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# UNIT 1 INTRODUCTION TO MARKETING

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## Structure

- 1.0 Objectives
- 1.1 Introduction
- 1.2 The Meaning of Marketing Management
- 1.3 Marketing Management Philosophies
  - 1.3.1 Production Concept
  - 1.3.2 Product Concept
  - 1.3.3 Selling Concept
  - 1.3.4 Marketing Concept
  - 1.3.5 Societal Concept
- 1.4 Difference between Selling and Marketing
- 1.5 Evolution of Marketing Management Philosophy
- 1.6 Marketing Management Process: An Overview
- 1.7 Marketing Management in Indian Context
- 1.8 Importance of Marketing as a Subject of Study
- 1.9 Let Us Sum Up
- 1.10 Key Words
- 1.11 Answers to Check Your Progress
- 1.12 Terminal Questions

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## 1.0 OBJECTIVES

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After studying this unit, you should be able to:

- Explain the meaning of the term marketing and various marketing concepts;
- Describe the difference between selling and marketing;
- Explain the marketing management process;
- Explain marketing in Indian context; and
- State the importance of marketing as a subject of study.

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## 1 1 INTRODUCTION

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Marketing is one of the key functions of management. It brings success to business organizations. A business organization performs two key functions : (a) producing goods and services, and (b) making them available to the potential customers for use. An organization's business success largely depends on how efficiently the products and services are delivered to the customers, and how differently do the customers perceive the difference in delivery in comparison to the competitors. This is true of all firms –

from large business enterprises to small firms, from multinationals operating in different countries to small firms operating in a small market and from giant enterprises like Sony, Lever, General Motors to the next door kirana shop. Quality production and efficient marketing are the key success factors in building sustainable competitive advantage for every business corporation.

In this introductory unit on Marketing Management, you will study the meaning of marketing and various marketing concepts, evolution of marketing management philosophy, the difference between selling and marketing and importance of marketing in a country like India. It will also highlight few issues related to contemporary marketing.

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## 1.2 THE MEANING OF MARKETING MANAGEMENT

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Marketing is a process in a social system by which the demand pattern for product and services can be anticipated, enlarged, created and satisfied through the conception, production, promotion and physical distribution of goods and services in an exchange process.

The American Marketing Association defined marketing as "the performance of business activities that direct the flow of goods and services from producer to consumer or user". This definition seems somewhat narrow because of its emphasis on flow of products that have already been produced. Thus, according to this definition, marketing starts with the product.

According to Phillip Kotler "marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others. Marketing is an ongoing process of discovering and translating consumer needs and desires in to products and services, creating demands for these products and services, serving the consumer and his demand through a network of marketing channels and expanding the market base in the face of competition".

Paul Mazur defined marketing as "the creation and delivery of a standard of living to society." A broader approach views the firm as an organized behavior system designed to generate outputs of value to consumers. Marketing is defined as the development and efficient distribution of goods and services for chosen consumer segments by which profitability is achieved through creating customer satisfaction. Marketing activities begin with new product concepts and designs analyzed and developed to meet specific consumer needs.

This elaborate definition of marketing includes many other organizational activities than mere distribution function. A correct marketing effort is in accordance with ethical business practices and is effective from the standpoint of both society and the individual firm. This approach emphasizes the need for efficiency in distribution. The nature, type and degree of efficiency are largely dependent upon the kind of marketing environment within which the firm operates. The final assumption is that the customer determines the marketing program. The marketer identifies those consumer segments who will be satisfied through production and marketing activities of the firm before production.

There are various misconceptions about marketing. Unfortunately these misconceptions have emerged out of grapevine than solid research background. A student reader of introductory marketing at this stage of learning needs to test his misconceptions before proceeding further. This checklist will help him to do introspection regarding his previous knowledge and subject orientation towards marketing.

Test Yourself Against Marketing Misconceptions

Marketing Misconceptions	Yes	No
1. Marketing is part of Economics		
2. Advertising is a waste of money		
3. Middlemen are necessary		
4. Marketing forces fashion changes		
5. Advertisements that fail to please are ineffective		
6. Sellers who sell directly can sell for less		
7. The primary objective of marketing is to efficiently allocate scarce resources		
8. Marketing is unnecessary for not for profit organizations		
9. Marketing for services and products are vastly different		
10. Socialistic economies need marketing		
11. Middlemen can be bypassed not his activities		
12. Marketing can regulate itself if permitted by government		
13. The best way to sell products is through lowering pricing		
14. Marketing is a parasite on society		
15. Marketing is exploitation of consumer		

Source: Marketing Principles and methods, Carman and Uhl. P

So we can take the definition propounded by American Marketing Association. According to the American Marketing Association "marketing is the performance of business activities that directs the flow of goods and services from producer to consumer or user". This definition is undoubtedly an improvement on the description of marketing as selling. According to this definition, marketing also encompasses other activities along with selling.

