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PRINCIPLES OF MARKETING

UNIT-1

TOPICS COVERED:

1. What is Marketing?
2. Nature of Marketing
3. Scope of Marketing
4. Importance of Marketing
5. Marketing Environment
6. BCG Matrix

Definition of Marketing:

According to the American Marketing Association (AMA) Board of Directors, “**Marketing** is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”

Dr. Philip Kotler who is called as the Father of Marketing defines **marketing** as “the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services.”

If we look at the picture from larger perspective marketing is basically involving all the activities and processes from before manufacturing the product

to attaining customer feedback and maintaining customer relationships. Marketing is a broader term than Sales. Marketing has a customer centric approach and concentrate solely on needs of customers throughout the process.

Nature of Marketing:

The Nature of Marketing can be understood by the following:

1. **Human activity:** Originally, the term marketing is a human activity under which human needs are satisfied by human efforts. It's a human action for human satisfaction.
2. **Consumer-oriented:** A business exist to satisfy human needs, hence business must find out what the desire of customer (or consumer) and thereby produce goods & services as per the needs of the customer. Thus, only those goods should be produce that satisfy consumer needs and at a reasonable profit to the manufacturer (or producer).
3. **Art as well as science:** In the technological arena, marketing is the art and science of choosing target markets and satisfying customers through creating, delivering, and communicating superior customer value. It is a technique of making the goods available at right time, right place, into right hands, right quality, in the right form and at right price.
4. **Exchange Process:** All marketing activities revolve around commercial exchange process. The exchange process implies transactions between buyer and seller. It also involves exchange of technology, exchange of information and exchange of ideas.
5. **Starts and ends with customers:** Marketing is consumer oriented and it is crucial to know what the actual demand of consumer is. This is possible only when required information related to the goods and services is collected from the customer. Thus, it is the starting of marketing and the marketing end as soon as those goods and services reach into the safe hands of the customer.

6. **Creation of Utilities:** Marketing creates four components of utilities viz. time, place, possession and form. The form utility refers to the product or service a company offers to their customers. The place utility refers to the availability of a product or service in a location i.e. Easier for customers. By time utility, a company can ensure that products and services are available when customers need them. The possession utility gives customers ownership of a product or service and enables them to derive benefits in their own business.
7. **Goal oriented:** Marketing seeks to achieve benefits for both buyers and sellers by satisfying human needs. The ultimate goal of marketing is to generate profits through the satisfaction of the customer.
8. **Guiding element of business:** Modern Marketing is the heart of industrial activity that tells what, when, how to produce. It is capable of guiding and controlling business.
9. **System of Interacting Business Activities:** Marketing is the system through which a business enterprise, institution or organization interacts with the customers with the objective to earn profit, satisfy customers and manage relationship. It is the performance of business activities that direct the flow of goods and services from producer to consumer or user.
10. **Marketing is a dynamic process:** Marketing is a series of interrelated, complex, continuous and interrelated process. It involves continuous planning, implementation and control.

Scope of Marketing:

The scope or functions of marketing is not only restricted to buying and selling of goods. Marketing covers all the processes from before production of product to after sales services. Functions or Scope of marketing is as follows:

1. Study of Consumer Wants and Needs

Goods are produced to satisfy consumer wants. Therefore study is done to identify consumer needs and wants. These needs and wants motivates consumer to purchase.

2. Study of Consumer Behaviour

Marketers perform study of consumer behaviour. Analysis of buyer behaviour helps marketer in market segmentation and targeting.

3. Production Planning and Development

Product planning and development starts with the generation of product idea and ends with the product development and commercialisation. Product planning includes everything from branding and packaging to product line expansion and contraction.

4. Pricing Policies

Marketer has to determine pricing policies for their products. Pricing policies differs from product to product. It depends on the level of competition, product life cycle, marketing goals and objectives, etc.

5. Distribution

Study of distribution channel is important in marketing. For maximum sales and profit goods are required to be distributed to the maximum consumers at minimum cost.

6. Promotion

Promotion includes personal selling, sales promotion, and advertising. Right promotion mix is crucial in accomplishment of marketing goals.

