketing management techniques.

2.5 FUNCTIONS OF MARKETING MANAGER

Under the total marketing concept the objective is to manage the business in such a way as to make and sell what the customer wants at a reasonable price that he is willing to pay and with product characteristics that he wants in the product. These products should be made available when and where the customer wants them to be made obtainable. In short all aspects of the business must be consumer oriented. The marketing manager must perform all such functions which are necessary to this objective. A systematic marketing management requires the crystallizing of the company's overall objectives and determining consistent marketing objectives.

The following are considered the basic functions of a marketing manager:

2.5.1 Integrated Marketing

The marketing manager has to take decisions in various elements of the marketing mix in an integrated way. The customer does not pay attention only to the price of a product but there are other factors also which affect his decision to purchase a particular product. He is influenced by the firm's advertising and promotional strategy and the convenience of the distribution arranged from the customer's view point. The marketing manager has to keep his company's interests in mind. He tries to reduce the cost of marketing the products while at the sometime winning the goodwill of the customers. He also strives to maximize the sales and profits for his company. The task is pretty difficult and requires constant control and evaluation resulting in improvements in planning of the marketing strategy. The marketing manager coordinates the activities of all the departments in a productive unit. The production department, finance departments etc. adjust their policies on the direction and suggestion of the marketing executive. His task is therefore very important. Under integrated marketing some of the important activities of the marketing management are as follows.

- (a) Collection of necessary information regarding marketing.
- (b) Analyzing the data and draw conclusions.
- (c) Product development.
- (d) Search and development of new marketing techniques.
- (e) To check out detailed marketing programme.
- (f) To implement that marketing programme.
- (g) To coordinate between the wants of the customers and their satisfaction.

2.5.2 Determining Objectives

The marketing objective should be broad enough and should be based on situational analysis, i.e., the position in which the company is operating and the nature of

its customers. It is in the light of the overall company objectives that the overall marketing objectives have to be fixed. The chief executive must know in specific terms whether he wants a return on investment of say 12 percent after taxes or whether his company wants to be a price leader. He must also crystallize the product objectives, pricing objectives distribution strategy objectives and his promotional objectives. All these objectives should be integrated and directed toward his overall marketing objectives.

2.5.3 Product Policy

The marketing executive should be very clear in his mind as to the type of customers for whom his products are intended. His product policy objectives must be in terms of customer orientation and are in conformity of the overall marketing objectives.

2.5.4 Proper Planning

Planning is deciding in the present what to do in the future. All firms carry out some sort of planning. The marketing manager has to plan how the objectives that have been determined be implemented. For proper planning the marketing manager has to perform the following tasks.

- (a) Marketing research, forecasting the demand and developing the marketing activities.
- (b) Determining product line strategy and planning for product diversification.
- (c) Planning sales policies and their implementation.
- (d) Planning the long term marketing programme.
- (e) Co-ordinating the activities of production, finance and service departments.

2.5.5 Selling

The marketing executive performs the following functions in regard to selling:

- a. To direct the sales manager to regulate sales.
- b. To organize sales territories and to fix their sales quota.
- c. To select and train personnel for the sales department and organize sales.
- d. To organize and develop distribution channels.
- e. To advertise and organize sales promotion and public relations.

2.5.6 Service

After-sales service is regarded as an essential part of modern marketing management. In fact all the functions of the management are integrated and it is realized that the company policies and operations should be customer oriented. The maximum satisfaction of the consumers should be the primary concern of marketing. Customer's

satisfaction should be considered to the first motto. The complaints and the suggestions of the customers would be promptly attended to by the marketing management division.

We can summarize the functions of a marketing manager thus:

- a. To work with top management and set the marketing policies;
- b. To supervise the co-ordinate various activities
- c. To find out new markets;
- d. To evaluate the product;
- e. Development of new products;
- f. To select the channels and methods of Distribution;
- g. To formulation, coordinate and supervise the marketing programme;
- h. To study economic and political conditions in context to their influences on the sale of the products.

2.5.7 MARKETING MANAGER'S RESPONSIBILITIES TO SOCIETY

Marketing manager is responsible to Society. he serves as a link between the organization and the society. he puts the demand of the people in society before the concern and brings the company's product to the people in society. He owes great responsibility to the society at large. His main responsibilities to the society are:

(i) Consumer Satisfaction

Consumer satisfaction is the fundamental principle of modern marketing concept. The marketing manager studies the consumers behaviors, their preferences, tastes, and fashions in relation to the products. The endeavors to modify the products according the needs of the actual users.

(ii) Reducing Product Costs

Reducing product cost is another obligation of the marketing manager towards the society. by making the various marketing activities efficient, economical and effective, he can reduce the costs of the products per unit. It will help the consumers to get goods at reasonable prices. If the company does not transfer the benefits of the reduced cost to the customers, and retains the whole of the profits itself, the society is still benefited. In that case, the retained earnings are invested in the development of new products or they will be distributed to the shareholders as dividend. In both the cases, society will gain.

(iii) Providing information

One of the obligations of the marketing manager is to provide information about the qualities of the products of the company in a way the consumers may make up their minds to purchase the company's products. It helps making the image of the company and its products.

(iv) Marketing Social Needs

He studies the actual wants of the people and organizes production accordingly. Goods are produced on a large scale at one place. He undertakes the important task of distribution of goods and looks to the total satisfaction of the consumers.

(v) Providing Employment

A large number of persons are engaged in the marketing activities such as wholesalers, retailers, advertisers, insurance agents, transporters, bankers, clerks, salesmen, etc. Thus marketing activities provide employment to large number of people. Thus, it is evident from the above discussion that the marketing manager is responsible to the society in many respects which he should execute sincerely.

2.6 Challenges of marketing in India

Among the foremost emerging markets, India is witnessing substantial growth in demand and significant shifts in consumer behavior and marketing practices. Indian consumers are attracting global attention through increased spending and rising preference for global brands. Both Indian and non-Indian firms have responded to these opportunities with varying degrees of success.

First, large multinational firms like Coke, Adidas, and MTV have successfully reinvented and rebranded themselves around Indian youth with innovative products and marketing strategies.

Second, firms such as Unilever, Tata, and Nokia have developed unique rural marketing strategies to target the largely untapped Indian rural consumers.

Third, retailers such as Wal-Mart and Pantaloon are rapidly expanding in the growing Indian retail industry with different business models.

While the Indian market presents immense opportunities, it also poses unique challenges. Indian consumers now have easier access to information and technology than before and have more choices than ever. With the penetration and proliferation of new delivery channels such as mobile, companies are forced to think of newer ways to market their products. While customer base is large and growing, its diversity (e.g., cultural, linguistic, demographic) is also immense, bringing fresh challenges to marketing.

India has been having a wonderful journey in the last 15 years. With Goldman Sachs now predicting that India could sustain over 8% GDP growth rate through 2020, this journey promises more excitement for many more years to come. However, for many marketers of consumer products in India, 2007 could be one of the most memorable one. Consumer demand for most goods and services continues to rise unabated, and as a result, most consumer goods manufacturing and marketing companies have posted superb financial results in the last 4 quarters.

Some of them have regained the confidence in their brands and their pricing power and a result, many of them have begun to raise prices (straddling many product categories) by 5% to 20%. The official justification for doing so is that inflation has led to increases in the cost of various inputs though the reality could be a belief that with the upsurge in incomes, consumer demand is higher and that could support these price hikes.

As marketers, we would not be so bullish about the price insensitivity of the average Indian consumer. Let us start by putting in perspective the environment in which the Indian consumer product businesses are currently operating in and the impending impact of changes in this environment. These changes can be broadly segmented in four dimensions.

The first dimension is to do with changing demographics wherein the fact that the majority of India is very young (Over 50% or just over 550 Million individuals are younger than 25 years) implies that most of the current and near-future new customers are going to be first time consumers for most goods and services. There would be no “history” or “legacy” of a similar consumption in their households since their parents may not have ever been consumers of such products or services. This holds true for goods as diverse as automobiles, telecommunication products, consumer durables, and even personal grooming, and services such as beauty salons or cafes. Aspirations and desires of such new consumers are evolving and will undergo frequent changes in the coming years.

