

Unit 1: Introduction to Marketing Management

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Objectives

After studying this unit, you should be able to understand:

- Concept of Marketing
- Core Concepts of Marketing
- Scope of Marketing
- Importance of Marketing
- Functions of Marketing
- Marketing as a Strategy
- Marketing Orientations

Notes

1.1 Introduction to Marketing

Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably. Marketing deals with customers creating customer value and satisfaction are the heart of modern marketing thinking and practice. Traditional view of the marketing asserts that the customer will accept whatever product the seller presents to them. In this way the main concern of the producer is to produce without considering the choice or the behaviour of the customer. The modern concept may be viewed from the customer's point of view. Marketing is centered around the customer. Marketing performs all those functions which are necessary to pass on goods from producer to the consumers in process to satisfy their needs. Thus, the prime objective of modern marketing is the satisfaction of customer's needs. Therefore, marketing functions are not limited to the functions of buying and selling but they include all functions necessary to satisfy the customer such as financing, storage, risk bearing and after sale series.

For business houses marketing in general means the process by which companies create value for customers and build strong customer relationships, in order to capture value from customers in return. For business to business marketing it is creating value, solutions and relationships either short term or long term with a company or brand. It generates the strategy that underlies sales techniques, business communication and business developments. It is an integrated process through which companies build strong customer relationships and create value for their customers and for themselves.

Marketing is used to identify the customer, satisfy the customer and keep the customer. With the customer as the focus of its activities, marketing management is one of the major components of business management. Marketing evolved to meet the stasis in developing new markets caused by mature markets and over capacities in the last 2-3 centuries. The adoption of marketing strategies requires businesses to shift their focus from production to the perceived needs and wants of their customers as the means of staying profitable.

The term marketing concept holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions. It proposes that in order to satisfy its organizational objectives, an organization should anticipate the needs and wants of consumers and satisfy these more effectively than competitors.

Meaning of Market

Market is a centre around which marketing activities revolve. A market, in general, may be described as a place where goods and services are offered for sale, buyers and sellers meet and the title to goods is transferred. In olden days, buying and selling of goods was done by coming together in periodical fairs held at specific places and on specific dates. Sellers put their commodities in these periodical fairs for sales and buyers also used to go there to purchase the commodities according to their needs.

Thus market is referred to as the place or geographical area where buyers and sellers assemble and exchange goods or where a commodity is concentrated for sale. Today such a market comprises of large number of population varying in age, income, religion etc. and a place where the wants of the customers keeps on changing on day to day basis because of the presence of many number of manufacturers who compete in the market and there by the customer today has a chance to choose from a variety of products,

hence for a manufacturer in order to succeed in such a competent market needs to adapt certain marketing aspects to know about his customers and the market as a whole.

Meaning of Marketing

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.

Explanation: Human wants are unlimited and repetitive in nature. Business activities aim at acquiring of wealth, converting it into desired form and making the final product available for exchange for the satisfaction of human wants. These activities fall under industry, commerce and trade. These three branches have one common function-the exchange function. This important and powerful function is termed as marketing. Thus, marketing here means exchange of goods for money or money's worth. Marketing is a very popular but widely misunderstood. Generally the sale and purchase of commodities is taken to mean marketing. Thus, a producer and businessman consider marketing as selling activity, whereas a purchaser feels that purchasing goods is marketing. But marketing is not only purchase and sale of commodities, it is something more. In order to understand the correct meaning of marketing we have to understand different points of view.

Definitions of Marketing

According to **American Management Association (AMA)**, "Marketing is the performance of business activities that direct the flow of goods and services through producers or users".

"Marketing is analyzing organizing, planning and controlling of the firms customer impinging resources, policies, activities with a view to satisfy the needs and wants of chosen customer groups at a profit". - **Philip Kotler**

According to **E. Clark**, "Marketing consists of those efforts which affect transfer in ownership of goods and care for their physical distribution".

"Marketing is the business process by which products are matched with markets and through which transfers of ownership are affected". - **Cundiff & Still**

According to **American Marketing Association**, "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".

"Marketing is a total system of interacting business activities designed to plan, price, promote and distribute wants-satisfying products and services to present and potential customers". - **William. J. Stanton**

Meaning of Marketing Management

Marketing management is the process of developing strategies and planning for product or services, advertising, promotions, sales to reach desired customer segment.

Definition of Marketing Management

Philip Kotler defines marketing as "Marketing Management is the analysis, planning, implementation and control of programmes designed to bring about the desired exchanges with target audiences for the purpose of personal and mutual gain. It relies heavily on

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adoption and coordination of the product, price, promotion and place for achieving response”.

The **American Association of Marketing** define marketing management as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services in order to create, exchange and satisfy individual and organisational objectives.

Concept of Marketing

The marketing concept is about matching a company's capabilities with customer wants. This matching process takes place in what is called the marketing environment.

Businesses do not undertake marketing activities alone. They face threats from competitors and changes in the political, economic, social and technological environment. All these factors have to be taken into account as business tries to match its capabilities with the needs and wants of its target customers. An organization that adopts the marketing concept accepts the needs of potential customers as the basis for its operations. Success is depends on satisfying customer needs.

The marketing concept holds that the key to achieve organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors. Under marketing concept, the emphasis is on selling satisfaction and not merely on the selling a product. The objective of marketing is not the maximization of profitable sales volume, but profits through the satisfaction of customers. The consumer is the pivot point and all marketing activities operate around this central point. It is, therefore, essential that the entrepreneurs identify the customers, establish a rapport with them, identify their needs and deliver the goods and services that would meet their requirements.

The components of marketing concept are as under:

- i) **Satisfaction of Customers:** In the modern era, the customer is the focus of the organization. The organization should aim at producing those goods and services, which will lead to satisfaction of customers.
- ii) **Integrated marketing:** The functions of production, finance and marketing should be integrated to satisfy the needs and expectations of customers.
- iii) **Profitable sales volume:** Marketing is successful only when it is capable of maximizing profitable sales and achieves long-run customer satisfaction.

Scope of Marketing

- (i) **Employment opportunities:** It creates employment opportunities because sales and marketing is a people oriented activity.
- (ii) **Increases national income:** It increases the Per capita and national income.
- (iii) **Improves the standard of living:** It improves the standard of living of the people.
- (iv) **Satisfies the needs:** It satisfies the needs of the people by providing the goods to the customers.
- (v) **Improves transport:** It improves transport and communications.
- (vi) **Establishes a better relationship:** It establishes a better relationship between the buyer and the seller.
- (vii) **Economic stability:** It achieves economic stability.

- (viii) **Location:** It makes goods available to all geographic locations.
- (ix) **Increases revenue:** It increases revenue to the government.
- (x) **Creation of utilization:** It helps in creation of utilization.
- (xi) **Increase the profit:** It enables to increase the profit.
- (xii) **Manage innovations:** It helps the top management to manage innovations and changes.
- (xiii) **Reduces the cost per unit:** Mass production reduces the cost per unit of the product.
- (xiv) Maximize sales enables the firm to go for large scale production.
- (xv) It helps the manufacturer to decide what to produce, when to produce and how to sell a product or service.
- (xvi) It enables the firm to meet the demands of various classes of consumers thereby increase the sales.

1.2 Core Concepts of Marketing

Traditional Concepts of Marketing

The traditional base of marketing has been evolving for a century or so, after the Industrial Revolution. This conceptual evolution born out of environmental changes. It is coextensive with the tempo of economic development in society and the consequential problems posed before businessmen in terms of the quantum of production and business risks. The following are different managerial orientations evolved at different times due to changes in environment for the understanding of the concepts in the study of marketing management. The production concept holds that consumer will favor products that are available and highly affordable. Management should focus on improving production and distribution efficiency. This concept is one of the oldest. The production concept is useful in two situations: (i) when the demand for a product exceeds the supply, (ii) management should look for ways to increase production and (iii) when the product's cost is too high, improved productivity is needed to bring it down. Example, Henry Ford's whole philosophy was to perfect the production of the Model T so that it's cost could be reduced and more people could afford it. He joked about offering people a car of any color as long as it was black. For many years, Texas Instruments followed a philosophy run a major risk of focusing too narrowly on their own operations. For example, when Texas Instruments used this strategy in the digital watch market it failed. Although Texas Instrument's watches were priced low, customers did not find them very attractive. (ii) The Product Concept

The product concept holds that consumers will favor products that offer the most quality, performance and innovative features. Thus, an organization should devote energy in making continuous product improvements. A product will not sell unless: (i) manufacturer designs packages and prices it attractively; (ii) places it in convenient distribution channels (iii) bring it to the attention of people who need it and (iv) convince buyers that it is a better product. (iii) The Selling Concept

Selling concept hold that consumers will not buy enough of the organization's product unless it undertakes a large-scale selling and promotion effort. The concept is practiced with an sought goods. Example: encyclopedias or insurance. Firm practice the selling concept when they have over capacity. Their aim is to sell what they make rather than to make what the market wants. Such marketing carries high risks. It focuses on creating sales transactions rather than on building long-term, profitable relationships with

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customers. It assumes that customers forget their disappointments and buy the products again. Most studies show that dissatisfied customers do not buy again.

Modern Concept of Marketing

Philip Kotler expresses the same idea in other words "The market concept is customer orientation backed by integrated marketing aimed at generating customer satisfaction as the key to satisfy organizational goals".

The marketing concept holds that the key to achieve its organizational goals consists of the company being more effective than competitors in creating, delivering and communicating customer value to its chosen target markets. The Marketing concept has been expressed as follow:

- (i) "Meeting Needs Profitability".
- (ii) "Find Wants and Fill Them".
- (iii) "Love the customer, not the Product".
- (iv) "You are the Boss".
- (v) "Partners for Profit".

Characteristics of Modern Marketing Concept

- (i) According to this concept, consumer is the king or sovereign of the market. It is the central theme of all marketing activities. The business concerns concentrate themselves on satisfying the needs and wants of the consumers.
- (ii) Marketing is the entire process of understanding and satisfying the needs and wants.
- (iii) The concept supports the view of maximizing of profits by business firms but only after the needs of society are satisfied. The main aim of marketing, under the concept is not maximization of profits alone but by satisfying the consumer needs and wants.
- (iv) The concept creates and delivers the standard of living to the society.

Core Concepts of Marketing can be summarized as follows:

1. Needs, Wants and Demands**Needs:**

A need is a desire or wish that is physiological, psychological, security, esteem and actualization. Physiological needs are basic needs namely food, shelter, clothing, sex; security needs arise as man's life is subject to all sorts of insecurities both natural and artificial. He wants protection from these losses as he likes risk free living. Esteem needs are the result of competition and jealous.

Naturally, each person wants to excel another in each walk of life. If one eats ordinary rice, another is thinking of Dehradoon Basmati rice; if one has Maruti 800 another Skoda where status point comes; if one has golden ornaments, another is thinking of platinum; if one travels by two-wheeler or four wheeler, another by plane and so on. Last, but not the least, there are some needs which are called as self-actualization needs.

Self-actualisation needs are those that bring him unusual, unique status which is possible for very few people. Thus, all cannot be Ambanis, Jindals, Mittals who have real

and rare achievers Majority of people fight for physiological needs, lesser safety needs, still lesser esteem need and the least for self-actualisation.

Wants:

A want is something wanting a deficiency. A want in marketing terminology means need plus ability to pay. That is if we compare needs are countless than wants. For instance, if you ask a question “do you want mangoes? If, they are freely available, he says two for me and three for my father in heaven.

That is want is something which is chosen from needs. If it is question of ‘need’ everyone will say “I need this and that; if it is want; he says I want this. That way both needs and wants are countless; however, the degree of need or want is less in want than need.

However, when we talk of wants than needs the wants are turning into variety to choose as his choice is not mere wish. Thus, needs may be food, shelter and clothing.

In case these needs are converted into wants varieties multiply. Food may be roti, chapatti, bread, Nan, cutlets, burgers, pizzas, idli, dosa, omelets, variety of chicken, mutton, meat, bacon, hot dogs, jelly and so on. In case of shelter, it may hut, cottage, bungalow, and farm-house, flat and so on. In case of clothing, it may be shirts, pants, ties, banians, briefs, saris, skirt, bras cut skirts, maxis, medies, minies, hot pants, Bermudas and so on.

Demand:

When needs arise, wants crop up, there comes demand. Demand is a situation where the person is willing to buy a product and has the ability to pay for it. That demand is expression of need supported by his purchasing power. That is, there is difference between a need, and a want and demand.

Need a mere wish, want is a selected need in which he is really interested and demand a clear cut commitment. That is an item of need may be want for someone else and demand for other.

Thus, a rich man has demand for a Mercedes Luxury car, but it is only a want for middle class person and a mere need for poor man. This exemplifies. “If, wishes were horses, everybody would have ridden.”

Money does not grow on money plant though it is called as money plant. Where everyone would have pluck the money and would have bought whatever he wanted.

2. Marketing Offers

‘Marketing Offer’ is the offer that marketing organisation or marketer makes as per the requirements of a consumer. This market offer stands for a product that satisfies the need of a consumer in terms of quality, quantity, time, price, regularity, plane and so on. This product may be “tangible” or “intangible”. A ‘tangible product’ is one which is visible, tangible, tested, tasted by senses.

Intangible product is a service which is invisible, intangible, not portable, actual presence of renderer and receiver at a point of time and place. The products may be broadly classed as manufactured and produced. In case of manufactured goods, human role and technology play powerful role.

Again, these manufactured goods can be consumer durable goods and non durables goods and non durables meant for final consumption. Thus, fans, fridges, phones,

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cupboards are durables and biscuits, pizza, tooth paste, hair cream, oil, polish and the like are consumer non-durables. Coming to produced goods, nature plays upper hand though technology play important role.

These are farm products-milk, eggs, vegetables, fruits, ghee, butter, chicken, mutton, bacon, beef, honey, and so on.

Again manufactured goods can be 'industrial' as opposed to consumer. Industrial goods are Installations and equipment, hand tools, supplies both office and factory and maintenance services.

Each company has market offer consisting of a product or service, or product-line or service line where customer is to choose from product line. Product lines make company's product portfolio that whole company has in its basket to offer to a consumer or class of consumers.

The market offer has to meet the-consumer expectations a real value for money maximum benefits at reasonably low price.

3. Consumer Value and Satisfaction

Value as seen from the angle of customer, is the capacity of a product or service from which consumer derives a certain level of satisfaction.

A value is judged by the level of satisfaction. Thus, if satisfaction level is low, it means that product is of low value to the consumer and vice versa.

Satisfaction is a state of mind and cannot be measured as it cannot be quantified. Here the concept of cost is very relevant. Both producers and consumers are keenly interested in the cost.

For instance, an item given free of cost or easily purchasable, prices, people grab the opportunity that otherwise are hesitant to buy it if the price becomes much impermissible or exorbitant.

Here, one can define 'cost' to the consumer as the monetary value of what is bought. In fact, it is a major issue under consideration in marketing because it means a sacrifice of some alternative or the other on the part of consumer. Let us take an example where father wants to have a car as he thinks it is the right age.

While son thinks of taking up a paying management course a post-graduate degree. Both car and course and costly, but the fathers purse allows either car or course.

In this case, father has to sacrifice his idea of buying can in support of son's higher education that has job guarantee with good pay package. Last, but not the least, satisfaction is measured as per the consumers need or want or demand.

4. Exchange, Transactions and Relationships**Exchange:**

Exchange is the very base of marketing. In fact another name for exchange is marketing. Producers and manufactures are making available all sorts of goods needed by the society giving weight-age to quality, price, place, time, regularity and so on.

Unless, these are exchanged for money or money's worth, there is no meaning. If exchange does not take place, there will be inventory pile up badly affecting the whole mechanism of production and distribution as it is not matched to consumption.

If Toyota Car Company produces 2,000 cars a day, and are not exchanged or sold, Toyota Company has to be happy with stock piling up. Luckily, of 2,000 cars, 700 cars land every day on American soil and the rest 1,300 on all over the world. Hence exchange is a process of give and take once price fixation takes place.

If producer gives free gifts, donations, charity, it is not exchange. Again, if one takes things from his own factory, his farm, his garden, it does not constitute exchange. If a business man who has stocked goods for sale at a price, there is no exchange if he supplies goods to his family members and friends free of cost.

Transaction:

Transaction is the deal that takes place between the parties of the exchange namely buyer and the seller. Seller is ready with goods to part with and buyer ready with the money to pay for. These dealings or transactions may be cash or credit. In these days of keen competition, cash dealings form a small part of total dealings.

Some companies sell their goods on credit to the extent of 90 per cent where hardly 10 per cent of transactions are of cash type.

Today, business is multiplying more and more people are buying the good and services because of credit. The rule is not “cash and carry”, instead “enjoy now and pay later”. Thus, buying a car, flat or house, cost education is within the reach of middle and lower middle class. The concept of “EMI” has turned everybody to enjoy now and pay later.

Relationships:

Relationships are the bonding and lasting business kinship based on mutual trust between the marketing organisation and the customers particularly long-term. In fact it is a customer attraction and detention exercise which is not cake walk. Customer is the king.

He is to be kept always happy by satisfying his needs in terms of quality, price, time, quantity, regularly in supply.

Once the customer understands the marketer that he has keen interest in him in all contexts, he builds the goodwill for the company; tells his friends and relatives as a result of which customers increase.

In case a customer is dissatisfied, like a rotten mango, he makes other goods mangoes also to rot. That is why relationship marketing has become a specialised aspect of modern marketing which believes in building long-term partnership with, customers for longer lasting loyalty.

5. Markets

Market as referred earlier is not a place necessarily. It is coming together of buyers and sellers in person or in contact with any means where they are in touch with the detailed information about what sellers have to offer and what buyers are ready to buy. It is a mechanism that facilitates price fixation easily and quickly for the mutual benefit of buyers and sellers, Physical presence of goods and people at a point is not market.

The forces of exchange and price fixing take place easily and quickly that which represents market. Market is the starting point because marketing follows it. That is goods flow from the sellers to the buyers and money or money's worth follows from buyer to reach sellers to complete the exchange.

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Markets are classified in a number of ways which is already referred at the beginning of the chapter.

6. Marketer and Prospects

Marketer:

A marketer is an individual or an institution who is engaged in making available the goods; he has his own portfolio the range of products he can offer to the interested buyers. Marketer creates only place, time ownership and awareness utility.

He does not produce but buys from manufacturers and producers and sells to buyers either for final consumption or for further processing and sale.

Prospects:

Counter part of market and marketing is prospects. Only marketers (sellers) not only prospects cannot constitute a market. Marketers are there because prospects are there. If there is no body to buy the goods and services.

What marketers will do? That is why prospects are consumers and they are in the driver's seat the king or the Rex or marketing system. Prospect is person or an organisation which is ready willing to buy and pay for the goods and services. It is not to undermine the marketers because a "clap" is possible with two hands and not one.

1.3 Importance of Marketing

(a) Importance of Marketing to Society

- (i) **Delivery of Standard of Living:** The main objective of marketing is to provide goods and services to the people in the society to satisfy their needs and wants at a reasonable price. Therefore producing goods and services accordingly, there by creating demand for these goods, encourage people to use them and there by improving the standard of living of the people.
- (ii) **Provides Employment:** According to an estimate, 40 percent of the labor force in developed economies (USA, Germany and Japan etc.) are engaged in different marketing processes such as marketing research work, wholesale and retail business, transport, communications, storing, warehousing, publicity work etc. In underdeveloped economies like, India, there is a great scope for increasing opportunities for employment by developing marketing processes.
- (iii) **Decreases in Distribution Cost:** Marketing aims at reducing the cost of distribution as far as possible so that the commodities might be within the reach of maximum number of consumers. It increases the level of consumption in the society. Reduction in the cost of distribution directly affects the price of the commodity and it will also be reduced. As a result, the product can now be purchased by customers who were unable to purchase it due to high prices. Even if, we assume that the price is not reduced, it will increase the profits of the producer, which will filter down to the shareholders. A part of the profit may also be utilized for further research work. Thus indirectly the society is benefited in the long run.
- (iv) **Increase in National Income:** Sound marketing system is associated with creation of increased demand for goods and services. An increased demand stimulates production activity in the country which in turn increases the national income which is in the interest of the whole economy.

(b) Importance of Marketing to the Firm

- (i) **Helpful in Business Planning and decision making:** Marketing is helpful not only to plan the production but it is also helpful in business planning and in taking various decisions regarding the business. In today's economy, production is planned according to the sales forecasts and not according to the production capacity of the firm. A firm will produce what it can sell or as much quantity as it can sell and not what and how much it can produce. Thus marketing decisions affect the business decisions. All other activities such as planning, production, purchase, finance revolve around the marketing decisions.
- (ii) **Helpful in Increasing Profits:** Every business is carried on with the profit motive. Marketing helps in increasing the business profits by reducing the selling cost on one hand and by increasing the demand of the product through advertising and sales promotion activities on the other hand.
- (iii) **Helpful in Communication between Firm and Society:** Business collects various information regarding consumers' behaviour and the changes in their behaviour from time to time through marketing. Marketing also provides information to the firm about the competitors, price, policies and distribution policies. Marketing provides extensive information of the product regarding its quality, price, utility and place of availability to the society. Thus, society comes to know about the new products

(c) Importance of Marketing in Underdeveloped Economy

Marketing has a special significance in underdeveloped economies. A rapid development of the economy is possible only by adopting the modern methods of marketing. Marketing in underdeveloped economies is still in its infancy. Industrialisation and organization goes hand in hand with application of modern refinements in the field of marketing. An effective marketing system alone can bring the fruits of production to the people. India provides the best example in this regard. One of the main reasons for recession is actually the result of recollecting the development of marketing. "Marketing" is an effective engine for development. It mobilizes latent economic energy and thus it is the creator of small business. Thus, the concept of marketing in underdeveloped economies has to go a long way to catch up with the requirements of rapid industrial growth.

(d) Importance of Marketing in a Developed Economy

The economy of abundance is indicated by the way of life itself, which connotes a certain degree of development in marketing. In such countries the volume of production with all its up-to-date technology is generally more than the demand. In order to maintain the level of production it is absolutely necessary that the produced amount is disposed off readily in the country itself or abroad on the basis of non price competition. This is possible only by a very sound and advanced marketing system because of still competition in the market.

(e) Importance of Marketing in a seller or Buyer's Market

A seller's market is one in which the demand for goods and services exceeds the supply. In such a situation there is tendency of growing monopolies. On the other hand buyer's market is one in which the supply of goods exceeds the demand. Every firm is eager to sell its goods but only that the firm succeeds which adopts the scientific ways of marketing of goods, which means adopting the designs and quality of goods in accordance with the changing tastes and likings of the common consumers. Thus the importance of marketing in both the sellers and the buyers' market is great indeed.

1.4 Functions of Marketing

(a) Merchandising Functions

The process of the passing of goods to the customer's hands is called the function of exchange. This process can be divided into buying, assembling and selling.

- (i) **Buying:** Buying is the first step in the process of marketing. A manufacturer has to buy raw materials for production, a wholesaler has to buy goods to be sold to the consumer. Buying involves transfer of ownership of goods from seller to the buyer.
- (ii) **Assembling:** Assembling means creation and maintenance of the stock of goods, purchased from different sources.
- (iii) **Selling:** The purpose of selling is to find buyers to whom goods can be sold at a price satisfactory to the seller. At all stages of marketing, it is necessary for someone to sell.

(b) Physical Distribution Functions

This function relates to the process of transporting the goods from the place of seller to the place of buyer and includes two main functions:

- (i) **Transportation:** Marketing system requires an economical and effective transportation system. A good system of 'transportation' increases the value of goods by the creation of place of utility.
- (ii) **Storage and Warehousing:** Goods must be stored for different reasons, goods produced seasonally may be used throughout the year, goods meant for use during the short period may be produced over the longer period, manufacturer store raw materials for ready supply are also stored in the hope of getting a higher price in future.

(c) Facilitating Functions

These functions make the marketing process easy and include financing, risk bearing, standardization, pricing, branding advertising, salesmanship, sales promotion, packaging, market information, marketing research and marketing intelligence.

- (i) **Financing:** It is very difficult to carry on marketing activities smoothly without the availability of adequate and cheap finance. Commercial Banks, Co-operative credit Societies and government agencies arrange for short-term finance, medium term, finance and long term finance to facilitate marketing.
- (ii) **Risk-Bearing:** Marketing of goods involves innumerable risks due to theft, distortion accidents etc. The most important factor responsible for the risk is fluctuation in prices. The other factor, competition in the market, change in habits of the consumers, natural calamities etc.
- (iii) **Standardization:** This has now been accepted as an ethical basis of marketing. A standard is a measure that is generally recognized as model for comparison. Standards are determined on the basis of color, weight, quality and other factors of a product.
- (iv) **Pricing:** Pricing is also an important function which is closely alluding to selling. Price policy of the concern directly affects the profit element. In determining price policy, several factors are to be borne in mind such as cost of the product

competitor's prices, marketing policies, government policy or customary or convenient pricing.

- (v) **Branding:** Branding is the management process by which a product is branded. It is a general term covering various activities such as giving a brand name to a product, designing a brand mark and establishing and popularizing it.
- (vi) **Advertising:** Any paid form of non-personal communication of ideas, goods or services by business firms are identified in the advertising message intended to lead to a sale immediately or eventually. The main purpose of every commercial organization is to promote sales because it is the only way to commercialize the product. Any activity towards sales-promotion may be called promotional activities. Advertising and sales promotion are indirect and non personal methods, while personal selling is direct and personal method of sales promotion.
- (vii) **Salesmanship:** Salesmanship is neither an art nor is completely based on scientific principles. It is a combination of both. A salesman must possess inborn talents and must have a real interest in the profession. Salesman comes in contact with the number of persons, guides and advises them to purchase goods of the producer to whom he represents convince them describes them the attractive and positive features of the products and pre-sale and after sale services and thus makes a sale.
- (viii) **Sales Promotion:** Sales promotion and personal selling are parts of promotional mix. Sale promotion techniques are indirect and non-personal. While personal selling is quite direct and personal. The main purpose of the sale promotion activities is to stimulate consumers and dealers effectively. Sales promotion directed at consumers may be done with a view to increase the products rate of use among existing consumer product.
- (ix) **Packaging:** A good package is the representation of the artistic combination of the designer's creative skills and the product and marketing and sales knowledge of the manufacturer's management team. The development of packaging is the sum total of the talents of the designer, the researcher, the technician, the advertising man, the top management. At times, it may include in the team the use of packaging committee and packaging directions, the role of independent decisions and the delegation of market research in the solution of packaging problems. Packaging may be defined as the general group of activities in product planning which involve designing and producing the container or wrapper for a product.
- (x) **Market Information:** Marketing requires information such as the number of consumers, their locations, purchasing power, product and brand preferences, tastes, habits and so on.
- (xi) **Marketing Research:** Marketing research is a systematic method of problem analysis, model building and fact finding for the purpose of improved decision making and control in the marketing of goods and services.
- (xii) **Marketing Intelligence:** Marketing intelligence system "is a set of procedures and sources used by managers to obtain their everyday information about pertinent development in the marketing environment". While the external records system supplies results data, the marketing intelligence system supplies happenings data. Marketing managers carry on marketing intelligence mostly on their own by reading books, newspapers and trade publications, talking to customers, suppliers, distributors and other outsiders and talking with other managers and personnel within the company. Yet this system is casual and

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valuable information could be lost or arrive too large. Well, run companies take additional steps to improve the quality and quantity of marketing intelligence.

1.5 Marketing as a Strategy

Marketing strategy is the game plan which the firms must adhere to, in order to exceed the competitor or the plans to achieve the desired objective. In formulating the marketing strategy, to sell the product effectively, cost-benefit analysis must be undertaken.

Definitions of Marketing Strategy

According to **David Aaker**, "Marketing strategy is defined as a process that can allow an organization to concentrate its resources on the optimal opportunities with the goals of increasing sales and achieving a sustainable competitive advantage".

According to **Homburg and Harley Krohmer**, "Marketing strategy includes all basic and long-term activities in the field of marketing that deal with the analysis of the strategic initial situation of a company and the formulation, evaluation and selection of market-oriented strategies and therefore contributes to the goals of the company and its marketing objectives".

Origin of the Marketing Strategy

Marketing strategy has its roots in the basic concepts of marketing and strategy. Marketing strategy was probably used the first time that two humans engaged in trade, i.e., an "arm's-length" transaction. Certainly, early civilizations, such as the Babylonians, the Chinese, the Egyptians, the Greeks, the Romans and the Venetians, had developed marketing strategies for their trading activities. They probably discussed appropriate strategies for given situations, and even taught these strategies to friends, family members, and subordinates. The actual function of marketing, i.e., the distribution function, was performed whenever exchange occurred.

Marketing strategy is a conscious approach to accomplishing something. Strategy precedes marketing and marketing strategy. The first time a human planned an approach for achieving a desired end a goal or objective he or she was developing strategy. Strategy can be formulated by individuals, groups, and organizations. The organizations can be families, corporations, nations or groups of nations. In modern times, strategy can be formulated by complicated and sophisticated programmed software operating on computerized systems, personal computers or computer networks.

Original, formalized discussions of strategy or strategy theory are associated with politics, war, and the military. The term "strategy" comes from the Greek word *stratigiki*, meaning generalship. It also can mean approach, scheme, design and system and is associated with terms such as intrigue, cunning, craft and artifice.

