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MARKETING

Meaning, Nature, Scope, Concepts, Functions and Importance (Significance)]

Q. 1. What is meant by marketing? State its nature and scope.

Or

Define and explain critically the term marketing and state its nature and scope.

Or

Discuss the various approaches to the study of marketing.

Answer: 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 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 fulcrum—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 what consumers want and services to present and potential customers."—*William J. Stanton*

Nature and Scope 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 and scope of marketing can be done under the following heads :

(1) *Distribution of Goods and Services Approach*: According to this approach, marketing includes all those activities which are involved in the flow of goods and services from producer to consumer in the process of distribution. Businessmen refer to marketing process as distribution process.

(2) *Commodity Approach*: This approach studies marketing on commodity wise basis, such as sugar, tea, wheat, automobiles, fabrics etc. The marketing situation of each product is studied as regards the sources and conditions of supply, nature and extent of demand, the distribution channel used and the functions, such as buying, selling, advertising, financing, storage etc., performed by the various agencies. Under this approach, the commodity serves as a focus around which other aspects of marketing are studied. By repeating such studies in case of different commodities one gets the complete picture of the entire field of marketing.

(1) *Functional Approach*: In the functional approach, the focus of marketing study is on different kinds of functions which are recognised for their repetitive

occurrences and are necessarily performed to consummate market transactions. Though there is no unanimity about the number and nature of functions that constitute marketing, nevertheless, some functions recognised are buying, selling, storage, transportation, financing, standardisation, grading, risk-taking, marketing research etc.

4) *Managerial Approach* : In the managerial approach, the focus of marketing is on decision-making process involved in the performance of marketing functions. The basis of this approach is that marketing is purely a management function. The managerial approach entails the study of marketing at the micro level—level of business firm of the managerial functions, such as planning, organisation, execution, coordination, control etc.

5) *Societal Approach*: In the societal approach, the entire marketing process is regarded not as a means by which business meets the needs of consumers but as a means by which society meets its own consumption needs. In it, the focus of study is the interactions between the various ecological factors, such as, cultural, political, sociological, legal and marketing decisions and their impact on the well-being of the society. It is a wider approach as compared to previous approaches as is the recent origin approach.

(6) *Systems Approach*: Among the recent approaches to the study of marketing, the one that has been engaging considerable attention lately is the systems approach. This approach recognises the inter-relations and inter-connections among the components of a marketing system in which products, services, money, equipment, information etc., flow from marketers to consumers. These flows largely determine the survival and growth capacities of a firm. Thus the focus of systems approach is the analysis of the marketing flow and communications from the marketers to consumers.

(7) *Consumer Satisfaction Approach*: In the consumer satisfaction approach, the focus of marketing is on the satisfaction of the consumer. Marketing is related to the needs of the consumers. Only such products are brought forward which can satisfy the demand of the consumers. Marketing activities are directly concerned with the demand-stimulating and demand-fulfilling efforts of the businessmen.

From the above study, it is evident that the scope of marketing is very wide. All those activities relating the conception of the idea of production to the satisfaction of the consumers are included in the marketing.

Q.2. State and explain the different concepts of marketing.

Or

"Marketing has been defined as creation of time, place and possession utilities." Explain.

Or

"Marketing is the delivery of standard of living." Explain.

Or

"Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user."

Or

"Marketing is the creation and delivery of a standard of living." Explain.

Answer: 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 create 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 and 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.

Q.3.State and explain the modern concept of marketing.

Or

"Marketing should aim at meeting a given customer need rather than selling a given product." Comment.

Answer: 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 companywise 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."

Pillars, Fundamentals or 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', cue 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.

Explanation of the following terms

Industrial Marketing vs. Consumer Marketing: What's the Difference

When it comes to marketing, many industrial companies let it fall by the wayside. If there's time or money left in the budget, an advertisement might be placed in a trade journal or in a regional newspaper. For many industrial companies, marketing simply isn't worth the time or effort.

But herein lies the issue. What many companies may think of as marketing (and what they're seeing little return on) isn't the kind of marketing they should be implementing. Industrial marketing is an entirely different best compared to its more popular and more recognized counterpart, consumer marketing.

While consumer marketing deals with product markets (think finished goods that are largely bought by individuals, like shoes, clothing, books, etc.) **industrial marketing** deals with factor markets, or highly specialized products and services for select consumers (think labour, machinery or unfinished products).

Of course, the end goal is still the same: gain qualified leads that turn into quality customers. But the way to get those leads needs to be approached entirely differently. Here are the main differences between industrial marketing and consumer marketing:

1. Products are highly specialised.

In consumer marketing, products are often simple and can be mass marketed. On the other hand, in industrial marketing, products are very niche-specific and require specialized knowledge on the part of both the buyer and seller.

When it comes to marketing your Lithium-ion batteries that work specifically with medical machinery, your target audience certainly isn't going to be everyone and anyone.

By creating ebooks, webinars, blog posts and other materials about the problems your target audience face, industrial companies can help educate their buyers during the critical research and analysis stage of the industrial buy cycle (a stage which is nearly nonexistent in the consumer buying process.)

2. Industrial buyers are professionals.

While consumer market buyers can be swayed by social or psychological motives, industrial market buyers know exactly what they want and are often a part of a buying team (while an individual may purchase a product, the decision may be a highly scrutinized team decision.)

Buyers are looking for benefits (often hard ROI numbers) and how this purchase will help them meet their goals. Through case studies, white papers and other factual content marketing material, industrial companies can differentiate themselves and provide the reliable information that industrial buyers seek to analyze before making decisions.