The second dimension is to do with the economic environment in which many of these new consumers are living now or will be living shortly and changes in their lifestyle. With emergence of many new, largely service industry oriented employment opportunities in urban India, and with rapid increase in such opportunities as new service sectors such as retail go pan-India, the typical middle-class India will move from single income household to multi-income household. This will certainly imply a marked increase in disposable income per household but at the same time, this will also bring in a significant change in the lifestyles of such households. Many more categories of consumption shall enter such consumers’ consideration set and as a result, there will be a tussle across categories for the share of such households’ spending. Inspirational / lifestyle based consumption needs are likely to come up stronger relative to more basic “survival” needs and hence, I would be very surprised if consumers will get any joy in spending more for “upgraded” variants of shampoo, soap, detergents, biscuits, honey, wheat flour, pickles, ketchup, and toothpaste when they concurrently desire to more frequently upgrade their cell phones, plan more number of vacations, eat out more frequently, and entertain at home more often implying

rising expense on alcoholic beverages and snack foods just to list a few lifestyle oriented expenditure categories that will see upsurge in consumption in the coming years.

The third dimension is that everyone is very bullish on India and hence almost all producers and marketers of consumer goods and services are investing heavily on increasing capacity. The impact may yet not be visible as the current capacity is chased by rising demand. However, this may not be the situation even 12 months later.

The fourth dimension is perhaps the most interesting one, and probably the most overlooked one by many branded goods marketers. Modern retail trade is now picking up rapid momentum.

We regularly track planned investment in this sector and as per its most recent analysis, over US\$ 30 Billion of investment is likely to take place in modern retail over the next 4-5 years. Incidentally, about US\$ 20 Billion of this is expected from Indian businesses themselves.

This investment excludes investment in retail real estate and is being carried out at a frantic pace in view of the fact that the current retail market of over US\$ 300 Billion (2006) is likely to touch US\$ 427 Billion by 2011 and US\$ 637 Billion by 2016. Hence, in the last 12 months alone, based on our estimates, additional “capacity” (in terms of additional retail shelf space) worth at least US\$ 4 Billion in annualized revenue terms has been created. By the end of 2007, another US\$ 7-8 Billion worth of (annualized) shelf space would have been created. Interestingly, this capacity is also expected to be created not only by current players such as Future Group, Shoppers Stop, Subhiksha, Trinethra, and others but also by newer and new players such as Reliance, AV Birla Group, Wal-Mart - Bharti, ITC, Godrej, Metro and others. Most of these retail players yet do not have the critical mass to introduce their own brands / labels and hence are stocking up or will be stocking up tens of millions of running feet of new shelf space with branded merchandise from current players. Hence, we believe that the increase in demand being seen by FMCG and other consumer goods companies in 2006 and beginning of 2007 could be largely accounted for by this filling-up of the newly laid modern trade pipeline and not mostly by increased consumption. While this pipeline’s spread will dramatically increase in the coming

years, beyond 2007 the stocking-up could be through retailers’ own private brands which will then start putting up tremendous pressure on the national and regional branded goods marketers. By 2008, I believe that India will see emergence of some extra-ordinarily powerful retailers’ brands that will not only successfully compete with the manufacturers’ brands but in many cases, supersede them. The situation is fundamentally different than what has happened in developed markets like the USA, UK, and others where the manufacturers’ brands had several decades of head start in their relationship with consumers and hence could / can still compete effectively with the “private label” merchandise of modern retail chains.

2.7 Let us Sum up

Marketing is the process of creating, pricing, distribution, promoting goods, services, individuals, places or ideas. It facilitates exchange, that is, exchanging a product in return for something of value. Marketing creates utilities like from utility, place utility, time utility and possession utility.

Marketing has developed through four stages, namely the product era, the sales era, the marketing era and the societal marketing era.

In most of the business the major purpose of marketing department is to generate revenue for the business by selling want satisfying goods and services to the customers. In order to fulfill this purpose, the Marketing Manager performs the following functions:

- **RESEARCH FUNCTIONS**
- **EXCHANGE FUNCTIONS**
- **FUNCTIONS OF PHYSICAL TREATMENT**
- **FUNCTIONS FACILITATING EXCHANGE**

Marketing management task

Marketing management is essentially demand management. The primary task of marketing function is to simulate and attract demand for the company's product and services. However, it is also performs the task of regulating the levels, timing and charter of demand in a way that would help the company to achieve its objectives

SIGNIFICANCE OF MARKTING

The product satisfy customer needs and wants and also remove hindrances between the marketers and customers by creating utilities for them by adding value to the product. By removing these hindrances, marketing ensures free and smooth exchange of goods and services from marketers to customers. These utilities are as follows.

- Form Utility
- Person Utility:
- Exchange Utility
- Place Utility

- Knowledge Utility.
- Time Utility

2.7.1 MARKETING PHILOSOPHIES

There are various concepts and philosophies which acts as a guidelines and holds good when the various decision are to be made in marketing. According to Phillip Kottler there are five concepts in marketing.

- **The production concept.**
- **The product Concept**
- **The selling Concept**
- **The marketing concept**
- **The societal Marketing Concept.**

2.7.2 MAJOR PROBLEMS OF MARKETING MANAGEMENT IN INDIA

- (i) Lack of trained, effective and experienced Marketing Personnel**
- (ii) Lack of Marketing Research**
- (iii) Lack of scientific Product Planning**
- (iv) High Marketing Cost**

2.7.3 MARKETING MANAGER'S RESPONSIBILITIES TO SOCIETY

Marketing manager is responsible to Society. he serves as a link between the organization and the society. he puts the demand of the people in society before the concern and brings the company's product to the people in society.

- **Customer satisfaction**
- **Proving information**
- **Reducing product cost**
- **Providing employment etc.**

2.7.4 Challenges of marketing in India

Among the foremost emerging markets, India is witnessing substantial growth in demand and significant shifts in consumer behavior and marketing practices. Indian consumers are attracting global attention through increased spending and rising preference for global brands. Both Indian and non-Indian firms have responded to these opportunities with varying degrees of success.

2. 8 Check your progress- The Key

1. Which of the following statements brings out the basic difference between the marketing concepts and the selling concept?

- a. Marketing focuses on the profitability whereas selling involves meeting the needs and wants of the customer.
- b. marketing is more concerned with satisfying customer needs and wants, and selling is concerned with stimulating demand.
- c. Marketing is more concerned with meeting the social responsibilities of the firm whereas selling is more concerned with product and profitability.
- d. None of the above.

2. Which of the following is defined as a state of felt deprivation of some basic satisfaction?

- a. Need
- b. Want
- c. Demand
- d. Utility

3. Marketer provides place utility to customer by providing their products at location where the customer wants them. Which of the following services is least associated with place utility?

- a. Internet banking
- b. Distance learning
- c. E- commerce
- d. Issue of driving license

4. In the era of globalization challenges and threats faced by business have increased on account of various factors.

Which of the following is not a factor ?

- a. Environment degradation
- b. balanced income distribution
- c. Political unrest
- d. Economic crises

5. Mr. Rajender singh, resident of a small village near Hisar, purchased a tractor a few months back. He is happy as the tractor enables him to plough the fields, carry produce to

the market, and also served as a means of transportation. What kind of economic utility is the tractor providing to Mr.singh ?

- a. Form utility
- b. Time utility
- c. Place utility
- d. Possession utility

6. The concept holds that consumers and businesses, if left alone, will ordinarily not buy enough of an organization's products. The organization must, therefore, undertake aggressive selling and promotion. Which concept is discussed above?

- a. Production concept
- b. Product concept
- c. marketing concept
- d. Selling concept

7. Which of the following does not represent the characteristics of the marketing era?

- a. it focused on coordinate marketing management
- b. it emphasized the importance of customer needs and wants
- c. It focused only on profitability
- d. it restricted forcible selling of products to customer without offering utility

8. Companies now offering services like selling and delivering products over the internet. What is this kind of business service known as?