Marketing has a process orientation also. Based on the above, we can develop a process-oriented definition of marketing, as "the process of ascertaining consumer needs, converting them into products or services, and moving the product or service to the final consumer or user to satisfy certain needs and wants of specific consumer segment or segments with emphasis on profitability, ensuring the optimum use of the resources available to the organization"

### 1.3 MARKETING MANAGEMENT PHILOSOPHIES

There are five different marketing concepts under which business enterprises conduct their marketing activity:

- 1) Production concept
- 2) Product concept
- 3) Selling concept
- 4) Marketing concept
- 5) Societal concept

### 1.3.1 Production Concept

The Production Concept emerges out of the production orientation. The basic proposition is that customers will choose products and services that are widely available and are of low cost. So managers try to achieve higher volume with low cost and intensive distribution strategy. The managers believe that consumers prefer products that are priced low and are widely available. This seems a viable strategy in a developing market where market expansion is the survival strategy for the business. Companies interested to take the benefit of scale economies pursue this kind of orientation. It is natural that the companies can not deliver quality products and suffer from problems arising out of impersonal behavior with the customers.

### 1.3.2 Product Concept

The Product Concept has the proposition that consumers will favor those products that offer the most attributes like quality, performance and other innovative features. The managers focus on developing superior products and improving the existing product lines over a period of time. The innovations in the scientific laboratory are commercialized and the consumers get an opportunity to know and use these products. This is called "Technology Push Model". The problem with this orientation is that the managers forget to read the customers mind and launch products. Many times it is observed that the innovations enter in to the market before the market is ready for the product. Innovative products are launched without educating the customers about the innovation and the probable advantage that the customer is going to get. The Golden Eye Technology was brought to the Indian Market by the television major Videocon but the market could not perceive the benefit of this advantage. On subsequent period at an advance stage of the market LG brought the technology and made its Unique Selling Proposition for marketing success.

### 1.3.3 Selling Concept

The Selling Concept proposes that customers, be individual or organizations will not buy enough of the organisation's products unless they are persuaded to do so through selling effort. So organisations should undertake selling and promotion of their products for marketing success. The consumers typically are inert and they need to be goaded for buying by converting their inert need in to a buying motive through persuasion and selling action.

This approach is applicable in the cases of unsought goods like life insurance, vacuum cleaner, fire fighting equipments including fire extinguishers. These industries are seen having a strong network of sales force. This concept is applicable for the firms having over capacity in which their goal is to sell what they produce than what the customer really wants. In a modern marketing situation the buyer has a basket to choose from and the customer is also fed with a high decibel of advertising. So often there is a misconception that marketing is all about selling. The problem with this approach is that the customer will certainly buy the product after the persuasion and if dissatisfied will not speak to others. In reality this does not happen and companies pursuing this concept often fail in the business.

### 1.3.4 Marketing Concept

The Marketing Concept proposes that the reason for success lies in the company's ability to create, deliver and communicate a better value proposition through its marketing offer in comparison to the competitors for its chosen target market. According to Theodore Levitt "Selling focuses on the needs of the seller and marketing focuses on the buyer. Selling is preoccupied with the seller's need to convert his product in to cash, marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with

creating, delivering and finally consuming it". The marketing concept is an elaborative attempt to explain the phenomenon that rests on four key issues like target market, customer need, integrated marketing and profitability.

Companies are interested to increase their return on investment. Instead of spending on a mass undifferentiated market, they have started looking for specific markets to which their product will best match and accordingly design a marketing program that suits to the taste of this target market. The next important act is the understanding of the need of the customer in that target market so that a suitable marketing offer can be designed. Needs are the inner state of felt deprivation. They can be spelt and un-spelt also. It is difficult to understand the un-spelt need of the customer.

Marketers use various sophisticated techniques of consumer research to understand the customer need. It is important to understand and act upon the need of the customer because the effort to keep a satisfied customer is almost one fifth of the effort expended to get a new customer. The whole organization has to be integrated to this mantra of customer satisfaction. So business needs an integrated approach. The integration has to start at marketing department level where various key marketing functions like product design, distribution channel selection, advertising and promotion, customer service and marketing research need to be integrated with common marketing goal understanding.

Marketing culture should be adopted by other departments of the enterprise also. While external marketing targets customers outside, internal marketing targets customers inside the organization who can be trained to serve the customer better. The ultimate goal of any business house is to earn profit. Today's world not only looks at profit but also tries to benchmark the effort and cost required to achieve this level of profit. In this situation profitability of the enterprise through sole goal of efficient marketing is the key success criteria. This profitability is now treated as a byproduct of creation of superior customer value and better understanding of the customer need.