3. There's an emphasis on partnerships vs. advertising.

In consumer marketing you may be able to convince a buyer to buy a pair of socks based on their impulses. In the industrial market, gaining a buyer requires a longer timeline (sometimes months or years) and a formation of trust and expertise. Industrial marketing focuses on "lead nurturing," building a relationship between you and the buyer. Based on the products the industrial company sells, a sale can result in a partnership that lasts for years.

As can be deduced from above, the industrial buying process is vastly different from the typical consumer buying process. The industrial market is comprised of products that are highly specialized, consists of professional buyers that conduct considerable research on products before buying and relies on establishing relationships between buyers and sellers. The sale cycle is much longer, again emphasizing that relationships and communication channels between industrial companies and potential customers must stay open and nurtured.

A survey from Engineering360 showed that the top most important characteristics during the buying process included technical support, delivery and availability, characteristics that stressed service vs price. As such, marketing and customer service are inextricably linked in the industrial buying process, again showing the importance of brand loyalty through the implementation of such marketing tactics as customer surveys, newsletters and open forums.

According to Gartner, "57% of a typical purchase decision is made before a customer even talks to a supplier" while "53% of those surveyed claimed that the sales experience itself was one of the greatest contributing factors in continued loyalty to the brand."

Conclusion

When it comes to marketing, industrial companies have both a lot to learn and a lot to gain. Recognizing the differences between industrial and consumer marketing makes the difference between high ROIs and complete lack of engagement. Believe it or not, investing in marketing, even when you're an industrial company, will pay off.

If you're not sure how to improve your marketing in a cost effective way, grab a copy of our Strategic Marketing Ebook. It'll help you get predictable results and make your company more money.

What is a Buyer's Market?

A buyer's market refers to a situation in which supply exceeds demand, giving purchasers an advantage over sellers in price negotiations.

- A buyer's market refers to a situation in which supply exceeds demand, giving purchasers an advantage over sellers in price negotiations.
- Buyer's market is commonly used to describe condition in real estate markets, but it can apply to any type of market where supply exceeds demand.
- The opposite of a buyer's market is a seller's market, a situation in which demand exceeds supply.

Understanding a Buyer's Market

A buyer's market stems from the law of supply and demand. This law states that a supply increase amid constant demand puts downward pressure on prices, while a demand increase

amid constant supply puts upward pressure on prices. If supply and demand rise or fall in tandem, prices are generally impacted much less.

A market will swing from a buyer's to a seller's market, or vice versa, when the level of supply or demand moves without a similar change in the other, or when the two move in opposite directions.

The term "buyer's market" is commonly used to describe real estate markets, but it applies to any type of market in which there is more product available than there are people who want to buy it. The opposite of a buyer's market is a seller's market, a situation in which demand exceeds supply and owners have an advantage over buyers in price negotiations.

Buyer's Market Characteristics

In a real estate buyer's market, houses tend to sell for less and sit on the market for a longer period of time before receiving an offer. The competition in the marketplace exists between sellers, who often must engage in a price war to entice buyers to make offers on their homes.

A seller's market, by contrast, is characterized by higher prices and shorter sales times. Rather than sellers competing to attract buyers, the buyers compete against one another for the limited supply of homes available. Consequently, bidding wars often transpire in a seller's market, resulting in homes selling for more than their list prices.

Buyer's Market vs. Seller's Market?

Buyer's Market

A buyer's market occurs when the supply (available homes for sale) exceeds demand (the number of buyers seeking to purchase homes). If you're buying a new home, a buyer's market is the ideal time to make your move. You might be able to buy a great home for a lower cost than you would in a seller's market.

If you're trying to sell your property in a buyer's market, your home may remain on the market longer before you're able to secure a buyer due to the large number of available properties. You may also have to lower your listing price or make other concessions in order to secure a buyer.

Seller's Market

A seller's market occurs when demand exceeds supply, or there are more buyers seeking to purchase homes than there are available homes on the market. This often leads to multiple buyers interested in a single property, resulting in bidding wars. A seller's market is a fantastic time to sell your home as you could secure a sale price that's higher than your listing price, or at least more than your bottom line (the lowest price you'd be willing to accept for your home).<br

If you're buying a home in a seller's market, be aware that the seller has the advantage. If other buyers are interested in the same property you're making an offer on, trying to get a lower sale price probably won't work to your advantage. In fact, you could lose the opportunity to purchase the property altogether if a competing buyer makes a higher offer. Seller's markets are sometimes called "renter's markets" for this reason; sometimes potential buyers need to keep renting until they can save up a higher down payment and compete with other buyers in the market.

What is a Seller's Market?

A seller's market is when there are more buyers on the hunt than there are homes for sale. This creates a heavy amount of competition for each home (especially the most desirable ones), and gives seller's more power and buyer's less. Someone looking to purchase a home in a seller's market won't have as much wiggle room on their offer, and may even have to offer more than the asking price if they want to snag a hot property. Meanwhile, seller's can price their homes higher, and have much less incentive to agree to buyer contingencies or concessions.

Determine Buyer's or Seller's Market

The real estate market goes up and down depending on the season. There are usually a lot more homes for sale in the summer months (June - August) than any other time of year. That means that it could be a seller's market in the winter but a buyer's market in the summer. Whether it's a buyer's market or a seller's market also depends on the area. Cities with a lot of available jobs and growing industries will often be a seller's market, while those with struggling economies will be a buyer's market.

