

MASTER OF COMMERCE

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BY

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Topics for Discussion: Meaning, Definition, Nature, Scope and Concepts.

Meaning of Marketing

Marketing is not a new word to us. All of us use this word in our daily life in one way or the other. However, it seems that the meaning of the term marketing is not often clear to those people who use this word. To a salesman it means selling whereas to an advertiser it means advertising. To a domestic lady it means purchasing vegetables, fruits and other domestic items from the market, *i.e.*, shopping. For an agriculturist, marketing is means selling his produce in the market. Similarly, for a producer marketing means distribution of goods manufactured by him. According to *Paul Mazur*, "Marketing is the delivery of a standard of living." In short, it may be said that on one side marketing is a most popular word commonly used by the men in the street and on the other it is a word which is mostly misunderstood by most of us. According to marketing experts, "In practice all of us use the term marketing according to our status, ability, post, need and environment." As a matter of

fact, the term marketing is not confined to shopping, selling, advertising, product planning, distribution, standard of living etc. Actually speaking, marketing is a comprehensive term and it includes all resources and set of activities necessary to direct and facilitate the flow of goods and services from the place of producer to the place of consumer, including after-sale services, in the process of distribution.

Definitions of Marketing

Different authors and experts have given different definitions of marketing. Thus, there is not a single definition of marketing which is universally acceptable to all. For instance, if any particular definition of marketing is acceptable at one time, it is not acceptable next time. The main reason is that marketing is a most developing science. In order to understand the correct meaning of the term marketing, we have to understand different points of views. As such, the definitions of marketing may be studied under the two broader heads:

(1) Traditional, narrow or product-oriented sense or approach.

(2) Modern, broader or consumer-oriented sense or approach.

(I) Traditional, Narrow or Product-Oriented Sense or Approach

Traditional, narrow or product-oriented sense or approach is based on the assumption that the product, whatever it is, will be acceptable to the consumer. Only the producer knows as to which product is good for the consumer and which is bad. Whatever will be produced by him will be acceptable to the consumer. In this way, the producer is concerned only with the production of goods without taking into account the need, choice or behaviour of the consumers. A few definitions supporting this view are as follows:

(1) According to Pyle, "Marketing comprises both buying and selling activities."

It means that marketing is confined to buying and selling activities only. Thus,

physical distribution and auxiliary functions, which are the essential parts of marketing, are totally excluded from this definition. Hence, it is quite a narrow and obsolete definition of marketing.

(2) *According to Tousley, Clark & Clark, "Marketing consists of those efforts which affect transfers in the ownership of goods and services and which provide for their physical distribution."*

Comments : According to this definition marketing includes transfer in the ownership of goods and services and also their physical distribution. This definition too is quite short and does not include consumer satisfaction which is an essential function of modern marketing.

(3) *According to Converse, Huegy and Michell, "Marketing includes activities involved in the flow of goods and services from production to consumption."*

(4) *According to American Marketing Association, "Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user."*

Comments : Both the above definitions do not clarify the activities/business activities to be included in marketing, these only emphasise distributive aspects of the marketing, and *fail to stress* consumer /managerial aspect of marketing. These definitions of marketing are also inadequate.

All the above definitions of marketing are traditional, narrow and product-oriented because:

- (i) They lay emphasis on production, buying and selling activities only;
- (ii) They totally ignore consumer satisfaction-oriented side of marketing which is more important nowadays ;
- (iii) They do not include after-sale services which is also an important function of marketing ; and
- (iv) Above all, they have ignored the social responsibility side of marketing.

(2) Modern, Broader or Consumer-Oriented Sense or Approach

Under the modern broader or consumer-oriented sense or approach emphasis is given on the satisfaction of the consumers. Only those products are brought forward which can satisfy the want and taste of the consumers. That is why modern writers have given more importance to the satisfaction of the consumers. Some of the popular definitions based on consumer satisfaction approach are as follows:

(1) According to Malcolm McNair, "Marketing is the creation and delivery of a standard of living."

(2) According to Paul Mazur, "Marketing is the delivery of a standard of living."

(3) According to H. L. Hansen, "Marketing is the process of discovering and translating consumer needs and wants into product and service specifications, creating demand for these products and services and then in turn expanding this demand."

(4) According to E. J. McCarthy, "Marketing is the response of businessmen to the need to adjust production capabilities to the requirements of consumer demand.'"