### 1.3.5 Societal Concept

The Societal Concept proposes that the enterprise's task is to determine the needs, wants and intentions of the target market and to deliver the expected satisfaction more effectively and efficiently than the competitors in a way to preserve or enhance the consumer's and society's well being. It combines the best elements of marketing to bring social change in an integrated planning and action framework with the utilization of communication technology and marketing techniques. It also looks for marketers to build social and ethical considerations into the marketing practices. The goals of profit maximization should match with the goals of customer satisfaction and responsible corporate citizenship. Social marketing often termed as cause related marketing utilizes concepts of market segmentation, consumer research, product concept development and testing, communication to maximize the target adopters response.

With the growing awareness of the social relevance of business, there is an attempt to make marketing also relevant to the society. In a sense, marketing is not a business activity alone but must take into account the social needs. Excessive exploitation of resources, environmental deterioration and the customer movements in particular have necessitated the recognition of the relevance of marketing to the society. Marketing then must be a socially responsible or accountable activity. The societal concept holds that the business organization must take into account the needs and wants of the consumers and deliver the goods and services efficiently so as to enhance consumer's satisfaction as well as the society's well being. The societal concept is an extension of the marketing concept to cover the society in addition to the consumers.

- 1) Distinguish between product concept and selling concept.
- .....
- .....
- .....
- 2) Distinguish between marketing concept and societal concept.
- .....
- .....
- .....
- 3) Distinguish between production concept and selling concept.
- .....
- .....
- .....
- 4) Match the organisational objective with the marketing concepts given below:

Organisational Objectives	Marketing Concept
i) Effective distribution	a) Product concept
ii) Large scale selling and Promotional effort	b) Societal concept
iii) Produce what consumer need	c) Selling concept
iv) Product improvement	d) Production concept
v) Improve society's well being	e) Marketing concept

1.4 DIFFERENCE BETWEEN SELLING AND MARKETING

Many managers use 'marketing' and 'selling' as synonyms though there is a substantial difference between both the concepts. It is necessary to understand the differences between them for a successful marketing manager.

Selling has a product focus and mostly producer driven. It is the action part of marketing only and has short term goal of achieving market share. The emphasis is on price variation for closing the sale where the objective can be worded as “ I must somehow sell the product to the customer'. This short term focus does not consider a prudential planning for building up the brand in the market place and winning competitive advantage through a high loyal set of customers. The end means of any sales activity is maximizing profits through sales maximization.

When the focus is on selling, the businessman thinks that after production has been completed the task of the sales force starts. It is also the task of the sales department to sell whatever the production department has manufactured. Aggressive sales methods are justified to meet this goal and customer's actual needs and satisfaction are taken for granted. Selling converts the product in to cash for the company in the short run.

Marketing as a concept and approach is much wider than selling and is also dynamic as the focus is on the customer rather than the product. While selling revolves around the needs and interest of the manufacturer or marketer, marketing revolves around that of consumer. It is the whole process of meeting and satisfying the needs of the consumer. Marketing consists of all those activities that are associated with product planning, pricing, promoting and distributing the product or service.

The task of marketing commences with identifying consumer needs and does not end till feedback on consumer satisfaction from the consumption of the product is received. It is a long chain of activity, which comprises production, packing, promotion, pricing, distribution and then the selling. Consumer needs become the guiding force behind all these activities. Profits are not ignored but they are built up on a long run basis. Mind share is more important than market share in Marketing. According to Prof. Theodore Levitt 'The difference between selling and marketing is more than semantic. A truly marketing minded firm tries to create value satisfying goods and services which the consumers will want to buy. What is offered for sale is determined not by the seller but by the buyers. The seller takes his cues from the buyer and the product becomes the consequence of the marketing effort, not vice versa. Selling merely concerns itself with the tricks and techniques of getting the customers to exchange their cash for the company's products, it does not bother about the value satisfaction that the exchange is all about. On the contrary, marketing views the entire business as consisting of a tightly integrated effort to discover, create, arouse and satisfy customer needs'. The differences between selling and marketing are summarized in Table 1.1

Table 1.1: Differences between Selling and Marketing

Selling	Marketing
1) Emphasis is on the product.	Emphasis is on consumer needs and wants.
2) Company manufactures the product first and then decides to sell it.	Company first determines customers needs and wants and then decides how to produce and deliver a product to satisfy these wants.
3) Management is sales volume oriented.	Management is profit oriented.
4) Planning is short-run-oriented, in terms of today's products and markets.	Planning is long-run-oriented, in terms of new products, tomorrow's markets and future growth.
5) Stresses needs of seller.	Stresses needs and wants of buyers.
6) Views business as a good producing process.	Views business as consumer satisfying process.
7) Emphasis on staying with existing technology and reducing costs.	Emphasis on innovation on every sphere, on providing better value to the customer by adopting a superior technology.
8) Different departments work as in a highly separate water tight compartments.	All departments of the business operate integrated manner, the sole purpose being generation of consumer satisfaction.
9) Cost determines price.	Consumer determines price, in turn price determines cost.
10) Selling views customer as the last very purpose in business.	Marketing views the customer as the link of the business.