One way to determine if it's a buyer's market or a seller's market is to look at inventory, or the number of homes for sale. If inventory is low, it is most likely a seller's market. Look at the current housing market to determine if it is a buyer's market or a seller's market in your area. On the Redfin Data Center, go to the "Home Prices, Sales and Inventory" section, and select your metro area. Then go to the Inventory tab, and filter the results by year-over-year change. If the current level is below 0%, that means that there are fewer homes for sale now than during this time last year, and it could be a seller's market in your area.

Seller's Market vs. Buyer's Market: Understanding the Difference

There are a lot of different factors that determine how fast a home sells. One of the biggest ones: market trends. And specifically, whether you're selling or buying in a seller's market or a buyer's market. The seller's market vs. buyer's market difference can be boiled down to competition. How much competition you have will determine how active listings are in your area, how you price your home or your offer, and how much power you have at the negotiation table. It's no wonder then that something so simple can play such a big role in how your real estate journey plays out.

Markets tend to ebb and flow between being a seller's market vs. buyer's market. Sometimes, the switch happens unexpectedly, with the real estate market switching over seemingly overnight. But if you're a buyer or a seller, you're going to need to know what you're working with—as well as the unique advantages or challenges that it presents.

To help you out, we've put together this quick guide to understanding a seller's market vs. buyer's market. In addition to going over the key distinctions between the two, we'll also cover some tips and advice to follow depending on the market you find yourself in.

Q. 4. Explain the difference between new and old concept of marketing.

Answer:

Difference between New and Old Concept of Marketing

The old concept of marketing gives emphasis to production of products, whereas the new or modern concept of marketing lays emphasis on the satisfaction of the needs of customers. The main difference between old concept of marketing and the new concept of marketing is as follows:

(I) *Orientation* : The old marketing concept is production-oriented because

it lays emphasis on production of products. If the products are good and reasonably priced, it will be sold automatically. On the contrary, the modern or new concept of marketing is customer-oriented because it lays emphasis on the satisfaction of the customers/ consumers.

(2) *Targets* : In the old marketing concept, the main target of the firm is to earn profits through more production and higher sales. On the contrary, in modern marketing concept, the main target of the firm is to earn profit through customer's satisfaction.

(3) *Scope*: The scope of old concept of marketing is quite narrow and limited. Preproduction and post-sales problems are out of its scope. On the contrary, the scope of new marketing concept is wide because it includes the preproduction and post-sales problems also.

(4) *Consumer Satisfaction* : The object of new concept of marketing is to provide maximum satisfaction to the customers/consumers, On the contrary, there is no place of customers'/consumers' satisfaction in the old marketing concept.

(5) *Interdepartmental Integration* : Under the old marketing concept, different departments of the firm were independent and had no integration with the marketing department. On the contrary, under the new concept of marketing, the activities of each department are directed by the marketing department and there is close integration between all the departments of the firm.

(6) *Consumer Welfare* : In the old marketing concept, there is no place for consumer welfare. On the contrary, the new marketing concept is fully dedicated to the consumer welfare. It is the responsibility of the modern marketing to raise the standard of living of the society through consumer satisfaction and consumer welfare.

Q. 5. Enumerate the functions of marketing.

Or

Answer: Meaning of Marketing Function

Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user. These activities are called marketing functions. According to *Clark and Clark*, "A marketing function is a major specialised activity performed in marketing." According to *Converse, Huegy and Mitchel*, A marketing function is an act, operation, or service performed in the process of distributing, goods and services." Marketing activities are performed by all whether it is a manufacturer, producer, wholesaler or retailer.

Classification of Marketing Functions

There is *no unanimity* amongst the authors about the classification of marketing functions. For instance McGarry has given the list of six marketing functions i) Contractual ii) Merchandising iii) Pricing iv) Propaganda v) Physical Distribution and vi) Terminators. Clark and Clark, has given the following eight functions of marketing: (1) Selling, (2) Buying, (3) Transportation, (4) Storage, (5) Financing, (6) Risk Taking, (7) Marketing Information, and (8) Standardization. Others have given as many as twenty or thirty such functions. *Cundiff* and *Stills* has given the most appropriate classification marketing functions. He has classified the marketing functions under the following three major heads :

- (i) Merchandising Functions
- (ii) Physical Distribution Functions
- (iii) Auxiliary Functions

(I) Merchandising Functions

It includes all those activities which are conducted for creating demand and making the product available in the market. The following functions are included in it :

(1) *Product Planning and Development* : The object of modern marketing is to provide maximum satisfaction to the consumer. For purpose it is essential not only to make necessary changes in the quality of the products

but also to make available new products in the market. It requires product planning and development. Thus, product planning and development is an important function of marketing. It includes brand, trade mark, packaging etc.

(2) *Standardisation and Grading* : Standardisation means setting standard of quality. It assures quality and promotes uniformity of products. It also widens the market for commodities. They are determined on the basis of quality, size, colour, shape, weight etc. Grading means separating products according to established standards. Each grade has uniformity in all attributes. It also enhances marketing efficiency. In this way, standardisation and grading is also a major function of marketing.

(3) *Buying and Assembling* : Buying is also an important function of marketing. For instance, a manufacturer has to buy raw materials for production, a wholesaler has to buy goods to sell them to the retailers; a retailer has to buy goods to sell them to consumers. Thus buying involves transfer of ownership. Assembling means procurement of goods in the right quality and quantity, at the right place and time, and at the right price. This is generally done by middlemen. Thus, buying and assembling is also an important function of marketing.

(4) *Selling* : Selling is the most important function of marketing. Selling creates demand for a product. Selling function includes : (i) finding or locating buyers; (ii) creating of demand; (iii) negotiation of terms of sale, such as price, quality, quantity, delivery; (iv) market research ; (v) selection of channel for distribution etc.