Comments: The above definitions suggest that the marketing is concerned with the production to the delivery of goods to the consumers according to their requirements and thus assists in providing standard of living to the society. Here the consumer becomes the focal point of all business decisions and there is an all-out commitment to market considerations. This is best explained by *Fred J. Borch* of the General Electric Company (*G.E.C.*) of the U.S.A. one of the first companies to become consumer-oriented in the U.S.A.

Fundamental to this philosophy is the recognition and acceptance of the customer/consumer-oriented way of doing business. Under modern marketing, the

customer becomes the centre point—the pivot point around which the business moves for the balanced best interest of all concerned. The second fundamental on which the marketing philosophy rests is that it is rooted in the profit concept and not the volume concept. The third fundamental on which the marketing philosophy rests is the emphasis on market price rather than cost which suits the pocket of consumers. The product line is quite broad. The fourth and the final fundamental on which the marketing philosophy rests is the consumer satisfaction which is also the primary function of marketing.

Conclusion: After taking into account both the above views, i.e., product-orientation view and the customer-orientation view we conclude,

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

Nature of 'Marketing

There was a time when marketing activity was concerned only with the flow of goods and services from the producer to the consumer. Hence those business activities which were involved in the movement of goods and services from the producer to the consumer were included in marketing. In other words, marketing was concerned with the distribution of goods and services only. However, this concept of marketing has now been changed. Actually, marketing begins even before the start of production and ends after the satisfaction of the consumer/customer. According to W. J. Stanton, *"Just as marketing does not begin at the end of the production line it does not end with the final sale. Satisfaction of the consumer is important."* This is why it is often remarked, *"Marketing starts and ends with the consumer."*

The study of nature of marketing can be done under the following heads:

1. **Human Activity:** Originally, the term marketing is a human activity under which human needs are satisfied by human efforts. It's a human action for human satisfaction.

2. **Consumer-Oriented:** A business exist to satisfy human needs, hence business must find out what the desire of customer (or consumer) and thereby produce goods & services as per the needs of the customer. Thus, only those goods should be produce that satisfy consumer needs and at a reasonable profit to the manufacturer (or producer).
3. **Art as well as Science:** In the technological arena, marketing is the art and science of choosing target markets and satisfying customers through creating, delivering, and communicating superior customer value. It is a technique of making the goods available at right time, right place, into right hands, right quality, in the right form and at right price.
4. **Exchange Process:** All marketing activities revolve around commercial exchange process. The exchange process implies transactions between buyer and seller. It also involves exchange of technology, exchange of information and exchange of ideas.
5. **Starts and ends with Customers:** Marketing is consumer oriented and it is crucial to know what the actual demand of consumer is. This is possible only when required information related to the goods and services is collected from the customer. Thus, it is the starting of marketing and the marketing end as soon as those goods and services reach into the safe hands of the customer.
6. **Creation of Utilities:** Marketing creates four components of utilities viz. time, place, possession and form. The form utility refers to the product or service a company offers to their customers. The place utility refers to the availability of a product or service in a location i.e. Easier for customers. By time utility, a company can ensure that products and services are available when customers need them. The possession utility gives customers ownership of a product or service and enables them to derive benefits in their own business.
7. **Goal Oriented:** Marketing seeks to achieve benefits for both buyers and sellers by satisfying human needs. The ultimate goal of marketing is to generate profits through the satisfaction of the customer.
8. **Guiding Element of Business:** Modern Marketing is the heart of industrial activity that tells what, when, how to produce. It is capable of guiding and controlling business.
9. **System of Interacting Business Activities:** Marketing is the system through which a business enterprise, institution or organization interacts with the customers with the objective to earn profit, satisfy customers and manage relationship. It is the performance of business activities that direct the flow of goods and services from producer to consumer or user.

10. Marketing is a Dynamic Processes series of Interrelated Functions: Marketing is a complex, continuous and interrelated process. It involves continuous planning, implementation and control.

Scope of 'Marketing

(1) Products and Services:

Products and Service are the basic element of marketing. If there is no product there is no marketing. It is concerned with the nature and type of products, product quality and design, product planning and development, product decisions relating to branding, labelling, packaging, trademarks etc.