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## 1.5 EVOLUTION OF MARKETING MANAGEMENT PHILOSOPHY

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The origin of marketing management dates back to prehistoric period when people started **settlements** and there was a division of labor for the community living. As it was difficult for every one to engage in activities to satisfy all the need requirement, a mutual cohabitation led to this division of labor in the society. The birth of a barter system where two parties are involved in the physical exchange of goods and services for mutual benefits and voluntary agreement of both the parties for the transfer of ownership of the physical goods exchanged, started the evolutionary growth of modern day marketing.

When the volumes grew beyond the individual and community consumption, then the intermediaries emerged in the social system that became part of the trade. These are the people who aided in the transfer of ownership between two parties at two different periods of time. At the time of production, the producer had the need of the value of the output for his survival and business whereas the end consumer was not ready to own the final product as the demand for consumption was at a future period of time. So intermediaries took over the ownership, stored and distributed the ownership at the future period of time in different assortment as desired by end consumer for a benefit which was subsequently marked as trades man's profit. The industrial revolution and progress in transportation and communication made the business of marketing to cross geographic borders of country and marketing grew as an economic activity.

In the initial stages of Industrial Revolution, producers were able to **sell** whatever they have produced. So they concentrated on higher production. At that stage most of the enterprises adopted the production concept. Later when the competition started building-up, producers faced difficulties to sell whatever they produced and the need to improve the product arose. This led to the emergence of product concept and selling concept. With the increase in competition, producers realised the advantage of producing what consumer's need instead of selling whatever is produced.

This led to the consumer orientation and the emergence of marketing concept. As the industry was expected to play the role of corporate citizen and care about the welfare of the modern society, the industry was expected to produce products and services that are contributing to the greater cause of the society and in the process of making profit, contribute towards the building of the nation. This gave rise to the modern day concept of social marketing. In the developed countries where the markets are developed, most of the producer adopts the marketing concept. In the developing countries markets are heterogeneous and one can see the co-existence of all the five concepts. Thus, the concept of marketing has grown along with the process of economic development.

The growth of civilization, the increasing standard of living, the changing life styles and technological growth have created new wants. These can be satisfied only with a wide variety of new goods and services apart from **changes** and **improvements** in the existing goods and services. This however the general trend, and there are several exceptions. Markets for all products and services have to reach a certain maturity to experience this evolutionary trend. It may not be so in the case of each and every product or market. The rural market in India, for example, is fairly different from the urban market. Even among a set of consumer goods, for example, cosmetics which serve the middle/upper income groups are much more consumer oriented than the market for undergarments for men. Besides, there is a seller's market in some goods and services, and a buyer's market in some others.

Another feature in the evolutionary process of marketing is the growing role of service marketing. The demand for service contracts to maintain the gadgets in use have to become more easily marketable and a reliable service commands a premium in the market. Some of the developed economies are now thriving more on service industry than manufacturing, as the customers are looking for better service facilities with the product and the success of a company is decided on the basis of quality of product support services. The globe is now treated as a single market place because large numbers of players are manufacturing and delivering products and services in a global scale where by they can achieve economies of scale and offer a lower price to the customers. Global life styles, tastes and products have emerged due to rapid advent of television and global media. So brands like Coca Cola, Sony, Honda are no more identified by their country of origin. They have become global brands in true sense.

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## 1.6 MARKETING MANAGEMENT PROCESS: AN OVERVIEW

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As already discussed, the effective marketing starts with the identification of consumer and his need. The marketer develops marketing program for satisfying customer needs with a firm's products and services. One of the myths of marketing rests with the fact that people wants and needs vary greatly, and it is unlikely that any particular product or service can adequately satisfy everyone.

**The marketing process consists of four steps: (i) analysing the marketing opportunities, (2) selecting target markets, (3) developing the marketing mix, and (4) implementing and controlling.** Now let us study each of them briefly.

**1. Analysing the Marketing Environment:** As discussed earlier, marketing task starts with the identification of consumer needs. Therefore, the first step in the marketing process is the analysis of marketing opportunities to identify the consumer needs. Marketer has to identify the new needs or the existing needs not satisfied by any product offer or the needs which can be satisfied through better product offerings. For this purpose, you have to analyse the opportunities by scanning the marketing environment.