- a. Outsourcing
- b. E – Commerce
- c. Reengineering
- d. Business process outsourcing (BPO)

9. Visit the website of British Petroleum and Bharti Televentures. The corporate mission statements of these organizations will tell you how these companies define their businesses. Note how the products they offer their customers are guided by these philosophies.

10. “Consumer is the king.” Comment on the statement in the light of modern concept of marketing.

Answers: 1. b 2.a 3. d 4.b 5.d 6.d 7.c 8.b

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UNIT: - III The Marketing Environment

STRUCTURE

- 3.0 Introduction – Marketing environment**
- 3.1 External Macro environment of a firm**
- 3.2 External Micro environment of a firm**
- 3.3 Organization’s internal environment**
- 3.4 Let us Sum up**
- 3.5 Check your progress- The Key**

3.0 Introduction – Marketing environment

Introduction - The performance of a company depends on its sales and its sales depend up on the marketing environment that influences its marketing activities. The marketing activities of an organization focus on satisfying customer needs. Customer needs and wants are gain the function of the environment. Therefore, the demand of a product is also affected by the environment, in which the organization functions. With the marketing environment becoming increasingly dynamic, it is necessary for firms to keep pace with the changing environment.

The marketing environment consist of the forces that are external to the marketing function of an organization but influence its marketing abilities, in dealing with customers. A verity of internal and external forces impinge on an organization and its marketing system. Internal forces are inherent to the firm and can be controlled by the management. External cannot be controlled and usually affect the industry as a whole, rather than individual players. The external forces are divided into microenvironment and macro environment of a firm.the micro environment consists of the suppliers, marketing intermediaries, and customers while the macro environment consists of the demography, sociocultural, political, technological, and legal environments.

Analysis of an external environment and identification of opportunities and threats are extremely important for survival of affirm in the long term. Managers, who fail to recognize the change, leave their companies vulnerable.

Environmental forces of dynamic and any change in them brings uncertainties, threats and opportunities for the marketers. Change in the environmental forces can be monitored through environmental scanning, that is, observation of secondary interpretation of the information gathered through environmental scanning. Marketers try to predict what may happen with the help of tools like marketing research and

marketing information system, and continuing to modify their marketing efforts and build future marketing strategies.

Marketing is essentially an externally an externally focused function of an organization. The firm's environment defines its threats and opportunities because; organization is a sub-system of a broader supra-system. A system is a set of objects, parts, elements, components that are interrelated and interacting with one another. Rather a system consists of Inputs-Processor – Outputs and Feedback. By its very nature, any system is goal oriented and does not exist in isolation. It subsists with a given environment or supra-system. The environment is complex and undergoing continuous and, sometimes, cataclysmic change. There is every good reason to believe that the rate of change in organization is in a maladjusted state. Therefore, an organization must adapt continuously to the changing environment. A passive firm faces extinction; an adaptive firm will survive and probably enjoy modest growth and creative firm will prosper and even contribute to the changes taking place in the environment. This chapter plans to discuss in detail the meaning and the controllable and uncontrollable forces.

3.0.1 Learning Objectives

- Explain the importance of marketing environment
- How external micro environment affects the company's strategies.
- The influence of external macro environment on company's plans
- understand how the different elements of the micro- and macro environment affect firms' marketing activities

3.0.2 WHAT IS ENVIRONMENT?

In simple terms, 'environment' implies everything that is external to the organization. Environment is what is outside the organization. It is something that surrounds an enterprise. It is the sum-total of external factors with in which the enterprise operates. It is made up of tangible and intangible factors both controllable and uncontrollable. It is made up of turbulence and tranquility, science and technology, ethics, economic and political situations, attitudes, traditions, cultures, alliances and so on. To be very precise, it stands for the provision of inputs, both material and human and setting limits beyond which an organization cannot go. In this sense, marketing itself is a system that is responsible for free flow of goods from producers to consumers to meet dimensions of time, place, price, quality, quantity and variety. Again, marketing management is a system of marketing system itself. Thus, marketing system is made up of elements like: marketing management – products or services – marketing agencies linking producers and consumers-target market representing a class of customers willing to pay and buy and the environment giving opportunities and threats and challenges thus putting certain limits.

Here, we are concerned with the marketing environment which consists of SOCIAL, ECONOMIC, ETHICAL, POLITICAL, PHYSICAL AND TECHNOLOGICAL forces as depicted in the fig which are better known as the uncontrollable forces that act as the constraints on marketing decisions.

I. SOCIAL FORCES

The social forces are made up of sociological, psychological and anthropological factors. Following is the outline of these factors. **Sociological factors:** for every marketing unit, the greatest asset is a permanent group of satisfied customers. Consumers are the part and parcel of society or the community. Consumers being social and rational animals, their life-style is deeply influenced by the social set-up. The social constitution or the conditions are bound to have deep influence on consumer taste, temperament, life and living. It goes without saying that the alert marketer cannot afford to neglect or underestimate these aspects. Thus, the needs, the desires, hopes and aspirations of the consumers can be understood in totality if the marketer has a thorough knowledge of the sociology of consumers. **Psychological factors:** the study of consumer behavior is much more important than the number of consumer in the market because each consumer is unique. His behavior, attitude, temperament, mentality and personality have their own say on what he wants and how his needs can be best satisfied. That is why, a separate chapter is devoted to this aspect of consumer behavior. It suffices to say here that very little is known about the peculiar nature of working of human mind. Marketers have succeeded in finding the quantitative answers but not the qualitative answers which depend on his ability to uncover the human mind.

Anthropological factors: anthropological factors are vital in noting the national and regional characters, cultures and sub-cultures and the patterns of living. In depth study of these aspects will help the marketers in designing and implementing the advertising, sales-promotion, direct selling strategies, packaging of products and pricing of products. In fact the basic components of marketing mix are involved in anthropological factors. Thus it is quite evident that GITS INDIA and ORKAY INDIA companies specialized in supplying gourmet mixes to house-wives knowing fully well that the product ranges and taste ranges differ from North India to South India and the consumers like difference in packaging. In short, the social scientists can contribute by studying the consumer in the face to sociological, psychological and anthropological influences which govern the society of which consumer is the focal point. Social forces lay basis of better consumer understanding.

II. ECONOMIC FORCES

As noted earlier, consumer is not only social animal but rational animal too. These economic forces take into account the economic influences. The components of economic are the factors of

(a) consumers, (b) competition (c) price.

(a) **Consumers:** Consumer interest, progress and prosperity should be the aim of every economic activity. The marketer is to make available quality products, at reasonable prices, in sufficient quantities, at required time interval. The goods and services so made

available by the marketing system must generate additional income by improving his physical and mental health. Thus, consumer welfare and protection should be the final aim of marketing as a sub-system.

(b) Competition: Competition is the breath of modern economic systems. Healthy competition is the cause of quality improvement, quantity multiplication and economy encouragement. On the contrary, unhealthy completion is harmful to the interests of consumers and producers too as it results in increased costs and wastes. The following chart gives convincing pictures about the competitive practices in product area of molded luggage in India.

(c)Price: Price is the determinant of the fate of the business house. It makes or mars very fortunes of the house. Pricing strategy is the big gun in kit-bag of a marketing manager. The pricing of a product or a service is a delicate issue. If it is too high, reduces the consumers and consumption and if it is too low, the producers and marketers are left in the lurch. Thus, the pricing to be determined must take into account the costs of production and distribution keeping in mind the decent return on investment and efforts of producers and the marketers. It also means that is cannot cross the limits set by the governmental rules and regulations.

III. ETHICAL FORCES

The business community has the ethical responsibility while delivering the goods to the society. Of late, excessive profiteering, making quick money have forced some of the business people to disintegrate the ethical values from the business. Ethical degeneration has been bringing untold and unbearable miseries to the consumers resulting in physical and mental health problems. Not – standardization as to quality, adulteration, imitation, giving false impression and so on have led to the consumer exploitation beyond the limits resulting I socio-economic pollution of minds and relations.