(2) Marketing Research:

Though products and services were the starting point under traditional marketing, modern marketing starts with an analysis of the various aspects of market and related areas. It includes an analysis of nature and types of customers, size of market, customer attitude, buyer behaviour etc. An in-depth analysis of customers and markets is a prerequisite for every marketer to have a successful marketing.

(3) Channel of Distribution:

The pathway through which the goods move from producer to consumer is the channel of distribution. It includes a number of intermediaries like wholesaler, retailers, jobbers etc. Channels by moving the goods help in transferring the ownership of goods from seller to buyer.

(4) Physical Distribution:

The physical movement of the goods from producer to consumer is physical distribution. It includes transportation, warehousing, inventory control and management, order processing etc.

(5) Promotional Decisions:

Howsoever good a product is, it has no value if it is not properly promoted. Promotion has the basic objective of informing the market about product availability and creating a demand for it. Different promotional tools are there like advertising, sales promotion, personal selling, publicity, public relations etc.

(6) Pricing Decisions:

This is the only element of marketing which generates revenue for the firm. Pricing is concerned with pricing policies and strategies, price determination, discounts, commissions etc.

(7) Environmental Analysis:

An analysis of the environment in which the business is to be carried out is the first step for any organisation. The various macro and micro factors should be studied beforehand only to develop an understanding of the strength, weaknesses, opportunities and threats, for an organisation.

This will help not only in the formulation of the corporate strategy but marketing strategy as well. It includes the study of economic environment, geographical environment, political and legal environment, social and cultural environment, natural and technological environment etc. in the country and outside.

(8) Feedback from Customers:

For successful marketing of goods it is essential that the marketer obtains the required feedback from customers. A proper feedback mechanism should be developed so that reasons for failure or less satisfaction may be identified and improvements in the products be made.

(9) Responsibility towards the Society:

Business and society are interrelated and interdependent. A business cannot exist in vacuum. It derives its much needed inputs from society and therefore owes a responsibility towards the society. These social activities are a part of marketing as the units have to protect and promote the interest of the society. A marketer to be socially responsive owes responsibility towards employees, consumer, shareholder etc.

All those activities relating the conception of the idea of production to the satisfaction of the consumers are included in the marketing.

Concept of Market

According to *William J. Stanton*, "*Administrators must recognise that there is a*

significant difference between the marketing concept and marketing itself. The marketing concept is a philosophy, an attitude or a course of business thinking, while marketing is a process or a course of business action. Naturally, the way of thinking determines the course of action. Thus the marketing concept differs from marketing." He further added that in the fullest sense, the marketing concept is a philosophy of business which states that the customers want satisfaction in the economic and social justification of a company's existence. Consequently, all company activities in production, engineering, finance as well as in marketing must be devoted to, *first*, determining what the customer's wants are, and, *then*, satisfying these wants while still making a reasonable profit. The general aim of marketing is to have a regular flow of goods among customers with a definite target to ensure the optimum satisfaction of the organisation, customers and the society. The marketing activity must, therefore, be undertaken with a clear-cut concept. Different concepts have been developed so far by different authorities of marketing. The main concepts are as follows:

(1) The Production Concept: This is the oldest concept guiding producers. Under this concept, producers believe that if the product is good and reasonably priced, it will be quite popular even if no special marketing efforts are made. They are of the opinion that it is the quality and the reasonable price will positively yield satisfactory sales and profits. This marketing philosophy prevailed till 1930.

(2) The Selling Concept: The selling concept assumes that the customers will not normally buy a product unless they are approached and convinced through intensive sales promotion, advertising and salesmanship efforts. Even the best product cannot have assured sales without the help of sales promotion and aggressive salesmanship. Such a marketing concept points out that goods are not bought but they are to be sold the help of salesmanship, advertising and publicity.

(3) Distribution of Goods and Services Concept: It is also a traditional concept of marketing. According to American Marketing Association, "*Marketing is the*

performance of business activities that direct the flow of goods and services from producer to consumer or user." This concept of marketing includes all those activities which are related to transfer of ownership in goods and services from the producer to the actual consumer. It has no concern at all with the production activities. This concept indicates that marketing begins when production process is complete. Thus it is also a narrow view of marketing which insists on flow of goods and services and leaves the other more important managerial aspect of marketing untouched.