Marketing analysis talks about finding out the current position of the company in the form of current market share, market power, the relevant strengths and weaknesses of the company in relation to competitors and market opportunity and threats it is likely to face in the marketing environment. The marketer uses various techniques like SWOT analysis, scenario building, cross impact analysis and other environmental scanning techniques.

**2. Selecting Target Markets:** At the second stage, the marketer has to decide about the target, the company's business mission, the category of customer markets it wants to serve, the type of strategy to arrive at the set goals. For this reason, one of the first tasks in marketing planning is to divide the heterogeneous market into relatively homogeneous segments. Once a particular customer group is identified and analyzed, the marketing manager can direct company resources and activities to profitably satisfy the selected segment.

Thus, at this stage marketer divides the market into various segments, called **market segmentation**. Each segment consists of consumers who respond in a similar way to a given set of marketing efforts. Then the marketer evaluates each segment and selects one or more segments in which he can generate the greatest customer value and sustain it over a long period. This is called **market targeting**. After identifying the target market, you must decide **market positioning**, that is the place product occupies relative to the competitors product in consumers' mind.

If the product is perceived to be exactly like competitor's product, consumers would have no reason to buy it

**3. Developing the Marketing Mix:** The third step in the marketing process is deciding the marketing mix. It is easier to divided the marketing activities into four basic elements which are together referred to as the marketing mix. These four basic elements are: 1) product, 2) price, 3) promotion and 4) physical distribution. As all these four start with the letter 'P', they are referred to as the four Ps of the marketing mix or the four Ps in marketing. Thus, **marketing mix may be defined as the set of controllable marketing variables/activities that the firm blends to produce the response it wants in the target markets.** Let us understand the four Ps in detail.

The word **product** stands for the goods or services offered by the organisation. Once the needs are identified, it is necessary to plan the product and after that keep on analysing **whether** the product still satisfies the needs which were originally planned for, and if not, to determine the necessary changes. Decisions such as branding packaging, after sale service etc., are to be decided.

**Price** is the money that the consumer has to pay. Price must be considered as worth the value of the product to become an effective marketing tool. The product has to be reasonably priced. The manufacturer has to take into account cost factors, profit margin, the possibility of sales at different price levels and the concept of the right price.

**Promotion** is the aspect of selling and advertising or **communicating** the benefits of the product or service to the target customers or the market segment in order to persuade them to purchase such products or services. It includes **selling through** advertising as well as the sales force. Besides, a certain amount of proination is also done through special seasonal discounts, competitions, special price reductions, etc.

**Physical Distribution** refers to the aspect of the channels of distribution through which the product has to move before it reaches the consumer. It also includes the logistic aspects of distribution such as warehousing, transportation, etc., **needed** for geographical distribution of products. It is also concerned with the selection of distribution channels. The organisation must decide whether it should sell through wholesalers and then to retailers, or whether directly to the consumers. There are many ways in which a product can be **moved** from the producer to the consumer. The optimum method has to be determined in terms of both consumersatisfaction and profitability to the organisation, or optimum use of the organisation's resources.

**4. Implementing and Controlling:** At the fourth stage marketing plan is to be implemented. Without a proper implementation program, marketing planning exercise is just a paper work. The marketing implementation revolves around executing the strategy and resources for achieving the marketing goals or targets. The marketing managers execute the strategy by converting it to operational plans which are achievable within a specified period of time frame.

The fourth stage also includes marketing control, which is a process of benchmarking the expended effort and resources with the set goals. You have to get the feedback from the market whether the consumers received the desired level of satisfaction from the product offering or not. Based on this feedback you further plan to enhace the consumer satisfaction or overcome the deficiencies in the product offerings, if any. The achievements are evaluated with the objectives set at the planning stage to find out the deficiencies if any and to take modified action in the future so that the efficiency of the resource expended increases and gets translated in to profit.

Every organization has a structure and culture that reflects its readiness and effectiveness to the ever changing need of the customers in providing a sustained level of satisfaction. Marketing function confined to a particular departmental structure in the organization seldom brings success. It creates goal confusion due to functional myopia in the organization. In this context the whole organization has to understand the urgency of market orientation and understanding of customer need for greater success. *The concept of organization structure revolves around two issues. The first is the relative importance of marketing department inside the organization and second, its relationships with other functional departments and external players in the value chain.*

A marketing manager has to take decisions regarding various aspects of marketing. He takes these decisions under certain environmental situations. The decision variables over which he makes decisions are called marketing mixes and which are controllable factors for a marketing manager. He takes these decisions under certain environmental conditions. These environmental conditions are called uncontrollable forces and the decisions are taken in relation to immediate players affecting business. These players constitute the part of the micro environment and are called as actors. You will study in detail about marketing environment in Unit 2 later.

