

# Marketing Management



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# **MARKETING MANAGEMENT**

**Paper-17**

**M.Com. (Final)**

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in Marketing  
**Marketing Management**  
M.Ccm. (Final)

**Baper-17 Max. Marks.: 100**

**Time: 3 Hrs**

**Notes:** There will be three sections of the question paper. In section A there will be 10 short answer questions of 2 marks each. All questions of this section are compulsory. Section B will comprise of 10 questions of 5 marks each out of which candidates are required to attempt any 8 questions. Section C will be having 5 questions of 15 marks each out of which candidate are required to attempt any three questions. The examiner will set the questions in all the three sections by covering the entire syllabus of the concerned subject.

**Course Inputs:**

**Unit-1 Introduction:** Concept, nature, scope and importance of marketing; Marketing concept and its evolution; Marketing mix; Strategic marketing planning – An overview.

**Market Analysis and Selection:** Marketing environment – Macro and Micro Components and their impact on marketing decisions. Market segmentation and positioning, Buyer behaviour, Consumer decision making process.

**Unit-2 Product Decisions:** Concept of a product, Classification of products; Major product decisions; Product line and product mix; Branding, Packaging and labeling, Product life-cycle – strategic implications, New product development and consumer adoption process.

**Unit-3 Distribution Channels and Physical Distribution Decisions:** Nature, functions and types of distribution channels; distribution channel intermediaries; Channel management decisions; Retailing and wholesaling. Decision – areas in the Management of Physical Distribution.

**Unit-4 Pricing Decisions:** Factors affecting price determination; Pricing policies and strategies; Promotion Decisions; Communication process; Promotion mix advertising, personal selling, sales promotion, publicity and public relations; Determining advertising budget; Copy designing and its testing; Media selection; Advertising effectiveness; Sales promotion – tools and techniques.

**Unit-5 Marketing Research:** Meaning and scope of marketing research; Marketing research process.

**Marketing Organisation and Control:** Organizing and controlling marketing operations.

Issues and Developments in Marketing; Social, ethical and legal aspects of marketing; Marketing of services; International marketing; Green marketing; Cyber marketing; Relationship marketing and other developments in marketing.

# Chapter 1 Marketing : An Introduction

Most of the people define marketing as selling or advertising. It is true that these are parts of the marketing. But marketing is much more than advertising and selling. In fact marketing comprises of a number of activities which are interlinked and the decision in one area affects the decision in other areas.

To illustrate the number of activities that are included in marketing, think about all the bicycles being peddled with varying degree of energy by bicycle riders in India. Most bicycle are intended to do the same thing—get the rider from one place to another. But a bicyclist can choose from a wide assortment of models. They are designed in different sizes, with different frames for men and women and with or without gears. Trekking cycles have large knobby tyres, and the tyres of racing cycles are narrow. Kids want more wheels to make balancing easier; clowns want only one wheel, to make balancing more interesting.

The variety of styles and features complicates the production and sale of bicycles. The following list shows some of the many things a firm like Atlas Cycles or Hero Cycles should do before and after it decides to produce a bicycle.

1. Analyze the needs of people who might buy a bicycle and decide if they want more or different models.
2. Predict what types of bicycles like handle bar styles, type of wheels, weights and materials different customers will want and decide to which firm will try to satisfy their need.
3. Estimate how many of these people will be riding bicycles over the next several years and how many bicycles they'll buy.
4. Predict exactly when these people will want to buy bicycles.
5. Determine where in the India these bicyclists will be and how to get the company's bicycles to them.
6. Estimate the price they are willing to pay for their bicycles and if the firm can make a profit selling at that price.
7. Decide which kinds of promotion should be used to tell potential customers about the company's bicycles.
8. Estimate how many competing companies will be making bicycles, how many bicycles they'll produce, what kind, and at what prices.
9. Figure out how to provide warranty service if a customer has a problem after buying the bicycle.

The above activities are not the part of production—actually making goods or performing services. Rather, they are part of a larger process—called marketing—that provide needed direction for production and helps make sure that the right goods and services are produced and find their way to consumers. In order to understand the concept of marketing, firstly you must understand what is “market” ?

## Market

The term “market” originates from the Latin word “Marcatus” which means “a place where business is conducted.” A layman regards market as a place where buyers and sellers personally interact and finalise deals.