(II) Physical Distribution Functions

It is also an important function of marketing. This function relates to the process of transporting the goods from the place of seller to the place of buyer. It includes the following :

(1) *Storage and Warehousing* : Goods are not sold immediately after production. They are to be stored until their demand is created. Thus storage involves holding and preserving goods between the time of their production and the time of their demand by the consumers. Warehousing is a place where the goods can be stored safely. In this way, storage and warehousing is also an important function of marketing.

(2) *Transportation* : The function of transportation is to transport the goods from the centre of production to the centre of consumption. There are different means of transportation, such as land transport (train, trucks etc.), air transport (aeroplane, air bus etc.), and water transport (ship, steamer etc.). A good system of transportation increases the value of goods by the creation of place utility. Large-scale production, specialisation and the existence of national and international markets, *mandis* etc., is possible due to transportation facilities only. Hence, transportation is also an important function of marketing.

(III) Auxiliary Functions

Those activities which make the marketing process easy and convenient are included in auxiliary functions of marketing. They are as follows :

(1) *Marketing Finance* : Finance is life-blood of all economic activities and thus of modern commerce. We have monetary exchange. Credit is the soul of business and thus is necessary in marketing. It plays an important role whether it is manufacturing business, wholesale or retail business. All of them take finance from different agencies as it is very difficult to carry out marketing activities smoothly without adequate and cheap finance. Hence, it is also an important marketing function because marketing is almost an impossibility without adequate and cheap finance.

(2) *Risk Bearing*: Risk arises on account of uncertainty. Marketing of goods involves innumerable risks, such as fluctuations in prices, change in fashion, existence of competition, change in the habits of consumers, theft, deterioration, accidents and other natural

calamities. However, there are certain risks which can be insured, such as the risk of theft. But other risks such as price fluctuations, change in fashion etc., are to be borne by the businessmen. That is why it is that marketing is a risk-bearing activity. Thus, risk bearing is also an important function of marketing.

(3) **Market Information:** Since marketing conditions are dynamic and may affect industry in any way and to any degree, hence producers, wholesalers and even retailers (mainly large-scale retailers) are interested in securing update information on changing conditions of demand, supply and prices ruling in the market. Thereby, it is also an important function of marketing. Equipped with latest market information, risk of loss can be reduced to a great extent, it helps us in decision making.

6. State and explain the importance of marketing.

Or

Discuss the significance of marketing in the context of Indian economy.

Answer: In a primitive subsistence society there is very little scope of marketing because in such a society each person grows the food he consumes as well as makes the tools he uses and the cloths he wears. However, as the production methods become efficient one man's output of a particular product far exceeds his requirements for that product. Since he specialises in producing a particular product, he needs market to sell the surplus production. Thus on one side the scale of production goes on increasing and on the other the need and importance of marketing also goes on increasing. As soon as a country becomes more industrialised and urbanised the marketing becomes functionally more important for him. To day we talk of national and international markets. Now marketing is considered as an important force of rapid economic development of a country. In this connection, it has been rightly remarked that "*nothing happens in our economy until somebody sells some things.*" Marketing is not only of great significance for producers or middlemen but also of equal importance to the society as a whole. We can discuss the importance of marketing under the following heads :

- (i) Importance of Marketing to Society.
- (ii) Importance of Marketing to the Firm.
- (iii) Importance of Marketing in a Seller's/Buyer's Market.
- (iv) Importance of Marketing in Developing Economy like India.

(I Importance of Marketing to Society

(i) ***Provides Employment :*** Marketing is an important source of providing employment. According to an estimate, about 40% of the labour force in developed countries (such as U. S. A., Germany, Japan etc.) is engaged in different marketing processes, such as distribution channel (wholesale and retail trade), marketing research, storage, warehousing, transport, communication, publicity etc. In a developing country like India about 2 crore people are engaged in marketing, such as distribution channel etc.

(2) ***Delivery of Standard of Living :*** According to *Paul Mazur*, "Marketing is the delivery of standard of living to society." Marketing creates and increases demand of existing and new products and thereby increases the standard of living of the people. It provides knowledge about different varieties of goods and services to the society by means of publicity and sales promotion.

(3) ***Reduces Distribution Cost :*** Efficient marketing process is responsible for reducing the cost of distribution to a great extent. The advantage of reduction in distribution cost goes to the consumers by making the goods available at lower prices. Even if in spite of reduction in distribution cost, prices do not fall, it will increase the profits of the manufacturers which will filter down to the shareholders and debenture holders in the form of dividend and interest.

(4) ***Protection Against Slump :*** Marketing provides protection to the economy against slump. In case of slump, marketing helps by discovering new markets, making it customer-oriented, improving the quality of products, suggesting alternative uses of products etc.

(5) *Increases National Income* : When different varieties of goods are made available according to the needs and tastes of consumers, there is an overall increase in demand. An increased demand stimulates production activity in the country which in turn increases the national income of the country. Increase in national income brings all-round prosperity in the country.

(6) *Facilitates Choice* : In order to satisfy the demand of different types of customers, products of different varieties, designs, colours, sizes etc. are produced. It facilitates the choice of the consumers as they are free to select the product of their own choice and taste etc.

(7) *Increases the Knowledge of Customer* : Marketing increases the knowledge of customers by means of salesmanship, advertising sales promotion etc.

8) *Customer Satisfaction* : Modern marketing concept is customer-oriented, i.e., maximum satisfaction to customers. Goods are produced according to the needs and tastes of the consumers. Besides production, modern marketing also emphasises selection of suitable channel of distribution and also make the goods available at reasonable prices in the market.