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## 1.7 MARKETING MANAGEMENT IN INDIAN CONTEXT

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The development of marketing in India and emergence of Indian market as a force to reckon in the global business front is an interesting subject for marketing students. *There are three distinct phases in the growth of Indian market.* The **first phase** counts to the period of independence where the economy was subsistent in nature. The imperial government controlled the output and large number of customers did not have adequate purchasing power. Customers were largely agriculturists debarring few salaried people working in the British establishments. Most of the products were from British and the stakes of ownership in large enterprises were vested with them. The consumers did not have any choice, as there were few alternatives available. It was a seller's market with product orientation and consumer welfare was unheard of.

The second **phase** started immediately after the independence and the new government decided to follow the socialistic principles where the public sector dominated the ownership of large enterprises. There was a rationing and quota system for the private players and the production was limited to the whim of the government decisions. Most of the markets remained as seller's market. The seller was in a dominating position due to the protection from government and no formal competition. The seller dominated the pattern of consumption with product alternatives, price propositions and on the availability front. There were few manufactures those who believed about product quality and consumer satisfaction. There was a ban to the direct entry of foreign participants for giving protection to the domestic sector.

The consumer had very limited opportunity to complain about the pseudo promises and hazardous practice of the manufacturer until the Consumer Protection Act of 1994. Lack of effectiveness and non-availability of competition allowed the manufacturer to sell the sub standard products. The per capita income was low and people had less purchasing power. Majority of people spent money in buying necessities, which allowed the commodities market to grow in a snail's pace to cater to the common person. Cities grew in size due to establishment of large manufacturing units and the rural and urban divide started to emerge in urban market. Demand for quality education, decent housing and entry of women to the

active workforce brought radical change to the Indian urban market. The rural Indian market remains unexploited due to poor economy of average rural consumer, resultant lower purchasing power of the rural consumer, irregularity in saving and occupation pattern. Non-availability of transportation and communication facility also restricted the growth of the rural market in India.

The urban Indian market was undergoing radical changes due to emergence of a large middle class with constant and regular income pattern. Adequate savings, support from the rural agricultural income flow to the urban middle class and the benefits given by the welfare state to this class increased the consumption level and demand for various products unheard before for them. The strength of this market increased due to increase in consumer's knowledge about their rights and redress mechanism introduced by the government. Various products became the mark of the class and a pseudo consumption culture emerged in the Indian market until early 1990s.

Whatever the argument may be Indian industry and consumer wake up to the global reality in the early nineties due to the liberalization process. This is the starting of the **third phase**.

The role of the public sector as seller and as buyer came down as efficiency and competition became the mantra of survival in place of protection. The abolition of Monopoly Restrictive Trade Practice allowed firms to have both organic and inorganic growth. Firms started producing higher capacity for the market as there was no quota restriction. Mergers and acquisitions saw the emergence of large conglomerates and consolidation of business in Indian market. Government allowed foreign equity participation in the domestic business, which brought large global players to Indian market. The domestic companies liquidated a part of their ownership and allowed joint ventures for smooth flow of foreign equity capital and technology. Large multinationals like Hindustan Lever, Procter and Gamble, LG Electronics, Ford, Mitsubishi, Honda, Samsung entered in to the market with more financial muscle and better technology for Indian consumer.

Domestic and Foreign financial institutions reposed their faith on Indian industry and the industry got a good funding through both long-term debt and equity route. The government brought drastic changes in various draconian and imperial legislations for smooth conduct of business. The Indian industry also responded positively by offering better products and services to the consumers. The free market competition gave rise to a new mechanism of market power. Marketers started bridging the gap between the urban and rural, rich and poor by offering products and services at all price points. They also strengthened the management of the distribution channel through new methodologies like Supply Chain Management, Just in Time Technology and increased productivity through continuous improvement. Because of such radical changes in the market, product prices came down, the quality level went up to match the global standard, customers at various sub urban places could access the availability of various products suiting to their pockets,

On the other hand, advent of television and cable television revolution provided a larger platform to the marketers to take their marketing communication to consumers. It was possible to disseminate product information to a wider audience than the urban nouveau riche were. Higher demand in the product put a time pressure for the companies who had to follow shorter product manufacturing cycles and deliver products with global standards as customers had many options to choose from the market. Financial institutions started provisions of periodic payments and instant ownership through installment schemes for many product categories. This kind of support helped in the market penetration of new products

in a faster rate. The attitude of Indian consumer also underwent swapping changes.

People started spending money in acquiring products and services for a comfortable stay than saving as in the past. This spending orientation gave birth to a viable service sector. The service sector grew in leaps and bounds in last few years due to advent of modern technology. People started enjoying life like never before, businesses like airline, professional education, tourism, restaurants and hotels, telecoms, hospitals and quality health services and computer related services grew in matching order with the manufacturing sector. The telecom revolution brought changes in communication services expected by customers through adoption of mobile telephony, WLL, internet telephony and subsequent reduction in the communication cost. Rapid penetration of Personal Computers and internet services are also a significant change happening in urban and semi urban India.