According to Perreault and McCarthy, market is defined as a group of potential customers with similar needs or wants who are willing to exchange something of value with sellers offering various goods and/or services to satisfy those needs or wants. Of course, some negotiation will be needed. This can be done face-to-face at some physical location (for example, a farmer's market). Or it can be done indirectly through a complex network that links middlemen, buyers and sellers living far apart. Depending upon what is involved, there are different types of markets which deals with products and/or services such as :

- (1) *Consumer Market:* In this market the consumers obtain what they need or want for their personal or family consumption. This market can be subdivided into two parts—fast moving consumer goods market from where the consumers buy the products like toothpaste, biscuits, facial cream etc. and services like internet, transportation etc. Another is durables market from where, the consumers buy the products of longer life like motorcycles, cars, washing machines etc. and services like insurance cover, fixed deposits in the banks and non-banking financial companies etc.
- (2) *Industrial/Business Market:* In this market, the industrial or business buyers purchase products like raw materials (iron ore, coke, crude oil etc.), components (wind-screen, tyres, picture tubes, micro-processors etc), finished products (packaging machine, generators etc.), office supplies (computers, pens, paper etc.) and maintenance and repair items (grease, lubricating oil, broom etc.). Apart from products, now-a-days due to outsourcing the industrial buyers also require a number of services like accounting services, security services, advertising, legal services etc. from the providers of these services.
- (3) *Government Market:* In most of the countries central/federal, state or local governing bodies are the largest buyers requiring and number of products and services. Government is also the biggest provider of services to the people, especially in a developing country like India where army, railways, post and telegraph etc. services are provided by the Central Government and State Govt. and local municipality provides services like roadways and police and sewage and disposal and water supply respectively.
- (4) *Global Market:* The world is rapidly moving towards borderless society thanks to information revolution and the efforts of WTO to lower the tariff and nontariff barriers. The product manufacturers and service providers are moving in different countries to sustain and increase their sales and profits. Although the global companies from the developed countries are more in number (AT & T, McDonald's, Ford Motors, IBM, Sony, Citi Bank etc.); the companies from developing countries are also making their presence felt in foreign countries (Aditya Vikram Birla Group, Maruti-Suzuki, Infosys, IRCON etc.). The ultimate winners are the consumers who are getting world class quality products and services at an affordable prices.
- (5) *Non-profit Market:* On one hand the society is making progress in every field, on the other hand the number of problems that it is facing are also increasing. Most of the people don't care for these problems due to variety of reasons such as—lack of awareness, lack of time, selfish nature etc. So in order to fill the void, the non-profit organisations came into being. These organisations support a particular issue or a charity and create awareness among the general public towards these issues and try to obtain financial and non-financial support. For example there are NGOs who are working towards the conservation of flora and fauna, Narmada Bachao Andolan, Chipko Andolan (to conserve the trees in Himalayan region) etc. These non-profit organisations basically need monetary support from the individuals, institutions and governments to promote a cause or a charity like old age home, free dispensary, free education, home for destitutes etc.

These are the major markets which exist in country. These can also be different markets which deals in a particular product or service such as Grain market (anaj mandi), vegetable and fruit market (Subzi Mandi), fish market, political market (comprising of political parties and voters) etc. which serve a specific need or want of the consumers and marketers.

## Marketing

Numerous definitions were offered for marketing by different authors. Some of the definitions are as follows :

1. Creation and delivery of a higher standard of living.

2. Marketing is the process that seeks to influence voluntary exchange transactions between a customer and a marketer.  
—*William G Zikmund and Michael d'Amico*
3. Marketing is the process of discovering and translating consumer needs and wants into products and services, creating demand for these products and services and then in turn expanding this demand.  
—*H.L. Hansen.*
4. Marketing is the business process by which products are matched with markets and through which transfer of ownership are affected.  
—*Edward W. Cundiff*
5. Marketing consists of the performance of business activities that direct the flow of goods and services from producers or suppliers to consumers or end-users.  
—*American Marketing Association*
6. 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.  
—*Philip Kotler*
7. Marketing is the performance of activities that seek to accomplish an organization's objectives by anticipating customer or client needs and directing the flow of need satisfying goods and services from producer to customer or client.  
—*William D. Perreault and E. Jerome McCarthy*

Let's take a look at the last definition and try to interpret it .