(II) Importance of Marketing to the Firm

Marketing is of vital importance to the business firm. According to *Peter F. Drucker*, "Marketing is the distinguishing and unique function of business." The importance of marketing to the business firm may be summarised as under:

(1) *Helpful in Business Planning and Decision Making*: Marketing is an important factor in modern business planning and decision-making. In modern economy, production is planned according to the sales forecast not according to the production capacity of the firm. A firm will produce what it can sell and in as much quantity as it can sell and not what and how much it can produce. Thus, business planning and decision making in the business planning firm is based on the marketing.

(2) *Helpful in the Distribution* : Marketing is helpful to the firm in selecting the proper distribution channel which can deliver goods to the consumers at the minimum distribution cost and at reasonable prices. In this competitive age, only that producer can survive which can deliver the goods to the consumers at minimum distribution cost.

(3) *Helpful in Increasing Profits* : All of us know that the main objective of business is to earn profit. Marketing helps in increasing business profits by reducing distribution cost on one side and increasing the demand of the product by means of advertising and sales promotion on the other side.

(4) *Helpful in Communication between Firm and Society* : Today, marketing is an important source of communication between the firm and the society. Marketing provides information regarding consumers' behaviour and changes therein to the firm. Today, the producers and the consumers are situated at a distance of thousands of kilometres from each other and it is the marketing which is the source of establishing effective communication between them.

III) Importance of Marketing in Seller's/Buyer's Market

A seller's market is one in which there is the shortage of goods and thus the demand of goods exceeds the supply. A long waiting line exists in the market. You may argue that there is no need of marketing in seller's market because everybody is already standing in a queue and eagerly waiting for his turn. For instance, in India whenever there is the shortage of goods, you may see a long waiting queue before distribution centres. However, one should not believe that a seller's market lasts for ever. Initial shortages will be overcome in due course of time. For instance, there was a time when a seller's market was in existence in foodgrains, sugar etc. Now both these items are available in sufficient quantities at reasonable prices. Thus, today we have a seller's market, tomorrow there will be a buyer's market. These are changing phases of business. Need of marketing will exist and does exist even now.

Buyer's market is one in which the supply of goods exceeds the demand. Every firm is eager to sell the goods but those firms succeed which adopt the modern ways of marketing goods in accordance with the demand and taste of consumers.

Thus the importance of marketing exists whether it is seller's market or buyer's market. Remember that the market is the boss and those companies that are successful are those which are able to study the markets.

(IV) Importance of Marketing in a Developing Country like India Marketing is of great importance in developing countries like India. Production of goods and services is undoubtedly a major national issue in almost all the developing countries of the world. It is so because it is a very potential instrument of rapid economic growth. In this connection only increase in production is not enough. There must also be equitable distribution amongst people so that one starved to death. In a vast country like India, the very thought of equitable distribution cannot materialise unless there is an efficient distribution channel. In order to have an efficient distribution of goods the need and importance of marketing is called for.

Q. 7. Write notes on :

- (a) Stimulational Marketing.**
- (b) Conversional Marketing.**
- (d) Maintenance Marketing.**
- (e) Demarketing.**
- (f) Aggressive Marketing.**
- (g) Macro Marketing,**
- (h) Micro Marketing.**
- (i) Meta Marketing.**

(a) Stimulational Marketing

This applies where there is no demand for a product or service. People are not interested in purchasing a particular product. It may be due to lack of knowledge of the product. Here the task is to convert 'no demand' into 'positive demand'. *Philip Kotler* calls this task as 'stimulational marketing'. It has been observed that stimulational marketing is a hard task because customers pay no attention to the offerings made by the marketing managers. Under stimulational marketing, the marketing manager generally follows the following methods : (i) He tries to connect the product or service with the

need that exists in the market. (ii) He alters the environment in such that altered environment. (iii) He indulges in educational advertising.

(b) Conversional Marketing

The question of conversional marketing arises only when there is a negative demand of a product or service. Under the negative demand people dislike the product or service. For instance, vegetarians have a negative demand for all kinds of meats. It is this negative demand which offers a challenge to the marketing management to develop a plan to create a new demand or to convert the negative, demand into a positive demand for its products. According to the *Philip Kotler*, *this type of task is called conversional marketing.*

(c) Developmental Marketing

It is a case of latent demand of product. A state latent demand exists when a substantial number of people share a strong need for something that does not exist in the *form of an actual product*. For example, in case of cigarettes there is a latent demand for production of cigarettes having minimum nicotine and tar content which is harmful for the health. According to *Philip Kotler* the task is to convert the latent demand into actual demand and this is called development marketing.

(d) Maintenance Marketing

Under maintenance marketing, as the name indicates, the main.

task is to maintain the full demand of the product. The market demand is generally subject to two forces. *The first* force is related to changing needs and tastes of the customers. *The second* force is related to competition. These two forces will have a direct impact on demand. Under maintenance marketing, the efficiency in carrying out day to day marketing activities must be maintained at all costs. Over and above this, continuous vigilance of the marketing manager should be exercised to spot out any new force which is likely to result in a decline of the demand. Besides the above measures, the marketing manager should also maintain the right quality, right price offer incentives to customers by way of discounts, rebates and adopt other sales promotion techniques, and motivate the sales force. The cost of production should also be maintained at the minimum level.

(e) Demarketing

Demarketing is also called countermarketing. Under demarketing the main task is to reduce the demand of the product. Demarketing is a state of affairs under which the demand far exceeds the supply. Customers are discouraged through heavy increase in prices or creating temporary shortage of the product. This step is taken when it is found that the product or service is socially undesirable, such as alcohol, cigarettes, hard drugs etc. Demarketing concept is also of recent origin.