Business strategy is usually discussed and developed in the context of competition. It is associated with a struggle for scarce resources. The aim of the "aggressor" organization is to improve its position vis-à-vis "competitors." The competitors, i.e., "defenders," can be other organizations, suppliers, distributors, or customers. The competition is the enemy. Words such as "campaign," "attack," "battle," and "defeat" are frequently used. There is an "I win, you lose" sometimes called a "zero-sum game" mentality. This, of course, is also the operating framework for individuals, families, groups,

countries, and alliances when formulating political or military strategy. Hence, business and marketing strategy is frequently associated with political and military strategy.

The Development of Marketing Strategy

Modern discussion of marketing strategy can be traced back to a discussion of marketing management by Leverett S. Lyon (1885-1959) in 1926. Marketing management was perceived as the business function that developed marketing strategy. Lyon argued that marketing management involves ongoing planning of a company's marketing activities in response to the constantly changing internal and external conditions. In the 1950s Peter Drucker (1909) and others advanced theories of management that emphasized a customer-centered business strategy. They held that this orientation should be long term, not temporary.

Since World War II, marketing strategy has developed from four approaches to strategic thinking in business: budgeting, long-term planning, formula planning, and strategic thinking. During the 1950s, budgeting the accounting task of distributing funds within a company began to take on a strategic component. Budgets strategically assigned company projects specific amounts of funds in order to control spending on an annual basis. In the 1960s, however, budgeting began to focus on long-term planning: allocating funds to achieve financial goals according to a specific schedule, e.g. to achieve results from a project within five to ten years.

By the middle part of the 1970s, long-range planning had lost its prominence because of problems with long-range forecasting and resource allocation. Companies found it difficult to predict how much money to assign various units and when to expect results from research projects. Instead, businesses in the 1970s relied on formulas for planning as part of their company strategies. Because of the conglomeration wave of the 1960s, many managers found themselves with diverse companies and they did not know how to allocate resources prudently to the multifarious units. Instead, they turned to consultants to provide advice based on various formulas for planning. The formulas, however, tended to stem from business theory and not from practice. Hence, they largely proved to be ineffectual.

Consequently, strategic thinking grew in the 1980s and 1990s in response to the formulaic, theoretical approach to marketing theory in the 1970s. Strategic thinking focuses on competitive advantage, consumer needs and wants, creativity, and flexibility. Competitive advantage refers to gaining a superior market position and therefore higher profits by offering better products, prices, promotions, convenience or service than competing companies. In a sense, competitive advantage includes all the other elements of strategic thinking customer satisfaction, creativity and flexibility in that each of them can provide a company with a competitive advantage.

Nature of Marketing Strategy

- i) **Decision Making:** Marketing strategy is the result of decision making by corporate executives, marketing managers and other decision makers. In general, the formal organizational titles or jobs of decision makers or the nature or purposes of the organization are irrelevant to the formulation of marketing strategy. When the decisions concern products or markets, the results i.e., the decisions are all considered marketing strategy.
- ii) **Narrow Perspective:** In a narrow sense, marketing strategy is a specified set of ways developed by marketers to achieve desired market ends. E. Jerome McCarthy and William D. Perreault Jr., stated that a marketing strategy defines

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a target market as well as an appropriate marketing mix and an overview of what a company will exploit a given market. In a marketing planning context, where marketing strategy tends to be developed, McCarthy and Perreault indicated that marketing strategy planning means finding attractive opportunities and planning ways to capitalize on such opportunities.

- iii) **Broad Perspective:** In a broad sense, marketing strategy is composed of objectives, strategies, and tactics. Objectives are ends sought. Strategies are means to attain ends, and tactics are specific actions i.e., implementation acts. A marketing objective of increasing market share is linked to the marketing strategy of altering the product line in order to reach new market segments and to the marketing tactic of introducing a new brand name and various promotions for a targeted portion of the market.
- iv) **Strategy Levels:** Marketing strategy is developed at different levels of an organization, across core marketing functions and for marketing execution and control functions. Strategy is usually developed in a hierarchical fashion from top to bottom; for example, there could be several layers of objectives where each objective is a function of a superstructure of superior objectives and a determinant of subordinate objectives. Higher-level decisions the superstructure act as constraints on the one hand, and guides or aids for decision making on the other. The organization levels could include the overall corporate level, strategic business units, product markets, target markets, and marketing units, depending on the complexity of the organization.
- v) **Marketing Mix Strategy:** Strategy is also developed across the core functional areas of marketing: product, price, place/distribution, and promotion strategies. Any functional level of marketing, in turn, can have additional levels of marketing strategy decisions where refinement of the strategy might take place. For example, in the advertising component of the promotion function, the organization might develop marketing strategy consisting of advertising objectives, advertising strategies, advertising themes, advertising copy and media schedules. In addition, because of the growing customer emphasis of marketing, marketers have added new customer-oriented components to the marketing mix: customer sensitivity, customer convenience and service.

Types of Marketing Strategy

1. Orientations

Contemporary approaches to marketing often fall into two general but not mutually exclusive categories: customer-oriented marketing strategies and competitor-oriented marketing strategies. Since many marketers believe that striving to satisfy customers can benefit both consumers and businesses, they contend that marketing strategy should focus on customers. This strategy assumes that customers tend to make more purchases and remain loyal to specific brands when they are satisfied, rather than dissatisfied, with a company. Hence, customer-oriented marketing strategies try to help establish long-term relationships between customers and businesses.

Competitor-oriented marketing strategy, on the other hand, focuses on outdoing competitors by strategically manipulating the marketing mix: product, price, place and promotion. Competitor-oriented strategies will lead companies to imitate competitor products, match prices and offer similar promotions. This kind of marketing strategy parallels military strategy.

For example, this approach to marketing strategy leads to price wars among competitors. Successful marketing strategies, however, usually incorporate elements from both of these orientations, because focusing on customer satisfaction alone will not help a company if its competitors already have high levels of customer satisfaction and because trying to outdo a competitor will not help a company if it provides inferior products and customer service.

2. General Strategies

Marketing strategies can be identified by the goals they attempt to accomplish in order to boost company profits. The three basic marketing strategies include price reduction product differentiation, and market segmentation. The market share strategy calls for reducing production costs in order to reduce consumer prices. Via this strategy, companies strive to manufacture products inexpensively and efficiently and thereby capture a greater share of the market. According to this strategy, companies avoid diverse products lines and marginally successful products and allocate minimal funds to product development and advertising. The competitive advantage this strategy offers is the ability to provide products at a lower price than competing companies. Companies implementing this strategy cut their profit margins and rely on sales volume to generate profits. The price reduction strategy, however, has three drawbacks: finding markets without or with few low-cost retailers, losing flexibility because of limited product line and limited market, competing with other companies using the same strategy.

The product differentiation strategy involves distinguishing a company's products from its competitors' by modifying the image or the physical characteristics of the products. Unlike the market share strategy, product differentiation requires raising product prices to increase profit margins. Companies adopting this strategy hope that consumers will pay higher prices for superior products. As a result of this strategy, companies usually either achieve high profit margins and a low market share or they achieve slightly higher profit margins and a moderate to large market share. This strategy depends on the production of quality goods, brand loyalty, consumer preference for quality over cost and ongoing product innovation. Nevertheless, product differentiation has a couple of disadvantages. First, competing companies often can easily imitate products thereby undercutting product differentiation efforts. Second, companies cannot raise their prices too high without losing customers, even if they provide better products.

3. Specific Strategies

Furthermore, marketers also have developed specific strategies for specific kinds of marketing obstacles, which may serve as part of a general marketing strategy. Moreover, parts of general marketing strategies can be implemented for narrower ends.

For example, in Marketing Strategy, Orville C. Walker, Harper W. Boyd Jr., and Jean-Claude Larreche identified marketing strategies for various marketing problems and activities such as new markets, growth markets, mature and declining markets, and international markets. Their marketing strategies included a plethora of specific marketing strategies for a host of situations: pioneer strategy, follower strategy, fortress strategy, flanker strategy, confrontation strategy, market expansion strategy, withdrawal strategy, frontal attack strategy, leapfrog attack strategy, encirclement strategy, guerrilla attack strategy, divestment strategy, global strategy, national strategy, exporting strategy, pricing strategy, channels strategy and promotion strategy.

Advantages of Marketing Strategy

1. **Greatly Improved Focus:** Most business owners don't want to miss any opportunities and end up chasing after a number of bad deals and prospects,

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wasting valuable time and resources. When you spend the time to create profiles of your best customers then you will stay focused on spending your time and money on those prospects with the potential for the best return.

2. **Out-flanking Your Competition:** With knowledge gained from identifying your best customer profile you can create a core marketing message that will differentiate you from your competition.
3. **Give prospects what they want:** Once you have done the first two steps in developing your marketing strategy you are ready to create content which educates your prospects. They aren't coming to your website to read how great you are, they are looking to solve a problem.
4. **Make it easy for them to find you:** A great marketing strategy will help you identify where your prospects "hang out" and that enables you to put out "bread crumbs" of content which redirect them to your website.
5. **More Highly Qualified Leads:** Not necessarily a higher quantity of leads, but more highly qualified leads. This is the payoff for all of your hard work, which actually means you won't have to work as hard to close the deal. Keep in mind that a contact is not a lead, it's only a contact. A lead is someone who knows, likes and trusts you already because of your great job implementing and executing your marketing strategy.

State Bank of India: Competitive Strategies of a Market Leader

In March 2003, State Bank of India (SBI) and its associate banks had 13,579 branches, one of the largest branch networks for any bank in the world. It played a key role in providing working capital finance and term loans to Indian industry.

In 2003, SBI had eight business units - corporate banking, international banking and domestic banking for concentrating on core business areas; associate banks unit for looking after these banks, credit division unit to monitor overall credit and three other business units including finance, corporate development and inspection for in-house work. (Refer Exhibit I for the Organization Structure of SBI). SBI was the largest commercial bank in India in terms of revenues, assets, deposits, branches and workforce. Since the late 1990s, SBI had been losing market share in the Indian banking industry due to the tough competition from private sector banks (Refer Exhibit II for market share of public, private and foreign banks in 2001).

By adopting modern technology and offering superior customer service, the private sector banks gained a significant share in urban banking.

Expressing concern over this trend, in an interview to the Asian Banking Journal, AK Purwar, SBI's Chairman and Managing Director since November 2002, said, "The top most priority for the bank has been retention of market share. As a PSU bank, SBI was losing its market share. Although it was at a very slow pace, it was definitely losing its market share."³ To regain lost ground, SBI initiated a major internal restructuring exercise. The bank responded to competition by taking several measures including offering an array of new products and services, forging alliances with other business entities, entering new areas of business and adopting novel ways of reaching out to customers and providing them value-added services.

the quasi-central bank role performed by the Imperial Bank ended with the formation of the Reserve Bank of India (RBI) as the central bank of India in 1935. RBI's establishment was a catalyst in the conversion of the Imperial Bank into a purely commercial bank. At the time of Independence in 1947, the Imperial Bank had acquired a paramount position in the country's banking industry.

It had a capital base of ₹118.5 mn, deposits of ₹ 2.7514 bn and advances of ₹ 729.4 mn. It had a network of 172 branches and over 200 sub-offices spread all over India. When the first Five Year Plan was launched in 1951, the rural sector was given top priority.

The Imperial Bank and other commercial banks too operated mainly in urban areas and had not yet penetrated the rural sector. To overcome this lacuna, it was recommended that a state-partnered and state-sponsored bank be created to take over the Imperial Bank and integrate the former state-owned or state-associated banks with it.

Private sector banks made their first appearance in January 1993. During that period, PSBs accounted for over three-fourths of total banking industry assets. They were weighed down with huge NPAs (Non-Performing Assets), falling revenues, lack of modern technology and a massive and highly unionized workforce. New entrants began to erode the market share of the nationalized banks, especially in metro cities and urban areas. The PSBs found it increasingly difficult to compete with the new private sector banks and the foreign banks. These banks also employed state-of-the-art technology, which helped them to save on manpower costs and concentrate on providing better service.

1.6 Marketing Orientation

Marketing orientation is a company philosophy focused on discovering and meeting the needs and desires of its customers through its product mix. Marketing orientation is a company philosophy focused on discovering and meeting the needs and desires of its customers through its product mix. Unlike past marketing strategies that concentrated on establishing selling points for existing products, market orientation works in reverse, attempting to tailor products to meet the demands of customers. In essence, market orientation can be thought of as a coordinated marketing campaign between a company and its customers.

In the recent history of the automobile industry, the idea that companies can create a product and sell its features to an eager buying public is no longer concrete. With an increasingly global economy and more and more choices for consumers, companies must be willing to adapt their market orientation to stay competitive.

Market orientation is a customer-centered approach to product design. A variety of research is often conducted to determine what consumers view as immediate needs, primary concerns or personal preferences. This allows a company to focus product development funds on the characteristics that are most in demand at the time in the hope of fulfilling consumer desires through their product choices.

Additionally, market orientation provides for customer service and support improvements geared towards specific consumer desires. This helps ensure customer satisfaction remains high with the company as a whole and can function as a way to promote brand loyalty and positive word-of-mouth advertising.

Beyond the consumer stated needs or wants, additional data analysis may reveal trends or consumer desires that are not specifically expressed. These trends, even when not specifically expressed, can allow the product to develop in intuitive way, attempting to anticipate consumer need before it becomes obvious. This can include improvements that the consumer may not be directly aware of as being an option.

At times, market orientation may reveal customer desires that are not cost effective to implement. This leaves the business in a position to have to determine which consumer stated needs will yield optimum returns for the business while still meeting general

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customer expectations or needs. This also promotes long-term development strategy as options that are not cost effective today may become cost effective down the line.

Development focused on market orientation put consumer desire first, creating the product around their expressed needs and wants. Product differentiation puts additional focus on product development and marketing their decisions to the consumer. Sales orientation focuses less on the customer and the product and instead redirects their energies toward the act of selling through various advertising-driven mechanisms, such as television commercials and sales calls. While some level of all approaches may be required for an overall successful marketing strategy, most businesses focus on one as a primary concern above the others.

Market Orientation Practices and Effects on Organizational Performance

In today's highly competitive global market, top managers strive to improve their organizational effectiveness through execution of organizational strategies or capabilities that are linked to better performance (Okumus, 2003). As a result, market orientation becomes a crucial strategy or capability of an organization to stay competitive in the current modest and uncertain business environment (Goldman & Grinstein, 2010). Market orientation is considered as a marketing concept as well as a management strategy (Mokhtar, Yusoff, & Ahmad, 2014; Ramayah, Samat, & Lo, 2011). In fact, numerous scholars, practitioners, and researchers have acknowledged that market orientation assists in developing marketing knowledge, superior performance, and competitive advantage (Ellis, 2006; Kirca, Jayachandran, & Bearden, 2005).

Various definitions of market orientation have been suggested by several scholars in marketing literatures (Day, 1994; Deshpande, Farley, & Webster, 1993; Kohli & Jaworski, 1990; Narver & Slater, 1990; Raaij & Stoelhorst, 2008; Ruckert, 1992; Shapiro, 1988). Remarkably, hoteliers have specific requirements from customers and competitors, and so they need detailed knowledge of their actual context and behaviors to deal efficiently. Thus, to perform well and remain competitive, hoteliers need relevant and timely information about the market because opportunities and threats continuously change with the consequences of environmental turbulence, customers' preferences, and technology advancement (Wang, Chen, & Chen, 2012). According to Julian, Mohamad, Ahmed, and Sefnedi (2014), market orientation could be considered as a predominant marketing strategy that can improve organizational performance.

There are a lot of literatures on empirical researches and case studies that have been conducted over implementation of market orientation in different fields, which guided managements to execute the best functional strategy. However, empirical studies that emphasize the implementation of market orientation are still very few within the context of the Malaysian hotel industry, which provides an immense potential for future research. To enrich the existing literatures of market orientation use in the Malaysian hotel industry, this study makes an attempt to achieve the following objectives: (a) to examine the effects of market orientation on performance and (b) to examine which market orientation types affect the performance of hotels in Malaysia the most.

Hotel Industry in Malaysia

Hotel business is a dynamic element of the Malaysia's commercial development (Awang, Ishak, Radzi, & Taha, 2008; Razalli, 2008). The Ministry of Tourism and Culture, Malaysia, incessantly develops numerous strategies, campaigns and programs in nourishing the productiveness and eminence of the hotel business. Consequently, RM 1.2 billion has been assigned by the government for progress expenses to execute Visit

Malaysia Year 2014 programs (Hotel Yearbook, 2014). In addition, the government announced an investment tax allowance and pioneer status for new hotels with four- and five-star rating, which permitted several foreign brand hotels to be newly built or expanded, some under construction all over the country (Hotel Yearbook, 2014). Presently, there are 475 registered three- to five-star-rated hotels in Malaysia. This figure keeps increasing each year. The Malaysian government is targeting to attain an income of RM 168 billion and an arrival of 36 million tourists by the year 2020 under the National Key Economic Area (NKEA) agenda (Aruna, 2013).

1.7 Summary

Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably. Marketing deals with customers creating customer value and satisfaction are the heart of modern marketing thinking and practice. Traditional view of the marketing asserts that the customer will accept whatever product the seller presents to them. In this way the main concern of the producer is to produce without considering the choice or the behaviour of the customer. The modern concept may be viewed from the customer's point of view. Marketing is centered around the customer. Marketing performs all those functions which are necessary to pass on goods from producer to the consumers in process to satisfy their needs.

The marketing concept is about matching a company's capabilities with customer wants. This matching process takes place in what is called the marketing environment.

Businesses do not undertake marketing activities alone. They face threats from competitors and changes in the political, economic, social and technological environment. All these factors have to be taken into account as business tries to match its capabilities with the needs and wants of its target customers. An organization that adopts the marketing concept accepts the needs of potential customers as the basis for its operations. Success is depends on satisfying customer needs.

A want is something wanting a deficiency. A want in marketing terminology means need plus ability to pay. That is if we compare needs are countless than wants. For instance, if you ask a question "do you want mangoes? If, they are freely available, he says two for me and three for my father in heaven.

Market as referred earlier is not a place necessarily. It is coming together of buyers and sellers in person or in contact with any means where they are in touch with the detailed information about what sellers have to offer and what buyers are ready to buy. It is a mechanism that facilitates price fixation easily and quickly for the mutual benefit of buyers and sellers, Physical presence of goods and people at a point is not market.

A marketer is an individual or an institution who is engaged in making available the goods; he has his own portfolio the range of products he can offer to the interested buyers. Marketer creates only place, time ownership and awareness utility.

Marketing strategy is the game plan which the firms must adhere to, in order to exceed the competitor or the plans to achieve the desired objective. In formulating the marketing strategy, to sell the product effectively, cost-benefit analysis must be undertaken.

Marketing strategy has its roots in the basic concepts of marketing and strategy. Marketing strategy was probably used the first time that two humans engaged in trade, i.e., an "arm's-length" transaction. Certainly, early civilizations, such as the Babylonians,

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the Chinese, the Egyptians, the Greeks, the Romans and the Venetians, had developed marketing strategies for their trading activities.

Marketing orientation is a company philosophy focused on discovering and meeting the needs and desires of its customers through its product mix. Marketing orientation is a company philosophy focused on discovering and meeting the needs and desires of its customers through its product mix. Unlike past marketing strategies that concentrated on establishing selling points for existing products, market orientation works in reverse, attempting to tailor products to meet the demands of customers.

1.8 Check Your Progress**I. Fill in the Blanks**

1.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.
2. Marketing strategy is the game plan which the firms must adhere to, in order to exceed the competitor or the plans to achieve the.....
3.is the process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs, wants, or demand characteristics.
4. Marketing orientation is a company philosophy focused on discovering and meeting the needs and desires of its customers through its.....
5. Industrial markets involve the sale of goods between.....

II. True or False

1. Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.
2. The marketing era is so named because many companies' main priority was the reduction of the cost of production.
3. Transaction is the deal that takes place between the parties of the exchange namely buyer and the seller.
4. Marketing strategy is the game plan which the firms must adhere to, in order to exceed the competitor or the plans to achieve the desired objective.
5. Marketing orientation is a company philosophy focused on discovering and meeting the needs and desires of its customers through its promotion mix.

III. Multiple Choice Questions

1. Which is an important tool for understanding marketing management process?
 - [a] Systems approach
 - [b] Traditional approach
 - [c] Functional approach
 - [d] Institutional approach
2. Which is the operational goal of effective marketing performance?
 - [a] Sales
 - [b] Cost

- [c] Profit
- [d] Loss
- 3. Marketing management has to implement marketing _____.
 - [a] Strategies
 - [b] Programmes
 - [c] Campaigns
 - [d] All the above
- 4. Which can create competitive difference?
 - [a] Product line and branding
 - [b] Branding and advertising
 - [c] Design and package
 - [d] Packaging and advertising
- 5. Marketing opportunities enable the selection of marketing targets and the development of _____.
 - [a] Marketing organization
 - [b] Marketing information
 - [c] Marketing programme
 - [d] Marketing activities

1.9 Questions and Exercises

I. Short Answer Questions

1. Define the term Marketing.
2. What do you mean by Marketing?
3. What is Customer-oriented Concept?
4. Define the term Market.
5. What is Product-oriented Concept?
6. What is Marketing Strategy?
7. What is Marketing Orientation?

II. Extended Answer Questions

1. Discuss the evolution of Marketing.
2. Explain importance of Marketing.
3. Discuss various functions of Marketing.
4. Explain Modern or Customer-oriented Concept of Marketing.
5. "Marketing as a Process". Discuss.
6. Discuss advantages of Marketing.
7. Discuss scope of Marketing.
8. Discuss benefits of Marketing Concept.
9. Discuss principles of Marketing.
10. Explain core Concepts of Marketing.
11. Explain various functions of Marketing.
12. "Marketing as a strategy" discuss.

Notes

1.10 Key Terms

- **Market:** Market is a center around which marketing activities revolve. A market, in general, may be described as a place where goods and services are offered for sale, buyers and sellers meet and the title to goods is transferred. In olden days, buying and selling of goods was done by coming together in periodical fairs held at specific places and on specific dates. Sellers put their commodities in these periodical fairs for sales and buyers also used to go there to purchase the commodities according to their needs.
- **Marketing:** 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.
- **Marketing Strategy:** Marketing strategy is the game plan which the firms must adhere to, in order to exceed the competitor or the plans to achieve the desired objective. In formulating the marketing strategy, to sell the product effectively, cost-benefit analysis must be undertaken.
- **Marketing Orientations:** Marketing orientation is a company philosophy focused on discovering and meeting the needs and desires of its customers through its product mix. Marketing orientation is a company philosophy focused on discovering and meeting the needs and desires of its customers through its product mix.
- **Buying:** Buying is the first step in the process of marketing. A manufacturer has to buy raw materials for production; a wholesaler has to buy goods to be sold to the consumer. Buying involves transfer of ownership of goods from seller to the buyer.
- **Assembling:** Assembling means creation and maintenance of the stock of goods, purchased from different sources.
- **Selling:** The purpose of selling is to find buyers to whom goods can be sold at a price satisfactory to the seller. At all stages of marketing, it is necessary for someone to sell.

1.11 Check Your Progress: Answers**I. Fill in the Blanks**

1. Marketing
2. Desired objective
3. Segmentation
4. Product mix
5. Businesses

II. True or False

1. True
2. False
3. False
4. True
5. False

III. Multiple Choice Questions

1. (a)
2. (c)

3. (d)
4. (b)
5. (c)

1.12 Case Study

Ventura Motors and Scooters India *(VMSI) were leading two wheelers scooter makers in Indian market. The company was market leaders in 2 stroke bikes and scooters. Real Motor, a rival entered the market in collaboration with Japanese auto major. The combination worked well and they started manufacturing 4 stroke bikes, Initially, the sales were low, subsequently it picked up. Slowly a number of new model were launched by Real motors. This was welcomed by the market. This resulted in dwindling of market share for Ventura and other 2 wheeler manufacturers. The new bikes by Real motor was fuel efficient and environment friendly.

During 1999 and onwards Indian market saw a sea change in the consumer's buying behaviour and changes in taste and preferences. There was a sizable change in income of household post 1999. The result of this was customers switching over from scooters to bike. Venture started feeling the heat. Sales started to decline. To encash the market, Venture introduced 4 stroke bike but this failed to tune the eyeball of the consumers. Meanwhile Real motor launched a higher c.c. life style 4 stroke bike and this met with great success. Most competitors other than Ventura also started manufacturing higher c.c bikes. Now the market was flooded with too many models. Ventura's share for bike was further dwindling. They were now known only for scooters and not for bikes despite their attempts to popularize their product.

Mr. Raman, CEO called for a high level meeting to decide on the segment various options were discussed by technical and marketing team. The board members took the cue from Real motors and the marketing director of Ventura was of the view that, higher co.c competitively priced new life style segment could provide the solution to Ventura's problem i.e., he was of the opinion that customers must be given the right product at the right price. This was accepted by other board members.

Ventura struck a deal with Harley Davidson to manufacture their range of motorcycles. The price was much higher than any comparable bike in the Indian market. The company Ventura had to explore various strategies to market this novel, niche, life style bike in India.

Questions:

1. What is the cue that Ventura acquired from Real motors?
2. If you were Mr. Raman, what would you have done in this situation?
3. As an outsider, how would you perceive the idea given by marketing director of M/s Ventura?
4. What would be the strategies that Ventura should deploy to find new segment accepting the product?

1.13 Further Readings

1. Marketing by Gary Armstrong, Michael Harker, Philip Kotler, Ross Brennan
2. Principles of Marketing by Philip Kotler
3. Contemporary Marketing by David L. Kurtz
4. Principles of marketing by Frances Brassington, Stephen Pettitt

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5. Marketing insights from A to Z by Philip Kotler
6. Principles of marketing by Frances Brassington, Stephen Pettitt
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9. Essentials of Marketing by Charles W. Lamb, Joseph F. Hair, Jr., Carl McDaniel

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Unit 2: The Marketing Process

Structure:

- 2.1 Marketing Mix - The Traditional 4Ps
- 2.2 The Modern Components of the Mix - The Additional 3Ps
- 2.3 Developing an Effective Marketing Mix
- 2.4 Marketing Planning
- 2.5 Marketing Implementation and Control
- 2.6 Summary
- 2.7 Check Your Progress
- 2.8 Questions and Exercises
- 2.9 Key Terms
- 2.10 Check Your Progress: Answers
- 2.11 Case Study
- 2.12 Further Readings
- 2.13 Bibliography

Objectives

After studying this unit, you should be able to understand:

- Marketing Mix-The Traditional 4Ps
- The Modern Components of the Mix- The Additional 3Ps
- Developing an Effective Marketing Mix
- Marketing Planning
- Marketing Implementation and Control

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2.1 Marketing Mix - The Traditional 4ps

Marketing is one of the most fundamental concepts associated with the marketing process. Marketing Mix represents an assemblage of tasks and sub tasks, which ultimately will help to satisfy the customers' requirements in such a way as to enable the firm to attain its objectives in an optimum fashion.

The marketing mix concept provides a valuable framework for allocating financial and human resources. Every company has to allocate certain amount of resources. Every company has to allocate certain amount of resources towards its marketing effort and the resources must be used in the most effective way. The resources must determine with some precision which of the various ingredients available is likely to provide maximum customer satisfaction on the one hand optimum response from the market place on the other.

Interaction within the Marketing Mix

The marketing mix concept emphasizes the fit of the various pieces and the quality and size of their interaction. There are three degrees of interaction. The least demanding is "consistency" a logical and useful fit between two or more elements. It would seem generally inconsistent, for example, to sell a high-quality product through a low-quality retailer. It can be done, but the consumer must understand the reason for the inconsistency and respond favorably to it. Even more difficult is maintaining such an apparent inconsistency for a long time.

The second level of positive relationship among elements of the mix is "integration." While consistency is a coherent fit, integration is an active, harmonious interaction among the elements of the mix. For example, heavy advertising is sometimes harmonious with a high selling price because the added margin from the premium price pays for the advertising and the heavy advertising creates the brand differentiation that justifies the high price. National brands of consumer package goods such as Tide laundry detergent, Campbell soup, and Colgate toothpaste use this approach. This does not mean, however, that heavy advertising and high product pricing are always harmonious.

The third and most sophisticated form of relationship is "leverage," whereby each element is used to the best advantage in support of the total mix. The sales response curve helps answer this question. In its simplest form, the curve shows the relationship between sales, usually measured in units but sometimes in dollars and a marketing input measured in either physical or financial terms.

Definitions

According to **St. Anton**, "Marketing Mix is the term used to describe the combination of the four inputs which constitute the core of company's marketing system i.e. the product, the price structure, the promotional activities and distribution system".

According to **Philip Kotler**, "Marketing Mix is the set of controllable variables that the firm can use to influence the buyers response".

Marketing Mix represents the total marketing program of a firm. It involves decisions with regard to product, price, place and promotion. These above four elements differ from firm to firm. Marketing mix serve as the linkage between a business firm and its customers. Marketing mix is a dynamic concept with changes in market conditions and the environment.

The concept of marketing mix is useful in designing a market strategy to meet the uncontrollable forces or also called as external factors or market forces. They are:

- Consumers Buying Behaviour
- Traders Behaviour
- Competitor Behaviour
- Government Behaviour

The marketing mix referees a combination of various elements which in their totality constitutes a firm "Marketing System".

Element of Marketing Mix

Marketing Mix is the combination of different marketing variables being used by a firm to market its goods and services. The marketing mix will naturally be changing according to changing marketing conditions and above with changing environmental factors (technical, social economic and political) affecting each market. It is of course based on marketing research and marketing information. It must be fully related to customer demand, competition as well as other aforesaid environmental forces. Different elements of marketing mix are as follows. These element are often described as 4P's.