7. Consumer Satisfaction

The product or service offered must satisfy consumer. Consumer satisfaction is the major objective of marketing.

8. Marketing Control

Marketing audit is done to control the marketing activities.

9. After Sales Services

The services provided to customers after the sale of product are also a part of marketing activities.

10. Customer Relationship Management

CRM is a very important part of marketing process these days. It ensures loyalty of customers towards the brand.

Importance of Marketing:

Marketing is a very important part of business as well as economic development. The importance of marketing can be studied by following points:

1) Marketing Helps in Transfer, Exchange and Movement of Goods:

Marketing is very helpful in transfer, exchange and movement of goods. Goods and services are made available to customers through various intermediaries like wholesalers and retailers etc. Marketing is helpful to both producers and consumers.

To the former, it tells about the specific needs and preferences of consumers and to the latter about the products that manufacturers can offer. According to Prof. Haney Hansen “Marketing involves the design of the products acceptable to the consumers and the conduct of those activities which facilitate the transfer of ownership between seller and buyer.”

(2) Marketing Is Helpful In Raising And Maintaining The Standard Of Living Of The Community:

By making available the uninterrupted supply of goods and services to consumers at a reasonable price, marketing has played an important role in raising and maintaining living standards of the community. Community comprises of three classes of people i.e., rich, middle and poor. Everything which is used by these different classes of people is supplied by marketing.

In the modern times, with the emergence of latest marketing techniques even the poorer sections of society have attained a reasonable level of living standard. This is basically due to large scale production and lesser prices of commodities and services. Marketing has infact, revolutionised and modernised the living standard of people in modern times.

(3) Marketing Creates Employment:

Marketing is complex mechanism involving many people in one form or the other. The major marketing functions are buying, selling, financing, transport, warehousing, risk bearing and standardisation, etc. In each such function different activities are performed by a large number of individuals and bodies. Thus, marketing gives employment to many people.

(4) Marketing as a Source of Income and Revenue:

The performance of marketing function is all important, because it is the only way through which the concern could generate revenue or income and bring in profits. Marketing does provide many opportunities to earn profits in the process of buying and selling the goods, by creating time, place and possession utilities. This income and profit are reinvested in the concern, thereby earning more profits in future. Marketing should be given the greatest importance, since

the very survival of the firm depends on the effectiveness of the marketing function.

(5) Marketing Acts as a Basis for Making Decisions

In modern times marketing has become a very complex and tedious task. Marketing has emerged as new specialised activity along with production.

As a result, producers are depending largely on the mechanism of marketing, to decide what to produce and sell. With the help of marketing techniques a producer can regulate his production accordingly.

(6) Marketing Acts as a Source of New Ideas:

The concept of marketing is a dynamic concept. It has changed altogether with the passage of time. Such changes have far reaching effects on production and distribution. With the rapid change in tastes and preference of people, marketing has to come up with the same.

Marketing as an instrument of measurement, gives scope for understanding this new demand pattern and thereby produce and make available the goods accordingly.

(7) Marketing Is Helpful In Development Of An Economy:

Adam Smith has remarked that “nothing happens in our country until somebody sells something”. Marketing is the kingpin that sets the economy revolving. The marketing organisation, more scientifically organised, makes the economy strong and stable, the lesser the stress on the marketing function, the weaker will be the economy.

Evolution of Marketing/ Concepts of Marketing:

Marketing has changed over the centuries, decades and years. The production centred system systematically changed into relationship era of today and over the period; the specializations have emerged such as sales versus marketing and advertising versus retailing. The overall evolution of marketing has given rise to the concept of business development. Marketing has taken the modern shape after going through various stages since last the end of 19th century. The Production oriented practice of marketing prior to the twentieth century was conservative and hidebound by rules-of-thumb and lack of information. Science & technology developments and specially the development of information technology have now changed the way people live, the way people do business and the way people sell and purchase. Following is a short summary of the various stages of evolution of marketing.

