

Revised  
CBCS & GS  
Syllabus

# BASICS OF MARKETING

Dr E B KHEDKAR  
PUSHKAR M AURANGABADKAR



***A Book Of***

# **BASICS OF MARKETING**

**For**

**MBA Semester - I and Other Allied Management Courses**

**As Per New Revised Syllabus**

**Effective from June 2017**

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## Basics of Marketing (MBA : Semester - I)

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## Preface ...

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Marketing is an activity. Marketing activities and strategies result in making products available that satisfy customers while making profits for the companies that offer those products. Marketing is based on thinking about the business in terms of customer needs and their satisfaction.

This book on Basics of Marketing has been specially designed for Management students of Pune University as per the newly revised syllabus effective from June 2016. The Revised Syllabus has been framed after taking into consideration the new marketing scenario, which has totally changed due to Economic Policies, Liberalisation, Privatisation and Globalisation during the last decade. The structure will definitely equip the students to accept the challenges of the 21<sup>st</sup> century.

In writing this book, an attempt has been made to make available to the students a simple and lucid description of the techniques and methods of the basics of marketing. This book presents the basic elements of 'Marketing' with numerous examples and illustrations drawn from realistic situations. This book is also very valuable to marketing executives and those who are aspiring for a bright career in Marketing and Sales areas.

This book would be equally useful to the teachers who would otherwise have to prepare their lectures from various sources. Topics are logically arranged in numbered topics and sub topics according to the modified syllabus.

We have referred to standard works and collected necessary information/material from various books, journals, magazines, bulletins reports and internet articles. We are indebted to all those writers whose thoughts and theories have been helpful in writing this book.

We are grateful to Shri. Dineshbhai Furia and Jignesh Furia of Nirali Prakashan for the opportunity given to us to reach out to the student community through the medium of this book. The most important contribution was made by our family members, students and very close friends. Without their help and whole-hearted cooperation this book would not have been published. We are also thankful to Mr Malik Shaikh, Mrs Anjali Mulye, Mr. Prasad Chintakindi for their help and assistance in the preparation of the book.

We are fully conscious of the fact that a few gaps might have been left uncovered. We would feel sincerely obliged if such deficiencies are pointed out to us by the students as well as our colleagues.

**Authors**

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# Syllabus ...

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(New Syllabus from June, 2016)

## **BASICS OF MARKETING**

**M.B.A. : Sem. I : Course Code 106**

### **1. Introduction to Marketing :**

- 1.1 **Definition and Functions of Marketing** : Scope of Marketing, Core concepts of marketing such as Need, Want, Demand, Customer Value, Exchange, Customer & Consumer, Customer Satisfaction, Customer Delight, Customer Loyalty, Marketing v/s Market.
- 1.2 **Markets** : Definition of Market, Competition, Key customer Markets, Marketplaces, Market Spaces, Metamarkets.
- 1.3 **Company Orientation towards Market Place** : Product, Production, Sales, Marketing, Societal, Transactional, relational Holistic Marketing Orientation. Selling versus Marketing. Concept of Marketing Myopia.
- 1.4 **Introduction to the Concept of Marketing Mix** : Origin and Concept of Marketing Mix and Definitions of 7Ps. People, Processes and Physical Evidence.
- 1.5 **New Marketing Realities** : Major Societal Forces, New Consumer Capabilities and New Company Capabilities.

### **2. Consumer Behaviour :**

- 2.1 *Meaning and importance of consumer behaviour, Comparison between Organizational Buying behaviour and consumer buying behaviour, Buying roles,*
- 2.2 *Five steps buyer decision process.*

### **3. Marketing Environment :**

- 3.1 **Concept of Environment** : Macro and Micro, Need for analyzing the Marketing Environment.
- 3.2 **Macro Environment** : Analysing the Economic, Socio-cultural, Demographic, Political – Legal-Regulatory, Technical, Environmental environments.
- 3.3 *Linkage of Marketing Function with all functions in the organization.*
- 3.4 *Concept of Market Potential & Market Share*

### **4. Segmentation, Target Marketing & Positioning :**

- 4.1 **Marketing as Value Delivery Process** : Traditional and Modern approaches
- 4.2 **Segmentation** : Definition, Need for segmentation, Benefits of segmentation to marketers, bases for market segmentation of consumer goods and industrial goods, Criteria for effective segmentation.
- 4.3 **Levels of Market Segmentation** : Segment Marketing, Niche Marketing, Local Marketing, Mass Marketing.
- 4.4 **Target Market** : Concept of Target Market and Criteria for selection of target market.
- 4.5 **Positioning** : Concept of Differentiation and Positioning, Introduction to the concepts of Value Proposition and USP.