IV. POLITICAL FORCES

Marketing environment has the brace of political framework in which the government of the nation works. It is the government that regulates the business activities as it is the custodian of the nation. Whatever the marketer is to decide, he will have to decide and act in the face of legal frame-work provided by the political party ruling the nation. In fact, what is to be produced, how much, of what quality, for whom, when and at what cost and at what price are to be determined by the policies of the government. The producers and marketers are work within these concessions and limits set by the political forces. Normally, what is good or bad for the society and hence for the end consumers is determined on the basis of maximum social good. Thus, government fiscal, pricing policy may be internal taxation or external levies, regional preferential policies-all have to be studied and interpreted before having individual policies and strategies in case of marketing units.

V. PHYSICAL FORCES

The physical factors, here refer to the physical distribution of goods and services. These refer to the creation of place and time utilities. The distribution system is to be so designed as to take into account product – consumers-time-location and process. It implies the indepth study of cost and convenience involved the process of physical distributing of products from producers to consumers. It deals with the logistic. It these provide us definite inputs to produce goods and services.

VI . TECHNOLOGICAL FORCES

Science and technology is always changing. This changing face of science and technology has impact on marketing environment. Change in technology means change in production possibilities, their manufacturing process, costs and qualities. This warrants change in market efforts too. It changes price structure, competition and the consumers. In turn, it affects governmental policies to restore equilibrium so distorted. Thus, video piracy has virtually ransacked the theatre cinema as each house is a mini theatre with video-cassettes. The STD telephone facilities have changed the pattern of government earnings. Sky television concept is going to change the existing system. Thus, new technology will mean new ideas, new products and new marketing efforts. This makes the marketer to run after a moving target than shooting a still target. In a nutshell, an agile marketer can not afford to miss these minute yet far – reaching influences while designing and implementing the marketing strategy for his success and prosperity of the society at large. It is so because marketing enterprise is an open adaptive system working in the environment; it does not exist independent of the environment. It has interaction and interdependence with social, economic, ethical, political, physical and technological forces. His marketing strategy hovers round four Ps namely, Product-price-promotion-and Place. All these four aspects are governed by the above forces cited. As these forces continue to develop and change they determine the changing requirements for the efficient and effective marketing plans, strategies and policies. Therefore, whatever the modern marketer is to decide, he will have to do so in the backdrop of these changing forces and act accordingly. His position is ever changing ; what has happened in the past is not to continue, for what was yesterday has not been today and what is today is not going to be tomorrow. He has control over the fur Ps and not on these external forces, and hence, he is to become more and more adaptive and creative to survive and survive successfully.

3.0.3 MACRO AND MICRO ENVIROMENT.

Some authors are contended with the meaning of the word ENVIRONEMNT as something external to the marketing organization. The earlier pages have made those external' forces. On the other hand, according to some group of authors including William J. Stanton, Mechael J. Etzel and Bruce J. Walker, the environment has a broad meaning and according, they talk of EXTERNAL and INTERNAL environment. According to them MACRO ENVIRONMENT stands for EXTERNAL ENVIRONMENT and MICRO

ENVIRONMENT stands for INTERNAL ENVIRONMENT. To avoid confusion, these can be taken up afresh in brief: In effect is subdivision of EXTERNAL ENVIRONMENT into MACRO and MICRO.

3.1 External Macro environment of a firm

3.1.1 MACRO ENVIRONMENT

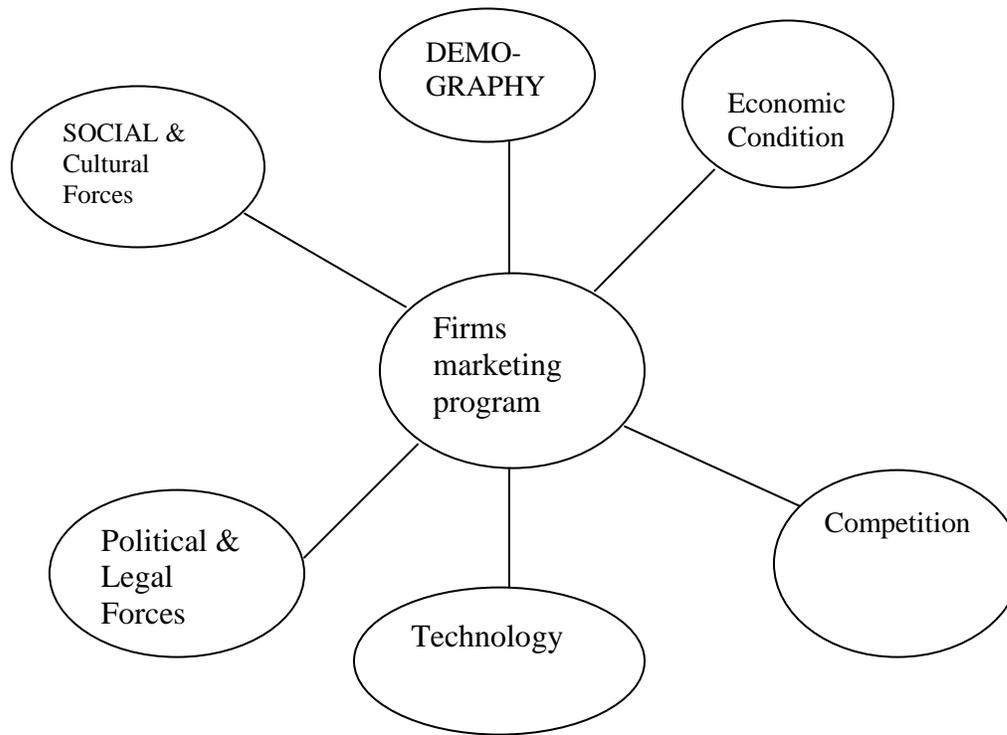
Any organization-be industrial and trading-operator within an external environment that it generally cannot control. Macro environmental forces have considerable influence on any organizations marketing system. These are Demography, Economic conditions, Competitions; Social and Cultural forces; Political and Legal forces and Technology. They are macro-environmental forces because change in any of them can change in one or more of the others. Therefore, they are closely interrelated. One thing is certain that all these forces have one thing in common that they are dynamic forces which are subject to change and at an increasing rate per sec. this is clearly demonstrated by

These six forces are largely uncontrollable by management. However these are not totally uncontrollable. A company may be able to influence its external environment to some extent. For instance, an international marketing company can improve its competitive position by a joint venture with a foreign firm that markets a complementary product. NOVARTIS is a fine example where two well known pharmaceutical companies namely ciba and Sandoz came together by merger. Another example is that of Brooke Bond and Lipton came together as Lipton Brooke Bond-renowned companies in tea and coffee beverages. A company may influence its political and legal environment by lobbying or by contributing to a legislator's campaign fund for fighting elections. In India, giant companies like HLL, GLINDIA, BIRLA Group, Tata Group, Reliance, Gaarware decide the politics and legal frame as a return. In case of technological front, new product research and development can strengthen a firm's competitive position. This is going on in big way in automobile industry and electronics.

Let us not each of these six points in brief.

3.1.2 Demographic Forces

Demography is the study of human population and its distribution. Demography deals with people and people constitute market for company's products. These demographic features relate to growth of population-birth and Death rates, Sex ratio, Age group, rate of literacy, ethnic group, density of population, rural and urban and so on. Thus, the total population consists more of old people and babies, there is more demand for medicines and walking sticks. More younger generation component speaks of demand for personality improvement products. Quality of life is greatly influenced by rate of literacy and so on.



3.1.3 Economic Forces

Mere presence of people does not constitute market. We want people with money to spend and their willingness to spend. Hence, economic component features a force having significant impact as marketing activities. A marketing programme of a company is influenced by such factors which are both current and anticipated. These are, stage, of business cycle, inflation, rates of interest.

A business cycle has a typical four stages namely prosperity, recession, depression and recovery. However, only two are mostly serious-prosperity or boom and depression or doom. Prosperity is a period where organizations tend to extend and expand their marketing programs as they add new products and enter new markets. It is a period of rising demand, free money supply, optimistic mood of people to enjoy the goods and services as they have more disposable per capital income. In the other hand, depression is a period of stockpiles, restricted money supply, lack of demand, unemployment. That is why marketing programs are cut down to the rock bottom as there is modernized. In between these two, recession and recovery periods do have implications. During recession, there is a temporary fall in demand as we are facing today where people expect further fall in prices. Take the examples of real estate. While goods where price wars are going on. This affects the prospects of company badly but temporarily. In period recover, demand picks up, once again firms marketing programs get retaliation. Thus much depends on each phase.