Production Orientation Era/ Production Concept

The prevailing attitude and approach of the production orientation era was - “consumers favour products that are available and highly affordable” . The mantra for marketing success was to “Improve production and distribution”. The rule was “availability and affordability is what the customer wants”. The era was marked by narrow product-lines; pricing system based on the costs of production and distribution, limited research, primary aim of the packaging was to protect the product, minimum promotion. Advertising meant, “Promoting products with a lesser quality”.

Product Orientation Era/ Production Concept

The attitude changed slowly and approach shifted from production to product and from the quantity to quality. The prevailing attitude of this period was that consumers favour products that offer the most quality, performance and

innovative features and the mantra for marketers was ‘A good product will sell itself’, so does not need promotion.

Sales Orientation Era/ Selling Concept

The increased competition and variety of choices / options available to customers changed the marketing approach and now the attitude was “Consumers will buy products only if the company promotes/ sells these products”. This era indicates rise of advertising and the mantra for marketers was “Creative advertising and selling will overcome consumers’ resistance and convince them to buy”.

Marketing Orientation Era/ Marketing Concept

The shift from production to product and from product to customers later manifested in the Marketing Era which focused on the “needs and wants of the customers” and the mantra of marketers was” ‘The consumer is king! Find a need and fill it’. The approach is shifted to delivering satisfaction better than competitors.

Relationship Marketing Orientation Era

This is the modern approach of marketing. Today’s marketer focuses on needs/ wants of target markets and aims at delivering superior value. The mantra of a successful marketer is ‘Long-term relationships with customers and other partners lead to successes.

The following sentences summarize the above evolution of marketing.

1. Production era: ‘Cut costs. Profits will take care of themselves’.
2. Product era: ‘A good product will sell itself’.
3. Sales era: ‘Selling is laying the bait for the customer’.

4. Marketing era: 'The customer is King!'.
5. Relationship marketing era: 'Relationship with customers determine our firm's future'.

Holistic marketing Concept:

Holistic marketing concept is a part of the series on concepts of marketing and it can be defined as a marketing strategy which considers the business as a whole and not as an entity with various different parts.

According to holistic marketing concept, even if a business is made of various departments, the departments have to come together to project a positive & united business image in the minds of the customer. Holistic marketing concept involves interconnected marketing activities to ensure that the customer is likely to purchase their product rather than competition.

Marketing Environment:

The **Marketing Environment** includes the Internal factors (employees, customers, shareholders, retailers & distributors, etc.) and the External factors (political, legal, social, technological, economic) that surround the business and influence its **marketing** operations.



The marketing environment can be broadly classified into three parts:

1. Internal Environment
2. Micro Environment
3. Macro Environment

1. **Internal Environment** – The Internal Marketing Environment includes all the factors that are within the organization and affects the overall business operations. These factors include labour, inventory, company policy, logistics, budget, capital assets, etc. which are a part of the organization and affects the marketing decision and its relationship with the customers. These factors can be controlled by the firm.

2. **Microenvironment-** The Micro Marketing Environment includes all those factors that are closely associated with the operations of the business and influences its functioning. The microenvironment factors include customers, employees, suppliers, retailers & distributors, shareholders, Competitors, Government and General Public. These factors are controllable to some extent.



These factors are further elaborated:

- **Customers**– Every business revolves around fulfilling the **customer's needs and wants**. Thus, each marketing strategy is customer oriented that focuses on understanding the need of the customers and offering the best product that fulfils their needs.
- **Employees**– Employees are the main component of a business who contributes significantly to its success. The quality of employees depends on the training and motivation sessions given to them. Thus, **Training & Development** is crucial to impart marketing skills in an individual.