1. Product Mix

A product is any good or service that consumer want. Product are the things possessing utility. It has four components:

- (i) Product range
- (ii) Service after sale
- (iii) Brand
- (iv) Package

The product management involves product mix in consultation with marketing manager. Product mix involves planning, developing and producing the right type of products and services. It deals with the dimensions of product line, durability and other qualities. The product policy of the firm also deals with proper branding right packaging, appropriate color and other product features.

A product is anything that can be offered to a market to satisfy a want or need. Products that are marketed include physical goods, services, experiences, events, persons, places, properties, organizations, information and ideas. Product is the most important component of the marketing program. The product policy and strategy is the cornerstone of a marketing mix. If the product fails to satisfy the consumer no other element of the marketing mix can remove the dissatisfaction or improve the product performance in the market place. Good product is a key to market success. Product decisions are taken first by the marketers and these decisions are central to all other marketing decisions such as price, promotion and distribution. Product is the engine that pulls the rest of the marketing program. Products fill the needs of the society. It represents a handle of expectations to consumers and society. In planning its market offering, the marketer needs to think five levels of the product. Each level adds more customer value and the five levels constitute customer value hierarchy. The most fundamental level is the core benefit i.e., the fundamental service or benefit the customer is really buying. For example, a hotel guest is buying "rest and sleep". Marketers should see themselves as benefit provider. In the second stage the marketer has to turn the core benefit into a basic product. Thus a hotel room includes bed, bathroom, and desk and so on. At the third level, the marketer prepares an unexpected product, a set of attributes and conditions buyers normally expect when they purchased the product. For example A hotel guest expects a clean bed, fresh towels, working lamps. As most hotels meet the minimum

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expectations, the traveler normally settles for whichever hotel is most convenient or least expensive. At the fourth level the marketer prepares an augmented product that exceeds customer's expectations. A hotel can include a remote control television set, fine dining and room service like greeting the customer on his birthday or a special gift for the newly married. Today's competition takes place at the augmented level. Product augmentation leads the marketer to look at the user's total consumption system: the way the user performs the tasks of getting, using, fixing, and disposing of the product. At the fifth level is the potential product, which encompasses all the possible augmentations and transformations that the product might undergo in the future. Here is where the company searches for new ways to satisfy customers and distinguish their offers. Successful companies add benefits to their offering that not only satisfy customer but also surprise and delight them

Hence a product is said to be successful if it succeeds to satisfy the customer's needs. The management must first decide the products to be manufactured to meet the needs of the customers. Thereafter the company decides upon the variety, quality, design, features, brand, name, packaging, services and the like. For example, Hindustan Uni Lever Limited (HULL) products consists of toiletries and detergent soaps, shampoos, face cream, and other health care products. The company offers a huge variety of toiletries and health care products for different target market at different prices hereby it ensures consumer satisfaction.

2. Price Mix

Price is an important factor affecting the success of firm. Pricing decisions and policies have a direct influence on sales volume and profits of business. This is an important element in marketing mix. Right pricing can be determined through pricing research and testing marketing demand, cost, competition, government regulations etc., are the vital factors that must be taken into consideration in the determination of price. Price is a source of revenue and a main determinant of profit. Price is matter of vital importance to both the seller and buyer in the market place. In money economy, without prices there cannot be marketing. Only when the buyer and seller agree on price, there can be exchange of goods and services leading to transfer of ownership. In a competitive market, price is determined by free play of demand and supply. With changing demand and supply conditions the price increases or decreases. It influences consumer purchase decisions. It reflects purchasing power of currency, it can determine the general living standards. Pricing governs the very feasibility of any marketing program because it is the only element in a marketing mix accounting for demand and sales revenue. Other elements are cost factors. Pricing decisions interconnect marketing actions with the financial objectives of the enterprise. Among the most important marketing variables influenced by pricing decisions are: sales volume, profit margins, rate of return on investment, trade margins, advertising and sales promotion, product image, new product development. Therefore pricing decisions play a very important role in the design of marketing mix. Price is a powerful marketing factor with the financial objectives of the enterprise. Among the most important marketing variables influenced by pricing decisions are: sales volume, profit margins, rate of return on investment, trade margins, advertising and sales promotion, product image, new product development. Therefore, pricing decisions play an important role in the design of marketing mix.

3. Promotion Mix

This is concerned with bringing products to the knowledge of customers and persuading them informing and influencing the customers. Promotion means to advance an idea in such a way as to gain its acceptance and approval. It is any communication

activity whose main objective is to move forward a product, service or idea in a channel of distribution. It is an effort by a marketer to inform and persuade buyers to accept, resell, recommend, or use article, service, idea which is being promoted. Promotion is a form of communication with an additional element of persuasion. The promotional activities always attempt to affect knowledge, attitudes, preferences and behaviour of the buyers. In any exchange activity, communication is absolutely necessary. The company may have the best product, package, fair price, but people will not buy the product, if they have never heard of it, and they are simply unaware of its existence. The marketer must communicate to his prospective buyers and provide them adequate information in a persuasive language. People must know that the right product is available at the right place and at the right price. Promotion is a spark plug in the marketing mix. This is the third element in the marketing mix and it is an important marketing strategy. Marketers have adopted a communication view of their firm's promotional activities. All marketing communication must be planned as part of a total system, not as independent pieces. Promotion Mix involves the decision with respect to advertising, personal selling, sales promotions, publicity, sales forces and direct marketing.

For the firm's promotion in order to be effective, its promotion objectives must be clearly defined-because the right promotion blend depends on what the firm wants to accomplish. The three basic promotion objectives: Informing, Persuading, and reminding target customers about the company and its marketing mix should always be kept in mind.

4. Place/Distribution Mix

Place is getting the "right" product to the target market's place. A product isn't good to customer if isn't available when and where it is wanted. Offering customers a good product at a reasonable price is important to a successful marketing strategy. But it's not the whole story. Managers must also think about place-making products available in the right quantities and locations when the customer wants them. Place requires the selection and use of marketing specialists-middlemen and facilitators, to provide target customers with time, place, and possession utilities. The marketing managers must consider 'Place objectives' in relation to the product life cycle. Place decisions have long-run effects. They are harder to change than product, price and promotion decisions. Effective working arrangements with others in the channel may take several years and a good deal of money to develop. Legal contracts with the channel partners may also limit changes. And it is hard to move retail stores and wholesale facilities, once leases are signed and customer movement patterns are settled. Place includes company activities that make the product available to target customers. The overall aim is to provide the customer with optimum satisfaction in relation to what economists call the utility of place and the utility of time. Selecting the most appropriate channel of output to reach the customer is a decision of great strategic importance. It is a decision, which helps to drive the subsequent logistics system, and provides the customer satisfaction envisaged by the marketing process. There are number of different channels open to the marketer. The company could deal directly with the customer, reach them via wholesalers, agents, or retailers, use mail order or employ any combination.

Hence Place in the marketing mix is concerned with the decisions relating to wholesale and retail outlets or channels of distribution. The objectives of selecting and managing trade channels are to provide the products to the right consumer at the right time and at the right place on a continuing basis. A manufacturer may distribute his goods through his own outlets or he may employ wholesalers and retailers for this purpose. In determination of distribution mix a firm has to take decisions with regard to the mode of transportation of goods to middle men, use of company vehicles or both.

2.2 The Modern Components of the Mix- Additional 3Ps

People

This element of modern marketing mix is very important because almost all the services are delivered by one human being to another. The person delivering the service creates customer satisfaction and the perception of the service depends on their interaction.

Service personnel can be classified in different ways depending on the level and nature of interaction that they have with customers-low-contact and high contact service personnel; consumer-service and professional service employees; and contact personnel, moderate contract personnel, back-office staff, support staff and management.

Some of the problems faced by service personnel in the course of their job are stress and burnout, lack of clarity in their roles and responsibilities and lack of fixed breaks and intervals for relaxation. Service organizations and their employees may sometimes enter into conflict with customers during the course of interaction with them.

The conflicts can be classified as follows-individual-role conflict, customer-employee conflict, inter-employee conflict, client-organization conflict and inter-client conflict. Some of the people strategies to be adopted by service organizations include attracting the best talent, training them in technical and people skills, motivating them through proper compensation, incentives and empowerment, and retaining them by improving the quality of work life and implementing an appropriate reward system.

Physical Evidence

Customers in the service sector attempt to take cues about the service provider's capabilities and the quality of service offered from physical evidence. The major elements of physical evidence include the physical environment, the modes and content of communication, service personnel, the tangible elements accompanying the service and the brand.

The layout of the service centre, atmosphere and aesthetics constitute physical environment. A well-designed layout, maintenance of appropriate lighting, music and visuals, pleasant and attractive ambiance of the outlet ensure that customers enjoy their service encounter. Placing signboards where needed and displaying the chart of service charges helps customers serve themselves and improves their experience.

Service providers should price their services right (neither too high nor too low) to attract customers. Some service providers offer tangibles like books or gifts to improve their relationship with customers. Service providers also need to invest on building the corporate brand, which conveys their image. Brand is another tangible considered by customers before purchasing a service.

Physical evidence can be categorized into two types-peripheral and essential. Essential physical evidence is provided by those tangibles, without which the service cannot be delivered. Peripheral evidence is provided by those tangibles given out by service providers as gifts. The important benefits offered by physical evidence are increased employee productivity, creation of good impression among customers, increased credibility of the service provider, and differentiation from competitors, effective management of service quality and repositioning of services.

For example: Prospectus of college can give the college profile, faculty data, laboratories, office set up etc., Brochure of tour organizer can give physical evidences

like pictures of hotel rooms and resorts, details of tour guides transport facility etc., Fast food outlets use good colour schemes and display of pictures to convey an image of good quality service.

Process

Process is an important element of the marketing mix that determines how a service should be created and delivered to the customer. The characteristics of service process include complexity, divergence, service location, customer participation and the service itself-whether it is technology based or process based. The types of process include line or flow operations and job shop process.

The planning of a service process includes different elements like the conversion process, the equipment required, flow of process, quality of service personnel, service location, layout design and the organizational structure. Further, we discussed an important aspect of service process called the service blueprint that maps all the processes and elements involved in service creation and delivery including the service personnel and customers.

The elements of service blueprint include customer actions, onstage and backstage employee actions, and support processes to their minutest detail. Further, the interaction among these elements is explained through the line of interaction, line of visibility and line of internal interaction. These will help a service provider to clearly read a blueprint and identify the activities that add value to the customer so that he can concentrate on such activities.

Developing a service blueprint involves identification of the service, identification of the customer segments, mapping the service processes according to the customer's point of view, mapping the onstage and backstage employee actions, the identification of internal support processes, and finally the physical evidence involved in service delivery.

The factors that affect the efficiency of a process include planning, service personnel, technology, location, décor, and the customer's role. Further, a service positioning can be changed by structural changes by reducing or increasing divergence, or by reducing or increasing complexity of services. Finally, a service provider is required to know how to balance marketing and operation functions in a service organization for greater success, as both functions are equally important.

Example: In a self-service hotel, consumer is contributing his role in the production of service process by going to the counter and getting the food to the table. In recent years efforts are being made by service providers to involve consumers more in the production process.

2.3 Developing an Effective Marketing Mix

When determining the unique selling points of your business and its products, it is particularly important to consider the "marketing mix." The tools you use to market your products help distinguish them from their competitors in the wider marketplace.

1. Developing of Product

You may have a brilliant idea for a product or service, but if you aren't able to effectively market it to your consumers then you don't have much of a business plan. In essence, the product needs to meet a want or need of your customers. As wants and needs change over time, your product will need to evolve to meet the changing demand. This is particularly

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true for trendy or seasonal items such as clothing, music or art-related items where the fads come and go relatively quickly. As a business owner, you have to tailor products to survive these trends if you're going to be a long-lasting and profitable company. This makes the product an important first step in determining the marketing mix.

The product decision involves deciding what goods or services should be offered to a group of customers. An important element is new product development. As technology and tastes change, products become out of date and inferior to those of the competition. So, companies must replace them with features that customers value. As new products are developed that give greater benefits than old one's market leadership can change. For example, the Sony Walkman was the leader in portable music players. Following its launch, The Apple iPod soon outsold the Walkman, however, as it had the advantages of being able to download music and hold thousands of songs on a much smaller device.

All products must give benefits that customers value. The advertisement for Lucozade Sport Hydro Active explains how, by replacing lost salts and fluid, the brand provides the benefit of getting the most out of exercise.

Product decisions also involve choices regarding brand names, guarantees, packaging and the services that should accompany the product offering. Guarantees can be an important component of the product of the product offering. For example, the operators of the AVE, Spain's high-speed train, capable of traveling 300kmph, are so confident of its performance that they guarantee to give customers a full refund of their fare if they are more than five minutes late.

2. Developing the Pricing

Meeting consumer wants and needs also is about selling products that consumers are willing to pay for. The price is an important part of the marketing mix for two reasons. First, you don't want to price the product so high that customers are unwilling to pay for it; and second, you don't want to sell yourself short, thus decreasing your profits, by selling the product at a price that is lower than the market will support. Adjusting the price of the product depends on the perceived value of the product. Conducting market research and test sales to determine the product's perceived value rather than its actual price of production will help you determine the appropriate price point.

Price is the key element of the marketing mix because it represents on a unit basis what the company receives for the product or service that is being marketed. All of the other elements represent costs for example, expenditure on product design (products, advertising and salespeople (promotion), and transportation and distribution (place). Marketers, therefore, need to be very clear about pricing objectives, methods, and the factors that influence price setting. They must also take into account the necessity to discount and give allowances in some transactions. These requirements can influence the level of list price chosen, perhaps with an element of negotiation margin built in. Payment periods and credit terms also affect the real price received in any transaction. These kinds of decisions can affect the perceived value of a product.

Because price affects the value that customers perceive they get from buying a product, it can be an important element in the purchase decision. Some companies attempt to position themselves as offering lower prices than their rivals. For example, Supermarkets such as Asda (Wal-Mart) in the UK, Aldi in Germany, Netto in Denmark and Super de Boer in the Netherlands employ a low-price positioning strategy. Another strategy is to launch a low-price version of an existing product targeted at price-sensitive consumers. For example, Apple launched the Mac mini, a basic version of the Macintosh computer. With this low-priced machine, Apple believes it can tempt people who have

bought an iPod (and become fans of the company) to ditch their Windows-based PCs and switch to the Mac mini.

3. Developing Promotional Strategy

Promotion is the aspect of the marketing mix that most business owners focus on; however, it ideally should come after product and price in your marketing strategy. Promotion is concerned with the methods of communication you use to connect with your potential customers. From advertising to media relations and sales promotions, these tools allow you to brand the company and its products and services while working to increase sales.

Decisions have to be made with respect to the promotional mix: advertising, personal selling, sales promotions, public relations, direct marketing, and Internet and online promotion. By these means the target audience is made aware of the existence of a product or service, and the benefits (both economical and psychological) it confers to customers. Each element of the promotional mix has its own set of strengths and weaknesses. Advertising, for example, has the property of being able to reach wide audiences very quickly. Procter & Gambler used advertising to reach the emerging marketing of 290 million Russian consumers. It ran a 12-minute commercial on Russian television as its first promotional venture in order to introduce the company and its range of products. A growing form of promotion is the Internet as a promotional tool. A great advantage of the Internet is its global reach. This means that the companies that did not have the resources to promote overseas can reach consumers worldwide by creating a website. In business-to-business markets, suppliers and customers can communicate using the Internet and purchases can be made using e-marketplaces. The Internet has also proven to be a powerful communication tool, sometimes replacing traditional media. For example, the Arctic Monkeys, a UK rock band, build up their fan base online before signing a record deal, by placing demo tracks on their website and MySpace, a social networking site that allows downloading and sharing among music fans. The band's popularity soared through viral word of mouth, resulting in number-one single and album hits.

4. Developing Distribution Channels or Market Place

The final component of the marketing mix is place. This refers to strategically placing the product at a place where consumers can easily access it. Place is therefore closely linked to distribution. A company that is able to distribute its products in a specific manner may be more likely to raise their profit margins. As technology grows, place is becoming more and more "virtual" as companies are able to sell products to almost anyone in the world.

Place involves decisions concerning the distribution channels to be used and their management, the locations of outlets, methods of transportation and inventory levels to be held. The objective is to ensure that products and services are available in the proper quantities, at the right time and place. Distribution channels consist of organizations such as retailers or wholesalers through which goods pass on their way to customers. Producers need to manage their relationships with these organizations well because they may provide the only cost-effective access to the marketplace. They also need to be aware of new methods of distribution that can create a competitive advantage. For example, Dell revolutionized the distribution of computers by selling direct to customers rather than using traditional computer outlets. Music, too, is increasingly being distributed by downloading from the Internet rather than being bought at music shops.

Notes**Developing an Effective Marketing Mix**

The marketing mix consists of 4 major elements: product, price, promotion and place. These '4-Ps' are the key decision areas that marketers must manage so that they satisfy or exceeded customer needs better than the competition. In other words, decisions regarding the marketing mix form a major aspect of marketing concept implementation. At this point, it's useful to examine each element briefly so that we can understand the essence of marketing mix decision-making.

Product

The product decision involves deciding what goods or services should be offered to a group of customers. An important element is new product development. As technology and tastes change, products become out of date and inferior to those of the competition. So companies must replace them with features that customers value. As new products are developed that give greater benefits than old ones market leadership can change. For example, the Sony Walkman was the leader in portable music players. Following its launch, The Apple iPod soon outsold the Walkman, however, as it had the advantages of being able to download music and hold thousands of songs on a much smaller device.

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Product decisions also involve choices regarding brand names, guarantees, packaging and the services that should accompany the product offering. Guarantees can be an important component of the product of the product offering. For example, the operators of the AVE, Spain's high-speed train, capable of traveling 300kmph, are so confident of its performance that they guarantee to give customers a full refund of their fare if they are more than five minutes late.

Price

Price is the key element of the marketing mix because it represents on a unit basis what the company receives for the product or service that is being marketed. All of the other elements represent costs for example, expenditure on product design (products, advertising and salespeople (promotion), and transportation and distribution (place). Marketers, therefore, need to be very clear about pricing objectives, methods, and the factors that influence price setting. They must also take into account the necessity to discount and give allowances in some transactions. These requirements can influence the level of list price chosen, perhaps with an element of negotiation margin built in. Payment periods and credit terms also affect the real price received in any transaction. These kinds of decisions can affect the perceived value of a product.

Because price affects the value that customers perceive they get from buying a product, it can be an important element in the purchase decision. Some companies attempt to position themselves as offering lower prices than their rivals. For example, Supermarkets such as Asda (Wal-Mart) in the UK, Aldi in Germany, Netto in Denmark and Super de Boer in the Netherlands employ a low-price positioning strategy. Another strategy is to launch a low-price version of an existing product targeted at price-sensitive consumers. For example, Apple launched the Mac mini, a basic version of the Macintosh computer. With this low-priced machine, Apple believes it can tempt people who have bought an iPod (and become fans of the company) to ditch their Windows-based PCs and switch to the Mac mini.

Promotion

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Place

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2.4 Marketing Planning

The marketing planning provides you with guiding principles to steer all your research, marketing, advertising, sales promotion and distribution actions. It helps you stand out from your competitors. It teaches to attract customers and flood them in and retain them. This course gives you the knowledge of how to cause people to demand. A marketing plan may be part of an overall business plan. Solid marketing strategy is the foundation of a well-written marketing plan. While a marketing plan contains a list of actions, a marketing plan without a sound strategic foundation is of little use.

This marketing plan is developed in relation to Starbucks Korea and the current marketing environment analysis as performed has indicated that the marketing factors such as political, economic, technological and environmental factors affects the performance level of Starbucks. The analysis indicated that Starbucks in Korea is faced with higher level of competition from international and domestic players, and the current market environment indicated about the customer tastes and preferences. The analysis leads to identification that the tastes and preferences of Korean customers is changing

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as they highly prefers espresso coffee and newer beverages. This led to the marketing objectives as targeting young Korean customers with the premium class new variants of espresso coffee for which there are specific marketing strategies being recommended.

Background: This marketing plan is developed in relation to Star Bucks in Korea with a view to create new marketing strategies by way of making changes to the existing marketing strategies of the company. Starbucks is one of the largest American global coffee companies with its products offerings across major parts of the world. The company specialises in providing beverages including instant coffee, full lead teas, whole-bean coffee and hot and cold beverages.

History of Starbucks: The history of Starbucks indicate that it was founded in 1971 as a Seattle coffee bean roaster and retailer and since its inception, the company has performed extensive level of international expansion which has resulted into its significant level of presence worldwide. The company focuses on expansion into newer markets with its products to achieve higher level of growth (Starbucks, 2014).

This section analyses the situation as faced by Starbucks in Korean market through applying various strategic tools as follows:

Marketing Environmental Analysis (PESTLE Analysis): An analysis of the Korean coffee market indicates that it is positively supported by the government which is clearly evident from the fact that the import of coffee has increased tremendously over the years and this is because of the positive governmental support. Apart from this, the economic factor in respect to coffee industry in Korea also shows that Korean coffee market has doubled over the past five years and has occupied the place of 11th largest coffee market across the world. The social trends among Korean customers have been positive, as there has been higher overall preference among them with respect to the different types of coffee which has boosted up the share of coffee industry across Korea. The social trends among Korean coffee customers indicate that they showed stronger preference for instant and mix coffee initially, but there has been a shift recently being witnessed to espresso based and speciality beverages among them. The main reason for the success of Korean coffee industry is the higher preference among the young urban professionals for coffee (About the Coffee Industry in Korea, 2014). The technological trend implies that technology assists the coffee service providers to deliver their products to their customers and serving them in a positive manner. The environmental concerns affect the Korean coffee industry in the sense that the coffee operators are required to observe the impact of their practices on the environment, and legally abide by the policies and procedures as set by the government (Coffee Expo Seoul, 2014).

Company and Product Review: The products and services as offered by Starbucks Korea includes a range of drinks such as beverages in terms of chocolate beverage, espresso beverage, kid's drinks, smoothies, Starbucks refreshers, teas, various food items including bakery, hot breakfast, yogurt and fruit, and nutrition related products including food nutrition, drink nutrition, etc. The products as offered are mainly related to the beverages with specific emphasis on coffee as the core product offerings of the company is coffee. The review of product as per product life cycle is performed as follows:

Product Life Cycle: The product life cycle indicates that every product is passed through specific stages which include introduction, growth, maturity and decline. As in respect to Starbucks Coffee in the Korean markets, it is analysed that the coffee products as offered by the company have shown a significant growth rate in the last five years which indicates that the products of the company are at the growth phase in the product lifecycle (Coffee in South Korea, 2013).

Market/Customer Analysis: An analysis of the Korean market with respect to the demand for coffee products indicate that it has been increasing, as there has been higher level of preference for coffee products among the customers. However, a major change with respect to Korean customer preferences for coffee products over the year indicates that earlier they preferred instant and mix coffee, but it has dramatically changed over the years towards instant mix coffees to espresso based and speciality beverages. The young working urban professionals in particular have showed a rising demand for the coffee products across Korea (About the Coffee Industry in Korea, 2014).

Competitor Analysis: The coffee market across Korea is also faced with significant level of competition, as there is large number of players operating within such Korean coffee industry. There are various domestic and international coffee players operating in the Korean coffee market and the major ones include Cafe Bene which has been a domestic player, Coffee Bean (USA), Tom&Toms (domestic), Hollys (Domestic) and Starbucks. The presence of such large players has enhanced the overall competitiveness level within such industry and this leads to highly competitive coffee markets (Coffee in South Korea, 2013).

Evaluation: In terms of opportunities and threats in the Korean coffee market, it is analysed that the major opportunity is mainly in terms of highly growing trends in the last few years for the coffee products and the rising level of preferences among young working Koreans have all increased up the demands for the products and services. This provides significant opportunity to the existing coffee players in boosting up their market shares by serving as many customers as possible. In terms of threats, the major threat is mainly in terms of higher level of competition to Starbucks especially from the domestic coffee players.

Essential of Marketing Planning

Businesses operate in hostile and increasingly complex environment. The ability of a business to achieve profitable sales is impacted by dozens of environmental factors, many of which are inter-connected. It makes sense to try to bring some order to this chaos by understanding the commercial environment and bringing some strategic sense to the process of marketing products and services.

A marketing plan is useful to many people in a business. It can help to:

- Identify sources of competitive advantage.
- Gain commitment to a strategy.
- Get resources needed to invest in and build the business.
- Inform stakeholders in the business.
- Set objectives and strategies.
- Measure performance.

The Marketing Planning Process

The various steps involved in planning process are as follows:

1. Awareness of opportunities and problems

The first step in planning process is the awareness of business opportunity or the problems to provide for in future. Present and future opportunities must be found out so that planning may be undertaken to take advantage of them.

Notes**2. Collecting and analysing information**

The next step is to gather adequate information and data relating to the planning to be made. The facts and figures collected will help in framing realistic plans. Further, the information gathered has to be analysed for proper interpretation.

3. Establishment of clear-cut objectives

After collecting and analysing information, the management should lay down in clear-cut terms, the objectives of the enterprise as a whole as well as objectives of every section of the enterprise.

4. Determining planning premises and constraints

Planning is always based on certain assumptions regarding the future which are known as planning premises. Thus it is a forecast of conditions like trends in population, political and economic environment, production costs, advertisement policy, availability of labour, material, power, etc. Further there will be constraints like Government control which affect the plans. Plans should be formulated by the management in the backdrop of such premises and constraints.

5. Finding out the alternative courses of action

Generally, in every situation there is more than one possible course of action. As such, in the light of the analysis of the information gathered, the possible alternative course of action should be ascertained.

6. Evaluation of alternatives and selection

The next step is to evaluate all possible alternatives with reference to cost, speed, quality, etc., and selecting best course of action.

7. Determining secondary plans

After selecting the best course of action, the management has to formulate the secondary plans to support the basic plan. For example, after developing the basic production plan, a number of secondary plans for the purchasing of raw materials, acquisition of plant and machinery, training of workers, arranging for adequate finance etc. have to be prepared for the successful operation of the basic plan.

8. Providing for follow-up and future evaluation

In order to see that the plans are proceeding along the right lines, it is necessary for the management to device a system for continuous evaluation and appraisal of the plan.

Marketing Planning Aims and Objectives

Behind the corporate objectives, which in themselves offer the main context for the marketing plan, will lay the "corporate mission," which in turn provides the context for these corporate objectives. In a sales-oriented organization, the marketing planning function designs incentive pay plans to not only motivate and reward frontline staff fairly but also to align marketing activities with corporate mission.

This "corporate mission" can be thought of as a definition of what the organization is, of what it does: "Our business is". This definition should not be too narrow, or it will constrict the development of the organization; a too rigorous concentration on the view that "We are in the business of making meat-scales," as IBM was during the early 1900s, might have limited its subsequent development into other areas. On the other hand, it

should not be too wide or it will become meaningless; "We want to make a profit" is not too helpful in developing specific plans.

Abell suggested that the definition should cover three dimensions: "customer groups" to be served, "customer needs" to be served, and "technologies" to be used. Thus, the definition of IBM's "corporate mission" in the 1940s might well have been: "We are in the business of handling accounting information for the larger US organizations by means of punched cards."

Perhaps the most important factor in successful marketing is the "corporate vision." Surprisingly, it is largely neglected by marketing textbooks, although not by the popular exponents of corporate strategy indeed, it was perhaps the main theme of the book by Peters and Waterman, in the form of their "Super ordinate Goals." "In Search of Excellence" said: "Nothing drives progress like the imagination. The idea precedes the deed." If the organization in general and its chief executive in particular, has a strong vision of where its future lies, then there is a good chance that the organization will achieve a strong position in its markets. This will be not least because its strategies will be consistent and will be supported by its staff at all levels. In this context, all of IBM's marketing activities were underpinned by its philosophy of "customer service," a vision originally promoted by the charismatic Watson dynasty. The emphasis at this stage is on obtaining a complete and accurate picture.

It is apparent that a marketing audit can be a complex process, but the aim is simple: "it is only to identify those existing (external and internal) factors which will have a significant impact on the future plans of the company." It is clear that the basic material to be input to the marketing audit should be comprehensive.

Accordingly, the best approach is to accumulate this material continuously, as and when it becomes available; since this avoids the otherwise heavy workload involved in collecting it as part of the regular, typically annual, planning process itself when time is usually at a premium.

Even so, the first task of this annual process should be to check that the material held in the current facts book or facts files actually is comprehensive and accurate, and can form a sound basis for the marketing audit itself.

The structure of the facts book will be designed to match the specific needs of the organization, but one simple format suggested by Malcolm McDonald may be applicable in many cases. This splits the material into three groups:

1. **Review of the marketing environment:** A study of the organization's markets, customers, competitors and the overall economic, political, cultural and technical environment; covering developing trends, as well as the current situation.
2. **Review of the detailed marketing activity:** A study of the company's marketing mix; in terms of the 7 Ps.
3. **Review of the marketing system:** A study of the marketing organization, marketing research systems and the current marketing objectives and strategies. The last of these is too frequently ignored. The marketing system itself needs to be regularly questioned, because the validity of the whole marketing plan is reliant upon the accuracy of the input from this system and garbage in, garbage out' applies with a vengeance.
 - i) **Portfolio planning:** In addition, the coordinated planning of the individual products and services can contribute towards the balanced portfolio.