(4) Creation of Utility Concept: According to this concept, *"Marketing is the creation of time, place and possession utilities"* Really speaking, different activities conducted under marketing assist to a great extent in creation of utilities. That is why it is said that the marketing is the creation of utilities. Utilities are mainly of four types *i.e.*, form utility, time utility, place utility and possession utility. It means

- (i) Product planning and development activities create form utility.
- (ii) Flow of goods through different distribution channels from the producer to the consumer creates place utility.
- (iii) After production, goods are stored by the manufacturers, wholesalers or retailers till such time the demand of the product is created and thus goods are available to the customers as and when needed by them. This creates time utility.
- (iv) Through salesmanship, advertising and publicity, goods are transferred from the producers or their agents to the customers. This possession utility is created by the transfer of possession of goods to the person who needs it. According to *Richard Buskirk*, *"Marketing is an integrated system of action that creates value in goods through its creation of form, place, time and ownership utilities."*

(5) Delivery of Standard of Living: This concept of marketing has been originated by *Paul Mazur*. According to him, *"Marketing is the delivery of standard of living."* *Prof. McNair* made an important contribution by adding a new idea in the definition given by *Paul Mazur*.

According to *Prof. McNair*, "*Marketing is the creation and delivery of standard of living to the society.*" According to this concept, marketing includes all those activities that create and provide a better standard of living to the society. Really speaking, it is consumer-oriented concept and thus is quite close to the modern concept of marketing.

(6) Societal Marketing Concept: It is a broadened marketing concept. As a matter of fact, this concept of marketing is of recent origin and has been profusely debated in scholarly journals. An attempt has been made by *Prof. P. Kotler* who is one of the chief promoters of this concept. According to him, "*The societal market log concept for a customer orientation backed by integrated marketing aimed at generating customer satisfaction aid long-run consumer welfare as the key to attaining long-run profitable volume.*" This definition in essence, reproduces all that is involved in the marketing concept. The societal marketing concept is based on the following premises:

- (i) The mission of an organisation is to create satisfied customers.
- (ii) This organisation shall not offer a product to consumers if it is not in the best interests of the consumer.
- (iii) The organisation shall offer long run consumer and public welfare.
- (iv) Marketing plans and programmes shall duly consider consumer wants, consumer interests, social welfare and corporate needs, *e.g.*, long-run profitable sales to assure survival and growth.

(7) Revenue (Profit) Concept: It is also a very old and traditional concept of marketing. According to this concept, the main purpose of marketing is to sell the product at a price which provides reasonable profit to the firm after meeting out the cost and all other expenses. *Richard Buskirk* has explained this concept in these words : "*It is the marketing responsibility to generate revenue at a cost which will allow a reasonable profit to be realised from operations.*" Thus revenue (profit) concept emphasises that marketing consists of all activities which are performed with a view to allowing the firm to earn a reasonable profit.

(8) Customer Satisfaction Concept: This is also called modern marketing concept.

It was introduced in marketing philosophy and objectives only after 1950. It is also known as marketing concept. Customer satisfaction concept emphasises the complete satisfaction of customers' needs. Customer satisfaction concept points out that the primary task of every business enterprise is to study the needs, desires and values of the potential customers, and on the basis of the latest and accurate knowledge of market demand, the enterprise must produce and offer the products which will give the desired satisfaction and services to the customers. The essence of this concept is that the customer and not the product shall be the centre of the entire business system. All business operations revolve around customer satisfaction and service. All marketing plans, policies and programmes are formulated to provide maximum satisfaction to customers.

Meaning of Modern Concept of Market

The need for integration with other major functions of marketing and the realisation that the business is basically a marketing organisation is described as the modern concept of marketing or new concept of marketing or the marketing concept. Under this concept, the organisation tries its best to determine the needs, wants and values of the buyer's market and finally takes all steps to deliver the desired satisfaction more effectively and efficiently than its competitors do. Every possible attempt is made to satisfy the wants of customers; and to achieve this objective, a special programme of marketing research is undertaken. The organisation fully believes that it can win the loyalty of its customers and their appreciation of its services by only giving them satisfactory services in respect of their needs and wants; winning the confidence of customers is as good as fulfilling the goals of organisation. This concept has been in vogue in the free economies for quite some time and especially in the U.S.A. since 1950.