Inflation is another component of economic forces. Inflation is a rise in the prices of goods and service. That is the value of a dollar or a rupee has come down. The purchasing power of a rupee or real value gets reduced. For same quantity and quality of goods, people are forced to pay higher prices. Inflation of wild dose is goods for everyone but wild rise is bad for the society particularly middle and poor class. That consumer spend less and less on luxuries, comforts and concentrate as basic necessities of living. this inflation poses a real problem in managing marketing programme in that as to how to price the products and how to control the costs. The people spend not only less as purchasing power is reduced but also prefer to spend today than later as there is danger for further price rise. It is a precautionary stand as value of a rupee falls day by day.

Coming to INTEREST RATES is still another economic component having influence on marketing programme of a firm. It is but natural that when interest rates go high they do not go in for long-term needs. That is why, the only anecdote to cut the prices of products substantially and zero rate of interest programmes in case of durable goods to increase or sustain business.

3.1.4 Competition

Obviously the competitive environment is a major component affecting the marketing efforts. A wise and skillful marketing executive constantly monitors all aspects of competitor's marketing activities namely, their products, pricing, distribution system, promotion programmes and so on. As firms are going global, there is threat of external all foreign products in important areas like electronics, electrical, textiles, agro-based products and the like. The types of competition can be brand competition, substitute product competition, limited customer competition.

3.1.5 Social and Cultural Forces

The marketing cultural values and value systems are constantly changing affecting the present marketing programme. This component is made up of social and cultural forces.

Social forces stand for social values of life and living the society of today can be divided into materialistic and spiritual values. The domestic or materialistic values say-life is short-beg, borrow or steal-but enjoy the life. While other group says think of simple living and high thinking because more and more needs and wants are the root causes of our miseries of life, and the other hand, cultural values are also changing as to clothing, shelter and day to day living. take one aspect that fashions and style movements change and the business house is to give those. If girls and boys want jeans, other ever better products will not do. Again we people as the member of society are interested in environmental friendly products like-soap less soap, smokeless cigarette, diet beer, high tech food, fast food and so on. Today, women liberation movement has made home ministry all the powerful though finance minister is financing all the needs, because marketing manager of family is a housewife. Again parents alone do not decide but children too. It has resulted in fast changing lifestyle of women and earning capacity bringing into play health and fitness, impulse buying and conveniences.

3.1.6 Political and Legal Forces

Each and every firm's control is influenced more and more by political and legal forces in the country. The political and legal forces prevailing in country can be grouped into at least five captions namely.

- (1) **Monetary and fiscal policies:** marketing systems are affected by the level of government spending, the money supply and its tax policies.
- (2) **Social legislation and Regulation:** Legislation affecting the environment –anti-pollution laws, protection of public life and the like.
- (3) **Governmental relationship with the industries:** This relates the treatment given by government in case of industries and industrial units in terms of subsidies and penalties. This also speaks of the encouragement and discouragement through incentives and fines-controlling and decontrolling.
- (4) **Legislation related specifically to marketing:** there are many acts and laws specifically applied in the area of marketing—that affect the working of these units. To illustrate MRTP Act, 1919, Consumer Protection Act of 1986, Indian Sale of Goods Act of 1930, Essential Commodities Act and so on. Here the marketing executives need not be lawyers but should be aware of the Acts and provisions affecting their area. These acts may be central, state and local.
- (5) **Source of information and buyer of the product.** This area is one where governments at all levels publish information to help the executives as government is the bulk buyer in case of some common duties and services.

3.1.7 Technology

Technology has an immense impact on our daily life and life-styles, our consumption patterns and economic well-being. Just imagine the technological developments over the years of any commodity say watch, sport, radio, television, telephone, anit-bodies and think what would be the shape of the things to come after say 10 or 20 years. Perhaps the most important breakthrough is miniaturization of electronic products. Today, a hand held computer-smaller than laptop size-allows sales people to place orders directly from customers' location.

Technological breakthrough can affect markets and marketing activities at least in three ways:

1. Can start entirely new industries as computers, lasers, roots have done.
2. Can radically alter or totally destroy existing industries and
3. Can stimulate markets and industries not related to the technology.

For instance, already existing home equipment and appliances can generate free time to households to engage in new activities. It should be noted that technology is a mixed blessing in other ways too. On one hand it helps us to improve our lives, at the same time, creates environmental and social problems. Thus automobiles have come to stay, creating problems o traffic jams, air pollution.

3.2 External Micro Environment of a Firm

MICRO ENVIRONMENT

The external micro environment is made up of three basic forces that are external but are part of company's marketing system. These are the firm's market, suppliers and its marketing intermediaries. While they are generally controllable, these external forces can be influenced more than the macro forces so far discussed. For instance a marketing organization can exert pressure on its suppliers or middlemen. Through advertising, a firm has some influence on its market. Let us take up these three points for better understanding.

3.2.1. The market

As noted earlier, market really is what marketing is all about-how to reach it and serve it profitably and in a socially responsible manner. It goes without saying that market becomes the focus of all the marketing decisions in an organization. In this context, a market is a place where buyers and sellers meet, goods and services are offered for sale and transfer of title of the goods takes place .in other words, market is demand made by a certain group of potential buyers for a good or service. For example, there is a farm market for plastic products. In this context market is taken as people or organization with wants to satisfy, money to spend and the willingness to spend. That is market demand for a given good or service taken into account three points-people organization with wants-purchasing power-their buying behavior.

3.2.2 Suppliers

the marketing firm cannot sell unless it makes the products or buys it first. Suppliers are crucial to the firm's success because they supply these products which consumers want from the marketing houses. They are crucial because they supply those products what consumers want from the marketing house. They are crucial because they supply those products what consumers want consumers want from the marketing house. They are crucial because they take the responsibility of understanding consumers needs as viewed by selling or marketing firm. Marketing firm cannot sever the relations with suppliers as it cannot do so in case of its customers.

3.2.3. Marketing intermediaries

Marketing intermediaries are the independent individuals or organizations that directly help in the free flow of goods and service between marketing organizations and its markets. These are basically o two types, namely 'merchant' and 'agent'. Merchant middlemen can be wholesalers and retailers. While agent middlemen can take five to six forms. These intermediaries render so important services that they cannot be removed and hence, become part and parcel of the system.

3.3 Organization's internal environment

A firm's marketing system is also shaped by internal forces that are controllable by management. These internal influences include a firm's PRODUCTION-FINANCIAL and PERSONNEL activities. If Godrej company is thinking of adding a new brand of toilet soap-which already has more than half a dozen brands, it must determine whether existing production facilitates a new brand, and its expertise can be used more fruitfully. In case new brand needs a new plant and machinery, it gives rise to its financial culpabilities. The other marketing forces are company's location, its research and development (R & D) strength, and the overall image or stand of the company in the minds of public. This organisation's as under. Another point which must not be forgotten is that of co-ordination of marketing and non-marketing activities. Sometimes, it is difficult task because of conflicts in goals and executive personalities. Products people might think of long production runs of standard items while marketing executives may think of wider product line. However, financial executive have tighter credits and expense limits than warranted by other people.

3.3.0 INDIAN MARKETING ENVIRONMENT

A detailed study of Indian marketing environment is a must as the marketing environment differs from nation to nation and time to time. An attempt is made to have the snap-shot of Indian marketing environment at the close of 1991. It is really very interesting to go through the Indian marketing environment because India is not a country but a continent itself. A clear picture of unity in diversity, is seen, felt and realized.

The Indian marketing environment can be studied scientifically by sub-devising it into economic, social, legal, distribution and cultural components. Each component has ramifications of its own warranting a detailed description. These sub-scenes provide together the total picture of Indian marketing environment.