Indian market has changed from a developing market to an emerging market. The market is enroute to a developed market as the choices in the consumption basket of consumers have increased in the last decade. However, one cannot ignore the negative effects also. The divide between the rich and poor is increasing day by day. A large section of the society is staying away from the use of benefits of these changes. Marketing managers have to rethink at all these issues and try to take a developmental orientation so that more and more customers will enjoy the benefit of liberalization and free market economy.

The recent thrust by Hindustan Lever through its operation Bharat, Procter and Gamble's tie up with Marico for enhancing rural distribution, the e-Choupal strategy by ITC are indicators that the marketers are trying to woo the rural customers for increasing their consumption. This will be only possible when the income power of the rural consumer increase. Marketers have to take the developmental approach for building such a strategy. Hindustan Lever is now trying to market the products through self-help groups where by the socially backward and vulnerable people can become part of the mainstream and earn to consume. In the long run, marketing manager's success will be measured on different parameters than the current approach of market share, as the revenue as well as the profits from the urban market will sure to dry down in future. There is no doubt that the status of the Indian consumer has increased but the percentage is so small that the task now is to bring more people to the field of consumption.

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## 1.8 IMPORTANCE OF MARKETING AS A SUBJECT OF STUDY

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In one of his classic articles, Peter Ducker said that Marketing is everything. Rest other activities in the organization are support services to the marketing strategy that a firm pursue. Marketing has higher significance in an emerging economy like that of India where it not only has to satisfy the customer need, but also to support the process of economic development. The success of business is known by its achievement in marketing front in the form of market share and return on investment on marketing programs. Marketing has significance to the consumer as it provides more alternatives to consumers, controls the price mechanism, allow the consumers to bring a balance between his income and consumption. It is important to the economic progress of the country as it opens up new vistas of research by supporting product innovation and enhancing the quality of living for the ultimate consumer.

Marketing generates resources that are ploughed back to the economic system and it fastens the process of growth for the country. Over a period of time people in

industry, government and academia have realized the macro level importance of marketing. Therefore, special concentration is available under the domain of marketing to understand consumer behavior, marketing for services and industrial products, advertising and sales promotion effects on consumers. Marketing brings revenue and earns goodwill for a manufacturer or marketer, provides alternatives of choice in goods and services to consumer and enables the society for redistribution of income, generation of additional employment through manufacturing and trading and improvement in the over all standard of living of the citizens of a country.

Marketing looks in to the business management challenges like environmental scanning, identification of marketing opportunities, formulation of marketing programs, evaluation and tracking of consumer choice and response to business. Marketing aids the consumers to have choices and final say in the acceptance of a marketing offer available to him. The easy availability of high quality goods and services at competitive prices is made possible by efficient marketing system. Marketing management creates time, place and possession utility to products and services. Products and Services are useful if they are available for consumption at the right time and place. Management of marketing creates such utility. Marketing generates additional employment, increases per capita income and helps in the over all progress of an economy. The per capita availability of essential goods is an indicator of the level of consumption and poverty in an economic system.

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## 1.9 LET US SUM UP

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Marketing is a dynamic subject in business. The success of a business largely depends on the success of marketing. There are various definitions to Marketing. We can generalize the definition through the definition of the famous marketing author, Philip Kotler. According to him, "Marketing is a social activity directed at satisfying needs and wants through exchange process". It is a management process of identifying consumer needs, developing products and services to satisfy consumer needs, making these products and services available to the consumer through an efficient distribution network and promoting these products and services to obtain greater competitive advantage in the market place. This emphasizes the optimum utilization of resources and delivering value to customers through efficient process and with a profit to the organization.

Marketing as a concept has evolved over a period. It has augmented the process of exchange as an economic activity and there are five concepts associated with marketing. They are 1) Production Concept, 2) Product Concept, 3) Selling Concept, 4) Marketing Concept, and 5) Societal Concept.

The greatest confusion in understanding marketing is the confused line of difference between selling and marketing. While selling is product focused and looks after the interest of the seller, marketing takes a more welfare view and the key focus of marketing is consumer satisfaction than sales. Marketing explains the whole process of identifying consumer needs, developing products and satisfying consumers through a marketing program.