(f) Aggressive Marketing

Under aggressive marketing, large-scale efforts are made to increase the sales of a product. It applies to industries where the production line has to be kept busy throughout in order to cover costs with the result that the product must be sold continuously. Heavy investments have to be made in sales force, advertising and sales promotion. The technique of aggressive marketing is also *applied* to capture the new markets mostly in foreign countries.

(g) Macro Marketing

Macro marketing is a term which has been recently used to refer to "the study of marketing within the context of the entire economic system with special emphasis on its aggregate performance. In *the* most widely accepted meaning, macro marketing refers to marketing in general or the marketing process in its entirety and the aggregate mechanism of institutions performing it. It studies the aggregate role of the different components of the marketing-mix employed by different marketers operating within the economic systems and the manner in which they interact with the socio-economic life of a society, such as, the role of cooperative societies operating in the public distribution system or the role of firms engaged in the production and marketing goods meant for the weaker sections of society.

(h) Micro Marketing

The word micro marketing is of recent origin. It refers to the smaller size or unit level. Micro marketing management *can* be explained as a management at the level of the unit or individual firm effectuating its marketing activities or developing its strategies for the optimum marketing-mix that is, the product, price, promotion and physical distribution policies.

(i) Meta Marketing

The literal meaning of 'meta' is more comprehensive. In marketing, this term was originally coined by *E. J. Kelly* while discussing the issues of ethics and science of marketing. Meta marketing according to him, is to designate a new concept which deals critically with marketing as a discipline'. The object of meta marketing is to bring the whole of scientific, social, ethical and managerial experience to bear on marketing. *Philip Kotler* has used the term meta marketing to describe the processes involved in attempting to develop or maintain exchange relations involving products/services organisations, persons, places or causes. Thus meta marketing concept offers a broad outlook of marketing activities which are applicable both in business and non-business organisations. It offers practically an unlimited potential for marketing action. It is based on the promise that every organisation performs marketing activities,

MARKETING MANAGEMENT

Meaning, scope, functions Problems and Importance:

Q. What is meant by marketing management ? State its functions.

Answer: Meaning of Marketing Management

Marketing management activities start even before production is undertaken. Even after the product has reached the consumer, marketing management activities should assure consumer satisfaction and may even have to provide, in case of some products, after-sale service also. Marketing management starts from the very idea of starting production of a product and ends after the satisfaction of the consumer. Thus, marketing management is a very wide term and includes total sum of business activities in connection with a particular product. In this way, marketing management activities start long before the start of production of a product and continue till the satisfaction of the consumer. Marketing management is the process of management of marketing programmes for accomplishing organisational goals and objectives.

Definition of Marketing Management

After explaining the meaning of marketing management, we are presenting the following important definitions of marketing management as given by reputed authors

(1) *E. W. Cundiff* and *R. R. Still* have defined the marketing management as "a branch of the broad area of management. Marketing management is concerned with the direction of purposeful activities towards the attainment of marketing goals."

According to this definition, marketing management is the branch of management. There are three marketing goals (1) satisfaction of customer's needs, (ii) increase in sales volume, and increase in organisation profits. All these three goals are closely interrelated.

(2) *William .I. Stanton* has defined the marketing management in the following words : "Marketing management is the marketing concept of action." According to this definition, marketing concept has the following two main objectives : (i) Planning, policies and activities of the company should be consumer-satisfaction-oriented. (ii) To maximise profits.

(3) *Prof. R. S. Davar* has defined the marketing management, "the process of ascertaining consumer needs, converting them into products or services, and then moving the product or service to the final consumer or user to satisfy such needs and wants of specific consumer segment or segments with emphasis on profitability ensuring the optimum use of the resources available to the organisation." This definition emphasises the following three aspects of marketing management : (i) it is consumer-oriented, (ii) profitability through consumer's satisfaction, and (iii) the optimum use of available resources. It may be treated as -an ideal definition of marketing management from India's point of view as

our market is still productivity based.

Functions of Marketing Management

In old days the scope of marketing was limited. The term 'marketing' was used as synonymous of 'selling'. But now the concept of marketing has totally changed. In modern times, all the activities of a business organisation start and end with the marketing activity because marketing activity starts much before the production is commenced and ends with the satisfaction of the consumer including after-sale services. So the scope of marketing has been enlarged and includes a number of activities, such as, product planning, development, prices, advertising, sales promotion, market research, channel of distribution decisions etc. Now in order to achieve these objectives, marketing management has to perform the various functions including managerial functions. In short, the modern marketing management is required to perform the various functions including managerial functions. In short, the modern marketing management is required to perform the following main functions

(1) *Setting- Marketing Objectives* : The primary function of marketing management is to determine marketing objectives or goals. Marketing objectives may be of short-term duration or long-term duration or both. Short-term objectives are short, definite and clear, such as to double the total sales in the current year. On the contrary, long-term objectives are of long duration and thus are not very much clear, such as, capturing the Rajasthan State market may be a long-term objective. The process of setting marketing objectives may be divided into the following three phases : (i) determining consumer wants, (ii) segmenting the market, and (iii) establishing specific objectives. In this connection it must be clearly noted that the marketing objectives must be commensurate with the general objectives of the company.