Definitions of Modern (New) Concept of Marketing

Different writers have given their definitions on modern (new) concept of

marketing. According to *Philip Kotler*, "The marketing concept is a customer orientation backed by integrated marketing aimed at generating customer satisfaction as the key to satisfying organisational goals." *Archer P. Felton* has also emphasised the same customer orientation view in the following words, "*The marketing concept is a philosophy applied to the operation of the business to which customer and consumer needs will be uppermost in importance. These needs will govern the separate planning of each function of the business as well as the overall plan aimed at achieving its predetermined profit objective.*" *William J. Stanton* has also defined the modern concept of marketing in the following words, "*In the fullest sense the marketing concept is philosophy of business which states that the customers want satisfaction which is the economic and social justification of a company's existence. Consequently, all company activities in production, engineering and finance as well as in marketing must be devoted to first, determining what the customer's wants are and then, satisfying these wants still making reasonable profit.*" According to *McNarma*, "*Marketing management is a philosophy of business management, based upon a company wise acceptance of the need for customer orientation, profit orientation, and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments.*"

All the above definitions of modern marketing concept are customer/consumer-oriented which emphasises giving fullest satisfaction to the customers along with reasonable profits to the enterprise which is essential for the growth survival and stability of the enterprise. They totally accept the sovereignty of the customer, such as "*Consumer is the king*", "*We are to produce what the people want, nor what we can sell.*"

Main Components of Modern Concept of Marketing

After studying the above definitions of modern marketing concept, we conclude that the following are the pillars, fundamentals, main components or basic features of modern marketing concept:

(1) *Customer Orientation*: The modern marketing concept gives all its attention to

the customer. Every possible attempt is made to ascertain and satisfy consumer needs. The customer is the centre of modern marketing around which all business activities cluster. In this connection a businessman has rightly observed "we are to produce what the people want and not what we can sell." For effective customer-orientation, the firm is to decide, *firstly*, the basic needs of its customers, it can satisfy. *Secondly*, market segments, it can serve better, taking into account its limited resources. *Thirdly*, shape, colour, size, design and varieties etc. of the product, it can choose to satisfy the specific needs of the specific customers. *Finally*, consumer research is undertaken on a wide scale by the firm.

(2) *Integrated Marketing*: The second pillar or feature of modern marketing concept is integrated marketing. Many companies agree with *Peter F. Drucker* that "the purpose of a company is to create a customer." But fail to take the necessary organisational steps to implement the marketing concept. Integrated marketing means that there should be a close coordination and unity amongst the various departments of a company. It will have a profound effect on the company's ability to create new customers and also retain old customers. The marketing-oriented company is one which has developed effective mechanisms for coordinating the various customer impinging forces, It is reflected in satisfied and loyal company consumers, such as Philips, Tata etc.

(3) *Customer Satisfaction*: The third pillar or feature of modern marketing concept is the customer satisfaction. The company should make all possible efforts for providing maximum satisfaction to its customers. In this connection, it is interesting to note *few* slogans that the 'Marshall Field and Company', one of the world's greatest department stores, has given in his employee rule book. They are as follows:

- (i) 'Customer is always right if he/she *thinks*. he, she is right',
- (ii) 'We are more interested in pleasing the customer than in marketing sale.;
- (iii) 'We sell only the topmost quality products at fixed prices';
- (iv) 'We strive to give completely satisfactory services to every customer.'

(4) *Consumer Welfare*: The fourth and the last pillar or feature of modern

marketing is the consumer welfare. It is of recent origin. Only the satisfaction of consumer is not sufficient, our ultimate aim is the consumer welfare. The reason behind this concept is that in the modern age it is not at all possible to keep marketing separate from social welfare. Hence firms should prescribe and conduct their marketing activities keeping in view the consumer welfare concept.

Marketing Concept Vs. Selling Concept

Most of us are confused about marketing concept and the selling concept. We treat them one and the same. However, difference exists between these two concepts.

Firstly, selling focuses on the needs of the seller, whereas marketing focuses on the needs of the buyer.

Secondly, in selling the main idea is to convert the product into cash. On the contrary, marketing deals with the satisfaction of the customers with the products supplied to them and creation of more demand etc.

Finally, the selling concept is mainly concerned with existing products and their sale to make ultimate profits. On the contrary, the marketing concept deals with the existing as well as the potential customers and their needs. It emphasises providing maximum satisfaction to customers on the one side and providing reasonable profits to the firm on the other.

The End