### **5. Product - The First Element of Marketing Mix :**

- 5.1 **Product** : Meaning of product, Goods and Services Continuum, Classification of consumer products – Convenience, Shopping, Specialty, Unsought, classification of industrial products – material and parts, capital items, supplies and services.
  - 5.2 **Product Levels** : The customer value hierarchy
  - 5.3 **Product Mix** : Width, Depth, Consistency and Product line.
-

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<b>1. Introduction to Marketing</b>	<b>1.1 – 1.82</b>
<b>2. Consumer Behaviour</b>	<b>2.1 – 2.46</b>
<b>3. Marketing Environment</b>	<b>3.1 – 3.42</b>
<b>4. Segmentation, Target Marketing and Positioning</b>	<b>4.1 – 4.40</b>
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<b>• Question from Previous Examination Paper</b>	<b>P.1 – P.1</b>

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# Chapter 1 ...

## Introduction to Marketing

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### **Contents ...**

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- 1.2 Definitions and Functions of Marketing
- 1.3 Nature of Marketing
- 1.4 Scope of Marketing
- 1.5 Importance of Marketing
- 1.6 Core Concepts of Marketing
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  - 1.6.2 Wants
  - 1.6.3 Desire
  - 1.6.4 Demands
  - 1.6.5 Individual vs. Market Demand
  - 1.6.6 Customer Value
  - 1.6.7 Conceptual Difference between a Customer and a Consumer
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- 1.11 Company Orientation towards Market Place
- 1.12 Selling vs. Marketing
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- 1.16 New Marketing Realities

- Points to Remember
  - Case Study
  - Questions for Discussion
  - Multiple Choice Questions (MCQ's)
  - Questions from Previous Pune University Examinations
- 

**Learning Objectives**

1. To define, study and understand the meaning and concepts of Marketing.
  2. To define the concept of a Market and study the influencing forces in the market.
  3. To study the market place with reference to the concepts of marketing.
  4. To study the concept of Marketing Mix for Products and Services.
- 

**1.1 Introduction**

Marketing encompasses a wide array of business decisions that are essential to the success of nearly all organisations. Marketing consists of the strategies and tactics used to identify, create and maintain satisfying relationships with customers that result in value for both the customer and the marketer. These efforts lead marketing to serve an important role within most organisations and within society.

Marketing is a very important aspect in business since it contributes greatly to the success of the organisation. Production and distribution depend largely on marketing. Many people think that sales and marketing are basically the same. These two concepts are however different in many aspects. Marketing is the process of introducing and promoting the product or service into the market and encourages sales from the buying public. Sales refer to the act of buying or the actual transaction of customers purchasing the product or service.

The goal of marketing is to make the product or service widely known and recognised by the market. The marketers must therefore be creative in their marketing activities. In this competitive nature of many businesses, getting the product noticed is not that easy. Hence, we shall study the various concepts and advancements towards the terms of marketing and markets in this chapter ahead.

**1.2 Definitions and Functions of Marketing**

The term 'marketing' has been defined in various ways by different authors. A few of these definitions have been discussed here:

1. **Paul Masur**, "*Marketing is the delivery of a standard of living to society.*"
  2. **Philip Kotler**, "*Marketing is the beginning and end of all the business activities.*"
-

3. **The American Marketing Association** says, "Marketing includes all activities which are connected with the transfer of ownership and possession of goods and services."
4. **Leslie Rodger**, "Marketing is the primary management function which organises and directs the aggregate of business activities involved in converting the customers purchasing power into effective demand for a specific product or service and in moving the product or service to the final consumer or user, so as to achieve the company's profit and other objectives".
5. **E. F. L. Brech**, "Marketing is the process of determining consumer's demand for a product or service and motivating its sales, and distributing it into ultimate consumption at a profit."
6. **U. K. Institute of Marketing**, "Marketing is the creative management function which promotes trade and employment by assessing consumer needs and initiating research and development to meet them. It coordinates the resources of production and distribution of goods and services, and determines the nature and scale of the total efforts required to sale maximum production to the ultimate use."
7. The above definitions refer to the modern concepts of marketing function as against the traditional definition by **F. E. Clark** who defines the term as: "Marketing consists of those efforts which affect transfers in ownership of goods and care for their physical distribution".
8. **W. J. Stanton**, "Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying products and services to the present and potential customers".

According to **William Stanton**:

**Marketing and system:** A system of business activities.

**Designed to:** Plan, price, promote and distribute.

**Object of action:** Want-satisfying goods and services.

**Beneficiaries of action:** The market-present and potential house-hold consumers or industrial users.

#### **Implications of Stanton's Definition**

1. This definition treats marketing as one of the most powerful managerial function.
2. It considers the necessity of consumer orientation. Customers' wants must be recognised and satisfied effectively.
3. This definition suggests that marketing is a dynamic business process. It clearly points out that marketing is not a single activity, but it is the result of the interaction of many activities.