Notes

- ii) **80:20 rule:** To achieve the maximum impact, the marketing plan must be clear, concise and simple. It needs to concentrate on the 20 percent of products or services, and on the 20 percent of customers, that will account for 80 percent of the volume and 80 percent of the profit.
- iii) **7 Ps:** Product, Place, Price and Promotion, Physical Environment, People, Process. The 7 Ps can sometimes divert attention from the customer, but the framework they offer can be very useful in building the action plans.

2.5 Marketing Implementation and Control

The implementation and control of marketing plans is a process which should ensure the achievement of the strategic objectives adopted by the company. A special role in this process plays a function of organizing and directing people. It involves preparing comprehensive list of activities to be performed, people responsible for this activities and resources needed.

To maximize the return on a marketing plan, there need to be controls in place to monitor the plan's progress. As a marketing plan moves along, the controls are constantly analyzed to determine how the plan's actual performance compares to the projections. Any changes that need to be made are done based on the analysis of marketing controls. Understanding what the controls in a marketing plan are will help you develop effective performance measurement indicators.

Process of Marketing Implementation and Control

Various activities related to marketing implementation and control are as follows:

Customer Feedback

Marketing is designed to persuade consumers to purchase a product or invest in a service. One control put into place in any marketing plan is the monitoring of customer feedback through polls and surveys. You can reach customers indirectly by hosting online polls on the Internet that ask specific questions about your latest marketing plan. Conversely, surveys can be done with marketing groups or via individual interviews by phone or in person. Adjust your marketing plan according to the results of your research. For example, if your marketing campaign includes a new company mascot and customer feedback indicates that the mascot is not popular, then the mascot should be removed from the marketing plan.

Target Market Sales

Sales can be measured in units sold, revenue generated or profit amount. Each marketing plan sets out to determine the effect of the plan on the target market. Once again, this is done through market surveys or at the point of sale with the assistance of retail partners. Actual sales in the target market are compared to the marketing plan projections to see if any changes need to be made. For example, if the target market for a marketing plan is males ages 15 to 21, then the target market sales reports would monitor sales made to that group. If sales are down, then further market research needs to be done to see why the target audience is not responding to the marketing. In some cases, analyzing a demographic breakdown of sales may indicate that the initial target market was inaccurate and a new target market may emerge based on sales data.

Budgeting

A marketing budget is a balance between the cost of generating the advertising materials and the revenue created by the marketing plan. There are several controls in place that can be used to monitor a marketing budget, including print advertising expenses, travel expenses for trade shows, the cost of market research studies and internal personnel costs for the company's marketing department. All of these costs need to be closely monitored to minimize spending and maximize profitability. By examining expenses, you are able maintain your budget and see exactly where spending increases come from.

Market Share

Market share is that percentage of consumer sales dominated by your product. For example, you may have a product with sales making up 15 percent of all products in the marketplace. A marketing plan outlines the product's market share before the plan is in place, and then projects the changes to the marketplace when the plan ends. For example, your marketing plan may call for an increase in market share from 10 percent to 15 percent of all products sold. During the plan's timeline, a milestone may be seeing a three percent increase halfway into the plan. If you do not meet this goal, you need to analyze why the plan is falling short and how to correct it.

2.6 Summary

Marketing is one of the most fundamental concepts associated with the marketing process. Marketing Mix represents an assemblage of tasks and sub tasks, which ultimately will help to satisfy the customers' requirements in such a way as to enable the firm to attain its objectives in an optimum fashion.

The marketing mix concept provides a valuable framework for allocating financial and human resources. Every company has to allocate certain amount of resources. Every company has to allocate certain amount of resources towards its marketing effort and the resources must be used in the most effective way. The resources must determine with some precision which of the various ingredients available is likely to provide maximum customer satisfaction on the one hand optimum response from the market place on the other.

Marketing Mix represents the total marketing program of a firm. It involves decisions with regard to product, price, place and promotion. These above four elements differ from firm to firm. Marketing mix serve as the linkage between a business firm and its customers. Marketing mix is a dynamic concept with changes in market conditions and the environment.

Marketing Mix is the combination of different marketing variables being used by a firm to market its goods and services. The marketing mix will naturally be changing according to changing marketing conditions and above with changing environmental factors (technical, social economic and political) affecting each market. It is of course based on marketing research and marketing information. It must be fully related to customer demand, competition as well as other aforesaid environmental forces.

The product management involves product mix in consultation with marketing manager. Product mix involves planning, developing and producing the right type of products and services. It deals with the dimensions of product line, durability and other qualities. The product policy of the firm also deals with proper branding right packaging, appropriate color and other product features.

Notes

Price is an important factor affecting the success of firm. Pricing decisions and policies have a direct influence on sales volume and profits of business. This is an important element in marketing mix. Right pricing can be determined through pricing research and testing marketing demand, cost, competition, government regulations etc., are the vital factors that must be taken into consideration in the determination of price. Price is a source of revenue and a main determinant of profit. Price is matter of vital importance to both the seller and buyer in the market place.

Promotion is a form of communication with an additional element of persuasion. The promotional activities always attempt to affect knowledge, attitudes, preferences and behaviour of the buyers. In any exchange activity, communication is absolutely necessary.

Place is getting the “right” product to the target market’s place. A product isn’t good to customer if isn’t available when and where it is wanted. Offering customers a good product at a reasonable price is important to a successful marketing strategy. But it’s not the whole story. Managers must also think about place-making products available in the right quantities and locations when the customer wants them. Place requires the selection and use of marketing specialists-middlemen and facilitators, to provide target customers with time, place, and possession utilities.

Service personnel can be classified in different ways depending on the level and nature of interaction that they have with customers-low-contact and high contact service personnel; consumer-service and professional service employees; and contact personnel, moderate contract personnel, back-office staff, support staff and management.

Customers in the service sector attempt to take cues about the service provider's capabilities and the quality of service offered from physical evidence. The major elements of physical evidence include the physical environment, the modes and content of communication, service personnel, the tangible elements accompanying the service and the brand.

Process is an important element of the marketing mix that determines how a service should be created and delivered to the customer. The characteristics of service process include complexity, divergence, service location, customer participation and the service itself-whether it is technology based or process based. The types of process include line or flow operations and job shop process.

The marketing planning provides you with guiding principles to steer all your research, marketing, advertising, sales promotion and distribution actions. It helps you stand out from your competitors. It teaches to attract customers and flood them in and retain them. This course gives you the knowledge of how to cause people to demand. A marketing plan may be part of an overall business plan. Solid marketing strategy is the foundation of a well-written marketing plan.

Marketing planning is a logical sequence and series of activities leading to the setting of strategic planning objectives for an enterprise, and the formulation of strategic plans for achieving them. In essence it is a process for determining what a business should become and how it can optimally achieve that goal.

The implementation and control of marketing plans is a process which should ensure the achievement of the strategic objectives adopted by the company. A special role in this process plays a function of organizing and directing people. It involves preparing comprehensive list of activities to be performed, people responsible for this activities and resources needed.

To maximize the return on a marketing plan, there need to be controls in place to monitor the plan's progress. As a marketing plan moves along, the controls are constantly analyzed to determine how the plan's actual performance compares to the projections. Any changes that need to be made are done based on the analysis of marketing controls. Understanding what the controls in a marketing plan will help you develop effective performance measurement indicators.

2.7 Check Your Progress

I. Fill in the Blanks

1.is the term used to describe the combination of the four inputs which constitute the core of company's marketing system i.e. the product, the price structure, the promotional activities and distribution system.
2. A product is any good or service that.....
3.means to advance an idea in such a way as to gain its acceptance and approval.
4. Customers in the service sector attempt to take cues about the service provider's capabilities and the quality of service offered from.....
5. Process is an important element of the marketing mix that determines how a service should be created and delivered to the.....

II. True or False

1. Product Mix is the term used to describe the combination of the four inputs which constitute the core of company's marketing system.
2. A product is any good or service that consumer wants.
3. Promotion means to advance an idea in such a way as to gain its acceptance and approval.
4. The marketing planning provides you with guiding principles to steer all your research, marketing, advertising, sales promotion and distribution actions.
5. A marketing plan may be part of an overall business plan.

III. Multiple Choice Questions

1. 1. What is the term used to describe the combination of the four inputs which constitute the core of company's marketing system?
 - a) Marketing Mix
 - b) Product mix
 - c) Price Mix
 - d) Promotion Mix
2. Marketing Mix is the term used to describe the combination of the four inputs which constitute the core of company's marketing system
 - a) the product
 - b) the price structures
 - c) the promotional activities and distribution system
 - d) All the above

Notes

3. Which of the following is any good or service that consumer wants?
 - a) Product
 - b) Price
 - c) Promotion
 - d) Place
4. What means to advance an idea in such a way as to gain its acceptance and approval?
 - a) Product
 - b) Price
 - c) Promotion
 - d) Place
5. What is an important element of the marketing mix that determines how a service should be created and delivered to the customer?
 - a) Process
 - b) Price
 - c) Promotion
 - d) Place

2.8 Questions and Exercises**I. Short Answer Questions**

1. What is Marketing Mix?
2. What is Product?
3. What is Product Mix?
4. What is Price Mix?
5. Give the meaning of Promotion.
6. What is Promotion Mix?
7. What is Physical Evidence?
8. What is Marketing Planning?

II. Extended Answer Questions

1. Discuss various elements of traditional Marketing Mix.
2. Explain various elements of Modern Marketing Mix.
3. Discuss about elements of Promotion Mix.
4. Explain process of developing an Effective Marketing Mix.
5. Discuss importance of Marketing Planning.
6. Explain about Marketing Implementation and Control.

2.9 Key Terms

- **Marketing Mix:** Marketing Mix is the term used to describe the combination of the four inputs which constitute the core of company's marketing system i.e. the product, the price structure, the promotional activities and distribution system.

- **Product Mix:** A product is any good or service that consumer want. Product are the things possessing utility. The product management involves product mix in consultation with marketing manager. Product mix involves planning, developing and producing the right type of products and services. It deals with the dimensions of product line, durability and other qualities. The product policy of the firm also deals with proper branding right packaging, appropriate color and other product features.
- **Price Mix:** Price is an important factor affecting the success of firm. Pricing decisions and policies have a direct influence on sales volume and profits of business. This is an important element in marketing mix. Right pricing can be determined through pricing research and testing marketing demand, cost, competition, government regulations etc., are the vital factors that must be taken into consideration in the determination of price.
- **Promotion Mix:** This is concerned with bringing products to the knowledge of customers and persuading them informing and influencing the customers. Promotion means to advance an idea in such a way as to gain its acceptance and approval. It is any communication activity whose main objective is to move forward a product, service or idea in a channel of distribution. It is an effort by a marketer to inform and persuade buyers to accept resell, recommend, or use article, service, idea which is being promoted. Promotion is a form of communication with an additional element of persuasion.
- **Place/Distribution Mix:** Place is getting the “right” product to the target market’s place. A product isn’t good to customer if isn’t available when and where it is wanted. Offering customers a good product at a reasonable price is important to a successful marketing strategy. But it’s not the whole story.
- **People:** This element of modern marketing mix is very important because almost all the services are delivered by one human being to another. The person delivering the service creates customer satisfaction and the perception of the service depends on their interaction.
- **Physical Evidence:** Customers in the service sector attempt to take cues about the service provider’s capabilities and the quality of service offered from physical evidence. The major elements of physical evidence include the physical environment, the modes and content of communication, service personnel, the tangible elements accompanying the service and the brand.
- **Process:** Process is an important element of the marketing mix that determines how a service should be created and delivered to the customer. The characteristics of service process include complexity, divergence, service location, customer participation and the service itself-whether it is technology based or process based. The types of process include line or flow operations and job shop process.
- **Marketing Planning:** The marketing planning provides you with guiding principles to steer all your research, marketing, advertising, sales promotion and distribution actions. It helps you stand out from your competitors. It teaches to attract customers and flood them in and retain them. This course gives you the knowledge of how to cause people to demand. A marketing plan may be part of an overall business plan.

Notes

2.10 Check Your Progress: Answers**I. Fill in the Blanks**

1. Marketing Mix
2. Consumer wants
3. Promotion
4. Physical evidence
5. Customer

II. True or False

1. False
2. True
3. True
4. True
5. True

III. Multiple Choice Questions

1. (a)
2. (d)
3. (a)
4. (c)
5. (a)

2.11 Case Study

McDonald's marketing mix (4Ps) involves varied approaches that meet business concerns in different markets around the world. The marketing mix defines the strategies and tactics a firm uses to reach target customers. McDonald's has corporate standards that its marketing mix applies globally. The company also uses some variations of its marketing mix to suit the local conditions of markets. For example, McDonald's promotion focuses on print media in countries where such media are most popular. The company's effectiveness in implementing its marketing mix contributes to the leading performance of the McDonald's brand and business in the international fast food restaurant industry.

McDonald's marketing mix facilitates effective reach to the target market. This marketing mix supports the company's leading global industry position, as well as the strength of its brand.

McDonald's Products (Product Mix)

McDonald's provides mainly food and beverage products. This element of the marketing mix covers the various organizational outputs (goods and services) that a company provides to its target customers.

McDonald's is primarily known for its burgers. However, the company expands its product mix through time. At present, customers can purchase other popular products like chicken and fish, desserts, and breakfast meals. This element of McDonald's marketing mix indicates that the firm innovates new products to attract more customers.

McDonald's restaurants are the most prominent places where the company's products are distributed. This element of the marketing mix indicates the venues or locations where the firm's products are offered.

McDonald's restaurants are where the company generates most of its sales revenues. Some of these restaurants also manage kiosks to sell a limited selection of products, such as desserts. Some kiosks are temporary, as in the cases of kiosks used in seasonal events and professional sports competitions. In addition, customers can place their orders through the Postmates website and mobile app. Moreover, the company's mobile apps for iOS and Android OS let customers claim special deals and find McDonald's restaurant locations. This element of the marketing mix supports McDonald's intensive growth strategies, especially market penetration.

McDonald's promotes its products to attract more customers. This element of the marketing mix defines the approaches used to communicate with the customers.

McDonald's advertisements are the most notable among its promotion tactics. The company uses TV, radio, print media and online media for its advertisements. McDonald's also uses sales promotions to draw more customers to its restaurants. For example, the company offers discount coupons and freebies for certain products. In addition, McDonald's public relations activities help promote the business to the target market. For instance, the Ronald McDonald House Charities and the McDonald's Global Best of Green environmental program support communities while boosting the value of the corporate brand. Occasionally, the company uses direct selling, such as for corporate clientele, local government or community events and parties. In this element of its marketing mix, McDonald's emphasizes advertising as its main approach to promote its products.

McDonald's pricing strategy involves price bundling combined with psychological pricing. In price bundling, the company offers meals and other product bundles for a discount. In psychological pricing, McDonald's uses prices that appear to be significantly more affordable, such as instead of rounding it off to the nearest dollar. This element of McDonald's marketing mix highlights the importance of price bundling to encourage customers to buy more products.

Questions:

1. "McDonald's marketing mix facilitates effective reach to the target market".
Comments
2. Do you think the Mc Donald's pricing mix strategy is success worldwide?
Discuss.

2.12 Further Readings

1. Marketing by Gary Armstrong, Michael Harker, Philip Kotler, Ross Brennan
2. Principles of Marketing by Philip Kotler
3. Contemporary Marketing by David L. Kurtz
4. Principles of marketing by Frances Brassington, Stephen Pettitt
5. Marketing insights from A to Z by Philip Kotler
6. Principles of marketing by Frances Brassington, Stephen Pettitt
7. Principles of marketing by Veronica Wong, John Saunders
8. Marketing by Armstrong, Armstrong Gary
9. Essentials of Marketing by Charles W. Lamb, Joseph F. Hair, Jr., Carl McDaniel

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Unit 3: Marketing Environment

Structure:

- 3.1 Introduction to Marketing Environment
- 3.2 Environmental Scanning
- 3.3 Analyzing the Organization's Micro Environment
- 3.4 Company's Macro Environment
- 3.5 Distinction between Micro and Macro Environment
- 3.6 Techniques of Environment Scanning
- 3.7 Summary
- 3.8 Check Your Progress
- 3.9 Questions and Exercises
- 3.10 Key Terms
- 3.11 Check Your Progress: Answers
- 3.12 Case Study
- 3.13 Further Readings
- 3.14 Bibliography

Objectives

After studying this unit, you should be able to understand:

- Environmental Scanning
- Analyzing the Organization's Micro Environment
- Company's Macro Environment
- Differences between Micro and Macro Environment
- Techniques of Environment Scanning

Notes

3.1 Introduction to Marketing Environment

Marketing Environment is ever changing; modern marketers realize that environmental scanning would provide them with continuous interaction between the customers and the business they are in, based on integration, the marketing managers can evolve marketing strategies to ensure effective and efficient goal achievement. The environment of a business enterprise may be static or dynamic. When the environment forces do not show a significant change, they are termed as stable or static environment. But the environment of modern organizations is dynamic because of frequent changes.

Marketing attributes of a business are affected by a large number of environmental factors that surrounds the company. These factors or forces influence the decision-making capability of the enterprise. A marketing system, system of a company thus must have to operate within the framework of the environmental forces.

The marketing environment surrounds and impacts upon the organization. There are three key perspectives on the marketing environment, namely the 'macro-environment,' the 'micro-environment' and the 'internal environment'.

The micro-environment includes suppliers that deal directly or indirectly, consumers and customers and other local stakeholders. Micro tends to suggest small, but this can be misleading. In this context, micro describes the relationship between firms and the driving forces that control this relationship. It is a more local relationship and the firm may exercise a degree of influence.

The macro-environment includes all factors that can influence an organization, but that are out of their direct control. A company does not generally influence any laws. It is continuously changing and the company needs to be flexible to adapt. There may be aggressive competition and rivalry in a market. Globalization means that there is always the threat of substitute products and new entrants. The wider environment is also ever changing and the marketer needs to compensate for changes in culture, politics, economics and technology.

Meaning of Marketing Environment

Marketing Environment refers to the encompasses the marketing team within an organization and includes all of the outside factors of marketing that affect the team's ability to develop and maintain successful customer relationships with their targeted customer group.

Example, the relevant environment for a car type manufacturing, technology, the tax structure, import-export regulation, the distributors, dealers, competitors etc.

Definition of Marketing Environment

According to **Philip Kotler**, "Marketing environment refers to the external factors and forces that affect the company's ability to develop and maintain successful and relationships with its target customers".

Importance of Marketing Environment

The marketing manager needs to be dynamic to effectively deal with the challenges of environment. The environment of business is not static. It is changing with fast speed. The following importance of environment scanning has been suggested by various authorities:

- i) **Increased general awareness:** It creates an increased general awareness of environmental changes on the part of management.
- ii) **Greater effectiveness:** It guides with greater effectiveness in matters relating to Government.
- iii) **Marketing analysis:** It helps in marketing analysis.
- iv) **Resource allocations:** It suggests improvements in diversification and resource allocations.
- v) **Capitalize upon opportunities:** It helps firms to identify and capitalize upon opportunities rather than losing out to competitors.
- vi) **Objective qualitative information:** It provides a base of 'objective qualitative information' about the business environment that can subsequently be of value in designing the strategies.
- vii) It provides a continuing broad-based education for executives in general and the strategists in particular.

3.2 Environmental Scanning

Environmental scanning is a process that systematically surveys and interprets relevant data to identify external opportunities and threats. An organization gathers information about the external world, its competitors and itself. The company should then respond to the information gathered by changing its strategies and plans when the need arises.

The environmental scanning process encompasses several steps. The first step is for an employer to gather information about the world in which it operates, including information about the economy, government, laws and demographic factors such as population size and distribution.

It is the base of environment analysis. It is normally done when there is high level of uncertainty in the environment. It is a continuous process.

It also helps to evaluate the long term strategic plan that will be aligned with future business conditions.

The scanning system should be aligned with the organizational context. Hence, a scanning system designed for a volatile environment may be inappropriate for a stable environment. Many organizations even use special software and internet for environment scanning.

Environmental scanning the state of the art

In recent years increasing attention has been devoted to amplifying individual elements of corporate planning systems among them the environmental scanning element. Moreover, the unprecedented intensification of corporate environmental complexity has led to a proliferation of approaches to scanning the general environment. However, a recent survey of a dozen U.S. companies has questioned whether such scanning practices have, in fact, been established in an ongoing manner. Based on publicly available information, of at least nine leading organizations where the practice of scanning for planning appears to have taken firm root. The many facets of the resulting composite picture of sophisticated wide angle scanning leads to the anticipation that it is, in fact, on the threshold of rapid diffusion in the corporate world.

Notes

Types of Environmental Scanning

Environmental scanning is a process of obtaining information from the environment. It helps prepare an organization to exploit the business opportunity by developing a sound resource base. Further, it also assists in preparing scenarios and to adjust with changes. Environmental scanning may be done in two ways as mentioned below:

1. Centralized scanning

If some specific environmental components are only analyzed, it is called centralized scanning. Under this, the important components which are likely to exert considerable impact to the business are only analyzed. For example, if economic conditions are only studied, it is termed as centralized scanning. Since specific components are only scanned, this is economical. Likewise, it helps to save time as well. However, it is not a comprehensive method due to the study of specific components only.

2. Comprehensive scanning

"If all the components of environment are analyzed in a detailed and micro way, it is called comprehensive environmental scanning."

Process of Environmental Scanning

Environmental scanning is a useful managerial tool for assessing the environmental trend. The following process is adopted for environmental scanning.

1. Study the forces and Nature of the Environment

In the first step of environmental scanning, the forces of the environment that have got significant bearing in the growth and development of the business should be identified. They may be political, economic, sociology-cultural, technological, legal, physical environment and global components. After this, the nature of the environmental components is studied. The nature of environment may be simple or complex. It may also be stable or volatile. The nature of the environment affects a firm's ability to predict the future. Some business may be operating in simple environment and others in complex. When there is a high level of uncertainty and complexity in the environment, environmental scanning becomes more critical.

2. Determine the sources of Information

After studying the process and nature of the environment, the sources of collecting information from the environment should be determined. There are different sources through which information on business environment may be collected. They are as follows:

Secondary sources: Newspapers, book, research articles, industrial and trade publications, government publication and annual report of the competitors.

Mass media: Radio, TV and Internet.

Internal sources: Internal reports, management information system, data network, and employee.

External agencies: Consumers, marketing intermediaries and suppliers.

Formal studies: Formal research and study by employee, research agencies, and educational institutions.

Spying and surveillance of the competitors.

Determine the Approach of Environmental scanning

After determining the sources of information the approach of environmental analysis should be determined. There are mainly three approaches to environmental scanning. They are:

1. Systematic approach

Under this approach, a systematic method is adopted for environmental scanning. The information regarding market and customer, government policy, economic and social aspects are continuously collected. In other words, the environment is monitored in a regular way. The timeliness and relevance of such information enhances the decision making capacity of the management.

2. Ad-hoc Approach

Under this, specific environmental components are only analyzed through survey and study. Ad-hoc approach is useful for collecting information for specific project, evaluating the strategic alternative or formulating new strategies. It is not a continuous process.

3. Processed form approach

Under this, the information collected from internal and external sources are used after processing them. Normally, the information obtained from secondary sources are processed and used as per the requirements of the business.

4. Scan and Assess the Trend

This is the final step of environmental scanning process. It involves a detailed and micro study of the environment to identify the early signals of potential changes in the environment. It also detects changes that are already under way and shows the trend of the environment. The trend should be assessed in terms of opportunities and threats.

Importance of Environmental Scanning

Signals threats: It provides an early signal of threats, which can be defused or minimized if recognized well in advance.

- 1. Customer needs:** It signals an organization to the changing needs and requirements of the customers.
- 2. Capitalize opportunities:** It helps an organization capitalize opportunities earlier than the competitors.
- 3. Qualitative information:** It provides a base of objective qualitative information about the environment that can be utilized for strategic management.
- 4. Intellectual stimulation:** It provides intellectual stimulation to managers in their decision making.
- 5. Image:** It improves the image of the organization as being sensitive and responsive to its environment.

3.3 Analyzing the Organization's Micro Environment

Micro Environment refers to the company's immediate environment i.e., those environmental factors that are in its proximity. These factors influence the company's non-capability to produce and serve the market. These are also the groups of people who affect the company's prospects directly. These factors are:

Notes**(i) Organization's Internal Environment**

The internal environment of an organization consists of such factors such as the financial and non-financial factors, production and human resource capabilities, that influence its marketing decisions to a great extent. Marketing sales forces such as promotion, the marketing managers in consultation with the top management and keeping in view the company's internal environment i.e. its own capacity in terms of production, finance, R&D, purchase, sales and development should make decisions regarding their market proposals.

(ii) Suppliers

Even regarding the suppliers the organization can think of availing the required material or labor according to its manufacturing program. It can adopt a purchase policy which gives bargaining power to the organization.

(iii) Market Intermediaries

Normally, every producer has to appoint a number of intermediaries in assisting him in promoting, selling and distributing the goods and services to ultimate consumers. The intermediaries are middle men (Wholesalers, Retailers, Agents etc.), distributing agencies, market service agencies and financial institutions.

(iv) Customers

The customers of a company may be of five kinds-ultimate consumers, Industrial consumers, Government and other Non-Profit Customers, International Customers. It must not be forgotten that the satisfaction of customer and consumer is the main motto of every business firm. The population also contains the prospective consumers of company's products and the company has to identify them which are not easy. Goodwill built up by the company sometimes influences the consumers to become the customer of the company.

(v) Competitors

Competitors are those who sell the goods and service of the same and similar description, in the same market. Apart from this competition there are other forms of competition like product differentiation. It is therefore, necessary to build an efficient system of marketing. This will arouse confidence and with better results. For this purpose, first of all, competitors are to be identified and closely monitored.

(vi) Company Resources

Companies are not alike in terms of their mix of resources, namely, people, finances and facilities. Many executives believe that a firm's most important asset is its employees and that success is highly influenced by the quality of company management and the skills of its marketing, R & D and production personnel. For some types of industries, success is heavily dependent on the competence of the people in particular functional areas, engineering for capital goods industries such as tooling and production, machinery finance for capital intensive industries such as steel and petroleum and marketing for consumer packaged goods companies.

(vii) Management Philosophy

Marketing strategies that differ greatly from top management's philosophy have little chance of being approved or of receiving enthusiastic support if they are accepted. Management's with a more conservative philosophy feel more comfortable with steady but unspectacular growth, maximization of cash flow from current business, high dividends and investment.

(viii) Public

It is the duty of the company to satisfy the people at large along with its competitors and the consumers. It is necessary for future stay and growth. The actors of the company do influence the other groups forming the general public for the company. A public is defined as "Any group that has an actual or potential interest in or impart on a company's ability to achieve its objectives.

3.4 Company's Macro Environment

Macro Environment refers to those factors which are not concerned with the immediate environment. These factors are external to the company and are quite uncontrollable. These factors do not affect the marketing ability of the concern directly but it indirectly influences the marketing decision of the company. As against this, macro-environmental factors directly affect the company's marketing activities and these forces are internal and controllable to some extent. The following are the factors that affect the company's marketing decisions:

(i) Demographic Forces

Marketers are keenly interested in the size and growth rate of population in different cities, regions and nations, age distribution, ethnic mix, educational levels, household patterns, regional characteristics and movements. The effect of all these changes is to fragment the mass market into numerous micro markets, differentiated by age, sex, education, geography and lifestyle and so on. Each group has strong preferences and consumer characteristics and is reached through increasingly targeted communication and distribution channels.

(ii) Economic Forces

The economic forces, which affect the marketing environment are:

- (a) Trends in Gross National product and real income growth.
- (b) Pattern of income distribution
- (c) Variation in geographical income distribution and its trends.
- (d) Trends in consumer savings and forms of their holdings
- (e) Borrowing pattern trends and governmental and legal restrictions
- (f) Major Economic variables-Cost of living, interest rates, repayment terms, disposable income etc.

(iii) Global environment

Global environment helps the cause of business by making the businessmen come out of their shell and see beyond physical boundaries of the country. It helps them to explore overseas markets in a big way. It is the global environment that helps in integration with the world economy through unification calls for removal of all the trade business among countries.

(iv) Physical Forces

Components of physical forces are earth's natural renewal and non-renewal resources. Marketers need to be aware of the threats and opportunities associated with four trends in the natural environment.

(v) Technological Factors

Technological Developments are uncontrollable environmental factors and important for marketing. They affect the market plans in two ways, Firstly, they are quite

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unpredictable and secondly the adoption of new technology is prevented by many internal and external constraints. It's also true that technical progress and at the same time it poses threat to individual companies. As an opportunity, technology is a source of new and improved product. As a threat, technological development by competitors may result in loss of markets. The technological changes result in changes in consumption pattern and marketing systems. A market may find out new challenges and opportunities by appropriating more budgets for research and Development activities.

(vi) Political and Legal Forces

Developments in political and legal field greatly affect the marketing decisions. Sound marketing decisions cannot be taken without taking into account the government agencies, political party in power and in opposition and their ideologies. These variables create tremendous pressures on marketing management. Laws affect production capacity, capability, product designs, pricing and promotion. The government in every country has enacted laws:

- (a) To prevent Monopoly and restrictive trade practices and promote competition.
- (b) To protect Consumers.
- (c) To protect the society.