3.3.1 ECONOMIC COMPONENT

A. Demographic Features:

People mean market for marketers. In that sense, India is the second largest market in the world. As per 1991 census-the population of India. Is 850 million in round figures. It is growing at the rate of 2.25 percent per year. The life expectancy of an average Indian is 58 years, 43 percent of the population is below the age of 14 years, 52 percent below 60 years and 5 percent above 60 years. The average density of population of India is 270 per square kilometer. It varies widely from state to state from 660 per square kilometer in Kerala to 48 square kilometer in Sikkim and 10 percent square kilometer in Arunachal Pradesh. This density has reference to urban and rural areas. There are 4,200 towns and 5,76,700 villages. 25 percent of the total population lives in urban areas while 75 percent in semi-rural and rural areas. There are 15 cities having more than one million population. India has seven of the largest cities in world namely, Mumbai Kolkata, Delhi, Chennai, Bangalore, Hyderabad, and Ahmedabad. The literacy rate has moved from 16.67 percent

in 1951 to 36.23 percent in 1981 and 72 percent in 1991. Indians speak 16 different recognized languages and belong to seven different religions namely, Hinduism, Islam, Sikhism, Christianity, Buddhism and Jainism. The sex ratio works out 930 females for 1,000 males. The share of males and females is 52 percent is to 48 percent. Of the marriagable population of 550 million 270 million are not married and 240 million are married and remaining 40 million are widowed, divorced or separated.

B General economic features

India's gross domestic product has touched 29,50,000 million in 1990-91. In this the share of the agriculture has been 30 percent, industry 30 percent and services 40 percent. The Seventh Plan period 1985-90 had an annual growth rate of 5.2 percent. In spite of this, the per capita income works out much lower averaging Rs. 3,500 at current prices. Coming to consumption pattern, in case of food items rise is 30 percent from 24 percent in 1961, household equipment from 2.6 percent to 5 percent, transport and communication from 4.7 percent to 11.21 percent. People of India have shown marked improvement in consumption pattern of food group-as they are enjoying more and more quantities of items like fats, pulses, sugar vegetables, meat, fruits, eggs and fish. Similarly, in case of non-food consumption goods the share of durables has increased considerably. Outstanding feature of Indian economy has been the growth of corporate sector. There has been phenomenal growth in corporate sector, in 1991, there were 96,501 companies as against 28,532 in 1952. This means growth of stock markets in India-the citadels of pecuniary growth. The companies have now forgotten the idea of external borrowings and depreciation as the sources of finance as they are banking heavily on capital markets.

C. Agricultural features

Agricultural sector has a pride of place in Indian economy as it accounts for 30 percent of the total income generated which is equal to growing industrial sector nearly 75 per cent of the population gets employed directly or indirectly in agriculture is the base for Indian industry as a basic source inputs like cotton jute sugar rubber tobacco and oil seeds Even the exports of India are from agricultural sector such as tea coffee, tobacco, spices and the like hence the production transportation marketing process and utilization of agricultural commodities have deep bearing on country's economy Government of India has given more emphasis on agro based industries to bring about rural industrialization Today agriculture has become a powerful weapon of economic growth.

D. Industrial features

Since the year 1951_ to date India has made strong and impressive strides because, the rate of change in output is almost 7 times It is borne out by the facts that Seventh Plan warranted to achieve annual growth rate of 8 per cent but the actual growth rate exceeded the set target of 8 per cent The Eighth Plan is thinking of 10 percent annual growth of industries. It is really heartening to note that over the years, solid industrial base has been created in the Indian economy and is characterized by diversification and sophistication. Industrial sector now accounts for 30 percent of the GNP. The growth has been striking in industries like petroleum products, chemicals and chemical products, metal products,

electronics, electric machinery, transport equipment, power generation, textiles, cosmetics. The other areas where there has been moderate growth are sugar, cement, drugs and fertilizers, pharmaceuticals, electronics and computers. Indian urban industries have undergone a qualitative change in addition to the quantitative elevation. The things like optimum scales of output, improved technology, internationally comparable cost-effectiveness and levels of productivity are reflected. Coming to village and small-scale industries, it can be said that they account for 50 percent of the total industrial production. They are contributing to export earnings as there has been quality improvement and cost effectiveness. This sector is made up of traditional as well as modern sectors. The traditional sector is made up of khadi, handicrafts, coir and silk handlooms and the modern sector power looms and a host of industrial activities competing with large-scale sector. The former are located in rural and semi-rural areas and the latter are located in urban areas.

E. Consumer goods features

Any marketer is more interested in the markets for consumer goods that represent the goods meant for final use. The consumer goods market is worth Rs. 3,70,000 million per year. Of this consumer durables is of the order of 2,20,000 million rupees and that of non-durable is of Rs. 1,50,000 million. In case of consumer durables, the production of cycles went up to 7 million in 1990-91, sewing machines to 3,75,000, two-wheelers 18 lakhs, cars 1,80,000, fridges 10 lakhs and television sets to 15 lacs. Coming to consumer non-durables-cosmetics and toiletries went up from 200 crores in 1986 to 350 crores in 1991, bathing soaps from 550 crores to 750 crores and washing soaps and detergents from 1,000 crores to 1,400 crores. The audit conducted by O.R.G. in case of 48 packaged consumer products, the figure worked out of the order of 5,785 crores. From these figures, it has been quite evident that there has been steady diversion from traditional to sophisticated products which is most visible between 1970s and 1980s. coming to consumer non-durables, there has been phenomenal growth in protein goods, cocoa products, paste products, instant food items, masalas, chips and even 'heat and serve foods.

3.3.2 SOCIAL COMPONENT

A. Urban Features:

Talking of social component from the point of marketing, there has been and emergence of large middle-class. The middle-class is the new breed giving the most active participation in the consumer boom. Variously estimated between 120 to 200 million, the burgeoning middle-class has become a driving force behind the growth of consumerism in India. It was the class that was trying desperately to make both the ends meet that has become the class to ride the boom. Occupationally, 30 million people are employed in government and organized sector-private and public. Another 20 million are employed in unorganized sector. These two add up to 50 million we can not afford to forget the sizeable middle class. Such a growth has been possible due to industrialization, continuous increasing government machinery. This class has grown not only in size but in prosperity as its disposable and discretionary income has one up. The consumption pattern of middle-class is influenced by changing life-styles, through better education and exposure to the life-styles of rich. Many a times, this class has spend more than it earned to crop up with social image. This is the class that can afford now to spend on consumer durables and

investments in stocks and bonds. They are akin to borrowing. It is not distress borrowing to finance daughter's marriage or post-retirement illness in a family but a borrowing for buying VCRs, cars, personal computers, flats; now the craze in upper middle class is buying the 'second car' the 'third TV set', the 'farm house' and the like. This class talks of not all India tour but foreign tours. In other words, this is the class with 'constructive discontent' –that is, this class has enough to eat, good clothes to wear and better housing for dwelling. Their hunt is for further satisfaction.

B. Rural features

It is not only in the cities that the craze for consumption has been a silent revolution in rural markets. With continuous years of bumper crops-a sure sign of higher purchasing power, and the reach of television media, the rural consumer is more active today in marketing. rural consumption is stupendous as comparable to that of urban areas today. Taking marketing of dry cells, 56 percent is rural; for toilet soaps, 53 percent; razor blades 50 percent. These figures were below 40 percent in 1980s. in case of washing powder, it is 40 percent in 1991 as against 19 percent in 1980s.

According to experienced industrialists and marketers, rural markets are sure to outstrip the urban markets very soon. This is the case with not only consumer-non-durable but with consumer durables too. Till 1960, transistors were not heard in rural areas but today, it is a common item of every family; two-in-ones have raided rural markets in 1980s. cycles, two-wheelers are the matters of common sight; in textiles, from cotton that have moved to manmade and blended fabrics; they are changing from 'order to make' to readymade outfits; plastic and steel items are routine items; digital watches are sold on streets.

This size of the rural market is of the order of 2,20,000 million rupees as against 50 million in 1971 for non-food items and it is growing at the rate of 3 percent per annum. It is likely to grow much faster as a after match of green revolution and white revolution. Today, rural market has vast potentials and challenges too.