- **Applies to profit and non-profit organisations**—This definition applies to both profit and non-profit organizations. Profit is the objective for most business firms. But other type of organisations may seek more members or donations or acceptance of an idea. Consumer or clients may be individual consumers, business firms, non-profit organizations, government agencies or even foreign nations. While most customers and clients pay for goods and services they receive, others may receive them free of charge or at a reduced price through private or government support.
- **More than just persuading customers**—Marketing is not just selling and advertising, as most of the people thinks. In fact, the aim of marketing is to identify customer's needs and meet those needs so well that the product almost "sell itself". This is true whether the product is a physical good, a service or even an idea. If the whole marketing job has been done well, customers don't need much persuading. They will be ready to buy. And after consuming the product if they are satisfied then they will come back for more.
- **Begins with customer needs**—Marketing should begin with potential customer needs-not with production process. Marketing should try to anticipate needs and then it should determine what goods and services are to be developed— including decisions about product design and packaging; prices or fees; credit and collection policies; use of middlemen; transporting and storing facilities; advertising and sales policies and after the sale, installation, customer service, warranty and perhaps even disposal policies.
- **Does not do it alone**—It means that marketing by interpreting customer's needs-should provide direction for production activities accounting and financial activities and research and development activities and try to coordinate them. Marketing by itself can never be able to satisfy the needs and wants of the customers. It cannot exist in vacuum. In fact, marketing needs the cooperation of other functional areas to be successful.
- **Builds a relationship with the customer**—Marketing tries to identify and satisfy customer needs and wants. Its activities does not end with the single sale but rather it tries to develop a relationship with the customer. So that in the future, when the customer has the same need again—or some other

need that the firm can meet—other sales will follow. The long lasting relationship is beneficial to both the firm and the customer.

### Scope of Marketing

Marketing is typically seen as the task of creating, promoting and delivering goods and services to consumers and businesses. In fact, marketing people are involved in marketing 10 types of entities : goods, services, experiences, events, persons, places, properties, organizations, information and ideas. Marketing concepts can be used effectively to market these entities.

1. **Goods**—Good is defined as something tangible that can be offered to market to satisfy a need or want. Physical goods constitute the bulk of most countries production and marketing effort. In a developing country like India fast moving consumer goods (shampoo, bread, ketchup, cigarettes, newspapers etc.) and consumer durables (television, gas appliances, fans etc.) are produced and consumed in large quantities every year.
2. **Services**—As economies advance, the share of service in gross domestic product increases. For example, in USA, service jobs account for 79% of all jobs and 74% of GDP. A service can be defined as any performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. Services include the work of hotels, airlines, banks, insurance companies, transportation corporations etc. as well as professionals like lawyers, doctors, teachers etc. Many market offerings consists of a variable mix of goods and services. At the pure service end would be psychiatrist listening to a patient or watching movie in a cinema hall; at another level would be the landline or mobile phone call that is supported by a huge investment in plant and equipment; and at a more tangible level would be a fast food establishment where the consumer consume both a good and a service.
3. **Experiences**—By mixing several services and goods, one can create, stage and market experiences. For example water parks, zoos, museums etc. provide the experiences which are not the part of routine life. There is a market for different experiences such as climbing Mount Everest or Kanchanjunga, travelling in Palace on Wheels, river rafting, a trip to Moon, travelling in Trans Siberian Railways across five time zones etc.
4. **Events**—Marketers promote time-based, theme-based or special events such as Olympics, company anniversaries, sports events (Samsung Cup—India Pakistan Cricket Series), artistic performances (Lata Mangeshkar live concert, Jagjit Singh live concert), trade shows (International Book Fair at Pragati Maidan, Automobile fair), award ceremonies (Filmfare awards, Screen awards), beauty contests (Miss World, Miss Universe, Miss India, Miss Chandigarh), model hunts (Gladrags Mega Model). There is a whole profession of event planners who work out the details of an event and stage it. In India event management companies are growing and in case of organising Miss World at Bangalore and World Cricket Cup (Hero Cup) they won the acclaim from all over the world. Our Election Commission Organises biggest event in the world—Elections for upper house in the largest democracy in the world. Other notable example is organising of Ardh Kumbh and Maha Kumbh at Hardwar, Ujjain, Nasik etc. during different years.
5. **Persons**—Celebrity marketing has become a major business. Years ago, someone seeking fame would hire a press agent to plant stories in newspapers and magazines. Today most of cricket players like Sachin Tendulkar, Saurav Ganguly, Rahul Dravid etc. are drawing help from celebrity marketers to get the maximum benefit. Even Star Plus TV channel focussed more on Amitabh Bachhan to promote their programme Kaun Banega Crorepati and this programme turned around fortunes of both Star Plus and Amitabh Bachhan. Even in the 14th Lok Sabha election BJP's election strategy revolves around Mr. Atal Bihari Vajpayee, that's power of personality. Mr Shiv Khera is busy in building his business empire and is busy telling others how to achieve this or that through books and lectures.