(vii) Social and Cultural Forces

Social responsibility concept has crept into marketing literature as an alternative to the marketing concept. The social forces attempt to make the marketing socially responsible. It means the business firms should take a lead in eliminating socially harmful products example: Cigarettes or Alcohol and produce only what is beneficial to the society. There are some core- cultural values which are found in our society deep rooted and stable and hence change very little. There are also secondary cultural values which are susceptible to fast changes. Some of them are like hairstyles, clothing etc. Even in a given culture, the entire population doesn't adopt the changes; there are different degrees with which people adopt them.

Apple Macro Environment

Apple Inc Company, started by Steven Jobs, Steve Wozinak and Roynald Wayne is 30 years old now; Steven Jobs is the man behind this successful company. Apple has expanded from computers to consumer electronics over these years and lot of changes has occurred during these periods, which obviously happens in any creative industry. In the month of January 2007 the name was changed from Apple Computer Inc to Apple Inc Officially. Some of the products of apple over a decade are power Mac g4 cube, I pod, Mac book pro, I phone and the latest one is the I pad.

In the marketing system economic environment plays a major significant role. It is concerned mainly about the consumer purchasing power and spending patterns. According to high economic growth assures higher standards of employment and income, which leads to marketing boom in many industries. Marketing plans are influenced by many economic items such as current income, prices, savings and credit. The major trends of income and consumer spending in the market should be known to the marketers.

The economic factors of Apple Inc revenue in 2008 was less when compared to 2009. The revenue growth of 2009 was projected to increase by 10%. The sales of I phone and I pod increased enormously during this period. The iPod has contributed majorly for apple computers. The sales of personal computers decreased about 8% in 2009. They have updated the software's in new iphone. Apple tv which was 40gb has been changed to 160

gb during sept 2009. They upgraded the imac by replacing the cold cathode fluorescent lamp with mercury free LED. These frequent changes in the products made the consumers to buy more.

Since 2006 Apple inc has set and met the important goals to reduce the impact on the environment. Every product which is shipped has assessed the full life cycle of greenhouse gas emissions (GHG). Greenhouse gas emitted from the production, transport, use and recycling of products is over 95% and the rest 5% is used for facilities. Everyday operations and environmental impact is managed carefully by apple. Energy consumption by them is reducing year by year to control carbon emissions foot print. Apple has introduced a renewable energy in the year 2008 which has converted 100 % of energy to renewable sources. They have introduced recycling and composting programs to reduce the waste. Continuous environmental, health and safety managements are done to improve the product, process and services.

Innovative ideas create a new product, changing the old product by updating new software's. Factors and trends related to innovations that affect the development of new products or the marketing process. New technologies make the consumer's to buy the product imperatively. Advanced technologies can bring forth latest industries, gives rise to new business and advance products for existing business. New technology factors can also create negative sides for business. To improve their positions marketers should constantly monitor the vocational environment to look for better opportunities.

Apple inc is mainly dealing with computers and electronic gadgets so technology plays an important role. They update their software's regularly so people tend to buy the new version one. In the year 2009 apple has updated many specifications like, desktops and mac notebooks earn repeat gold status, mac mini, imac and mac pro has met the energy star 5.0 specification, mac book pro has been updated by built in batteries and iphone 3GS has a power adapter which performs global energy efficiency standards.

Apple inc is Planning to introduce the latest mobile device - Ipad which is something very thin and has multi touch screen where you can experience the web, email, photos and videos within seconds. It is very convenient to handle also. Mostly all the functionalities will work in any orientation. This way you can check your mails, messages and chat with your friends immediately.

Political Environment

The political environment consists of the laws, government agencies and pressure groups that influence and limit various organizations and individuals in society. The social and economic environment is related closely to the political one. Some of the issues you must know are , what is the governments perspective on the economy, culture ,religion and finally on marketing ethics.

Apple has invested approximately \$ 580,000 since 2002 for political activities. The Cost cannot be determined exactly because reporting at the state level is incomplete and can be misguided. It has failed to publicly disclose its political contributions. It is a member of the retail industry leader association (RILA) acts as a solicitor for the retail industry. They are main members of American electronics association (AEA) .It represents mainly the technology segments, because apple is dealing with sophisticated electronic equipments.

By doing this it modifies the governments at the state, federal and international levels; business opportunities and capital access are provided, Offering several business services and networking programs.

Notes**Cultural Environment**

This environment is mainly concerned about the people's behavior and trends, cultural factors like values, ideas, attitudes, beliefs and the population of subgroups which affects consumer's purchasing behavior. The cultural characteristics and trends in different markets must be carefully understood by the marketers.

Apple inc targets the younger generations with more advanced technologies .The I phone, ipod and mac computers are spread worldwide. The company's target includes almost all sectors of the society, for younger and the older generation. They have designed the gadgets software's and colors according to it. This kind of target market is larger sources of income. Most of them in the UK and the US are using apple inc products from ipod to the iphone. Hope in forthcoming generations it will be the ipad.

3.5 Distinction between Micro and Macro Environment

Micro Environment: Micro environment factors are the company's immediate environments that affect its ability to serve its markets, suppliers, market intermediaries, customers, competitors and publics. The main objective of the company is to profitably serve and satisfy specific needs to choose target market. Thus the two additional groups like a set of competitors and a set of public will be affected by the company's success.

Macro Environment: Macro environment affect all the factors in the company's micro environment, the demographic, economic, natural, technological, political and cultural forces. These forces represent uncontrollable factors, which the company must monitor and respond to. The major components of macro environment are the company and its suppliers, marketing intermediaries, customers, competitors and public all operate in a larger macro-environment of forces and trends that shape opportunities and pose threat to company.

3.6 Techniques of Environment Scanning

Environmental scanning is a technique of detail study of the environment. It is done to assess the trend of the environment and prepare the organization accordingly. There are different techniques/methods of environmental scanning. They are discussed below:

1. Executive opinion method

It is also called executive judgement method. Under this environment is forecasted on the basis of opinion and views of top executives. A panel is formed consisting of these executives.

2. Expert opinion method

Under this environment forecasting is based an opinion of outside experts or specialist. The experts have better knowledge about market conditions and customer taste and preferences. This method is similar to executive opinion method. However, it uses external experts.

3. Delhi method

This method is extension of expert opinion method. It involves forming a panel of experts and questioning each member of the panel about the future environmental trend. Later, the responses and summarized and returned to the members for assessment. This process continues till the acceptable consensus is achieved.

4. Extrapolating method

Under this method, the past information is used to predict the future. Different methods used to extrapolate the future are time series, trend analysis and regression analysis.

5. Historical analogy

Under this, the environmental trends are analyzed with the help of other trends which are parallel to historical trend.

6. Intuitive reasoning

Under this, rational and unbiased intuition is used for environmental scanning. Environmental dynamics are guessed individual judgement. Reliability of this method is questionable.

7. Scenario building

Scenarios are the pictures of possible future. They are built on the basis of time ordered sequence of events that have logical cause and effect relationship with each other. Scenarios are built to address future contingencies.

8. Cross-impact matrix

Under this, environmental forecasts through various methods are combined to form and integrated and consistent description of future. Cross impact matrix is used to assess the internal consistency of the forecasts.

3.7 Summary

Marketing Environment is ever changing; modern marketers realize that environmental scanning would provide them with continuous interaction between the customers and the business they are in, based on integration, the marketing managers can evolve marketing strategies to ensure effective and efficient goal achievement. The environment of a business enterprise may be static or dynamic. When the environment forces do not show a significant change, they are termed as stable or static environment. But the environment of modern organizations is dynamic because of frequent changes.

Environmental scanning is a process that systematically surveys and interprets relevant data to identify external opportunities and threats. An organization gathers information about the external world, its competitors and itself. The company should then respond to the information gathered by changing its strategies and plans when the need arises.

The scanning system should be aligned with the organizational context. Hence, a scanning system designed for a volatile environment may be inappropriate for a stable environment. Many organizations even use special software and internet for environment scanning.

If some specific environmental components are only analyzed, it is called centralized scanning. Under this, the important components which are likely to exert considerable impact to the business are only analyzed.

A systematic method is adopted for environmental scanning. The information regarding market and customer, government policy, economic and social aspects are continuously collected. In other words, the environment is monitored in a regular way. The timeliness and relevance of such information enhances the decision-making capacity of the management.

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The environmental components are only analyzed through survey and study. Ad-hoc approach is useful for collecting information for specific project, evaluating the strategic alternative or formulating new strategies. It is not a continuous process.

Micro Environment refers to the company's immediate environment i.e., those environmental factors that are in its proximity. These factors influence the company's non-capability to produce and serve the market. These are also the groups of people who affect the company's prospects directly.

Competitors are those who sell the goods and service of the same and similar description, in the same market. Apart from this competition there are other forms of competition like product differentiation. It is therefore, necessary to build an efficient system of marketing. This will arouse confidence and with better results. For this purpose, first of all, competitors are to be identified and closely monitored.

Marketing strategies that differ greatly from top management's philosophy have little chance of being approved or of receiving enthusiastic support if they are accepted. Management's with a more conservative philosophy feel more comfortable with steady but unspectacular growth, maximization of cash flow from current business, high dividends and investment.

Macro Environment refers to those factors which are not concerned with the immediate environment. These factors are external to the company and are quite uncontrollable. These factors do not affect the marketing ability of the concern directly but it indirectly influences the marketing decision of the company. As against this, macro-environmental factors directly affect the company's marketing activities and these forces are internal and controllable to some extent. The following are the factors that affect the company's marketing decisions:

Global environment helps the cause of business by making the businessmen come out of their shell and see beyond physical boundaries of the country. It helps them to explore overseas markets in a big way. It is the global environment that helps in integration with the world economy through unification calls for removal of all the trade business among countries.

Social responsibility concept has crept into marketing literature as an alternative to the marketing concept. The social forces attempt to make the marketing socially responsible. It means the business firms should take a lead in eliminating socially harmful products example: Cigarettes or Alcohol and produce only what is beneficial to the society. There is some core-cultural values which are found in our society deep rooted and stable and hence change very little. There are also secondary cultural values which are susceptible to fast changes. Some of them are like hairstyles, clothing etc.

Environmental analysis refers to the evaluation of the possible or probable effects of external forces and conditions on an organization's survival and growth strategies. Environmental analysis is the use of analytical chemistry and other techniques to study the environment. The purpose of this is commonly to monitor and study levels of pollutants in the atmosphere, rivers and other specific settings.

Environmental scanning is a process of gathering, analyzing and dispensing information for tactical or strategic purposes. The environmental scanning process entails obtaining both factual and subjective information on the business environments in which a company is operating or considering entering.

A business can perform a SWOT analysis as a way of deciding which marketing strategy to use. The business performs an audit on the internal and external nature of

the business looking at the current and future situation. An audit is a review of all the business' activities.

A PEST analysis is used to identify the external forces affecting an organization/ making up its Macro Environment. This is a simple analysis of an organization's Political, Economic, Social and Technological environment.

3.8 Check Your Progress

I. Fill in the Blanks

1.is ever changing; modern marketers realize that environmental scanning would provide them with continuous interaction between the customers and the business.
2. Micro-environment includes suppliers that deal directly or indirectly, consumers and customers and other local.....
3.includes all factors that can influence an organization, but that are out of their direct control.
4. Environmental scanning is a process that systematically surveys and interprets relevant data to identify external.....
5. PEST analysis is used to identify the external forces affecting an organization/ making up its.....
6. Apple Inc Company, started by
7.is mainly dealing with computers and electronic gadgets so technology plays an important role.

II. True or False

1. Marketing Environment is ever changing; modern marketers realize that environmental scanning would provide them with continuous interaction between the customers and the business.
2. Micro-environment includes suppliers that deal directly or indirectly, consumers and customers and other local stakeholders.
3. Macro-environment includes all factors that can influence an organization, but that are out of their direct control.
4. Environmental scanning is a process that systematically surveys and interprets relevant data to identify external opportunities and threats.
5. Social responsibility concept has crept into marketing literature as an alternative to the marketing concept.
6. Apple has invested approximately \$ 580,000 since 2002 for political activities.
7. Alibaba Group Holding Limited PESTEL analysis is a strategic tool to analyze the macro environment of the organization.

III. Multiple Choice Questions

1. Which of the following is not related to Economic environment?
 - a) GDP
 - b) Profit
 - c) Income
 - d) Gender

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2. Which of the following is not related to Technological environment?
 - a) Innovation
 - b) Creativity
 - c) Research and Development
 - d) Population
3. Which of the following is under Natural environment?
 - a) Production
 - b) Raw material
 - c) Age
 - d) None of the above
4. Which marketing approaches a business enterprise is to study their customers and offer products which will give the desired satisfaction and services to the customers?
 - a) Potential marketing
 - b) Customer concept marketing
 - c) Social marketing
 - d) None of them
5.refers to mixing and matching marketing activities to maximize their individual and collective effects.
 - a) Social marketing
 - b) Potential marketing
 - c) Integrated marketing
 - d) None of these

3.9 Questions and Exercises**I. Short Answer Questions**

1. Define the term Environment.
2. What is Marketing Environment?
3. What is Environmental Scanning?
4. What is Micro Environment?
5. Give the meaning of Macro Environment.
6. What is Social marketing?
7. What is Potential marketing?
8. What is Integrated marketing?

II. Extended Answer Questions

1. Give an introduction to Marketing Environment.
2. Discuss about Environmental Scanning.
3. Explain importance of understand about the components of Environmental Scanning.
4. Discuss the process of analyzing the Organization's Micro Environment.
5. Explain about Company's Macro Environment.

6. Distinguish between Micro and Macro Environment.
7. Explain various techniques of Environment Scanning.

3.10 Key Terms

- **Marketing Environment:** Marketing Environment is ever changing; modern marketers realize that environmental scanning would provide them with continuous interaction between the customers and the business they are in, based on integration, the marketing managers can evolve marketing strategies to ensure effective and efficient goal achievement. The environment of a business enterprise may be static or dynamic. When the environment forces do not show a significant change, they are termed as stable or static environment.
- **Micro-environment:** micro-environment includes suppliers that deal directly or indirectly, consumers and customers and other local stakeholders. Micro tends to suggest small, but this can be misleading. In this context, micro describes the relationship between firms and the driving forces that control this relationship. It is a more local relationship and the firm may exercise a degree of influence.
- **Macro environment:** macro-environment includes all factors that can influence an organization, but that are out of their direct control. A company does not generally influence any laws. It is continuously changing and the company needs to be flexible to adapt. There may be aggressive competition and rivalry in a market. Globalization means that there is always the threat of substitute products and new entrants. The wider environment is also ever changing and the marketer needs to compensate for changes in culture, politics, economics and technology.
- **Environmental Scanning:** Environmental scanning is a process that systematically surveys and interprets relevant data to identify external opportunities and threats. An organization gathers information about the external world, its competitors and itself. The company should then respond to the information gathered by changing its strategies and plans when the need arises.
- **Centralized scanning:** Under this, the important components which are likely to exert considerable impact to the business are only analyzed. For example, if economic conditions are only studied, it is termed as centralized scanning. Since specific components are only scanned, this is economical. Likewise, it helps to save time as well.
- **Comprehensive scanning:** "If all the components of environment are analyzed in a detailed and micro way, it is called comprehensive environmental scanning."
- **Systematic approach:** Under this approach, a systematic method is adopted for environmental scanning. The information regarding market and customer, government policy, economic and social aspects are continuously collected. In other words, the environment is monitored in a regular way.
- **Ad-hoc Approach:** Under this, specific environmental components are only analyzed through survey and study. Ad-hoc approach is useful for collecting information for specific project, evaluating the strategic alternative or formulating new strategies. It is not a continuous process.
- **Social responsibility:** Social responsibility concept has crept into marketing literature as an alternative to the marketing concept. The social forces attempt to make the marketing socially responsible. It means the business firms should take a lead in eliminating socially harmful products example: Cigarettes or Alcohol and produce only what is beneficial to the society.

Notes

- **Environmental Analysis:** Environmental analysis refers to the evaluation of the possible or probable effects of external forces and conditions on an organization's survival and growth strategies.
- **Environmental analysis:** is the use of analytical chemistry and other techniques to study the environment. The purpose of this is commonly to monitor and study levels of pollutants in the atmosphere, rivers and other specific settings.
- **PEST analysis:** A PEST analysis is used to identify the external forces affecting an organization/making up its Macro Environment. This is a simple analysis of an organization's Political, Economical, Social and Technological environment.

3.11 Check Your Progress: Answers

I. Fill in the Blanks

1. Marketing Environment
2. Stakeholders
3. Macro-environment
4. Opportunities and threats
5. Macro Environment
6. Steven Jobs
7. Apple inc

II. True or False

1. True
2. True
3. True
4. True
5. True
6. True
7. True

III. Multiple Choice Questions

1. [d]
2. [d]
3. [b]
4. [b]
5. [c]

3.12 Case Study

Case study based on the environmental impact on the business

Businesses are no longer bound by national boundaries. Whether one talks about the booming software and BPO industries, the outsourced manufacturing to India and China, or entry into new markets in Asia by Fortune 500 companies, businesses are constantly looking beyond national boundaries. Advancements in telecommunication and information technologies, market maturity in developing countries in Asia and Latin

America, and innovations in business practices have made the vision of the global marketplace a reality. Under these circumstances, it is imperative that business managers take advantage of the forces of globalization rather than being threatened by them. The business environment largely includes the industry structure, macroeconomic forces, political forces, societal forces and technological forces. Understanding the international context in each of the above dimensions, therefore, assumes importance.

The cases are chosen from a variety of industries such as airlines, theme parks, retail, telecom, oil and gas, utilities, automobiles and manufacturing, located in various countries including Korea, Hungary, Singapore, the US, Argentina, China, Brazil, etc. The focus of managerial decision making is also varied. Global expansion strategy, new business entry, global branding, business ethics, and privatisation are some of the issues that have been presented in the cases.

The recent merger of two pharmaceutical giants, Sanofi-Synthelabo and Aventis, also provides a good example of how governments play an important role in business. Among the above, the Lucent and Enron cases are set in India, and the Citigroup case is set in China, providing the reader an opportunity to evaluate the liberalisation reforms in these two large countries. Businesses have evolved from responding to just the shareholders' interests to those of a broader set of stakeholders. The corporate social responsibility statements issued by large corporations corroborate this. The recent proliferation of civil society organisations has also increased the focus on the social responsibility of businesses. However, how different countries view areas such as ethics, values, cultural behaviours, environmental regulations and labour standards varies significantly.

With technology playing a ubiquitous part in managerial decision making today, with implications for organisation structure, relationships and competitiveness, it becomes important to understand investment decisions in the context of technological changes. Advances in telecom, information and computing technology has led to the mainstream emergence of e-business. While the individual case studies in the book are interesting, some of them seem to be force fitted to the theme under which they have been included.

Businesses operate in a complex environment, which is characterised by a network of different factors. By presenting the case studies on the five key dimensions that affect businesses, this book attempts to help readers sharpen their managerial decision-making abilities around these dimensions. There have been several compilations of case studies on strategic management. The key differentiating features of this book are the holistic perspective that it provides on the business environment and the different country contexts that it presents. While not many of these case studies seem suitable for using it in a 75-90-minute graduate business class to highlight managerial decision making, they would form good supplementary reading to course material, providing the international perspective on the business environment.

Questions:

1. How do you analyse the environmental impact on Global Business?
2. Do you think the BPO is the solution for better business operations? Discuss.

3.13 Further Readings

1. Marketing by Gary Armstrong, Michael Harker, Philip Kotler, Ross Brennan
2. Principles of Marketing by Philip Kotler
3. Contemporary Marketing by David L. Kurtz
4. Principles of marketing by Frances Brassington, Stephen Pettitt

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5. Marketing insights from A to Z by Philip Kotler
6. Principles of marketing by Frances Brassington, Stephen Pettitt
7. Principles of marketing by Veronica Wong, John Saunders
8. Marketing by Armstrong, Armstrong Gary
9. Essentials of Marketing by Charles W. Lamb, Joseph F. Hair, Jr., Carl McDaniel

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Unit 4: Understanding the Marketing Information Systems (MIS)

Structure:

- 4.1 Understanding the Marketing-Information Systems (MIS)
- 4.2 Characteristics of MIS
- 4.3 Marketing Research
- 4.4 Steps in Marketing Research Process
- 4.5 Types of Research
- 4.6 Marketing Intelligence
- 4.7 Summary
- 4.8 Check Your Progress
- 4.9 Questions and Exercises
- 4.10 Key Terms
- 4.11 Check Your Progress: Answers
- 4.12 Case Study
- 4.13 Further Readings
- 4.14 Bibliography

Objectives

After studying this unit, you should be able to understand:

- Marketing Information Systems
- Characteristics of MIS
- Marketing Research
- Marketing Research Process
- Marketing intelligence

Notes

4.1 Understanding the Marketing Information System

A marketing information system (MIS) is a management information system designed to support marketing decision making. Marketing Information System (MIS) is a permanent arrangement (system or setup) for provision of regular availability of relevant, reliable, adequate, and timely information for making marketing decisions.

Information is like a life-blood of business. Quality of decisions depends on the right type of information. The right information implies the right quality, the right quantity, and the right timing of information. Circulation of needed information is as important as the circulation of blood in human being.

Information keeps the organization actively functioning, alive, and connected with internal and external marketing participants. It is a valuable asset for a firm as it is a base to manage other valuable assets. The firm fails to manage information (i.e., collecting, analyzing, interpreting, storing, and disseminating of information) will definitely fail to attain goals.

Today's marketing is dynamic, and manager has to undergo necessary changes to cope with the pace of changing marketing environment. Information is a basic input to know what is happening and what is going to happen. Marion Harper has rightly asserted: "To manage a business well is to manage its future, and to manage the future well is to manage the information."

A company needs information on a continuous basis to be aware of marketing developments taking place in the market. In order to learn about changing needs of customers, new competitors' initiatives, changing distribution practices, recent trends in promotion practices, etc., a manager requires the permanent arrangement to get the needed information on a regular basis. The system or arrangement that deals with providing the information regularly is known as marketing information system (MIS).

Definitions of Marketing Information System

Philip Kotler has defined Marketing information system as "people, equipment, and procedures to gather, sort, analyze, evaluate and distribute needed, timely and accurate information to marketing decision makers." Not to be confused for a management information system, marketing information systems are designed specifically for managing the marketing aspects of the business.

Jobber (2007) defines it as a "system in which marketing data is formally gathered, stored, analyzed and distributed to managers in accordance with their informational needs on a regular basis."

Benefits of Marketing Information System

The following are the benefits of MIS:

1. It enables managers to share information and work together virtually.
2. It helps marketers collaborate with customers on product designs and customer requirements.
3. It addresses operational needs through customer management systems that focus on the day-to-day processing of customer transactions from the initial sale through customer service.
4. The availability of the customer data and feedback can help the company align their business processes according to the needs of the customers. The effective

management of customer data can help the company perform direct marketing and promotional activities.

5. Information is considered to be an important asset for any company in the modern competitive world. The consumer buying trends and behaviours can be predicted by the analysis of sales and revenue reports from each operating region of the company.
6. Speed in obtaining sufficient information to make decisions.
7. Data amassed and kept over several time periods.
8. MIS helps to perform the ability to do a cost-benefit analysis.

Advantages of MIS

The several advantages of marketing information system are as follows:

- i) Provides updated and timely information for decision-making: MIS provides information about various aspects of marketing. Information acts as a feedback and facilitates correct decision-making by marketing managers. Likely problems are solved at the initial stage through suitable preventive measures. Thus, MIS facilitates effective decision making by marketing executives. It acts as the lifeblood of modern marketing management.
- ii) Facilitates monitoring of marketing operations: Data on different aspects of marketing can be collected and stored through MIS. This facilitates easy and effective monitoring of the performance of products, markets, and sales-force and so on. Thus, continuous monitoring of marketing operations is possible through MIS.
- iii) Raises efficiency of decision-making: Integrated and updated marketing information may not be available easily and quickly in large companies with many departments. However, separate arrangement can be made for collection, evaluation and storage of such information on sound principles through efficient MIS. Thus/! MIS is beneficial as it raises the efficiency of decision-making process in marketing.
- iv) Facilitates quick reference: Easy and quick reference to old information is possible due to MIS. Computers are now used for easy accessibility of MIS. Quick reference to old information is possible due to modern computer techniques. Thus, the use of computers facilitates easy reference to old records and this raises the utility of MIS.
- v) Provides information on changing marketing environment: MIS provides regular information to marketers about changing marketing environment much before it actually takes place. Managers can forecast the future trends with the scrutiny of updated information. This enables managers to prepare marketing plans and strategies for the future period.
- vi) Promotes marketing excellence: MIS leads to marketing excellence. It is rightly said that to manage a business well is to manage its future and to manage the future is to manage information. Marketing decisions will be prompt and reasonably accurate when they are based on dependable information. Thus/ MIS gives the benefit in the form of marketing excellence.
- vii) Facilitates tapping of marketing opportunities: MIS facilitates tapping of promising marketing opportunities and effective defense against marketing problems and threats likely to develop in the near future. Both benefits bring stability and prosperity to business.

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- viii) Provides market intelligence: MIS acts as marketing intelligence wing of a marketing firm. It provides information about new marketing trends likely to develop in future. Such trends may be related to price trends, consumer expectations, extent of market competition, new products likely to enter the market and so on. This information is useful for long term marketing planning.

Limitations of Marketing Information System

The several limitations of marketing information system are as follows:

- i) It is not always clear that the information regularly required reaching a better decision. Some managers rely heavily on personal experience and intuition, the information obtained from such systems will find it “interesting” but not necessarily useful. Therefore, the marketing information system can deliver what is expected of him, but the results did not improve the quality of decisions because managers will not know what will help in this regard.
- ii) This can be very expensive to obtain, organize and store data and distribute reports tailored to the needs and many managers. Apart from the cost that was supposed to operate the marketing information system should be updated as more sophisticated data are available for managers to identify new and different information needs.
- iii) The marketing information system is not sufficient to resolve unexpected problems. The most important challenge facing the executive is a situation where you have to make decisions quickly without having all the crisp detail and knowing the consequences of the choices presented.
- iv) The characteristics of the marketing information system born from the skills needed to operate the computer. The organization was forced to rely on many major computers operating a professional programmer to produce the information required by the executive.
- v) MIS implementation can be very expensive for companies looking to manage their operations more effectively. The cost of this followed by the installation costs can be extremely expensive for large companies.
- vi) Properly trained employees are a critical part of an MIS. Employees are at front lines of business operations and create or manage the daily activities of the company. If an MIS finds a system flow or management decides to change a process based on the MIS information, re-training employees will usually be require
- vii) Once an MIS is created and installed in a company, it may prove to be an inflexibility system. Making changes quickly to reflect fluctuating business operations may not be possible depending on the MIS style and functionality. Major business changes will require major changes to the MIS leading to increased costs and downtime of information reporting.
- viii) The biggest flow an MIS can have is pulling incorrect information for management. This problems results in wasted time and money for the company, leading to another review of MIS to correct the information flows.

4.2 Characteristics of Marketing Information System

The main characteristics of marketing information system are as follows:

1. **Management-oriented:** The basic objective of MIS is to provide information support to the management in the organization for decision making. So an

effective MIS should start its journey from appraisal of management needs, mission and goal of the business organization. It may be individual or collective goals of an organization. The MIS is such that it serves all the levels of management in an organization i.e. top, middle and lower level.

2. **Management directed:** When MIS is management-oriented, it should be directed by the management because it is the management who tells their needs and requirements more effectively than anybody else. Manager should guide the MIS professionals not only at the stage of planning but also on development, review and implementation stages so that effective system should be the end product of the whole exercise in making an effective MIS.
3. **Integrated:** It means a comprehensive or complete view of all the sub systems in the organization of a company. Development of information must be integrated so that all the operational and functional information sub systems should be worked together as a single entity. This integration is necessary because it leads to retrieval of more meaningful and useful information.
4. **Common data flows:** The integration of different sub systems will lead to a common data flow which will further help in avoiding duplicity and redundancy in data collection, storage and processing. For example, the customer orders are the basis for many activities in an organization viz. billing, sales for cashing, etc. Data is collected by a system analyst from its original source only one time. Then he utilizes the data with minimum number of processing procedures and uses the information for production output documents and reports in small numbers and eliminates the undesirable data. This will lead to elimination of duplication that simplify the operations and produce an efficient information system.
5. **Common database:** This is the basic feature of MIS to achieve the objective of using MIS in business organizations. It avoids duplication of files and storage which leads to reduction in costs. Common database means a "Super file or Master file" which consolidates and integrates data records formerly stored in many separate data files. The organization of the database allows it to be accessed by each subsystem and thus, eliminates the necessity of duplication in data storage, updating, deletion and protection.
6. **Computerized:** MIS can be used without a computer. But the use of computers increases the effectiveness and the efficiency of the system. The queries can be handled more quickly and efficiently with the computerized MIS. The other benefits are accuracy, storage capacity and timely information.
7. **User friendly/Flexibility:** An MIS should be flexible i.e. there should be room for further modification because the MIS takes much time in preparation and our environment is dynamic in nature. MIS should be such that it should be used independently by the end user so that they do not depend on the experts.
8. **Information as a resource:** Information is the major ingredient of any MIS. So, an MIS should be treated as a resource and managed properly.

4.3 Marketing Research

Marketing research is conducting to know the customers opinion, it can be done pre-production, post-production or re-launch of the product. Marketing research varies from scale to large scale depends upon the company willingness to gather in-depth information. The term marketing research is used extensively in modern marketing management. It acts as a tool for accurate decision making as regards marketing of goods and services.

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It is also useful for studying and solving different marketing problems in a systematic and rational manner. MR is a special branch of marketing management. It is comparatively recent in origin. MR acts as an investigative arm of a marketing manager.