4. The satisfaction of the customers wants is most important. Marketing is incomplete without the satisfaction of consumer's wants completely.
5. Marketing activities should be carried out with maximum effectiveness and at the minimum cost. Marketing must maximise profitable sales over a period of time.

Thus, it can be stated that marketing is the process by which products are made available to the ultimate consumer from the place of manufacture. Marketing consists of all those activities which are meant to ensure the flow of goods and services from the producer to the consumer. In economic terms, marketing covers those activities which relate to time, place, and possession utilities. Marketing, therefore, is nothing but performance of business activities that direct the flow of goods and services from producer to the consumer.

**1.3 Nature of Marketing**

Marketing, from its origin, has been inter-disciplinary in nature, orientation and design. From its birth, as the step child of Economics, it has moved into a closer relationship with other members of the social and behavioural sciences. Marketing has retained many of the basic assumptions, concepts and methodologies of Economics.

**Marketing is both an Art as well as Science**

Art is the practical application of a set of rules or principles in practice. On the other hand, science is a system of facts and principles concerning any subject. Marketing is an art in the sense that a considerable body of rules or principles on buying, selling, financing, standardisation, market information, etc. has been put into practice to achieve success in the economic life of man.

However, latter developments changed the art into science (behaviour of the individuals can be studied at the market place). Human behaviour of course, cannot be accurately measured. Since its rules or principles cannot be as accurate as those of physics or chemistry, it was contended that marketing is purely an art. However, it should be remembered that many aspects of marketing are becoming technical which has created the need for complex tools of measurement and experimentation. So though Marketing is an art, it is based on Science.

The chart below depicts the nature of marketing function at a glance.



**Fig. 1.1: Nature of Marketing**

Marketing at present is related to four groups of social science disciplines.

1. *Disciplines that are directly linked to marketing* as a result of their normal subject-matter area and approach, e.g., Economics and Political Science.
2. *Disciplines that are concerned with human behaviour*, e.g., Sociology, Psychology etc.
3. *Disciplines that are related to social issues and problems*, e.g. Philosophy.
4. *Disciplines attached to tool techniques*, e.g. Mathematics and Statistics.

**The Integration of Marketing Functions includes:** Field Sales, Sales Management, Product Service, Sales Administration, Marketing Personnel, their Recruitment and Training, Marketing Research, Advertising and Promotion, Product Planning, Dealer Relations and Distribution, Planning, Production, Scheduling, Consumer Relations etc.

The above given definitions suggest certain ***basic features of marketing*** which are as follows:

**1. Regular and Continuous Activity:** Marketing is a continuous process/activity in which goods and services are provided and distributed to consumers. Assembling, standardisation, grading, packaging, transportation, warehousing, etc., are the activities which are supplementary to marketing but are useful for the smooth and proper conduct of marketing operations.

**2. Brings transfer of ownership:** Marketing activity facilitates transfer of ownership of goods and services and facilitates physical distribution. *Production* (goods and services) acts as a base of marketing as marketing is related with the goods manufactured or produced.

**3. Facilitates satisfaction of human wants:** Marketing activities are *basically for satisfying the needs of consumers* and also for social welfare. The starting point of marketing activity should be the identification of consumer needs. This is natural, as marketing is for meeting such needs/wants. Goods and services are useful for the satisfaction of human wants/needs. In this sense, it is rightly suggested that marketing begins before a product is launched.

**4. Marketing relates to goods and services:** Marketing is said to be related to goods and services. It is concerned with the exchange of goods and services with the medium of money. Trade transactions are between sellers and buyers of goods. Thus, goods and services constitute the basic and the liveliest element in marketing. Marketing is possible only when there is regular supply of goods and services.

**5. Wider socio-economic significance:** Marketing activity has *wider socio-economic importance* as it facilitates large scale production, creates massive employment opportunities and promotes social welfare. Marketing activity facilitates industrial development and cultural exchanges.

**6. Creates utility:** *Marketing activity creates utilities* (time, place and possession) through which human wants are satisfied.

**7. Consumer oriented socio-economic activity:** The concept of marketing has undergone many significant changes. It is not merely an activity for profit maximisation. It also has social significance. It is for the satisfaction of human wants and for promoting social welfare.

**8. One aspect of business:** Marketing is one of the aspects of business. It is within the scope of the term business and is also linked with other functional areas of business which include production, finance, personnel etc.

**9. Importance of Marketing Mix:** Marketing is the sum total of 4Ps. These are:

- (i) Product,
- (ii) Price,
- (iii) Promotion and
- (iv) Physical distribution.

Through the combination of the 4Ps, called the marketing mix, large scale marketing is possible.