(2) *Developing the Marketing Plans* : Having determined the marketing objectives, one has to plan as to how these objectives can be achieved. Marketing management is responsible to formulate and develop the marketing plans indicating objectives to be achieved, and a future course of action to accomplish the predetermined targets. A marketing plan is a main operational and control document of marketing department. It gives intelligent directions of marketing operations. It includes sales forecast for the next session, preparing marketing programme, formulating policies regarding production, pricing, branding, advertising, sales promotion and channels of distribution etc. All plans should be integrated with each other.

(3) *Organising*: Organising is another important function of management. The main problem before the marketing manager is how to organise the activities of its organisation. The marketing department may be organised on geographical basis—regional basis or functional basis. The marketing manager should take proper decision on this matter. For instance, functional organisation is desirable when we have one or a few closely related products. Rights, Duties and Responsibilities to each executive should be assigned in such a way so as to achieve the marketing objectives efficiently.

(4) *Coordination* : Coordination is the essence of management. All the activities of the marketing department should be coordinated in such a way so as to attain the objectives of the marketing department most efficiently. The activities of the marketing department, i e., sales forecast, product planning and development, advertising, sales promotion, pricing, market research, selection channel of distribution etc. should be integrated so as to achieve the desired results.

(5) *Staffing* : Staffing is also an important function of management. Hence it is also the important function of marketing management. So the, marketing management should recruit and select the efficient marketing

force only. He should also arrange for their proper training before placement on the jobs. He should also motivate his subordinates from time to time so as to achieve the desired performance and results.

(6) *Controlling* : Controlling is an important function of management and thus also a primary function of modern marketing management. It includes the following (i) Devising proper standards for measuring the performance of employees ; (ii) Measuring actual performance and work in progress ; (iii) Comparing the actual performance with the set standards and note the deviations, if any ; (iv) Identifying variations and taking corrective actions at the proper time.

(7) *Analysing and Evaluating*: It is the last but also equally important function of marketing management. The marketing manager should collect the data regarding sales and relevant marketing activities, analyse and evaluate them in the light of the marketing objectives and goals. The performance of various middlemen may also be evaluated. Uneconomic activities should be dropped or a new strategy should be developed to conform to the marketing and the organisation objectives. In this way, he should be successful in increasing the sales as well as profits of the company by utilising the existing resources to the maximum possible extent.

Q. 2. State and explain the importance of marketing management in Indian economy,

Importance of Marketing Management in Indian Economy or in India.

In old days when the scale of production was limited, marketing Management did not occupy any importance in Indian economy. However, after independence and particularly during second five-year plan emphasis was placed on rapid industrialisation in our country. A number of large-scale industries were established both in the private sector as well as in public sector. The composition of India's exports and imports underwent a great change. Capital goods industries were also established in the country. In order to boost rapid industrialisation in the country, major changes were made in industrial policy as well as in licencing policy. This brought about a great demand for goods both in internal and external markets. This led to a rapid increase in the field of production. All these changes in Indian economy are responsible for the growing importance of marketing management in India.

During the last few years emphasis is *being* given on increase in India's exports. To increase our exports we need diversification in production, importance in quality, reduction in cost of production by applying modern techniques and methods, adopting new marketing strategies and emphasis on export promotion. On account of these steps our exports have registered a marked increase in the recent years. But it is not enough. Our exports should increase at a much faster rate so as to keep pace with the increasing imports of the country. The need of the hour is to search new markets by using the modern marketing management techniques. Then only we shall be able to face the challenge of cutthroat competition both internal as well as in foreign markets. Under these circumstances, there is a growing need of national and international marketing in India. It will not only raise the standard of living of Indian masses, increase, in exports but will also develop people's faith in the democratic way of life in one country.

Q. 3. State and explain the major problems of marketing management in India.

Answer: It is an admitted fact that India has lagged far behind in developing marketing management techniques as compared to other

developing and developed countries of the world. It is the major hindrance particularly in increasing export of our country. The main problems responsible for the same are as follows:

(1) **Acute Shortage of Trained Marketing Personnel:** Unfortunately in India there is an acute shortage of trained, experienced and efficient marketing personnel. It is the most important hindrance in the way of development of marketing management in India. This problem is likely to become more acute in the near future on account of continuous emphasis on rapid industrialisation and modernisation of industries in our country. Of late some institutions have been set for imparting training in this important branch of knowledge and some universities have also included marketing management as a separate teaching subject. But looking to the growing need of the country we require large number of such institutions to impart training and turn out large number of well-trained and competent personnel to handle the complex problems of marketing management in our country. Further, their standard is also to be raised in accordance with the needs of the country so as to capture particularly new markets both in our country as well as in foreign countries.

(2) **Product Planning :** Another major hindrance in the way of marketing management in India has been the lack of scientific product planning. Product planning is the process of determining the line of products which can require maximum net realisation from the intended markets. It is an "act of making out and supervising the search, screening, development, and commercialization of new products ; the modification of existing lines ; and the discontinuance of marginal and profitable items." In India very little attention is paid towards product planning. Due to lack of product planning, consumers fail to get the desired satisfaction from the purchases they have made from the market. Of late, some companies have started giving importance to product planning in India. For example, Hindustan Levers have started product planning in India on a large scale. But looking to the needs of the country greater emphasis should be put on product planning.

(3) **Marketing Research:** Marketing research is the backbone of marketing management. Unfortunately, very little has been done in India in the field of marketing research. Marketing research is the systematic and objective collection, recording and analysis of data relevant to marketing problems of a business enterprise in order to develop an appropriate information base for decision-making by the executives in the marketing area. Thus, marketing research facilitates decision-making. There is great need of research in the field of marketing management both for the development of domestic as well as international markets. Even the most developed - countries like America, Japan, Germany etc. are giving top priority to marketing research in their countries so as to face the growing competition in foreign markets. Of late, some Indian companies have started laying emphasis on marketing research. For example, Dunlop India Limited started exporting bicycle tyres to U. S. A. in the face of keen foreign competition on account of its marketing research only. Therefore, for good and efficient marketing management, there is need of rapid increase of marketing research in our country.