C. International Features

At the commencement of the planned era, Indian exports stood at Rs. 6000 million. With 60 items. By 1990-91, they rose to 1,62,500 million and the number of items rose to 4,010. The composition of export is made up of traditional and non-traditional items. The traditional items are farm products like tea, coffee, and spice other items are-jute, tobacco, fruits and nuts; marine products, processed products; textile, readymade garments; leather items; rubber; iron or; handi- crafts. The non-traditional items are-engineering goods; chemicals; electronics; computer software's; project exports, export goods are exported to the large number of countries.

3.3.3 LEGAL COMPONENT

the legal framework is another very significant component of marketing environment. The Indian legal component is made up of ECONOMIC AND Industrial policies. These include industrial policies, fiscal policies, trade policies and technology policies. These provide the framework within which the industry and commerce are to function. In addition, there are legal enactments, rules and regulations that affect the marketing and

production systems and the relevant institutions. The most significant one are : The Industries Development and Regulation Act, 1951, Indian Contract Act, 1872. The Indian Sales of Goods Act, 1930, The Monopolies and Restrictive Trade Practice Act, 1969, Patents Act, 1970. The Essential Commodities Act, 1955, The prevention of Food Adulteration. Act, 1954; the Drugs and Magic Remedies (Objectionable Advertisement) Act, 1954. The Sales-promotion Employees (Conditions of services) Act, 1976; the Agricultural Produce (Grading and Marketing) Act, 1937; Standard Weights and Measures Act, 1956; The Trade marks and Merchandise Marks Act, 1958; Display of Prices Order, 1963 and Packaged Commodities (Regulation) Act, 1975 Consumer Protection Act, 1985. Whatever drastic change we have seen over the yrs in case of industry, agriculture and commerce, are due to the legal framework that has undergone in them of liberalization, revamping or tightening. It can be said that the markets in India have become more competitive as a sequel to the new policies and measures taken by Central and State Governments.

3.3.4 DISTRIBUTION COMPONENT:

Distribution system has not remained as was in the past. These channels are getting shortened. component relates to two things namely; physical distribution and channels of distribution. Both these aspects have undergone a thorough change over the last 35 yrs. Let us delve deep into these two aspects.

A. Physical distribution scene:

This is more concerned with the infrastructural facilities available directly and indirectly to the marketing environment. The first part is transportation system. Indian transport system is made up of land, water, air transport systems. Land transport consists of rail and road. India's rail system is the largest in Asia and fourth largest in the world. The total length is 62,000 kilometers of which 6,500 kilometers have been electrified. The freight traffic has gone up from 44 billion to 183 billion kilometers and passenger traffic from 67 billion passengers to 230 billion passengers.

As far as road transport is concerned, the road length between 1951 to 1991 went up from 0.04 million kilometers to 2 million kilometers. The national highway. Segment went up from 19,700 kilometers to 32000 kilometers. The trucks on road went up from 82,000 to 11,00,000 during the same period. The number of passenger feeder roads connecting the arterial roads has been on increase thus fastening an increasing the movement of goods and passengers.

Air transport was negligible by 1951. However, by 1991, air freight traffic has gone up to 700 million ton-kilometers. The passenger traffic went up to 7,100 million passenger kilometers. India's domestic airliner-India Airlines-is the second largest domestic carrier in the world. Daily around 35,000 passengers are moved. We have five international airports and 85 aerodromes. In waterways. On this front, we have not made success worth mentioning. The success of these systems is hinged on coal, petrol and power industries where tremendous improvement has been achieved to match to the ever growing demands of transport system.

We cannot lose sight of warehousing network all over the country. Indian warehousing system is made up of public and private agencies. The public warehousing agencies are both central and state. They are central and State Warehousing Corporations. By the end of 1985, there were warehouses at 420 locations spread all over the country with a capacity of 5.2 million tons in central sector, while in state sector, there were rose to 450 with increase capacity of 7.5 million tons. By 1991, the central locations rose to 450 with increase capacity of 8 million tons while state owned locations moved to 1,350 with a capacity of 9.25 million tons. By 1991, the central locations rose to 450 with capacity of 9.25 million tons. These facilities are at limited places which can be taken as nodal points. At market and village levels co-operative and private sector intermediaries provide these facilities particularly the wholesalers and the retailers. In co-operative sector, there were 6,500 godowns with 2.25 million tons, in 1985. The corresponding figure 1991 were 7,650 godowns with 3,82 million tons. There were 3,500 godowns with total capacity of 3.5 million tons in 1985 that rose to 5,250 godowns with a total capacity of 5.25 million tons.

B. Channels of Distribution:

The distribution system has not remained as was in the past. These channels are getting shortened. Parasite middlemen are fast disappearing. The retailer is having better deal and his margins are much better than those in the past and because of that he is rendering better services to the consumers. Today, retailing is so powerful the manufacturers thus, reversing the old practice of producers selecting the wholesalers and retailers. Similarly the manufacturers have developed their own channels, depots and show-rooms. This distribution new-work is managed today by more educated professionalized cadre. In addition to this private system, the public distribution has come up in a big way. Such a visible changes has been the outcome of good many factors of which the following are most important.

- 1. Redundant market intermediaries are withdrawn by the manufacturers to contain ever escalating costs of marketing.**
- 2. The spread of consumerism caused by increasing consumer awareness has Influenced the distribution system.**
- 3. The strong desire on the part of manufactures to design and implement their Own channels to establish direct link with the consumers.**
- 4. The public distribution system-a parallel system has come up in a big way out of socio-economic realities faced by the country and**
- 5. Socio-cultural environment has also its share in the shaping and reshaping of the distribution system. Today, the distribution system. Today, the distribution system is not the mere product of legal, economic and social but more of cultural values which are unique in India.**

3.3.5 CULTURAL COMPONENT.

There cannot be a society without culture and a culture without a society. A culture is a distinctive way of life of a group of people – their complete design for living. it is the man-made part of man's environment-the sum total of knowledge, beliefs, art, morals,

laws, customs and many other capabilities and habits he acquires as a member of society. it covers the attitudes and the values of a whole society having bearing on what one does, what one sees, what one judges and so on. It “consists of the acquired or cultivated behavior and thoughts of individuals within a society, as well as the intellectual, artistic and social ideals and institutions which the members of the society profess and to which they strive to conform”. In the back-ground of this connotation, the cultural aspect relevant to marketing are-family system, costumes, food, habits, language, literacy, religion, caste system and festivals. Let us have some idea about these aspects that throw light on our study.

A. Family System.

As against the divided family system in the west, India has a unique family system known as “joint family”. It is an Indian social institution in which the members of the family with male parent lineage live together. The head of the family-the senior most by birth is called as ‘karta’. He is the supreme judge responsible for making all the decisions in all aspects. It is a wonderful system of social insurance that acts as a cushion against the hazards of sickness, unemployment, death and the like. Being a joint family, the personal interests are subordinated to the common interests of the family. Though it has strong-hold in rural india, the system is fast dying in urban India due to increased education, occupational mobility, migration and influence of western culture and changed focus on ‘individualism’, here, the relevant things for a marketer are:

1. Decision-making as far as family purchases are concerned is made by ‘Karta’ on the basis of the needs, traditions and conventions.
2. The income to be spent is not only for one but on the entire family.

B. Costumes

The all India pattern of costumes is mostly a bush-shirt and a pant in urban areas and shirt, dhoti and turban or a cap in rural areas. However, it does not mean that rural people would wear shirts and dhoties and urban people only bush-shirts and pants. The costume pattern differs from state to state based on social and religious customs, fashions and climatic conditions. Thus in north, Punjabi males wear lungi, chola and turban and females salwar and kameez. In south India lungi and a shirt for males and saree and blouse for females. It is interesting to note that the length and colour combinations differ from state to state, society to society, at the same time; climate has its own impact in addition to the fashion in vogue, on attire. As a result, we have variety of caps, turbans, dhoties, lungies, shirts, and pants. Costume as a major part of Indian culture has a wide variety.