6. **Places**—Places—cities, states, regions and whole nations—compete actively to attract tourists, factories, company headquarters and new residents. India and China are competing actively to attract foreign companies to make their production hub. Cities like Bangalore, Hyderabad and Gurgaon are promoted as centre for development of software. Bangalore is regarded as software capital of India and Hyderabad is emerging as the hub of biotechnology industry. Gurgaon and Noida are competing for call centres to open their offices. Kerala, Himachal Pradesh, Uttaranchal Pradesh and Rajasthan are aggressively promoting themselves to attract local as well as foreign tourists. Due to its cost effectiveness and competitive ability of Indian doctors coupled with ancient therapies, India is fast emerging as country that can provide excellent medical treatment at minimum costs. If developed properly, Bihar has strong potential to emerge as ultimate destination for Buddhists.
7. **Properties**—Properties are intangible rights of ownership of either real property (real estate) or financial property (share and debt instruments). Properties are bought and sold, and this requires marketing effort. Property dealers in India work for property owners or seekers to sell or buy plots, residential or commercial real estate. In India some builders like Ansal, Sahara Group, both build and market their residential and commercial real estates. Brokers and sub-brokers buy and sell securities on behalf of individual and institutional buyers.
8. **Organizations**—Organizations actively work to build a strong, favourable image in the mind of their publics. We see ads of Reliance Infocomm which is trying to provide communication at lower rates, Dhirubhai Ambani Entrepreneur programme to promote entrepreneurship among the Indians. Companies can gain immensely by associating themselves with the social causes. Universities and colleges are trying to boost their image to compete successfully for attracting the students by mentioning their NAAC grades in the advertisements and information brochures.
9. **Information**—Information can be produced and marketed as a product. This is essentially what schools, colleges and universities produce and distribute at a price to parents, students and communities. Encyclopaedias and most non-fiction books market information. Magazines such as Fitness and Muscle provide information about staying healthy, Business India, Business Today and Business World provide information about business activities that are taking place in various organizations. Outlook Traveller provides information about various national and international tourist destinations. There are number of magazines which are focussed on automobiles, architecture and interior designing, computers, audio system, television programmes etc. which cater to the information needs of the customers. We buy CDs and visit internet sites to obtain information. In fact, production, packaging and distribution of information is one of the society's major industry. More and more companies are using professional research agencies to obtain information they need.
10. **Ideas**—Film makers, marketing executives and advertising continuously look for a creative spark or an idea that can immortalise them and their work. Idea here means the social cause or an issue that can change the life of many. Narmada Bachao Andolan was triggered to bring the plight of displaced people and to get them justice. Endorsement by Amitabh Bachhan to Pulse Polio Immunization drive and pledge by Aishwarya Rai to donate her eyes after her death gave immense boost to these. Various government and non-government organizations are trying to promote a cause or issue which can directly and indirectly alter the life of many. For example  
Traffic police urges to not to mix drinks and drive, central and state government urging not to use polyethelene as carrying bag for groceries.

### **Nature of Marketing**

1. Marketing is both consumer oriented and competitor oriented. The consumer and competitor orientations can be easily understood by the following diagram.