Marketing Research plays a very significant role in identifying the needs of customers and meeting them in the best possible way. The main task of Marketing Research is systematic gathering and analysis of information. Marketing Research is systematic problem analysis, model building and fact finding for the purpose of important decision making and control in the marketing of goods and services.

Market research horror stories featuring Coke, Microsoft, HSBC and more**1. Launching the wrong product**

In 2004, Coca-Cola took aim at a new market segment: 20- to 40-year-old males who liked the taste of Coke but not the calories. These men were put off by Diet Coke's flavour and brand perception, so Coca-Cola created a product just for them. C2 was a mid-calorie, low-carb beverage, and it was a massive flop.

Despite a \$50 million marketing budget, C2 languished among its target audience. It fell somewhere between Coke and Diet Coke in terms of taste and caloric content at a time when research was showing that the American male market was into food and drinks with big taste, no carbs, and no calories. Plus, it was priced higher than the original drink. People were unwilling to spend more money for a mediocre beverage that debuted after the low-carb fad had already begun to fade.

C2 was backed by a lot of market data about diet trends and male preferences, so where did the product go wrong? Coca-Cola failed to ask the right questions of the right audience. The result was a drink that missed the mark, and it cost the company \$50 million in marketing efforts and an undisclosed amount of research and development investment.

Uncovering insights about your target market is imperative, so make sure you're asking the right questions - ones that identify not only what people like, but also what they don't like - to help you home in on insights. How do you know whether you've captured the right insight? It's that piece of information you uncover, which, if acted upon, would result in mutual benefit.

2. The wrong market at the wrong time

Even the greenest business owners know they can't sell to everyone with a pulse. They might have a product with wide appeal, but they still have to target specific audiences if they want to use their marketing dollars effectively. However, accurately timing a product launch proves difficult for many companies, especially those that haven't conducted proper market research.

That's what happened with Zune, designed to be Microsoft's competitor to the iPod. The product offered little in the way of differentiation and targeted a very narrow market. Microsoft discontinued the failed product in 2011 after losing hundreds of millions in investments.

Amazon's Fire Phone was another me-too product that launched well behind the first industry-leading iPhones and Android devices. The Amazon Fire Phone had no significant advantage over its seasoned competitors, was poorly timed and came equipped with lackluster features. Amazon lost \$83 million on inventory alone - plus expenditures on R&D, sales and marketing.

Had Microsoft and Amazon done better market research, they might have used these products to attack the market at the higher or lower ends of the pricing and feature spectrums rather than run head-on into a speeding train.

Capturing information about your competitors is just as important to your product strategy as gathering data from your customers - particularly when it comes to identifying how your product will sustainably differentiate itself in the market.

3. The wrong message

Marketers are under constant pressure to come up with creative campaigns that drive customer engagement. That challenge is steep in any market, and it's doubly difficult when you're selling a product in multiple locations. But it's essential to remember that what works in one country may not land in another.

HSBC Bank learned this in 2009, when it carried its US tagline "Assume Nothing" into international markets. The phrase translated to "Do Nothing" in many countries - not exactly an inspiring motto from a global banking brand. HSBC spent \$10 million as it scrambled to change the tagline to "The world's private bank".

The new campaign resonated much more positively, but the mistake was entirely avoidable. Had HSBC studied the translations more carefully, it could have promoted the right tagline from the outset. Companies must research the potential impact of translated phrases in different markets to avoid embarrassing and offensive gaffes.

This illustrates the fact that market segmentation is important not only for determining product features, but also for testing go-to-market tactics - specifically, marketing messages. Don't just assume that market segments across geographies are similar in attitudes or perceptions.

4. The wrong perception of market needs

Audience needs and preferences are changing faster than ever before, and companies must prioritise market research to keep pace. No matter how well a product is performing today, it will soon become obsolete if you don't evolve with your customer base.

Kodak is a prime example of a company that was so focused on its current products and margins that it failed to see that the world was changing. Kodak had built many of the underlying technologies inherent to digital cameras, creating some core components as early as 1975. But the company never considered that people's ultimate goal is to take great photos, not to buy film for their cameras.

Meaning of Marketing Research

Marketing research refers to the systematic gathering, recording, and analyzing of data about problems relating to the marketing of goods and services.

Definitions of Marketing Research

According to **Richard D. Crisp**, "Marketing research is the systematic, objective and exhaustive search for and study of the facts relevant to any problem in the field of marketing".

According to **Philip Kotler**, "Marketing research is systematic problem analysis, model building and fact-finding for the purpose of improved decision-making and control in the marketing of goods and services".

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According to **American Marketing Association**, "Marketing Research is the function that links the consumer, customer and public to the marketer through information-information used to identify and define marketing opportunities and problems, generate, refine and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process."

Nature of Marketing Research

Marketing Research plays a very significant role in identifying the needs of customers and meeting them in best possible way. The main task of Marketing Research is systematic gathering and analysis of information. Before we proceed further, it is essential to clarify the relationship and difference between Marketing Research and Marketing Information System (MIS). Whatever information is generated by Marketing Research from internal sources, external sources, marketing intelligence agencies-consist the part of MIS. MIS is a set of formalized procedures for generating, analyzing, storing and distributing information to marketing decision makers on an ongoing basis. Marketing Research is essential for strategic market planning and decision making. It helps a firm in identifying what are the market opportunities and constraints, in developing and implementing market strategies, and in evaluating the effectiveness of marketing plans.

Marketing Research is a growing and widely used business activity as the sellers need to know more about their final consumers but are generally widely separated from those consumers. Marketing Research is a necessary link between marketing decision makers and the markets in which they operate. Marketing Research includes various important principles for generating information which is useful to managers. These principles relate to the timeliness and importance of data, the significance of defining objectives cautiously and clearly, and the need to avoid conducting research to support decisions already made.

Marketing research is one of the principal tools for answering questions because it:

- i) Links the consumer, customer, and public to the market through information used to identify and define marketing.
- ii) Generates, refines, and evaluates marketing actions.
- iii) Monitors marketing performance.
- iv) Underlines the understanding of marketing as a process.

Characteristics of Marketing Research

The various characteristics of marketing research are as follows:

- 1. Systematic and continuous activity/process:** MR is a continuous process. This is natural as new marketing problems are bound to come from time-to-time in the course of marketing of goods and services. One type of research is not adequate to resolve all marketing problems. Similarly, new research projects will have to be undertaken to solve new marketing problems and challenges.
- 2. Wide and comprehensive in scope:** Marketing research is wide in scope as it deals with all aspects of marketing of goods and services. Introduction of new products, identification of potential markets, selection of appropriate selling techniques, study of market competition and consumer preferences, introduction of suitable advertising strategy and sales promotion measures, are some areas covered by MR.

3. **Emphasizes on accurate data collection and critical analysis:** In marketing research, suitable data should be collected objectively and accurately. The data collected must be reliable. It should be analyzed in a systematic manner. This will provide comprehensive picture of the situation and possible solutions.
4. **Offers benefits to the company and consumers:** Marketing research is useful to the sponsoring company. It raises the turnover and profit of the company. It also raises the competitive capacity and creates goodwill in the market. It enables a company to introduce consumer-oriented marketing policies. Consumers also get agreeable goods and more satisfaction due to marketing research activities.
5. **Commercial equivalent of military intelligence:** MR is a type of commercial intelligence activity. It facilitates planned activities in the field of marketing. It is similar to military intelligence where systematic study of the situation is made before taking any military action. Marketing research acts as the intelligence tool of management.
6. **Tool for managerial decisions:** MR acts as a tool in the hands of management for identifying and analyzing marketing problems and finding out solutions to them. It is an aid to decision-making. It suggests possible solutions for the consideration and selection by managers. Marketing research is an aid to judgment and never a substitute for it.
7. **An applied research:** MR is applied knowledge. It is concerned with specific marketing problem and suggests alternative solutions and possible outcome of each alternative.
8. **Reduces the gap between the producers and consumers:** MR is an essential supplement of competitive marketing. It is useful for understanding the needs and expectations of consumers. It reduces the gap between producers and consumers and adjusts the marketing activities to suit the needs of consumers.
9. **Marketing research has limitations:** Marketing research is not an exact science. It only suggests possible solutions to marketing manager for consideration and selection.
10. **Use of different methods:** MR can be conducted by using different methods. Data can be collected through survey or by other methods. The researcher has to decide the method which is suitable for the conduct of research project. This selection is important as the quality of research work depends on the method used for the research purpose.

Scope of Marketing Research

The Scope of Marketing Research can be summarized as follows:

1. Product Research

Product means the goods and services which are sold to the consumers. It includes consumer products and industrial products. Product research studies the individual product. It studies the making and marketing of the product. It studies the colour, size, shape, quality, packaging, brand name and price of the product. It also deals with product modification, product innovation, product life cycle, etc. The product is modified (changed) as per the needs and wants of the consumers. Therefore, the product will not fail in the market.

Notes**2. Consumer Research**

Consumer is the person who purchases the goods and services. The consumer is the king in the market. Consumer research studies consumer behaviour. It studies the consumers needs, wants, likes, dislikes, attitude, age, sex, income, location; buying motives, etc. This data is used to take decisions about the product, its price, place and promotion.

3. Packaging Research

Packaging research is a part of product research. It studies the package of the product. It improves the quality of the package. It makes the package more attractive. It makes the package more convenient for the consumers. It reduces the cost of packaging. It selects a suitable method for packaging. It also selects suitable packaging material.

4. Pricing Research

Pricing Research studies the pricing of the product. It selects a suitable method of pricing. It fixes the price for the product. It compares the company's price with the competitor's price. It also fixes the discount and commission which are given to middlemen. It studies the market price trends. It also studies the future price trends.

5. Advertising Research

Advertising research studies the advertising of the product. It fixes the advertising objectives. It also fixes the advertising budget. It decides about the advertising message, layout, copy, slogan, headline, etc. It selects a suitable media for advertising. It also evaluates the effectiveness of advertising and other sales promotion techniques.

6. Sales Research

Sales research studies the selling activities of the company. It studies the sales outlets, sales territories, sales forecasting, sales trends, sales methods, effectiveness of the sales force, etc.

7. Distribution Research

Distribution research studies the channels of distribution. It selects a suitable channel for the product. It fixes the channel objectives. It identifies the channel functions like storage, grading, etc. It evaluates the competitor's channel.

8. Policy Research

Policy research studies the company's policies. It evaluates the effectiveness of the marketing policies, sales policies, distribution policies, pricing policies, inventory policies, etc. Necessary changes, if any, are made in these policies.

9. International Marketing Research

International marketing research studies the foreign market. It collects data about consumers from foreign countries. It collects data about the economic and political situation of different countries. It also collects data about the foreign competitors. This data is very useful for the exporters.

10. Motivation Research

Motivation research studies consumers' buying motives. It studies those factors that motivate consumers to buy a product. It mainly finds out, why the consumers buy the product? It also finds out the causes of consumer behaviour in the market.

11. Market Research

Market research studies the markets, market competition, market trends, etc. It also does sales forecasting. It estimates the demand for new products. It fixes the sales territories and sales quotas.

12. Media Research

Media research studies various advertising media. The different advertising media are television (TV), radio, newspapers, magazines, the internet, etc. Media research studies the merits and demerits of each media. It selects a suitable media for advertising. It does media planning. It also studies media cost. It helps in sales promotion and to avoid wastage in advertising.

Importance of Marketing Research

Marketing research is fast growing in its importance due to increasing competition, fast moving technological developments and changing consumer needs, expectations and attitudes. The importance of marketing research is universally accepted. The status of marketing research in business management is identical to the position of brain in a human body.

The following points suggest the importance of marketing research:

- 1. Planning and execution of marketing plan:** A business unit can plan and execute all activities right from manufacturing to marketing with reasonable accuracy and confidence due to the guidelines available through marketing research.
- 2. Quick and correct decision-making:** MR facilitates quick and correct decision-making by marketing managers. It enables management to take quick and correct marketing decisions.
- 3. Effective solutions on marketing problems:** MR provides effective solutions to marketing problems. MR is the radiology and pathology of marketing operations of business. It diagnoses the business ailments and suggests measures to remove them. Marketing researcher acts like business doctor and prescribes treatment for business elements.
- 4. Huge spending on MR:** Large companies spend crores of rupees on marketing research activities. New techniques and methods are used in the conduct of research activities in an accurate manner. This suggests the growing importance of MR.

4.4 Steps in Marketing Research Process

The various steps in marketing research process are as follows:

Step-1: Identifying and defining a marketing problem

The first step in the marketing research procedure is to identify the marketing problem which needs to be solved quickly. The problem may be related to product, price, market competition, sales promotion and so on. The research process will start only when the marketing problem is identified and defined clearly. The researcher has to identify and define the marketing problem in a clear manner.

Step-2: Conducting a preliminary exploration (survey)

The marketing team may suggest many marketing problems which they face. However, it is not possible to take up all such problems for research purpose. The

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researcher has to study such problems and select one major problem which is suitable for detailed investigation. For this, preliminary investigation is necessary. A sales manager may suggest a problem of declining sales. The researcher has to find out the possible reasons and which one is the most important and also suitable for detailed study. Marketing problems are not researchable and hence such preliminary exploration is necessary and useful.

Step-3: Determining research objectives

The researcher has to formulate hypothesis to fit the problem under investigation. It is a tentative explanation of a problem under study. For example, the sales are declining. According to the researcher, this may be due to poor quality and high price or due to limited interest taken by middlemen or that the product has become outdated. If the first reason is accepted, the same will be investigated in full. If the first cause is rejected, he will move to the second for detailed study through data collection.

Step-4: Determining the data required and their sources

In this stage, the researcher has to decide the type of data required for his study purpose. The hypothesis guides the data collection process. The researcher can use primary and/or secondary data for his research project. The sources of primary and secondary data are different. Similarly, for the collection of primary data, any one method such as mail survey or telephone survey, or personal interview or observation or experimentation method can be used. The researcher has to decide the method which is convenient for data collection and collect the required data accordingly.

Step-5: Creating research design

Research design is the plan for the conduct of actual research investigation. Such design provides guideline for the researcher to keep a track on his actions and to know that he is moving in the right direction on data collection.

The research design contains answers to the following questions:

- a) What is the nature and purpose of study?
- b) What type of data is required?
- c) How to collect required data?
- d) What is the technique of data collection?
- e) How much funds will be required?
- f) How much time/period will be required for completion of research project?

Step-6: Designing the Questionnaire

As per the objective of research project, information will be required. For collection of data, suitable questionnaire will have to be prepared. All necessary care should be taken in order to prepare ideal questionnaire, so as to collect required information easily, quickly and correctly.

Step-7: Designing a sample of respondents

For data collection, a representative group will have to be selected out of the total i.e. universe. A sample designed should be adequately representative in character. It must represent the total population under study.

Step-8: Collecting Data

Data are to be collected as per the method selected for data collection. If mail survey method is selected, questionnaires will be sent by post to respondents. If personal

interview method is selected, interviewers will be given suitable guidance, information and training for the conduct of personal interview. Data collection should be quick and data collected should be reliable, adequate and complete in all respects.

Step-9: Organizing/Processing the data collected

The completed questionnaires are not useful directly for tabulation and drawing conclusions. They need to be organized /processed properly for drawing conclusions. For this, scrutiny of data, editing, coding and classification of data are required. In addition, tabulation of data collected is also essential. Such processing make data integrated in a compact manner. In addition, the data are made reliable and suitably arranged for analysis and interpretation. Conclusions can be drawn only when the collected data are arranged in an orderly manner for detailed study. In short, processing of data means verification of data collected and the orderly arrangement of data for analysis and interpretation. The steps in data processing (editing, coding, etc.) are interrelated and need to be completed properly. The processing of data collected is a type of office work which can be attended by the office staff under the guidance of researcher. The processing of data is a lengthy and time-consuming activity and needs to be completed properly. This is necessary for raising accuracy and reliability of the whole research project.

The processing of data collected through marketing research involves the following steps:

- a) Preliminary screening of the data collected,
- b) Editing of the data collected,
- c) Coding of the data collected,
- d) Classification of data into meaningful categories, and
- e) Tabulation of data for easy and quick analysis and interpretation.

Step-10: Analyzing and interpreting data

Tabulated data can be used for detailed and critical analysis. The purpose is to establish useful and logical relation between the information and problem. Analysis of data should be made in a rational manner. This facilitates interpretation of data in an orderly manner. Conclusions can be drawn after the analysis and interpretation of data. Such conclusions are useful for suggesting remedial measures. Various statistical techniques are used for the analysis and interpretation of data. This is necessary so that the conclusions drawn will be accurate and remedial measures recommended will be appropriate or result-oriented.

In brief, processing of data collected is one important and critical stage in the research process. The utility of the whole research process depends upon the manner in which the data are processed by the researchers. The services of experts should be used for such processing of data. Similarly, advanced statistical techniques should be used in the analysis and interpretation of data so that the conclusions drawn will be accurate and useful for the introduction of appropriate remedial measures. Processing of data is like examining patient by a doctor. Here, if the diagnosis is accurate, the follow-up treatment (remedial measures) will be appropriate and the patient will be all right within a short period. The same rule is applicable to processing of data in the marketing research activity/process.

Step-11: Preparing research report

After drawing conclusions, the researcher can make concert suggestions/ recommendations for solving the marketing problem in a satisfactory manner. A researcher

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also prepares a document giving details of research problem, data collected, conclusions drawn and the recommendations made. Such document is called research report which is the final outcome of lengthy research process. The report will be prepared in a suitable format for the convenience of readers. It acts as a self-explanatory document.

Step-12: Presenting research report

The researcher will submit the report to the decision-makers in the field of marketing. The decision-makers will study the report minutely and find out the desirability of execution of the recommendations made. The final decision is to be taken by the decision-makers (marketing managers and top level management) only.

Step-13: Follow-up steps

If the recommendations made are accepted, the decision-makers have to take follow-up steps for the execution of the recommendations made. The follow-up steps should be controlled effectively so as to have positive results in the cause of time.

Advantages of Marketing Research

The several advantages of Marketing Research are given below:

1. **Indicates current market trends:** Marketing research keeps business unit in touch with the latest market trends and offers guidance for facing market situation with confidence. It facilitates production as per consumer demand and preferences.
2. **Pinpoints deficiencies in marketing policies:** MR pinpoints the deficiencies as regards products, pricing, promotion, etc. It gives proper guidance regarding different aspects of marketing. They include product development, branding, packaging and advertising.
3. **Explains customer resistance:** MR is useful for finding out customer resistance to company's products. Suitable remedial measures are also suggested by the researcher to deal with the situation. This makes the products agreeable to the consumers.
4. **Suggests sales promotion techniques:** Marketing research enables a manufacturer to introduce appropriate sales promotion techniques, select most convenient channel of distribution, suitable pricing policy for the products and provision of discounts and concessions to dealers. It facilitates sales promotion.
5. **Guidance to marketing executives:** Marketing research offers information and guidance to marketing executives while framing marketing policies. Continuous research enables a company to face adverse marketing situation boldly. It acts as an insurance against possible changes in market environment.
6. **Selection and training of sales force:** Marketing research is useful for the selection and training of staff in the sales Organization. It suggests the incentives which should be offered for motivation of employees concerned with marketing.
7. **Facilitates business expansion:** Marketing research enables a business unit to grow and expand its activities. It creates goodwill in the market and also enables a business unit to earn high profits through consumer-oriented marketing policies and programmes.
8. **Facilitates appraisal of marketing policies:** Research activities enable marketing executives to have an appraisal of the present marketing policies in the light of research findings. Suitable adjustments in the policies are also possible as per the suggestions made.

9. **Suggests marketing opportunities:** Marketing research suggests new marketing opportunities and the manner in which they can be exploited fully. It identifies existing and emerging market opportunities.
10. **Facilitates inventory study:** Marketing research is useful for the evaluation of company's inventory policies and also for the introduction of more efficient ways of managing inventories including finished goods and raw materials.
11. **Provides marketing information:** MR provides information on various aspects of marketing. It suggests relative strengths and weaknesses of the company. On the basis of such information, marketing executives find it easy to frame policies for the future period. MR provides information, guidance and alternative solutions to marketing problems.
12. **Suggests distribution channels:** Marketing research can be used to study the effectiveness of existing channels of distribution and the need of making suitable changes in the distribution system.
13. **Creates progressive outlook:** Marketing research generates a progressive and dynamic outlook throughout the business Organization. It promotes systematic thinking and a sense of professionalization within the company. It also creates enthusiasm among executives concerned with marketing. This brings success and stability to the whole business unit.
14. **Social significance:** Marketing research is of paramount importance from the social angle. It acts as a means by which the ultimate consumer literally becomes king of the market place.

Disadvantages of Marketing Research

The major disadvantages of marketing research are as follows:

1. **Offers suggestions and not decisions:** Marketing research is not a substitute for decision-making process. Ready-made decisions on marketing problems are not provided by the researcher. Marketing research does not solve any marketing problems directly. It only aids management in decision-making and problem solving process.
2. **Fails to predict accurately:** In marketing research, efforts are made to predict the possible future situation. For this, certain research studies are undertaken. However, the predictions arrived at may not be perfect. Future is always uncertain and exact prediction about the future is just not possible through marketing research.
3. **Cannot study all marketing problems:** Marketing research cannot study all marketing problems particularly where it is difficult to collect relevant data. Similarly, research study is not possible where value judgments are involved. Thus, all marketing problems are not researchable and all research problems are not answerable. MR is not a 'panacea'.
4. **Resistance to research by marketing executives:** Researchers study marketing problems and offer guidance to marketing executives in their decision-making process. However, some executives are reluctant to use the solutions suggested by the researchers. They feel that such use will act as a threat to their personal status. Marketing executives also feel that researchers give solutions which are academic in character and lack practical utility.
5. **Time-consuming activity:** MR is a time-consuming activity. The research work takes longer period for completion and the findings when available may prove

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to be outdated. Even data collected very soon become old due to fast changing market environment.

6. **Costly/expensive activity:** MR activity is costly as research work requires the services of experts. Advanced training in economics, computer technology, sociology, etc. is also necessary on the part of research staff. Even giving responsibility of research work to an advertising agency or to a management consultant is costly.
7. **Dearth of qualified staff:** For scientific MR, professional marketing researchers with proper qualifications, experience and maturity are required. Research work is likely to be incomplete /unreliable in the absence of such expert staff.
8. **Complexity of the subject:** MR fails to give complete and correct guidance to the management on marketing issues. This is because MR is not an exact science. It is concerned with the study of human behaviour which is always difficult to predict. As a result, the conclusions drawn and recommendations made are not cent per cent correct.
9. **Uncertainty of conclusions:** Consumer is the focal point in marketing research. However, consumer's buying motives are difficult to judge precisely and accurately. This brings some sort of uncertainty in the conclusions drawn from the MR.
10. **Limitations of data used:** MR process solely depends on the data collected and used for analyzing the marketing problem, for drawing conclusions and making recommendations. However, the whole process will come in danger if data collected are inadequate and unreliable.

4.5 Types of Research

The various types of research are as follows:

1. Pure Research

Pure research refers to study and research on pure science that is meant to increase our scientific knowledge base. This type of research is often purely theoretical with the intent of increasing our understanding of certain phenomena or behaviour.

Pure research advances fundamental knowledge about the human world. It focuses on refuting or supporting theories that explain how this world operates, what makes things happen, why social relations are a certain way, and why society changes. Pure research is the source of most new scientific ideas and ways of thinking about the world. It can be exploratory, descriptive, or explanatory; however, explanatory research is the most common.

Pure research generates new ideas, principles and theories, which may not be immediately utilized; though are the foundations of modern progress and development in different fields. Today's computers could not exist without the pure research in mathematics conducted over a century ago, for which there was no known practical application at that time. Pure research rarely helps practitioners directly with their everyday concerns. Nevertheless, it stimulates new ways of thinking about deviance that have the potential to revolutionize and dramatically improve how practitioners deal with a problem.

A new idea or fundamental knowledge is not generated only by pure research, but pure research can build new knowledge. In any case, pure research is essential for nourishing the expansion of knowledge. Researchers at the centre of the scientific community conduct most of what is pure research. It is undertaken for increase in

knowledge. There is no direct benefit as it is a research for the sake of research. It is conducted to satisfy any curiosity such as: (a) what makes things happen, (b) why society changes and (c) why social relations are in a certain way. In fact, it is the source of most new theories, principles and ideas. Basic research rarely helps anyone directly. It only stimulates new ways of thinking. The main motivation is to expand man's knowledge. There is absolutely no commercial value to the discoveries resulting from such research.

However, in the long run, it forms the basis of applied research or development commercial products. If basic work is done first, then applied spin-offs often eventually result from this research. As Dr. George Smoot of LBNL says, "People cannot foresee the future well enough to predict what's going to develop from basic research. If we only did "applied research", we would still be making better spears." To sum up, basic research is purely theoretical to increase our understanding of certain phenomena or behaviour but does not seek to solve any existing problem.

2. Applied Research

Applied research is a form of systematic inquiry involving the practical application of science. It accesses and uses some part of the research communities' (the academy's) accumulated theories, knowledge, methods, and techniques, for a specific, often state, business, or client driven purpose. Applied research is compared to pure research (basic research) in discussion about research ideals, methodologies, programs, and projects. Applied research deals with solving practical problems and generally employs empirical methodologies. Because applied research resides in the messy real world, strict research protocols may need to be relaxed. For example, it may be impossible to use a random sample. Thus, transparency in the methodology is crucial. Implications for interpretation of results brought about by relaxing an otherwise strict canon of methodology should also be considered.

It is use of basic research or past theories, knowledge and methods for solving an existing problem. It deals with practical problems. It is opposed to pure research which is not problem-oriented but for the increase in knowledge which may or may not be used in future. In the present world situation, more emphasis is being given to applied research to solve problems arising out of overpopulation and scarcity of natural resources. Applied research should not be treated the same as Research & Development (R&D) which is involved in developing products demanded by the existing clients. Applied Research, on the other hand, focuses on uncovering what needs are not being met and use that information in designing products or services that would create their own demand. Thus, applied research brings in new customers and also provides better products and services to the existing customers. In old days, the mobile phone was expensive, bulky and had a short range. Applied Research foresaw that this product would have a limited market and stressed on cost-cutting, reduced weight and long-distance communication. Such measures caused a heavy demand.

3. Causal Research

Causal Research refers to the research which is designed to determine whether a change in one or more variables is responsible for a change in another variable. Decision Analyst rigorously pursues the science of marketing research and the measurement of "cause and effect".

Causal Research explores the effect of one thing on another and more specifically, the effect of one variable on another. The research is used to measure what impact a specific change will have on existing norms and allows market researchers to predict hypothetical scenarios upon which a company can base its business plan. When most people think of scientific experimentation, research on cause and effect is most often

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brought to mind. Experiments on causal relationships investigate the effect of one or more variables on one or more outcome variables. This type of research also determines if one variable causes another variable to occur or change. An example of this type of research would be altering the amount of a treatment and measuring the effect on study participants.

4. Descriptive Research

Descriptive research design is a scientific method which involves observing and describing the behaviour of a subject without influencing it in any way. Descriptive research seeks to depict what already exists in a group or population. An example of this type of research would be an opinion poll to determine which Presidential candidate people plan to vote for in the next election. Descriptive studies do not seek to measure the effect of a variable; they seek only to describe.

5. Relational Research

A study that investigates the connection between two or more variables is considered relational research. The variables that are compared are generally already present in the group or population. For example, a study that looked at the proportion of males and females that would purchase either a classical CD or a jazz CD would be studying the relationship between gender and music preference.

6. Analytical Research

Analytical research is a style of qualitative inquiry which draws from the disciplines of philosophy, history and biography. It is non-interactive document research. Analytical research describes and interprets the past or recent past from selected sources. The sources may be documents preserved in collections, and/or participants' oral testimonies.

7. Quantitative Research

This type of research mainly deal in numbers, number of tools are used to gather information from audience such as surveys, different type of media, stores audit and etc. Quantitative research is commonly used and getting popularity day by day because of variety of tools are available in the market. This approach is less expensive and takes less time as compared to Qualitative research, that the reason more companies opting this method as marketing research method.

8. Qualitative Research

This method is more than dealing in numbers, requires more expertise to perform this type of marketing research. Types of qualitative research include focus groups and observational studies. Focus groups gather a small number of respondents together to discuss topics yielded by the research questions. A moderator leads the discussion and helps keep discussion lively and focused around the research questions.

9. Conceptual Research

Conceptual research is involves investigation of thoughts and ideas and developing new ideas or interpreting the old ones based on logical reasoning. A conceptual framework is used in research to outline possible courses of action or to present a preferred approach to an idea or thought. For example, the philosopher Isaiah Berlin used the "hedgehogs" versus "foxes" approach; a "hedgehog" might approach the world in terms of a single organizing principle; a "fox" might pursue multiple conflicting goals simultaneously. Alternatively, an empiricist might approach a subject by direct examination, whereas an intuitionist might simply intuit what's next.

Conceptual frameworks are a type of intermediate theory that attempt to connect to all aspects of inquiry e.g., problem definition, purpose, literature review, methodology,

data collection and analysis. Conceptual frameworks can act like maps that give coherence to empirical inquiry. Because conceptual frameworks are potentially so close to empirical inquiry, they take different forms depending upon the research question or problem.