- **Suppliers**– Suppliers are the persons from whom the material is purchased to make a finished good and hence are very important for the organization. It is crucial to identify the suppliers existing in the market and choose the best that fulfils the firm's requirement.
 - **Retailers & Distributors**– The channel partners play an imperative role in determining the success of marketing operations. Being in direct touch with customers they can give suggestions about customer's desires regarding a product and its services.
 - **Competitors**– Keeping a close watch on competitors enables a company to design its marketing strategy according to the trend prevailing in the market.
 - **Shareholders**– Shareholders are the owners of the company, and every firm has an objective of maximizing its shareholder's wealth. Thus, marketing activities should be undertaken keeping in mind the returns to shareholders.
 - **Government**– The Government departments make several policies viz. Pricing policy, credit policy, education policy, housing policy, etc. that do have an influence on the marketing strategies. A company has to keep track on these policies and make the marketing programs accordingly.
 - **General public**– The business has some social responsibility towards the society in which it is operating. Thus, all the marketing activities should be designed that result in increased welfare of the society as a whole.
3. **Macro Environment**-The Macro Marketing Environment includes all those factors that exist outside the organization and cannot be controlled. These factors majorly include Social, Economic, Technological Forces, Political and Legal Influences. These are also called as **PESTLE framework**.



The detailed description of Macro factors is given below:

- **Political & Legal Factors**– With the change in political parties, several changes are seen in the market in terms of trade, taxes, and duties, codes and practices, market regulations, etc. So the firm has to comply with all these changes and the violation of which could penalize its business operations.
- **Economic Factors**– Every business operates in the economy and is affected by the different phases it is undergoing. In the case of recession, the marketing practices should be different as what are followed during the inflation period.
- **Social Factors**– since business operates in a society and has some responsibility towards it must follow the marketing practices that do not harm the sentiments of people. Also, the companies are required to invest in the welfare of general people by constructing public conveniences, parks, sponsoring education, etc.
- **Technological Factors**– As technology is advancing day by day, the firms have to keep themselves updated so that customers' needs can be met with more precision.

Therefore, marketing environment plays a crucial role in the operations of a business and must be reviewed on a regular basis to avoid any difficulty.

Boston Consulting Group (BCG) Matrix

In 1968, Bruce Henderson working at Boston Consulting Group, created this chart to help organisations with the task of analysing their product line or portfolio.

The matrix assesses products on two dimensions. The first dimension looks at the products general level of growth within its market. The second dimension then measures the product's market share relative to the largest competitor in the industry. Analysing products in this way provides a useful insight into the likely opportunities and problems with a particular product.

Products are classified into four distinct groups, Stars, Cash Cows, Problem Child and Dog. Let's have a look at what each one means for the product and the decision making process.



Stars (high share and high growth)

Star products all have rapid growth and dominant market share. This means that star products can be seen as market leading products. These products will need a lot of investment to retain their position, to support further growth as well as to maintain its lead over competing products. This being said, star products will also be generating a lot of income due to the strength they have in the market. The main problem for product portfolio managers is to judge whether the market is going to continue to grow or whether it will go down. Star products can become Cash Cows as the market growth starts to decline if they keep their high market share.

Cash Cows (high share, low growth)

Cash cows don't need the same level of support as before. This is due to less competitive pressures with a low growth market and they usually enjoy a dominant position that has been generated from economies of scale. Cash cows are still generating a significant level of income but are not costing the organisation much to maintain. These products can be "milked" to fund Star products.

Dogs (low share, low growth)

Products classified as dogs always have a weak market share in a low growth market. These products are very likely making a loss or a very low profit at best. These products can be a big drain on management time and resources. The question for managers is whether the investment currently being spent on keeping these products alive could be spent on making something that would be more profitable. The answer to this question is usually yes.

Question mark / Problem Child (low share, high growth)

Also sometime referred to as Question Marks, these products prove to be tricky ones for product managers. These products are in a high growth market but do not seem to have a high share of the market. The reason for this could be that it's a very new product to the market. If this is not the case, then some questions need to be asked. What is the organisation doing wrong? What are its competitors doing right? It could be that these products just need more investment behind them to become Stars.

A completed matrix can be used to assess the strength of your organisation and its product portfolio. Organisations would ideally like to have a good mix of cash cows and stars.

There are four assumptions that underpin the Boston Consulting Group Matrix:

1. If you want to gain market share you will need to invest in a competitive package, especially through investment in marketing
2. Market share gains have the potential to generate a cash surplus due to the effect of economies of scale.
3. The maturity stage of the product life cycle is where any cash surplus is most likely to be generated
4. The best opportunities to build a strong market position usually occur during a market's growth period.

We hope that you have found this information useful.