**10. Marketing precedes and follows production:** Marketing and production are closely related activities. Goods are produced for marketing. Here, marketing follows production. Besides, marketing suggests consumer needs and production is conducted accordingly. In modern marketing, production is as per the needs and expectations of consumers. Then commercial production is undertaken and the product can be launched in the market. Such product gets consumer support as it is need based. This suggests the importance of marketing. It precedes and follows production.

**11. Wide in scope/comprehensive concept:** The concept of marketing is wide/comprehensive. It is not concerned merely with the selling of goods. It is connected with other functional areas of business such as production, finance and personnel. Marketing will only be effective when it is closely linked with other functional departments of the organisation. There should be co-ordination of marketing with other management functions.

## 1.4 Scope of Marketing

Marketing is a very comprehensive concept and is not restricted to merely buying and selling of goods at convenient places. It is closely concerned with the customers and their needs. It also involves various activities and functions which offer satisfaction and pleasure to consumers. Marketing is also connected with the production of goods/services and efficient distribution at the national level. Marketing management is one important area of total business management. An executive who looks after the marketing aspect of business is called a *marketing manager/sales manager*. The duties and functions which a marketing

manager has to perform with the cooperation of his subordinates and other departments of the organisation come within the scope of marketing/marketing management. In brief, the *broad areas covered within the scope of marketing/marketing management* can be stated as under:

1. Assembling, branding, transportation and storing of all marketable items.
2. Planning, organising, coordinating and controlling various marketing activities and operations.
3. Recruitment, training and motivating sales personnel functioning at different levels.
4. Product Planning and Development.
5. Study of the ever changing marketing environment and introduction of suitable marketing strategies (combination of four Ps) from time to time in order to achieve marketing objectives in total.
6. Market segmentation and target marketing.
7. Provision of after-sales service particularly in the case of industrial goods and consumer durables.
8. Pricing policies.
9. Channels of Distribution and Physical Distribution.
10. Marketing Information Systems.
11. Advertising and Sales promotion.
12. Marketing Research with particular reference to consumer research.

This broad list of topics within the scope of marketing need not be treated as complete in all respects. In fact, every topic noted above has many sub-topics within its fold. Along with new developments in the marketing field, the scope of marketing also widens. In brief, the scope of marketing is very vast and everything directly or indirectly connected with marketing needs to be included within the scope of marketing/marketing management.

### **1.5 Importance of Marketing**

Today, businesses around the world, both large and small, cannot close the eyes to the impact that the global economy is having on their performance. Globalisation, the internet, and information transparency have led to an increasingly mobile workforce, more fickle customers, and rapidly changing technologies and business models. One result of this seemingly unalterable trend is that companies are less able to forecast - let alone control - the short-term shape of their own markets.

As a result, more and more organisations are choosing to adopt a marketing-led philosophy to allow them to win market share and capture and hold on to the hearts and

minds of current and prospective customers. Marketing is becoming more important as organisations around the world endeavor to develop products and services that appeal to their customers and aim to differentiate their offering in the increasingly-crowded global market-place.

These complex issues intensify the need for effective marketing whilst expanding its scope beyond the 'marketing function'. Put simply, marketing is no longer the sole choice of a single 'function', even if the leadership on marketing comes from that function, together with the framework within which marketing strategies are conceived, developed, planned, executed, reviewed and improved.

It used to be that a company could rise to the top of its industry and deliver superior shareholder returns by doing one thing well. Not anymore. Marketing's perceived ability to coordinate collaboration across an organisation (and its role in driving demand in markets that suffer from low rates of consumption) indicates that marketing is becoming increasingly important, even in organisations and sectors where it has, perhaps, traditionally taken a back seat.

Marketing is the most important business function that many companies ignore and/or under utilise. The most successful businesses in a free market economy are those that have a well-defined, strong marketing organisation. Marketing is the thinking part of a business. A proactive company is marketing led!

The importance of marketing can be explained under the following heads.

### **I. Importance of Marketing to the Society**

**1. An Indispensable Vital Link:** Marketing is an indispensable vital link between production and consumption. It is a bar which connects the two wheels of production and consumption and establishes harmony between the two.

**2. Delivery of Standard of Living:** Marketing delivers a standard of living to the society. It serves to educate people for better and newer uses of goods and new products. It means that the quantity and quality of goods used by the society depends upon the efficiency of the marketing method.

**3. Marketing Creates Employment Opportunities:** Marketing creates huge employment avenues in the society. With the improvement in production techniques, the population engaged in agriculture is reduced. Marketing creates an infrastructure of transportation, insurance, warehousing etc. which helps to increase employment opportunities.

**4. Encouragement to Productive Activity:** Marketing provides incentives to productive activities and assures its continuity. Production aims at consumption. Marketing

# Basics Of Marketing



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