		Minor Competitor Emphasis	
		r	Major
Customer Emphasis	Minor	Self-centred	Competitor Oriented
	Major	Customer Oriented	Market driven

[JIM

- (a) Self centred companies does not give any concern to the consumers and competitors. This type of company can exist in the situation of monopoly. In the competitive economy, these companies cannot remain in the business for long.
  - (b) Competitor oriented companies mainly focus on competitor's activities, what the competitors are doing and what they are likely to do in the near future are the major areas of concern. The companies can be either reactive or proactive. The reactive company will follow the moves of competitors. For example, if the competitor reduce price of its product or service then the reactive competitor oriented company will also reduce its prices. Whereas the proactive competitor oriented company will try to identify what its major competitor is going to do.
  - (c) Customer oriented companies believes in satisfying the customers at any cost. These companies obtain inputs from the customers and then develop their product or service as per customers requirements and then earn profit through-customer satisfaction. The biggest problem is that they don't consider what their competitors are doing and in the long run it might prove counter-productive.
  - (d) Market driven companies are concerned about customers as well as competitors. These companies regularly interact with the customers to know about their satisfaction levels and their future requirements and then try to develop the product or service which is better than their competitors. In the era of cut throat competition, these companies one more likely to be successful than the other companies.
2. Marketing is a dynamic activity because a number of variables keep changing. For example marketing environment, customer's requirements, competitor's actions etc. keep changing thereby necessitating the changes in the company's offer. The companies may have to modify product, price, place or promotion due to changes in any of the numerous variables. For example, Indian manufacturer's either have to improve the quality or reduce the cost to meet the competition from foreign companies.
  3. Long term objective of marketing is profit maximization through customer satisfaction. This is so because a satisfied customer will come back again for the same or different need to the company. Apart from this, the satisfied customer is the company's best advertisement because word of mouth communication by the customer has more credibility than any other form of marketing communication and he'll recommend the companies products/services to his friends and relatives.
  4. Marketing is an integrated function and all the marketing decisions are linked with each other. One decision will automatically lead to another decision. For example if a company has decided to launch a product for limited number of customers then its price will be high and that product will be available through exclusive distribution system and the promotion strategy will depend on the media preferred by the target market. So, if a company decides the first step then decisions regarding the remaining steps will follow automatically.
  5. Marketing is the core functional area of modern day organisations and is the driving force behind every organisation. Marketing provides the vital input for corporate planning which in turn dictates the plans for other functional areas.

6. Marketing is interlinked with other functional areas of the organisation. Marketing people collect the information regarding (customer's requirements and pass it to) the research and development and engineering people who 'll turn the customer requirements into the product or service features. The finance and accounts people help in obtaining the money for the development of new product and also help in arriving at the final price decision. The human resource department provides the necessary manpower for carrying out various activities not only in the marketing area but also in the other functional areas.

## **Importance of Marketing**

### **(A) To the Society**

1. It is instrumental in improving the living standards. Marketing continuously identifies the needs and wants satisfying products or services which can propel the people to do an extra to earn money which can be exchanged for the desired products or services. The people are likely to spend the additional income over and above the disposable income on the products or services which helps in minimizing the physical efforts. Thus marketing by indirectly increasing the earning ability will help in improving the standard of living of the customers.
2. Marketing generates gainful employment opportunities both directly and indirectly. Directly, marketing provides employment to the people in various areas like in advertising agency, in the company sales force, in the distributor's sales force, in public relation firms etc. Indirectly, marketing is responsible for selling the offerings of the organisation. If the organisation's products or services are able to satisfy the customers, then customers will demand organisation's products or services again and again, thereby sustaining the production activities. Thus marketing indirectly provides employment in other functional areas like finance, production, research and development, human resource management etc.
3. Marketing helps in stabilising economic condition in the sense that marketing helps in selling the products or services, which keeps the various organizations functioning and gainful employment is available to the people. With the earnings from the employment, the people will purchase the products and/or services, thus sustaining the demand. This will happen in all the industries, then gainful employment will be available throughout the time period and economy will remain stable, healthy and vibrant.

### **(B) To the firms/companies**

1. Marketing sustains the company by bringing in profits. Marketing is the only activity that brings revenue to the firm, whereas other activities incur expenditure. If the company's products or services satisfy the customer's requirements, then the satisfied customers will keep the company in business by repeat orders and recommending other profitable customers. Thus marketing is the driving force behind a successful company.
2. Marketing is the source of new ideas. New product or service ideas usually come from the research laboratories, employees or from marketplace. It's the marketing people who are in continuous touch with the consumers and marketing intermediaries. Interaction with them helps in identifying strong and weak points of company's product or services as well as competitor's products or services. This interaction can also help in identifying unmet needs or wants of the consumers and the features, consumers are looking into the products or services which can satisfy those unmet needs or wants. Thus marketing can help immensely in identifying new product or service ideas which can help in sustaining the firm's operations. Successful companies are those which identify customer's requirements early and provide the solution earlier than the competitors.