10. Empirical Research

Empirical research is based on firm verifiable data collected by either observation of facts under natural condition or obtained through experimentation. Empirical research is a way of gaining knowledge by means of direct and indirect observation or experience. Empirical evidence the record of one's direct observations or experiences can be analyzed quantitatively or qualitatively. Through quantifying the evidence or making sense of it in qualitative form, a researcher can answer empirical questions, which should be clearly defined and answerable with the evidence collected usually called data. Research design varies by field and by the question being investigated. Many researchers combine qualitative and quantitative forms of analysis to better answer questions which cannot be studied in laboratory settings, particularly in the social sciences and in education.

4.6 Marketing Intelligence

Marketing intelligence (MI) is the everyday information relevant to a company's markets, gathered and analyzed specifically for the purpose of accurate and confident decision-making in determining market opportunity, market penetration strategy and market development metrics. Marketing intelligence is necessary when entering a foreign market.

Marketing Intelligence can be defined as “the process of acquiring and analyzing information in order to understand the market (both existing and potential customers); to determine the current and future needs and preferences, attitudes and behavior of the market; and to assess changes in the business environment that may affect the size and nature of the market in the future.” In other words market intelligence is the information, gathered and analyzed specifically for the purpose of accurate and confident decision making for determining market opportunity, market penetration strategy, and market development metrics.

MI is the external data collected and analyzed by a business about markets that it anticipates participating in with the intention of using it in making decisions. Marketing intelligence can be used to assess market entry opportunities and to formulate market development plans and penetration strategies.

Objectives of Marketing Intelligence

Marketing Intelligence is undertaken to achieve the following objectives:

1. Customer satisfaction.
2. Creative and effective marketing strategy.
3. Competitive advantage.
4. Anticipate the competitive move and develop competitive strategies.
5. To provide market and customer orientation.
6. Identification of new opportunities.
7. To identify new trends in markets and competitors.
8. Early warning of competitor moves to enable counter measures.
9. Minimizing investment risks, to detect threats and early market trends.

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10. To provide better customer interaction and to give intensified customer market view.
11. Information for better market selection and positioning and to understand and discover untapped or under-served potential.
12. To give quicker, more efficient and cost-effective information in order to avoid duplication of report acquisitions and expensive consultant work.

Steps to be taken by a company to improve its Marketing Intelligence

- 1) **Train and Motivate Sales Force:** A company's sales force can be an excellent source of information about the current trends in the market. They are the "intelligence gatherers" for the company. The acquired facts can be regarding the company's market offerings, whether any improvements are required or not or is there any opportunity for new products, etc. It can also provide credible source to know about competitor activities, consumers, distributors and retailers.
- 2) **Motivate Distributors, retailers and other intermediaries to pass along important intelligence:** Specialists are hired by companies to gather marketing intelligence. In order to measure the quality of production, the way the employees are behaving with customers, quality of facilities being provided; retailers and service providers send mystery shoppers. Firms can also assess the quality of customer experience with the shops with the use of mystery shoppers.
- 3) **Network Externally:** Every firm must keep a tab on its competitors. Competitive intelligence describes the broader discipline of researching, analyzing and formulating data and information from the entire competitive environment of any organization. This can be done by purchasing the competitor's products, checking the advertising campaigns, the press media coverage, reading their published reports, etc. Competitive intelligence must be legal and ethical.
- 4) **Set up a customer advisory panel:** Companies can set up panels consisting of customers. They can be the company's largest customers or representatives of customers or the most outspoken customers. Many business schools set up panels consisting of alumni who provide their knowledge and expertise and help in constituting the course curriculum.
- 5) **Optimal usage of Government data resources:** Governments of almost all countries publish reports regarding the population trends, demographic characteristics, agricultural production and a lot of other such data. All this data must be or can be referred to as base data. It can help in planning and formulating policies for the companies.
- 6) **Information bought from external suppliers:** Certain agencies sell data that can be useful to other companies. For example, television channels will require information on the number of viewership, ratings of TV programs, etc. An agency which calculates this information and generates this data will provide it to companies that need it.
- 7) **Collect Competitive Intelligence through online customer feedback:** Customer's view about a product is most essential for any company. Ultimately it's the customer who's buying the product. Hence customer feedback must be taken. Online platforms like chat rooms, blogs, discussion forums, customer review boards can be used to generate customer feedback. This enables the firm to understand customer experiences and impressions. It becomes easier

for companies to apply a structured system to do so as it can then scan out the relevant messages without much of a trouble.

With the above steps being applied, a company's marketing intelligence system will prove to be beneficial to its effective functioning.

4.7 Summary

Marketing Information Systems involves the people, equipment, and procedures together, SOWT analyze, evaluate and distribution needed, timely and accurate information to marketing decision makers. Marketing intelligence system is a set of procedures and sources used by executives to obtain their everyday information about pertinent developments in the marketing environment.

Information about current happenings in the marketing environment is vital to a firm. The marketing strategies are formulated based on what is happening in the environment. This information is collected by marketing intelligence system.

Marketing Research Approach refers to the approach that has been adopted to conduct the research for supporting of marketing activities. It involves the selection of research questions, the conceptual framework that has to be adopted, the selection of appropriate research method such as primary research, secondary research etc.

Quantitative research refers to the systematic experimental investigation of quantitative properties and their relationships. The objective of quantitative research is to develop and employ mathematical models, theories and/or hypotheses pertaining to properties.

Descriptive research involves collecting data in order to test hypotheses or answer questions concerning the current status of the subjects of the study. It determines and reports the way things are.

Causal-comparative research establishes the cause-effect relationship, compares the relationship, but the cause is not manipulated, such as "gender."

Experimental research establishes the cause-effect relationship and does the comparison, but the cause is manipulated. The cause, independent variable makes the difference. The effect, dependent variable is dependent on the independent variable.

Marketing Research Approach refers to the approach that has been adopted to conduct the research for supporting of marketing activities. It involves the selection of research questions, the conceptual framework that has to be adopted, the selection of appropriate research method such as primary research, secondary research etc.

Quantitative research refers to the systematic experimental investigation of quantitative properties and their relationships. The objective of quantitative research is to develop and employ mathematical models, theories and/or hypotheses pertaining to properties.

Descriptive research involves collecting data in order to test hypotheses or answer questions concerning the current status of the subjects of the study. It determines and reports the way things are.

Correlation research attempts to determine whether and to what degree a relationship exists between two or more quantifiable variables. However, it never establishes a cause-effect relationship.

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Experimental research establishes the cause-effect relationship and does the comparison, but the cause is manipulated. The cause, independent variable makes the difference. The effect, dependent variable is dependent on the independent variable.

Qualitative research is a method of inquiry employed in many different academic disciplines, traditionally in the social sciences, but also in market research and further contexts. Qualitative researchers aim to gather an in-depth understanding of human behaviour and the reasons that govern such behaviour.

4.8 Check Your Progress**I. Fill in the Blanks**

1. Information system is an organized way of _____, _____ and _____ messages.
2. _____ system includes both formal flow of information as well as informal flow of information.
3. Information is a critical or crucial resource both in _____ and _____.
4. A system means _____, _____ and _____.
5. _____ system is an organized, ongoing system for providing information to decision makers at all levels of management.
6. Effective planning and control depends on new way of _____ information.
7. Marketing decisions influence _____ and _____ environment.
8. The real power of information is just like the power of _____.
9. _____ and _____ are energy sources that can be harnessed for useful purposes.
10. _____ energy can be harnessed through organization wide reporting system.

II. True or False

1. Information system is an organized way of sending, receiving and recording and recording messages.
2. Marketing system includes both formal flow of information as well as informal flow of information.
3. Information is a critical or crucial resource both in planning and control.
4. A system means order, change and purpose.
5. Information marketing system is an organized, ongoing system for providing information to decision makers at all level of management.
6. Effective planning and control depends on new ways of managing information.
7. Marketing decisions influence only external decision.
8. The real power of information is just like the power of wind.
9. Wind and information are energy sources that can be harnessed for useful purposes.
10. Marketing energy can be harnessed through organization wide reporting system.

III. Multiple Choice Questions

1. Information system is organized way of
(a) Sending message

- (b) Receiving messages
 - (c) Recording messages
 - (d) All the above
2. Which system includes both formal and informal flow of information?
- (a) Marketing
 - (b) Information
 - (c) Business
 - (d) None of the above
3. Information is a critical or crucial resource both in.....
- (a) Planning and organizing
 - (b) Organizing and planning
 - (c) Planning and controlling
 - (d) Organizing and controlling
4. A system means.....
- (a) Order
 - (b) arrangement
 - (c) Purpose
 - (d) All the above
5. Which system is an organized, ongoing system for providing information to decision making at all levels of management?
- (a) Information management
 - (b) Information marketing
 - (c) Information Business
 - (d) Information technology
6. Which depends on new ways of managing information?
- (a) Effective planning and control
 - (b) Effective organizing and planning
 - (c) Effective planning and staffing
 - (d) Effective organizing and staffing
7. Marketing decisions influence.....
- (a) Internal environment
 - (b) External environment
 - (c) Both a and b
 - (d) None of the above
8. The real power of information is just like the power of.....
- (a) Wind
 - (b) Water
 - (c) Fire
 - (d) Energy
9. Which are the energy sources that can be harnessed for useful purposes
- (a) Energy and information
 - (b) Wind and information

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- (c) Market and information
 - (d) Power and information
10. Which energy can be harnessed through organization wide reporting system?
- (a) Marketing
 - (b) Business
 - (c) Information
 - (d) Management

4.9 Questions and Exercises

I. Short Answer Questions

1. What is Marketing-Information Systems (MIS)?
2. State any two characteristics of MIS.
3. What is Marketing Research?
4. What is Applied Research?
5. What is Descriptive Research?
6. What is Experimental Research?
7. Give the meaning of Marketing Intelligence.
8. What is Marketing Intelligence System?

II. Extended Answer Questions

1. Discuss the concept Marketing-Information Systems (MIS).
2. Explain characteristics of MIS.
3. Discuss importance of Marketing Research.
4. Explain various steps in Marketing Research Process.
5. Discuss various types of Research.
6. Explain the concept Marketing Intelligence.

4.10 Key Terms

- **Marketing Information System:** Marketing information system as "people, equipment, and procedures to gather, sort, analyze, evaluate and distribute needed, timely and accurate information to marketing decision makers."
- **Management-oriented:** The basic objective of MIS is to provide information support to the management in the organization for decision making. So an effective MIS should start its journey from appraisal of management needs, mission and goal of the business organization. It may be individual or collective goals of an organization. The MIS is such that it serves all the levels of management in an organization i.e. top, middle and lower level.
- **Management directed:** When MIS is management-oriented, it should be directed by the management because it is the management who tells their needs and requirements more effectively than anybody else. Manager should guide the MIS professionals not only at the stage of planning but also on development, review and implementation stages so that effective system should be the end product of the whole exercise in making an effective MIS.

- **Common data flows:** The integration of different sub systems will lead to a common data flow which will further help in avoiding duplicity and redundancy in data collection, storage and processing.
- **Market Monitoring:** Through the use of market research and marketing intelligence activities the MIS can enable the identification of emerging market segments, and the monitoring of the market environment for changes in consumer behavior, competitor activities, new technologies, economic conditions and governmental policies.
- **Strategy Implementation:** The MIS provides support for product launches, enables the coordination of marketing strategies, and is an integral part of sales force automation (SFA), customer relationship management (CRM), and customer service systems implementations.
- **Internal Report system:** Information is usually categorized according to its nature so that there are, for example, financial, production, manpower, marketing, stockholding and logistical data.
- **Marketing Intelligence System:** A marketing intelligence system is a set of procedures and data sources used by marketing managers to sift information from the environment that they can use in their decision making.
- **Marketing Research:** Marketing research as the systematic design, collection, and analysis and reporting of data and findings relevant to a specific marketing situation facing the company. Marketing research is a systematic and objective study of problems pertaining to the marketing of goods and services. It is applicable to any area of marketing. Research is the only tool an organization has to keep in contact with its external operating environment.
- **Viral Marketing Research:** Viral Marketing Research is a subset of marketing research that measures and compares the relative Return on Investment (ROI) of advertising and communication strategies designed to exploit social networks.

4.11 Check Your Progress: Answers

I. Fill in the Blanks

1. Sending, receiving and recording
2. Information
3. Planning and control
4. Order, arrangement and purpose
5. Information management
6. Managing
7. Internal; external
8. Wind
9. Wind; information
10. Information

II. True or False

1. True
2. False
3. True

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4. False
5. False
6. True
7. False
8. True
9. True
10. False

III. Multiple Choice Questions

- | | |
|--------|---------|
| 1. [d] | 2. [b] |
| 3. [c] | 4. [d] |
| 5. [a] | 6. [a] |
| 7. [c] | 8. [a] |
| 9. [b] | 10. [c] |

4.12 Case Study

Case study based on Marketing Intelligence and Research

From early October through mid-November 2012, Samsung, through its agency Starcom Worldwide, ran a social-mobile advertising campaign that targeted shoppers based on location. Using location-based advertising technology from JiWire, the brand and agency sought to get consumers out of their homes and into physical retail stores to experience the Samsung TV.

With the Smart TV launch in fall 2012, Samsung introduced motion control and voice control features. The challenge was not only to create consumer demand for an entirely new TV category, but also to get consumers to experience the TV in person. Based on Samsung's consumer research, 86% of people who bought a Samsung Smart TV first experienced the product at retailers.

The brand's research also indicated that online reviews and word of mouth heavily drove smart TV purchases, so the goal became to drive consumer awareness of Samsung's new product by getting people to experience it in stores. Then the hope was they would be compelled to share their experience with friends and family.

An idea to wrap the campaign around the Angry Birds mobile game led Samsung to the campaign strategy it decided to pursue. Samsung partnered with Angry Birds to demonstrate how motion and voice control work on the Samsung Smart TV. The campaign goal was to get consumers in stores and playing Angry Birds on big TVs to experience firsthand the motion and voice control.

Mobile technology platform JiWire delivered location-specific ads to consumers' mobile phones only when they were within the particular stores or within a 5-mile radius of a store. The ads included the name and address of the closest store so shoppers could access directions from their current location with one click.

"We know people are more likely to be active and spontaneous when they are already on the go," Chen said. "Or even better, when they are already near the retail destination."

The ad encouraged users to visit local retail stores to experience Angry Birds on the Samsung Smart TV. The ads also incorporated check-in buttons so that consumers could share, with their friends and followers, their location and the experience of being

in the store playing Angry Birds on the smart TV. By checking in, users could enter a sweepstakes to win a Samsung Smart TV.

Samsung hoped these calls to action would motivate consumers to share their experience.

Measuring consumer engagement with the ad, clickthroughs, the number of consumer actions, as well retail store trafficStarcom reported that the campaign results outperformed their expectations. Starcom and Samsung also measured social engagement through Facebook check-ins, social sharing, sweepstakes entries and in-store experience surveys.

Questions:

1. Do you think, marketing intelligence and marketing research really help for increasing market share? Discuss.
2. How the Samsung projected its business growth through its agency Starcom Worldwide?

4.13 Further Readings

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DUMMY COPY (NOT FOR SALE)

THE MARKETING ENVIRONMENT

**“It is useless to tell a river to stop running; the best thing is to learn swimming
in the direction it is flowing”**

ANONYMOUS

MARKETING ENVIRONMENT

The marketing firm operates within a complex and dynamic external environment. It is the task of the marketing-oriented organisation to link the resources of the organisation to the requirements of customers. This is done within the framework of opportunities and threats in the external environment.

The marketing environment refers to the internal and external influences that affect the marketing function. The marketing environment is defined as follows:

A company’s marketing environment consists of the actors and forces outside marketing that affect marketing management’s ability to build and maintain successful relationships with target customers.

(Philip Kotler -12th Edition)

According to the above definition, the actors and forces which are outside to the marketing management function may be within the organisation as well as outside the organisation.

Factors within the organisation could be forces that are outside the marketing management function. Factors outside the organisation could be from the micro and the macro environments.

Previously we have discussed the importance of understanding and focusing on the customer as the essence of business philosophy we call “marketing”. Although a clear understanding of customer requirements is of paramount importance in implementing such a business philosophy into practice, that alone is not sufficient.

Organisation’s must monitor not only the changing needs and wants of target markets, but must also monitor the changes in the marketing environment in order to be successful. By understanding the marketing environment, marketers can adapt their strategies to meet new market place challenges and opportunities. Successful organisations know the vital importance of constantly monitoring and adapting to the changing environment.

THE MICRO ENVIRONMENT

Microenvironment consists of the actors close to the company that affect its ability to serve the company, suppliers, marketing intermediaries, customer markets, competitors, and publics and its customers,. These actors are shown in diagram below:

- Company
- Suppliers
- Intermediaries
- Competition
- Publics
- Customers

Actors in the Micro Environment



The Company

In designing marketing strategies, marketing division must take other company's divisions into account. (R&D, Purchasing, operations, finance, production etc.). All of these interrelated groups form the internal environment. All groups should work in harmony to provide superior customer value and relationships.

Suppliers

Suppliers are other business organisations and individuals who provide the organisation with raw materials, parts, components, supplies or services required to produce and supply products to customers. Suppliers form an important link in the organisations overall customer value delivery system. Supplier problems can seriously affect marketing.

Marketing managers must watch supply availability—supply shortages or delays, labor strikes, and other events can cost sales in the short run and damage customer satisfaction in the long run.

Intermediaries

Many organisations rely on marketing intermediaries to ensure that their products reach the final consumer. Marketing intermediaries help the company to promote, sell, and distribute its products to final buyers. Some organisations supply directly to the retailer whilst others use a complex “chain” including intermediaries such as wholesalers, agents and distributors.

Marketers recognize the importance of working with their intermediaries as partners rather than simply as channels through which they sell their products. It must partner effectively with marketing intermediaries to optimize the performance of the total system. Like suppliers, marketing intermediaries form an important component of the organisation overall value delivery system.

Competition

The marketing concept states that to be successful, an organisation must provide greater customer value and satisfaction than its competitors. Marketers must gain strategic advantage by positioning their offerings strongly against competitors’ offerings in the minds of consumers.

Publics

The organisation’s micro environment also includes various publics. A public is any group that has an actual or potential impact on an organisation’s ability to achieve its objectives. The range of public is as follows:

- Financial publics - influence the company’s ability to obtain funds.
- Media publics - carry news, features, and editorial opinion.
- Government publics - Management must take government developments into account.
- Citizen-action publics - A company’s marketing decisions may be questioned by consumer organizations, environmental groups, etc.
- Local publics - include neighborhood residents and community organizations.
- General public - The general public’s image of the company affects its buying.
- Internal publics - include workers, managers, volunteers, and the board of directors.

Customers

As discussed previously, Customers are crucial and most important actors in the organisation’s micro environment. In a commercial environment, no customers means no business. An organisation should be concerned about the constantly changing requirements of its customers and should keep in touch with these changing needs by designing and implementing an appropriate information gathering system.

The organisation can only influence their decisions by offering products and services that would delight them. Thus, identifying, anticipating and satisfying/delighting their requirements are a crucial issue for marketers.

Macro Environment

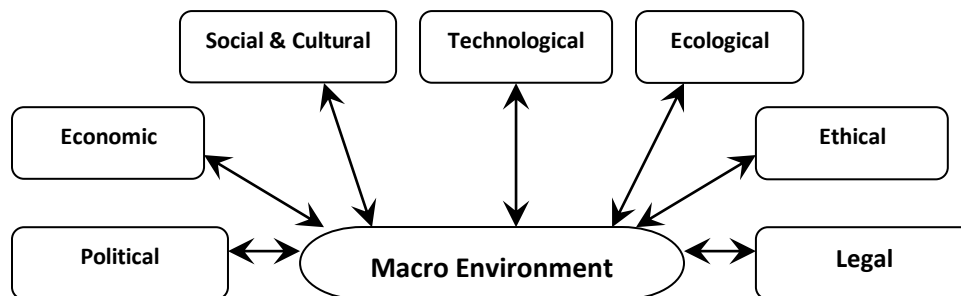
The macro environment includes the major societal forces that affect not only the organisation, but also on its competitors and on elements in the micro-environment.

The macro environment tends to be harder to influence than the micro environment, but this does not mean that organisations must simply remain passive; the inability to control does not imply the inability to influence.

Figure below shows the main forces in the organisations macro-environment. It is commonly denoted by the mnemonic PESTEEL forces.

- Political Environment
- Economic Environment
- Social and Cultural Environment
- Technological Environment
- Ecological Environment
- Ethical Environment
- Legal Environment

Macro Environment Forces



Political Environment

The political environment can be one of the less predictable elements in an organisation's marketing environment. Marketers need to monitor the changing political environment because political changes can profoundly affect a firm's marketing.

The political environment consists of laws, government agencies, and pressure groups that influence and limit various organizations and individuals in a given society.

Economic Environment

The economic environment consists of factors that affect consumer purchasing power and spending patterns and is basically about the level of demand in the economy and is the most visible aspect in the macro environment.

Economic factors are of concern to marketers because they are likely to influence, among other things, demand, costs, prices and profits. Some of the key aspects of the economic environment are as Income distribution, Inflation level, Economic Boom and Recession, Investment Policy, Interest Rates, saving habits etc.

Social and Cultural Environment

Of all the elements making up the macro environment, perhaps socio-cultural factors are the most difficult to evaluate, and hence pose the greatest challenge to the marketing organisation. Social and cultural change manifests itself in changing tastes, purchasing behaviour and priorities of consumers and marketers need to understand and identify these changing trends.

Some of the socio-cultural forces are as follows:

- **Demographic forces:** This refers to the structure of population in term of factors such as age, family size, ethnicity, income distribution and wealth concentration. These variables will determine the marketing mix strategies.
- **Socio Cultural factors:** are those areas that involve the shared beliefs, attitudes and behaviour prevalent within the society in which the organisation operates. Changes in taste and fashion are also components of the social-cultural environment.
- **Social Responsibility and Ethics:** Derived in part from culture, ethical, beliefs about how marketers should operate affect the ways in which people respond to marketing initiatives.
- **Changes in attitude towards health:** Today, people are more concerned of health than they were a few decades ago. An individual interest in health and physical fitness in recent years seems to have cut across most segments of our society. Participation in fitness activities from aerobics to yoga is on the increase and thus marketers have responded with a wide range of products and services for the health conscious population.

Technological Environment

The technological environment is perhaps the most dramatic forces that create new technologies, creating new product and market opportunities.

The pace of technological change is becoming increasingly rapid and marketers need to understand how technological development might affect them.

Ecological Environment

Ecological Environment is concerned of issues as to how the organisation interacts with and affects the natural environment or the ecology. Ecological Environment issues relevant to marketing as follows:

- Resources Depletion: the impact of the use of certain materials to develop products which would lead to the depletion of natural resources.
- Pollution Concerns
 - Noise Pollution
 - Environmental Pollution
 - Eye pollution

Ethical Environment

Marketing Ethics are moral philosophies/principles that define right or wrong behaviour in marketing. The most basic ethical issues have been formalized through laws and regulations to conform to the standards of society. At the very least, marketers are expected to obey these laws and regulations. However, it is important to realise that marketing ethics go beyond legal issues; ethical marketing decisions foster mutual trust among individuals and in marketing relationships.

Ethical decisions related to marketing would be on the Product, price, promotion and distribution issues.

Legal Environment

Changes in the political environment often lead to changes in legal environment and in the existing laws enforced. The legal environment sets the basic rules for how a business should operate in society.

Some of the laws an organisation should be aware of are as follows:

- Protection of intellectual rights
- Consumer Protection act
- Companies Act
- Regulatory commission
- Environmental protection laws
- Code of takeovers and mergers.
- Laws with regard to media freedom and advertising
- Exchange control

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20

MARKETING MIX

In the previous lesson you learnt that marketing identifies consumers' needs and supplies various goods and services to satisfy those needs most effectively. So the businessman needs to: (a) produce or manufacture the product according to consumers' need; (b) make available it at a price that the consumers' find reasonable; (c) supply the product to the consumers at different outlets they can conveniently approach; and (d) inform the consumers about the product and its characteristics through the media they have access to.

So the marketing manager concentrates on four major decision areas while planning the marketing activities, namely, (i) products, (ii) price, (iii) place (distribution) and (iv) promotion. These 4 'P's are called as elements of marketing and together they constitute the marketing mix. All these are inter-related because a decision in one area affects decisions in other areas. In this lesson you will learn about the basic aspects relating to these 4 'P's viz., product, price, place and promotion.



OBJECTIVES

After studying this lesson, you will be able to :

- explain the concept of marketing mix and its components;
- explain the meaning of product and its classification;
- state the various factors affecting pricing decisions;
- describe different methods of pricing;
- state the meaning of channels of distribution;
- identify the various channels of distribution;
- state the factors affecting choice of a channel of distribution; and
- explain the concepts of promotion and promotion mix.



20.1 CONCEPT AND COMPONENTS OF MARKETING MIX

Marketing involves a number of activities. To begin with, an organisation may decide on its target group of customers to be served. Once the target group is decided, the product is to be placed in the market by providing the appropriate product, price, distribution and promotional efforts. These are to be combined or mixed in an appropriate proportion so as to achieve the marketing goal. Such mix of product, price, distribution and promotional efforts is known as 'Marketing Mix'.

According to Philip Kotler "Marketing Mix is the set of controllable variables that the firm can use to influence the buyer's response". The controllable variables in this context refer to the 4 'P's [product, price, place (distribution) and promotion]. Each firm strives to build up such a composition of 4 'P's, which can create highest level of consumer satisfaction and at the same time meet its organisational objectives. Thus, this mix is assembled keeping in mind the needs of target customers, and it varies from one organisation to another depending upon its available resources and marketing objectives. Let us now have a brief idea about the four components of marketing mix.

Product : Product refers to the goods and services offered by the organisation. A pair of shoes, a plate of dahi-vada, a lipstick, all are products. All these are purchased because they satisfy one or more of our needs. We are paying not for the tangible product but for the benefit it will provide. So, in simple words, product can be described as a bundle of benefits which a marketer offers to the consumer for a price. While buying a pair of shoes, we are actually buying comfort for our feet, while buying a lipstick we are actually paying for beauty because lipstick is likely to make us look good. Product can also take the form of a service like an air travel, telecommunication, etc. Thus, the term product refers to goods and services offered by the organisation for sale.

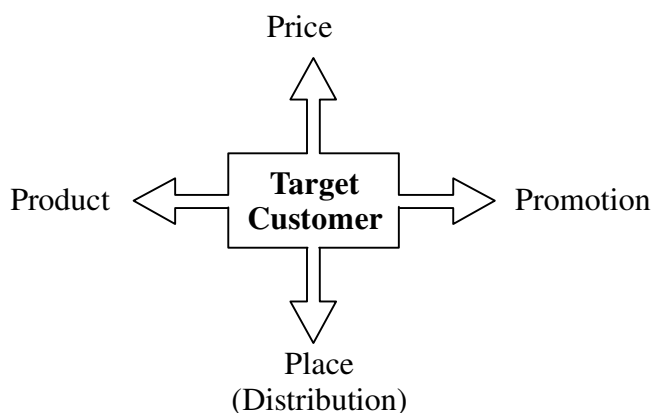
Price: Price is the amount charged for a product or service. It is the second most important element in the marketing mix. Fixing the price of the product is a tricky job. Many factors like demand for a product, cost involved, consumer's ability to pay, prices charged by competitors for similar products, government restrictions etc. have to be kept in mind while fixing the price. In fact, pricing is a very crucial decision area as it has its effect on demand for the product and also on the profitability of the firm.

Place: Goods are produced to be sold to the consumers. They must be made available to the consumers at a place where they can conveniently make purchase. Woollens are manufactured on a large scale in Ludhiana and you purchase them at a store from the nearby market in your town. So, it is necessary that the product is available at shops in your town. This involves a chain of individuals and institutions like distributors, wholesalers and retailers who constitute firm's distribution network (also called a channel of distribution). The organisation has to decide whether to sell directly to the retailer or through the distributors/wholesaler etc. It can even plan to sell it directly to consumers. The choice is guided by a host of factors about which you will learn later in this chapter.



Promotion: If the product is manufactured keeping the consumer needs in mind, is rightly priced and made available at outlets convenient to them but the consumer is not made aware about its price, features, availability etc, its marketing effort may not be successful. Therefore promotion is an important ingredient of marketing mix as it refers to a process of informing, persuading and influencing a consumer to make choice of the product to be bought. Promotion is done through means of personal selling, advertising, publicity and sales promotion. It is done mainly with a view to provide information to prospective consumers about the availability, characteristics and uses of a product. It arouses potential consumer's interest in the product, compare it with competitors' product and make his choice. The proliferation of print and electronic media has immensely helped the process of promotion.

Marketing Mix : A bird's eye view



Having acquainted ourselves with the broad nature of the four components of marketing mix, let us now learn some important aspects of each one of these in detail in the following sections.



INTEXT QUESTIONS 20A

1. List the four components of marketing mix
 - (a) _____
 - (b) _____
 - (c) _____
 - (d) _____
2. Give one word/phrase for the following statements :
 - (a) The crucial decision area of marketing that has direct effect on demand for the product and profitability of the firm.



- (b) The component of marketing that relates to channels of distribution.
- (c) The components that are combined to achieve the marketing goal.
- (d) The goods and services offered by the organisation for sale.
- (e) The ingredient of marketing mix relating to informing, persuading and influencing a consumer to make choice of the product to be bought.