Marketing plays a pivotal role in the development process of a country like India. Different phases of development in Indian market are indicators that there is a revolution undergoing in Indian market. We envisage a greater role for marketing in Indian market whereby marketing can help in bringing more and more people to the fold of enhanced and qualitative consumption. The recent economic and social changes in Indian market bring a new and enterprising picture of growth of

marketing in Indian business. Marketing has to play a greater role than just satisfying the consumers in an emerging economy like that of India. Marketing should bring significant changes affecting the quality of life of everybody in a country like India

## 1.10 KEYWORDS

**Marketing:** Marketing is an ongoing process of discovering and translating consumer needs and desires in to products and services, creating demands for these products and services, serving the consumer and his demand through a network of marketing channels and expanding the market base in the face of competition.

**Marketing Mix:** The set of four controllable marketing tools viz. product, price, promotion and place (Physical Distribution) that the marketer blends to achieve the outcome of desired level of customer satisfaction. Marketing mix is also known as 'Four Ps'.

**Marketing Orientation:** It requires the firm to look for consumer needs and the necessity to search for new opportunity to satisfy the consumers in a better way than the competitor Profits result from meeting customers' needs effectively and efficiently.

**The Exchange Process** occurs when the buyer with a demand and a seller with a product offering confront each other. The customer gets the ownership of the product in lieu of something to offer in the form of price, physical transformation through barter or a future promise for any of the two.

**The Marketing Concept** proposes that the reason for success lies in the company's ability to create, deliver and communicate a better value proposition through its marketing offer in comparison to the competitors for its chosen target market.

**The Product Concept** has the proposition that consumers will favor those products that offer the most attributes like quality, performance and other innovative features.

**The Prodaction Concept** emerges out of the production orientation. The basic proposition is that customers will choose products and services that are widely available and are of low cost.

**The Selling Concept** proposes that customers, be individual or organizations will not buy enough of the organization's products unless they are persuaded to do so through selling effort.

**The Societal Marketing Concept** proposes that the enterprise's task is to determine the needs, wants and intentions of the target market and to deliver the expected satisfaction more effectively and efficiently than the competitors in a way to preserve or enhance the consumer's and society's well being.

## 1.11 ANSWERS TO CHECK YOUR PROGRESS

- A) 1. Yes 2. No 3. Yes 4. Yes 5. No  
6. Yes 7. Yes 8. No 9. No 10. No  
11. Yes 12. Yes 13. No 14. No 15. No
- B) 4) i (d) ii (c) iii (e) iv (a) v (b)



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## 1.12 TERMINAL QUESTIONS

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- 1) Define Marketing and explain its implications for an emerging economy like India?
- 2) 'Marketing involves satisfaction of **Consumer Needs**'. Elucidate the Statement.
- 3) What are the marketing Concepts? Explain the evolution process of Marketing Management Philosophy.
- 4) Explain the profile of a company Marico Industries by visiting to its **website** [www.marico.com](http://www.marico.com).
- 5) Explain the importance of Marketing for a **consumer** durable company in Indian context.
- 6) Explain **the** difference between selling and marketing for industrial products.
- 7) Explain the growth of consumerism in Indian context with five suitable examples.

**Note:** These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the University. These are for **your** practice only.

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# UNIT 2    MARKETING ENVIRONMENT

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## Structure

- 2.0    Objectives
- 2.1    Introduction
- 2.2    What is Marketing Environment?
  - 2.2.1    Micro Environment
  - 2.2.2**    Macro Environment
- 2.3    Relevance of Environment in Marketing
- 2.4    Marketing Environment in India
- 2.5    Government Regulations Affecting Marketing
- 2.6    Marketing Implications of Some Regulations
- 2.7    Let Us Sum Up
- 2.8    Key Words
- 2.9    Answers to Check Your Progress
- 2.10   Terminal Questions

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## 2.0    OBJECTIVES

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After studying this unit, you should be able to:

- state the meaning of marketing environment, both in terms of micro environment and macro environment;
- explain the marketing environment in India;
- discuss how the environment affects marketing decisions; **and**
- o    describe the government regulations in India which have implications for marketing decisions.

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## 2.1    INTRODUCTION

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Marketing functions are to be carried out in a given environment. Even the marketing opportunity has to be scanned and identified by carefully observing the environment. The marketing mix is also decided in the context of a given marketing environment. Though marketing managers cannot control the forces in a marketing environment, they **must** take them into account when making marketing decisions. While formulating the marketing strategies, the marketers **must** closely observe the environment in which they are functioning, In this unit, you will study the factors that constitute the marketing environment, and the marketing environment in India. You will also study how various Acts and Statutes influence the marketing decisions in India.

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## 2.2    WHAT IS MARKETING ENVIRONMENT?

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Marketing activities are influenced by several factors inside and outside a business firm. These factors or forces influencing marketing decision making are collectively called marketing environment. It comprises all those forces which have an impact on market **and** marketing efforts of the enterprise. **According** to Philip Kotler, marketing environment refers to "external factors and forces that affect the company's ability to develop and maintain successful transactions and relationships with its target