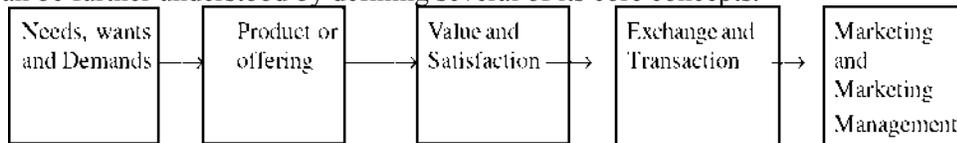
- Marketing provides direction for the future course. The marketing oriented company continuously brings out new product and service ideas which provide the direction for corporate strategic planning for longer time horizon.

### (C) To the Consumers

- Meeting the unmet needs or wants. Marketing identifies those needs or wants which were not satisfied and helps in developing the product or service which can satisfy those unmet needs or wants of the people. For example a number of drugs were invented to treat various physical problems of the people. Again the low cost formulations were developed to treat the people who are unable to afford the expensive drugs.
- Reducing the price of products or services. Marketing helps in popularising the product or service which attracts the customers as well as competitors towards that product or service categories. Due to increase in demand, the manufacturing capacity increase which brings down per unit fixed costs of the product or service. Furthermore increase in competition led to decrease in the prices charged by the firm. Thus the growing demand and increasing competition both help in bringing down the price of the product or service. For example price of both mobile phone handset and mobile phone service are showing a continuous downward trend thereby making the mobile phone service affordable to more and more people.

## Core Concepts of Marketing

Marketing can be further understood by defining several of its core concepts.



### Needs, Wants and Demands

The marketer must try to understand the target market's needs, wants, and demands. Needs describe basic human requirements. People need food, air, water, clothing and shelter to survive. People also have strong needs for recreation, education, and entertainment. These needs become wants when they are directed to specific object that might satisfy the need. An Indian *needs* food but *wants* a rice, chhapati's vegetable and dal. A person in Mauritius *needs* food but *wants* a mango, rice, lentils and beans. Wants are shaped by one's society.

*Demands* are wants for specific products backed by an ability to pay. Many people want a big & beautiful house; only a few are able and willing to buy one. Companies must measure not only how many people want their product but also how many would actually be *willing and able* to buy it.

These distinctions shed light on the frequent criticism that "marketers create needs" or "marketers get people to buy things they don't want." Marketers do not create needs : Needs preexist marketers. Marketers, along with other societal influences, influence wants. Marketers might promote the idea that a Mercedes would satisfy a person's need for social status. They do not, however, create the need for social status.

### Product or Offering

People satisfy their needs and wants with products. A *product* is any offering that can satisfy a need or want. We mentioned earlier the major types of basic offerings : goods, services, experiences, events, persons, places, properties, organizations, information, and ideas.

A brand is an offering from a known source. A brand name such as McDonald's carries many associations

in the minds of people: hamburgers, fun, children, fast food, Golden Arches. These associations make up the brand image. All companies strive to build brand strength—that is, a strong, favourable brand image.

### **Value and Satisfaction**

The product or offering will be successful if it delivers value and satisfaction to the target buyer. The buyer chooses between different offerings on the basis of which is perceived to deliver the most value. We define value as a ratio between what the customer *gets* and what he *gives*. The customer gets *benefits* and assumes *costs*. The benefits include functional benefits and emotional benefits. The costs include monetary costs, time costs, energy costs, and psychic costs. Thus value is given by :

$$\text{Value} = \frac{\text{Benefits}}{\text{Costs}} =$$

The marketer can increase the value of the customer offering in several ways :

Raise

benefits

Reduce costs

Raise benefits and reduce costs

Raise benefits by more than the raise in costs

Lower benefits by less than the reduction in costs

The customer who is choosing between two value offerings,  $V_1$  and  $V_2$ , will examine the ratio  $V_1/V_2$ . She will favour  $V_1$  if the ratio is larger than one; she will favour  $V_2$  if ratio is smaller than one; she will be indifferent if the ratio equals one.