20.2 CONCEPT OF PRODUCT AND ITS CLASSIFICATION

As stated earlier, product refers to the goods and services offered by the organisation for sale. Here the marketers have to recognise that consumers are not simply interested in the physical features of a product but a set of tangible and intangible attributes that satisfy their wants. For example, when a consumer buys a washing machine he is not buying simply a machine but a gadget that helps him in washing clothes. It also needs to be noted that the term product refers to anything that can be offered to a market for attention, acquisition, or use. Thus, the term product is defined as “anything that can be offered to a market to satisfy a want”. It normally includes physical objects and services. In a broader sense, however, it not only includes physical objects and services but also the supporting services like brand name, packaging accessories, installation, after sales service etc. Look at the definitions by Stanton and McCarthy as given in the box.

Product

William J. Stanton

“Product is a set of tangible and intangible attributes including packaging, colour, price, manufacturer’s prestige, retailer’s prestige and manufacturer’s and retailer’s services which buyer may accept as offering satisfaction of wants and services”.

Jerome McCarthy

“A product is more than just a physical product with its related functional and aesthetic features. It includes accessories, installation, instructions on use, the package, perhaps a brand name, which fulfills some psychological needs and the assurances that service facilities will be available to meet the customer needs after the purchase”.

PRODUCT CLASSIFICATION

Product can be broadly classified on the basis of (1) use, (2) durability, and (3) tangibility. Let us have a brief idea about the various categories and their exact nature under each head, noting at the same time that in marketing the terms ‘product’ and ‘goods’ are often used interchangeably.



1. **Based on use**, the product can be classified as:
 - (a) Consumer Goods; and
 - (b) Industrial Goods.
 - (a) **Consumer goods:** Goods meant for personal consumption by the households or ultimate consumers are called consumer goods. This includes items like toiletries, groceries, clothes etc. Based on consumers' buying behaviour the consumer goods can be further classified as :
 - (i) Convenience Goods;
 - (ii) Shopping Goods; and
 - (iii) Speciality Goods.
 - (i) **Convenience Goods :** Do you remember, the last time when did you buy a packet of butter or a soft drink or a grocery item? Perhaps you don't remember, or you will say last week or yesterday. Reason is, these goods belong to the categories of convenience goods which are bought frequently without much planning or shopping effort and are also consumed quickly. Buying decision in case of these goods does not involve much pre-planning. Such goods are usually sold at convenient retail outlets.
 - (ii) **Shopping Goods:** These are goods which are purchased less frequently and are used very slowly like clothes, shoes, household appliances. In case of these goods, consumers make choice of a product considering its suitability, price, style, quality and products of competitors and substitutes, if any. In other words, the consumers usually spend a considerable amount of time and effort to finalise their purchase decision as they lack complete information prior to their shopping trip. It may be noted that shopping goods involve much more expenses than convenience goods.
 - (iii) **Speciality Goods :** Because of some special characteristics of certain categories of goods people generally put special efforts to buy them. They are ready to buy these goods at prices at which they are offered and also put in extra time to locate the seller to make the purchase. The nearest car dealer may be ten kilometres away but the buyer will go there to inspect and purchase it. In fact, prior to making a trip to buy the product he/she will collect complete information about the various brands. Examples of speciality goods are cameras, TV sets, new automobiles etc.
- (b) **Industrial Goods:** Goods meant for consumption or use as inputs in production of other products or provision of some service are termed as 'industrial goods'. These are meant for non-personal and commercial use and include (i) raw materials, (ii) machinery, (iii) components, and (iv) operating supplies (such as lubricants, stationery etc). The buyers of industrial goods are supposed to be knowledgeable, cost conscious and rational in their purchase and therefore, the marketers follow different pricing, distribution and promotional strategies for their sale.



It may be noted that the same product may be classified as consumer goods as well as industrial goods depending upon its end use. Take for example the case of coconut oil. When it is used as hair oil or cooking oil, it is treated as consumer goods and when used for manufacturing a bath soap it is termed as industrial goods. However, the way these products are marketed to these two groups are very different because purchase by industrial buyer is usually large in quantity and bought either directly from the manufacturer or the local distributor.

2. Based on Durability, the products can be classified as :

- (a) Durable Goods; and
- (b) Non-durable Goods.

(a) **Durable Goods :** Durable goods are products which are used for a long period i.e., for months or years together. Examples of such goods are refrigerator, car, washing machine etc. Such goods generally require more of personal selling efforts and have high profit margins. In case of these goods, seller's reputation and pre-sale and after-sale service are important determinants of purchase decision.

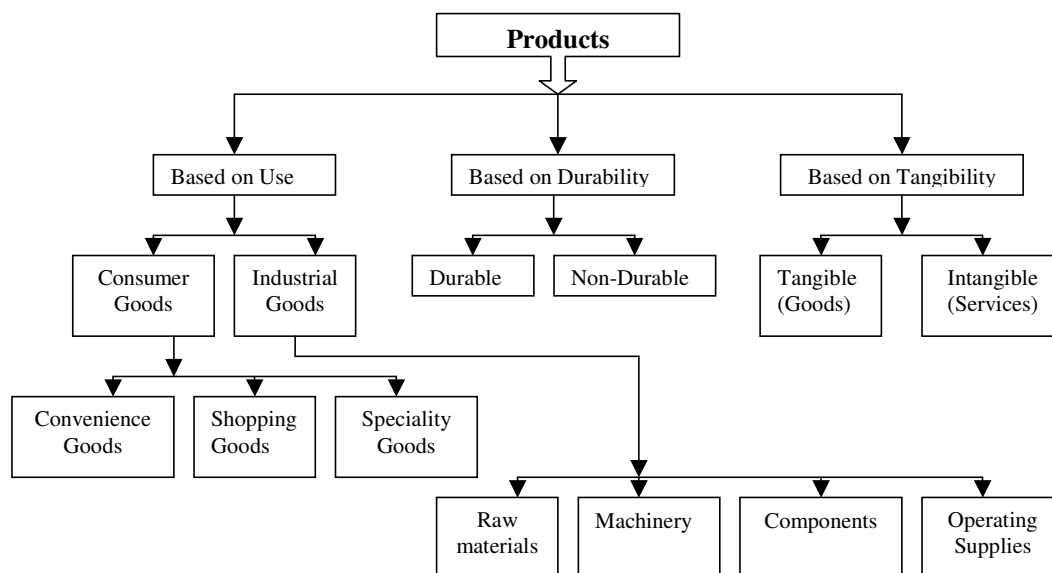
(b) **Non-durable Goods:** Non-durable goods are products that are normally consumed in one go or last for a few uses. Examples of such products are soap, salt, pickles, sauce etc. These items are consumed quickly and we purchase these goods more often. Such items are generally made available by the producer through large number of convenient retail outlets. Profit margins on such items are usually kept low and heavy advertising is done to attract people towards their trial and use.

3. Based on tangibility, the products can be classified as:

- (a) Tangible Goods; and
- (b) Intangible Goods.

(a) **Tangible Goods :** Most goods, whether these are consumer goods or industrial goods and whether these are durable or non-durable, fall in this category as they have a physical form, that can be touched and seen. Thus, all items like groceries, cars, raw-materials, machinery etc. fall in the category of tangible goods.

(b) **Intangible Goods :** Intangible goods refer to services provided to the individual consumers or to the organisational buyers (industrial, commercial, institutional, government etc.). Services are essentially intangible activities which provide want or need satisfaction. Medical treatment, postal, banking and insurance services etc., all fall in this category.



INTEXT QUESTIONS 20B

1. Classify the following products into consumer goods and industrial goods and further classify them into convenience goods, shopping goods and speciality goods, if they are consumer goods :

- (a) Stationery for the office
- (b) Washing machine for use at home
- (c) A car for the family use
- (d) Oil for manufacturing soap
- (e) A pair of shoes for yourself
- (f) An electric lift for lifting weight in the workshop
- (g) A packet of biscuits for your breakfast

2. For the following categories of goods, give two examples of each, from the products that you see around you :

- (a) Intangible goods
- (b) Durable goods
- (c) Non-durable goods

3. (a) The following words refers to tangible and intangible products. You are required to put these products into their right class in the appropriate boxes.

- (i) Cricket Bat
- (ii) Ball



- (iii) Boarding a bus
- (iv) 'Pollution check'
- (v) Pen
- (vi) Getting medical advice from a Doctor

Tangible

Intangible

(b) The following is a list of durable and non durable consumer goods. You are required to put them in the appropriate boxes.

- (i) Refrigerator
- (ii) Salt
- (iii) Soap
- (iv) Washing Machine
- (v) Television
- (vi) Cooking oil
- (vii) Sauce
- (viii) Note Book

Durable

Non-Durable

20.3 PRICING AND FACTORS AFFECTING PRICING DECISIONS

As stated earlier price is the consideration in terms of money paid by consumers for the bundle of benefits he/she derives by using the product/ service. In simple terms, it is the exchange value of goods and services in terms of money. Pricing (determination of price to be charged) is another important element of marketing mix and it plays a crucial role in the success of a product in the market. If the price fixed is high, it is likely to have an adverse effect on the sales volume. If, on the other hand, it is too low, it will adversely affect the profitability. Hence, it has to be fixed after taking various aspects into consideration. The factors usually taken into account while determining the price of a product can be broadly described as follows:

- (a) **Cost:** No business can survive unless it covers its cost of production and distribution. In large number of products, the retail prices are determined by adding a reasonable profit margin to the cost. Higher the cost, higher is likely to be the price, lower the cost lower the price.
- (b) **Demand:** Demand also affects the price in a big way. When there is limited supply of a product and the demand is high, people buy even if high prices are charged by the producer. But how high the price would be is dependent upon prospective buyers' capacity and willingness to pay and their preference for the product. In this context, price elasticity, i.e. responsiveness of demand to changes in price should also be kept in view.



- (c) **Competition:** The price charged by the competitor for similar product is an important determinant of price. A marketeer would not like to charge a price higher than the competitor for fear of losing customers. Also, he may avoid charging a price lower than the competitor. Because it may result in price war which we have recently seen in the case of soft drinks, washing powder, mobile phone etc.
- (d) **Marketing Objectives:** A firm may have different marketing objectives such as maximisation of profit, maximisation of sales, bigger market share, survival in the market and so on. The prices have to be determined accordingly. For example, if the objective is to maximise sales or have a bigger market share, a low price will be fixed. Recently one brand of washing powder slashed its prices to half, to grab a bigger share of the market.
- (e) **Government Regulation:** Prices of some essential products are regulated by the government under the Essential Commodities Act. For example, prior to liberalisation of the economy, cement and steel prices were decided by the government. Hence, it is essential that the existing statutory limits, if any, are also kept in view while determining the prices of products by the producers.

20.4 METHODS OF PRICE FIXATION

Methods of fixing the price can be broadly divided into the following categories.

1. Cost based pricing
2. Competition based pricing
3. Demand based pricing
4. Objective based pricing

1. Cost Based Pricing

Under this method, price of the product is fixed by adding the amount of desired profit margin to the cost of the product. If a particular soap costs the marketeer Rs. 8 and he desires a profit of 25%, the price of the soap is fixed at $Rs\ 8 + (8 \times 25/100) = Rs.\ 10$. While calculating the price in this way, all costs (variable as well as fixed) incurred in manufacturing the product are taken into consideration.

2. Competition Based Pricing

In case of products where market is highly competitive and there is negligible difference in quality of competing brands, price is usually fixed closer to the price of the competing brands. It is called 'young rate pricing' and is a very convenient method because the marketeers do not have to worry much about demand and cost and effect the change as per the changes by the industry leaders.

3. Demand Based Pricing

At times, prices are determined by the demand for the product. Under this method, without paying much attention to cost and competitors prices, the marketeers try to



ascertain the demand for the product. If the demand is high they decide to take advantage and fix a high price. If the demand is low, they fix low prices for their product. At times they resort to differential prices and charge different prices from different groups of customers depending upon their perceived values and capacity to pay. Take the case of cinema halls where the rates of tickets differ for the different sets of rows in the hall.

4. Objective Based Pricing

This method is applicable to introduction of new (innovative) products. If, at the introductory stage of the products, the organisation wishes to penetrate the market i.e., to capture large parts of the market and discourage the prospective competitors to enter into the fray, it fixes a low price. Alternatively, the organisation may decide to skim the market i.e., to earn high profit by taking advantage of a group of customers who give more importance to their status or distinction and are willing to pay even a higher price for it. In such a situation they fix quite high price at the introductory stage of their product and market it to only those customers who can afford it.



INTEXT QUESTIONS 20C

- List the main factors affecting pricing decision of a firm.
 - _____
 - _____
 - _____
 - _____
 - _____
- Which method of price fixation is being referred to here :
 - Hari fixes the price of shirts that he manufactures and sells at a price 10% higher than its cost.
 - Mannat introduces a new brand of biscuits at a low introductory price.
 - Sheetal fixes the price of her glassware keeping in mind the prices for similar products in the nearby shops.
 - Rahul, a fruit-seller increases the price of mangoes if there is a heavy demand for them during the summer season.
 - Pinky charges a high price for the exclusive designer handkerchiefs that she designs for a selective group of customers.
 - Jahanavi lowers the price of the vegetables at her shop in the evening, so that customers purchase them even when they are not as fresh as they were in the morning time.

20.5 CHANNELS OF DISTRIBUTION

You are aware that while a manufacturer of a product is located at one place, its consumers are located at innumerable places spread all over the country or the world. The manufacturer



has to ensure the availability of his goods to the consumers at convenient points for their purchase. He may do so directly or, as stated earlier, through a chain of middlemen like distributors, wholesalers and retailers. The path or route adopted by him for the purpose is known as channel of distribution. A channel of distribution thus, refers to the pathway used by the manufacturer for transfer of the ownership of goods and its physical transfer to the consumers and the user/buyers (industrial buyers).

Stanton has also defined it as “A distribution channel consists of the set of people and firms involved in the transfer of title to a product as the product moves from producer to ultimate consumer or business user”. Basically it refers to the vital links connecting the manufacturers and producers and the ultimate consumers/users. It includes both the producer and the end user and also the middlemen/agents engaged in the process of transfer of title of goods.

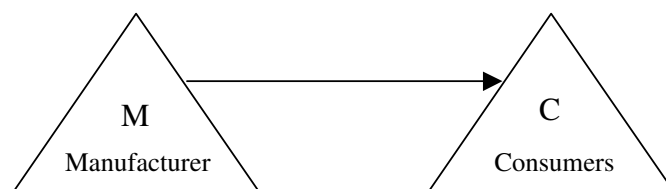
Primarily a channel of distribution performs the following functions:

- (a) It helps in establishing a regular contact with the customers and provides them the necessary information relating to the goods.
- (b) It provides the facility for inspection of goods by the consumers at convenient points to make their choice.
- (c) It facilitates the transfer of ownership as well as the delivery of goods.
- (d) It helps in financing by giving credit facility.
- (e) It assists the provision of after sales services, if necessary.
- (f) It assumes all risks connected with the carrying out the distribution function.

TYPES OF CHANNELS OF DISTRIBUTION

Generally we do not buy goods directly from the producers. The producers/manufacturers usually use services of one or more middlemen to supply their goods to the consumers. But sometimes, they do have direct contact with the customers with no middlemen in between them. This is true more for industrial goods where the customers are highly knowledgeable and their individual purchases are large. The various channels used for distribution of consumer goods can be described as follows:

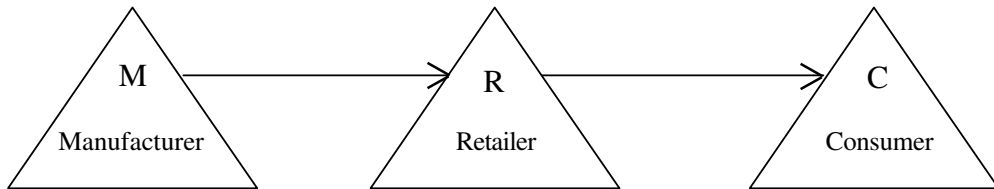
(a) Zero stage channel of distribution





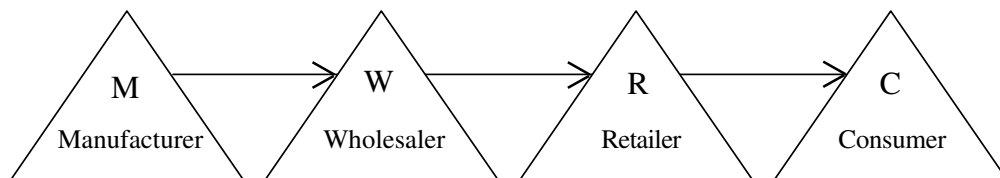
Zero stage distribution channel exists where there is direct sale of goods by the producer to the consumer. This direct contact with the consumer can be made through door-to-door salesmen, own retail outlets or even through direct mail. Also in case of perishable products and certain technical household products, door-to-door sale is an easier way of convincing consumer to make a purchase. Eureka Forbes, for example, sells its water purifiers directly through their own sales staff.

(b) One stage channel of distribution



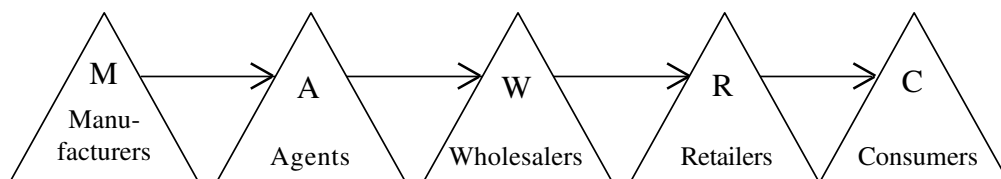
In this case, there is one middleman i.e., the retailer. The manufacturers sell their goods to retailers who in turn sell it to the consumers. This type of distribution channel is preferred by manufacturers of consumer durables like refrigerator, air conditioner, washing machine, etc. where individual purchase involves large amount. It is also used for distribution through large scale retailers such as departmental stores (Big Bazaar, Spensors) and super markets.

(c) Two stage channel of distribution



This is the most commonly used channel of distribution for the sale of consumer goods. In this case, there are two middlemen used, namely, wholesaler and retailer. This is applicable to products where markets are spread over a large area, value of individual purchase is small and the frequency of purchase is high.

(d) Three stage channel of distribution



When the number of wholesalers used is large and they are scattered throughout the country, the manufacturers often use the services of mercantile agents who act as a link between the producer and the wholesaler. They are also known as distributors.



Notes



INTEXT QUESTIONS 20D

1. Give any four important functions performed by a channel of distribution

- (a) _____

- (b) _____

- (c) _____

- (d) _____

2. Which type of channel of distribution will be suitable in each of the following cases? Name it and draw a labelled diagram (in the space given below) depicting the channel.

(a) For a perishable product

(b) Where large number of wholesalers are involved and are scattered throughout the country.

(c) For durable products like washing machines.



20.6 FACTORS AFFECTING THE CHOICE OF DISTRIBUTION CHANNEL

Choice of an appropriate distribution channel is very important as the pricing as well as promotion strategy are dependent upon the distribution channel selected. Not only that, the route which the product follows in its journey from the manufacturer to the consumer also involves certain costs. This in turn, affects not only the price of the product but also the profits. Choice of inappropriate channels of distribution may result in lesser profits for the manufacturer and higher price from the consumer. Hence, the manufacturer has to be careful while finalising the channel of distribution to be used. He should pay attention to the following factors while making his choice.

- (b) **Nature of Market:** There are many aspects of market which determine the choice of channel of distribution. Say for example, where the number of buyers is limited, they are concentrated at few locations and their individual purchases are large as is the case with industrial buyers, direct sale may be the most preferred choice. But in case where number of buyers is large with small individual purchase and they are scattered, then need may arise for use of middlemen.
- (b) **Nature of Product:** Nature of the product considerably affects the choice of channel of distribution. In case the product is of technical nature involving a good amount of pre-sale and after sale services, the sale is generally done through retailers without involving the wholesalers. But in most of the consumer goods having small value, bought frequently in small quantities, a long channel involving agents, wholesalers and retailers is used as the goods need to be stored at convenient locations. Items like toiletries, groceries, etc. fall in this category. As against this in case of items like industrial machinery, having large value and involving specialised technical service and long negotiation period, direct sale is preferred.
- (c) **Nature of the Company:** A firm having enough financial resources can afford to its own a distribution force and retail outlet, both. But most business firms prefer not to create their own distribution channel and concentrate on manufacturing. The firms who wish to control the distribution network prefer a shorter channel.
- (d) **Middlemen Consideration:** If right kind of middlemen having the necessary experience, contacts, financial strength and integrity are available, their use is preferred as they can ensure success of newly introduced products. Cost factors also have to be kept in view as all middlemen add their own margin of profit to the price of the products. But from experience it is learnt that where the volume of sales are adequate, the use of middlemen is often found economical and less cumbersome as against direct sale.

20.7 PROMOTION

Promotion refers to the process of informing and persuading the consumers to buy certain product. By using this process, the marketeers convey persuasive message and information



to its potential customers. The main objective of promotion is to seek buyers' attention towards the product with a view to:

- arouse his interest in the product;
- inform him about its availability; and
- inform him as to how it is different from others.

It is thus a persuasive communication and also serves as a reminder. A firm uses different tools for its promotional activities which are as follows :

- Advertising
- Publicity
- Personal selling
- Sales promotion

These are also termed as four elements of a **promotion mix**. Let us have a brief idea about these promotion tools.

- 1. Advertising:** Advertising is the most commonly used tool for informing the present and prospective consumers about the product, its quality, features, availability, etc. It is a paid form of non-personal communication through different media about a product, idea, a service or an organisation by an identified sponsor. It can be done through print media like newspaper, magazines, billboards, electronic media like radio, television, etc. It is a very flexible and comparatively low cost tool of promotion.
- 2. Publicity:** This is a non-paid process of generating wide range of communication to contribute a favourable attitude towards the product and the organisation. You may have seen articles in newspapers about an organisation, its products and policies. The other tools of publicity are press conference, publication and news in the electronic media etc. It is published or broadcasted without charging any money from the firm. Marketeers often spend a lot of time and effort in getting news items placed in the media for creation of a favourable image of the company and its products.
- 3. Personal selling:** You must have come across representatives of different companies knocking at your door and persuading you to buy their product. It is a direct presentation of the product to the consumers or prospective buyers. It refers to the use of salespersons to persuade the buyers to act favourably and buy the product. It is most effective promotional tool in case of industrial goods.
- 4. Sales promotion:** This refers to short-term and temporary incentives to purchase or induce trials of new goods. The tool include contests, games, gifts, trade shows, discounts, etc. Sales promotional activities are often carried out at retail levels.



INTEXT QUESTIONS 20E

1. What are the main objectives of promotion? List them in the space below :
 - (a) _____
 - (b) _____
 - (c) _____
2. State the main factors affecting the choice of distribution channels.
 - (a) _____
 - (b) _____
 - (c) _____
 - (d) _____
3. Which element of the promotion mix is being referred to in the following statements.
 - (a) It is a temporary incentive to induce trial or purchase of a new product.
 - (b) It does not cost money but may involve considerable time and effort by the marketer.
 - (c) It is an effective promotion tool for machines, lubricant etc.
 - (d) Press conference, publications and news in the electronic media are its various tools.
 - (e) It is a paid form of non-personal communication by an identified sponsor.
 - (f) It is done through popular media like radio, television, magazines, newspapers etc.



20.8 WHAT YOU HAVE LEARNT

- The mix of product, price, place (distribution) and promotional efforts is known as 'Marketing Mix'.
- Product is defined as anything that can be offered to a market to satisfy a want. It not only includes physical objects and services but also the supporting services like packaging, installation, after sales services etc.
 1. Based on use, products can be classified as
 - (a) **Consumers goods:** meant for personal consumption by the households or ultimate consumers. Based on buying behaviour of consumers, they can be further classified as (i) Convenience goods; (ii) Shopping goods; and (c) Speciality goods.



- (b) **Industrial goods** are meant for consumption or use as inputs in production of other products or provision of some service.
- 2. Based on **durability**, products can be classified as (a) Durable goods; and (b) Non-durable goods.
- 3. Based on **tangibility**, they are classified as (a) Tangible goods, and (b) Intangible goods
- Price is the consideration in terms of money, paid by consumers for the bundle of benefits he/she derives from use of product/services. The factors determining price of a product are- cost, demand, competition marketing objectives and government regulation.
- The different methods of price fixation are :
 1. Cost based pricing : Price is fixed by adding a desired amount of profit margin to the cost of the product.
 2. Competition based pricing : Price is fixed keeping in mind the price of competing brands.
 3. Demand based pricing : Prices are determined by the demand for the product.
 4. Objective based pricing : Here prices for new (innovative) products are kept low. Where the organisation decides to skim the market, prices are kept high.
- Channels of distribution are a vital link between manufacturers/producers and the ultimate consumers/users. It includes the middlemen/agents engaged in the process of transfer of title of goods. It helps in establishing regular contact with customers, facility for inspection of goods, transfer of ownership and delivery, it helps in financing, provision of after sales services and it assumes all risks connected with the distribution function.
- The various channels used for distribution of consumer goods are :
 - (a) Zero stage channel : Manufacturer → Consumers
 - (b) One stage channel : Manufacturer → Retailer → Consumers
 - (c) Two stage channel : Manufacturer → Wholesaler → Retailer → Consumers
 - (d) Three stage channel :
Manufacturer → Agent → Wholesaler → Retailer → Consumers
- Factor affecting choice of distribution channel :
 - Nature of market
 - Nature of product
 - Nature of the company
 - Middlemen consideration
- Promotion is an applied communication used by marketers to convey persuasive messages and information between the firm and its potential customers.



The different tools used for promotional activities are :

1. Advertising : It is a paid form of non-personal communication through different media about a product, idea, service or organisation, by an identified sponsor.
2. Publicity : It is a non-paid process of generating wide range of communication to contribute a favourable attitude towards the product and the organisation.
3. Personal selling : It is a direct presentation of the product to the consumers or prospective buyers.
4. Sales promotion : It refers to short term and temporary incentives to purchase or induce trials of new goods. For example, games, contests, gifts and discounts



20.9 KEY TERMS

Marketing Mix	Consumer goods	Durable goods
Product	Convenience goods	Non-durable goods
Price	Shopping goods	Tangible goods
Place	Speciality goods	Intangible goods
Promotion	Industrial good	Advertising
Publicity	Personal selling	Sales promotion



20.10 TERMINAL QUESTIONS

Very Short Answer Type Questions

1. Define the term 'Advertising'.
2. What is meant by the term 'product'?
3. Give two examples each of tangible products and intangible products.
4. What are speciality goods? Give one example.
5. Define the term 'promotion'.

Short Answer Type Questions

6. What are 'convenience goods' and 'shopping goods'. Explain giving examples for each type.
7. Explain 'cost based pricing' and 'objective based pricing'.
8. State four functions performed by channel of distribution.
9. Describe the various factors affecting choice of distribution channels.
10. What are durable and non-durable goods? Give two examples of each of them.

Long Answer Type Questions

11. What is meant by Marketing Mix? Describe the four components of marketing mix.



- | | |
|----------------------|---|
| (v) Pen | (vi) Getting medical advice from a doctor |
| (b) Durable | Non-durable |
| (i) Refrigerator | (ii) Salt |
| (iv) Washing machine | (iii) Soap |
| (v) Television | (vi) Cooking oil |
| | (vii) Sauce |
| | (viii) Note book |

20C

1. (a) Cost
(b) Demand
(c) Competition
(d) Marketing objectives
(e) Government regulation
2. (a) Cost based pricing
(b) Objective based pricing
(c) Competition based pricing
(d) Demand based pricing
(e) Objective based pricing
(f) Demand based pricing

20D

2. (a) Zero stage channel of distribution
(b) Three stage channel of distribution
(c) One stage channel of distribution

20E

1. (a) arouse buyer's interest in the product
(b) inform buyer about its availability
(c) inform him/her how it is different from other products
2. (a) Nature of market
(b) Nature of the company
(c) Nature of product
(d) Middlemen consideration
3. (a) Sales promotion
(b) Publicity
(c) Personal Selling
(d) Publicity
(e) Advertising
(f) Advertising



DO AND LEARN

Make a list of atleast five different types of products. Classify them into the product categories that you have studied (viz. consumer goods, industrial goods, durable and non-durable, tangible and intangible goods)

Find out about the type of channel of distribution that is used for these five products. Also, find out about the promotional activities that generally associated with the products.

Note your findings and tabulate them as follows :

Name of the product	Product category According to (a) use (b) durability and (c) tangibility	Type of channel of distribution used	Promotional activities



ROLE PLAY

Mani and Prasad are good friends. Mani is a marketing executive working for an MNC and Prasad is a small scale businessman making plastic toys:

Mani : Hi Prasad! How are you?

Prasad : Hello ! Mani, nice to see you.

Mani : How you business going on?

Prasad : Not very well.

Mani : Why?

Prasad : For the past 3 years my sales turnover has not increased. It is quite disturbing.

Mani : I understand, but tell me how is your distribution of the product done.

Prasad : I sell the toys in the local market and in the nearby town. I have a dealer. Thats it.

Mani : No, you have to analyse your distribution channel. Let us sit down and do some work. I think you should have at least three channels of distribution.

Prasad : Why?

Play the role of Mani and explain to Prasad the three suitable channels he should adopt for the plastic toys.



Chapter at a Glance

- 20.1 Concept and Components of Marketing Mix
- 20.2 Concept of Product and its Classification
- 20.3 Pricing and Factors affecting Pricing Decisions
- 20.4 Methods of Price-fixation
- 20.5 Channels of Distribution
- 20.6 Factors Affecting the Choice of Distribution Channel
- 20.7 Promotion