C. Food habits

The all India pattern of food habits are based on the basic items like boiled rice, chppaties or roties, pulses or dal, curry and vegetables , chutney and pickles. In most cases, milk and milk preparation like curd, butter-milk, butter and ghee are subsidiaries. Meat, mostly mutton and chicken, is used as a substitute for vegetables sweet preparations are meant for occasions. These make staple food for Indians. Variety is seen in tehse basis items. Thus, idli, vadh, dosa are typical south Indian dishes prepared from rice ulses and

chana and bhatura in north prepared out of pulses and wheat flour. In coastal areas, the requirements are boiled rice and fish and grawvel 'upma' and 'shira' are made from fine rawa of rice or maize where the first is pub genet and second one is sweet. These minute differences are of top significance to alert marketer to develop appropriate market mix.

D. Language

Language is the vehicle and, a medium of communication. It is the language that transmits ideas, persuasion and inducements to the market that is people and feed-back is got through it in the form of reactions. India is known for multiple languages and countless dialects. There are as many as 1655 regional languages spoken by the Indians and 16 languages have been reconised by the constitution of India. For a marketer, the relevant language is one which is spoken and understood by consumers. English is the language of administrators, scholars and elite of India society. Hindi is spoken by 38 percent of Indian. To South India, the problem of regional language is more vital nd vibrant. In Maharashtra-Marathi, Gujrati, Hindi, English Kannada, Konkani, Bengali are spoken in Karnataka-Kannada, Marathi, Konkani, Tamil, Telegu, Hindi and Malyalam are spoken in : Tamil Nadu-Tamil, English, Malyalam, Kannada, Konkani and Hindi are spoken. In kerala-Malyalam, English, Telegu, Hindi and Kannada are spoken. In west Bengal-Bengali, English and Hindi. In Punjab-Punjabi, Hindi and English. In Gujrat-Gujarati, Hindi, English an Marathi. In Uttar Pradesh-madhaya Pradesh and Rajasthan and Bihar-Hindi and Rajsthani. In all states Urdu is spoken by minorities. Because of the multiplicity of languages and dialects, the task of marketer is really challenging as he is to understand the consumers speaking different languages and dialects. His success depends on communication mix he develops and uses in the marketing efforts.

E. Literacy

Language and literacy are closely related. The markter has stake in the level of literacy as if influences marketing communications. There is positive correlation in market gaining and the rate of literacy. Therefore, higher the rate of literacy, greater chances of success of written ads, package, message and promotion literature. It is eduction that is the foundation for gaining knowledge, refined tastes and habits, improved living standards. As noted earlier, the all India literacy rate is much lower. However, literacy rate is much higher in South India than the rest of the country. Again the rate is higher in urban areas than in the rural areas. Because of traditional outlook and lack of exposure to education, the Indian consumer is at sea in the India marketing wonderland.

F. Religion

Like languages, there are many religions in India. The mot important one are-Hinduism, Islam, Christianity, Sikhism, Buddhism, Jainism and Zoroastranity. Though Hindus are predominant, there are sects and sub-sects like Shivas and VAishnvas: in case of Muslims-Sias and Sunnies in case of Christians-Catholics and Protestants: in caso f Jains, Swetambers and digambers. Except, Christianity. Islam and Zoroastranity, all other religions are of Indian origin and have some common features making a philosophical synthesis. These are asceticism, renunciation and Karma. Asceticism implies hat world is an illusion : renunciation means that the human desires are the source of misery and unhappiness and Karma-the human deeds and rewards are related to past and

present and present and future. As a result, austerity and simplicity in living are encouraged, affluence is discouraged : some religions discourage consumption of items like alcohols, meat, some discourage smoking in addition to drinking and meat eating. Thus, religion has deep influence on consumption pattern and, therefore buying habits. Hence, understanding religious sentiments, persuasions, beliefs and attitudes is a must for an alert marketer. Perfect study helps him or her to work on matching mix to the expected consumer behavior.

G. Castes

Caste is a significant sociological phenomenon in Indian marketing system like religion. The whole Indian Society is divided on the basis of castes. Caste is a group of people with a well developed life-style of their own, the membership of which is based on the birth. It is a hereditary endogamous and a localized group having a traditional association with and occupation the India Caste system has its roots in so called varnashram system' accordingly, the earlier society was divided into Brahmins, Kshatriyas, Vaishya and Shudras. It has been based on the occupations they performed: Brahmins to specialize in teaching and preaching : Kshatriyas in maintaining law and order-both internal and external. Vaishyas in production and distributon of goods and services and shudras other jobs, particularly of inferior type. Castiesm is not confined to Hinduism only but is found in all other religions in one form or the other. Thought, there has been an erosion of strict caste system with the democratic values, still it plays a significant role in social interaction and interecourse. As castes are based on occupations, their income also differs. Thus, Brahmins being right on top, have the highest income; so is the case with VAishyas; Kshatriyas do enjoy higher income; lower income kgoup is that of Shudras. It is his income level that determines his life-style and demands so mukch so that what shall he eat and drink with whom and where and when. Caste decides the ritual regarding the birth, marriage and death.

H. Festivals

Festivals are the part and parcel of rich cultural heritage of India. The festivals with changed of seasons. The prominent fstivlas of India are GAnesh Chaturiti, Dussehra, Diwali, Holi, BAisakhi, Buddha Jayanti, Mahaveer Jayanti, Id0ul Zuha, Id-ul Fitr, Christmas, Onam. These festivals are important from markting point of view because, the consumers spend willingly more on these occasions on new clothes, ornaments, furnishing, colours, crackers, eatables, travelling, among other things,. Marketer, by understanding these can plan new product development and introduction, order-booking, advertising and promotion messages and timings and physical distribution. From the foregoing pages, it can be said that the Indian market is marked by consistent trend toward economic prosperity and modernism. In fact, social change has been much more impressive and impinging than economic. A society which was bogged down in traditions is in the process of fast modernization particularly over the last two or three decades. Tehree has been a break-though in agricultural sector, she has a solid industrial base an encouraging infrastructural built-up; expansion and diversification of manufacturing and marketing particularly consumer goods; exports have increased and diversified; rural sector has emerged as a rival sector to the urban sector; socially; middle class has emerged s a very

powerful component of market legal and political changes have paved the way for accelerated economic development. As a result mass production has influenced mass marketing characterized by competition resulting in further improvement of quality, reduction of costs and increase in quantity. In a sentence, Indian marketing environment is robust with broad spectrum giving good many opportunities to the alert marketers with challenges in its trail.

3.4 -LET US SUM UP

The makeup of Indian marketing environment can be subdivided into five major groups as economic-social-legal-distribution and cultural. **THE ECONOMIC COMPONENT** – has the fetures like-demographic features-general economic features-agricultural features-industrial features-consumer goods features.

THE SOCIAL COMPONENT : is made up of sub point such as urban features-rural features and international features.

THE LEGAL COMPONENT deals with various rules and regulations, acts and Laws providing legal framework.

THE DISTRIBUTION COMPONENT : has sub-components like physical distribution scene, channels of distribution scene.

THE CULTURAL COMPONENT has sub-components like-family system, costumers, food habits, languages, literacy, religion, caste and festivals. In each field there has been encouraging change on which the Indian market has the right to capitalize provided the shouldered the threats and challenges to his benefit and benefit of his county.

3.5 CHECK YOUR PROGRESS- THE KEY

Self Assessment Questions

1. Political and legal environment belongs toenvironment.
2. Suppliers are part of marketing intermediaries
 - a. True b. false
3. Newspaper is an example of
 - a. Citizen action publics
 - b. Internal publics
 - c. General publics
 - d. Media publics
4. In market,company buy goods and services to resell at a profit.
5. Retailers are final link between..... And.....
6. Demographic environment is the study of..... characteristics.
7. Inflation is studied in.....environment.
8. Ready to eat product is targeted to working women segment
 - a. Yes b. No
9. Which of the following is not the macro environment variable?
 - a. Technology environment
 - b. Competitive environment
 - c. Social and cultural environment
 - d. Demographic environment
- 10 is the major occupation in India.

Answers:

1. Macro
2. False
3. Media publics
4. Reseller market.

5. Company and customers
6. Population
7. Economic and natural environment.
- 8 Yes
9. Competitive environment.
10. Agriculture.

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