### **FunEktaangeanid TransaCtiontebenefits**

Monetary coE^haSge i^^fy tne^Mdrwkyte inwhich apS'son can obtain a product. The person can self-produce the product or service, as when a person hunts, fishes, or gathers fruit. The person can use force to get a product, as in a hold up or burglary. The person can beg, as happens when a homeless person asks for food. Or the person can offer a product, a service, or money in exchange for something he or she desires.

*Exchange*, which is the core concept of marketing, involves obtaining a desired product from someone by offering something in return. For exchange potential to exist, five conditions must be satisfied :

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

Whether exchange actually takes place depends upon whether the two parties can agree on terms that will leave them both better off (or at least not worse off) than before. Exchange is a value-creating process because it normally leaves both parties better off.

Exchange is a process rather than an event. Two parties are engaged in exchange if

they are *negotiating*—trying to arrive at mutually agreeable terms. When an agreement is reached, we say that a transaction takes place. A *transaction* is a trade of values

between two or more parties : A gives X to B and receives Y in return. Ramesh sells Arun a television set and Arun pays Rs 4000/- to Ramesh. This is a classic *monetary transaction*. But transactions do not require money as one of the traded values. A *barter transaction* involves trading goods or services for other goods or service, as when lawyer Vijay writes a will for physician Satish in return for a medical examination.

A transaction involves several dimensions : at least two things of value, agreed upon conditions, a time of agreement, and a place of agreement. Usually a legal system exists to support and enforce compliance on the part of the transactors. Without a law of contracts, people would approach transactions with some distrust, and everyone would lose.

A transaction differs from a transfer. In a *transfer*, A gives X to B but does not receive anything tangible in return. Gifts, subsidies, and charitable contributions are all transfers. Transfer behaviour can also be understood through the concept of exchange. Typically, the transferer expects to receive something in exchange for his or her gift for example, gratitude or seeing changed behaviour in the recipient. Professional fund raisers provide benefits to donors, such as thank-you notes, donor magazines, and invitations to events. Marketers have broadened the concept of marketing to include the study of transfer behaviour as well as transaction behaviour.

In the most generic sense, marketers seek to elicit a *behavioural response* from another party. A business firm wants a purchase, a political candidate wants a vote, a church wants an active member, and a social-action group wants the passionate adoption of some cause. Marketing consists of actions undertaken to elicit desired responses from a target audience.

To effect successful exchanges, marketers analyze what each party expects from the transaction. Simple exchange situations can be mapped by showing the two actors and the wants and offerings flowing between them.

## **MARKETING AND MARKETING MANAGEMENT**

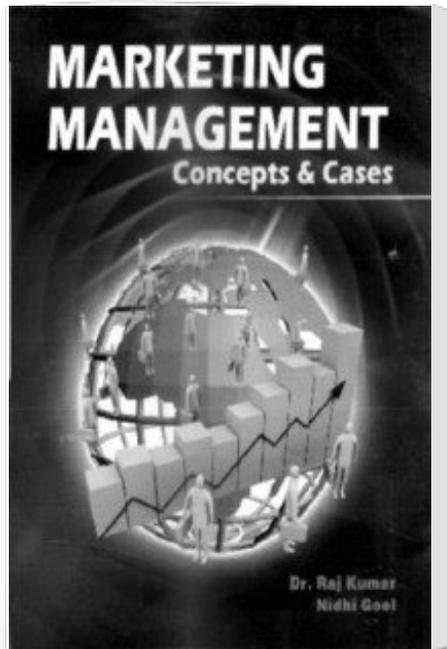
n *Marketing* is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others.

For a managerial definition, marketing has often been described as “the art of selling products.” But people are surprised when they hear that the most important part of marketing is not selling! Selling is only the tip of the marketing iceberg. Peter Drucker, a leading management theorist, puts it this way:

*There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available.*

When Sony designed its Walkman, when Nintendo designed a superior video game, and when Toyota introduced its Lexus automobile, these manufacturers were swamped with orders because they had designed the “right” product based on careful marketing homework.

# Marketing Management eBook



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