(4) **Increasing Marketing Costs :** Another problem which our country is facing is the field of marketing management is the increasing cost of marketing. Marketing research, promotional strategy, advertising expenses, packaging, selling expenses, etc. are constantly rising. For proper development of marketing management, these costs need be kept well within control failing which the overall cost of production will increase which will adversely affect our sales.

5) **Role of Behavioural Sciences :** Besides the above hindrances and problems, the role of behaviour sciences like psychology, sociology, biology and anthropology can play an important part in the field of development of modern marketing management research techniques in India.

With the rapid growth and development of large-scale industries both in public and private sectors, the need for development of marketing management in India is being specially felt in our country. It is suggested

that efforts should be made to set up more and more institutions to impart training in the specialised fields of marketing research, product planning and marketing management. Private sector should also take more interest in establishing its own research and development centres. It will lead to improvement in quality of their products and reduction in costs which will enable them to face competition both in domestic and foreign markets. It will be possible by developing modern marketing management techniques.

Q 4. State and explain the difference between marketing management and sales management.

In India most of us think that marketing management and sales management are synonymous. However, there is a positive difference between marketing management and sales management which is clear from the following

(1) *Concept* : Marketing management is a modern concept whereas sales management is an old concept.

(2) *Scope* : The scope of marketing is much wider as compared to the scope of sales management. Marketing management includes all the activities right from the beginning of ascertaining the needs of the consumer to the fulfilment and satisfaction of the needs of the consumers. On the contrary, sales management includes all the activities relating to sales of goods alongwith the transfer of their ownership from the seller to the buyer.

(3) *Object* : The object of marketing management is the satisfaction of the consumer's wants including after-sale services, if any. The object of sales management is to maximise the sales of goods,

(4) *Performance of Activities* ; The activities of the sales manager are included in the activities of marketing manager. The main function of Sales manager is to plan, direct and control the activities of salesmen, whereas the main function of marketing manager is to supervise the work of the sales manager.

MARKET SEGMENTATION

Q. 1. What do you understand by marketing Segmentation? Discuss its objectives.

Answer:Meaning of Market Segmentation

The concept of market segmentation is based on the assumption that markets are not homogeneous but are heterogeneous. For instance, two customers of a product are never common but they differ in their nature, qualities, habits, hobbies, income and purchasing techniques. They also differ in their behaviour and buying decisions. Now on the basis of these characteristics, customers having similar qualities and characteristics are grouped in segments. The characteristics of customers of one segment differ with those of other

segments. In this way market segmentation refers to the various segments of the market based on common characteristics of the customers. In a sense, market segmentation is the strategy of 'divide and conquer', *i.e.*, dividing markets in segments in order to conquer them. In short, market segmentation is the division and subdivision of a market on the basis of common characteristics, such as nature, taste, qualities, perception, habits, income, age, sex, behavior etc. of the customers. This grouping of customers or segmenting of the market is called market segmentation. Market segmentation is a customer-oriented philosophy.

Definition of Market Segmentation

Market segmentation has been defined by different writers in different ways. The main definitions are as follows :

- (1) According to *Philip Kotler*, "Market segmentation is the subdividing of a market into homogeneous sub-sets of customers, where any sub-set may conceivably be selected as a market target to be achieved with distinct marketing mix."
- (2) According to *William J. Stanton*, "Market segmentation consists of taking the total heterogeneous market for a product and dividing it into several submarkets or segments, each of which tends to be homogeneous in all significant aspects."
- (3) According to *American Marketing Association*, "Market segmentation refers to dividing the heterogeneous markets into smaller customer divisions having certain homogeneous characteristics that can be satisfied by the firm."
- (4) According to *R. S. Davar*, "Market segmentation is grouping of buyers or segmenting the market is described as market segmentation."

Conclusion :From the above study, we conclude that under market segmentation the market of a product is divided and sub-divided on the basis of homogeneous characteristics, such as nature, habits, income etc. of the customers.

Objectives of Market Segmentation

It is an admitted fact that all the customers are not common but differ widely as to nature, habits, income, behaviour, age and buying decisions etc. This difference affects the selection of commodities. Thus, the main object of market segmentation is to locate the difference among the customers so that the seller may determine its marketing strategies. For different groups of customers, *i.e.*, market segments, we have different sets of marketing strategies. According to *Esmond Pearce*, "The purpose of market segmentation is to determine the difference among purchasers which may affect the choice of market area or marketing methods." *Philip Kotler* has defined the market segmentation objectives in the following words, "The purpose of market segmentation is to determine difference among buyers which may be consequential in choosing among them or marketing to them."

On the basis of the above discussion, the objectives of market segmentation may be summarised as under :

- (1) Grouping of customers on the basis of their homogeneous characteristics, such as nature, tastes, habits, income, behaviour, qualities and needs etc.
- (2) To locate or identify the tastes, buying motives, needs, priorities and preferences of the customers.
- (3) To determine marketing strategies, targets and goals.
- (4) To make the activities of the firm customer-oriented. Customer

orientation makes marketing segment an important pillar of the marketing concept.

(5) To identify the areas or sectors where the customers may be created and the sphere of the market is expanded.

Q. 2. State and explain the importance of market segmentation.

Answer:

Importance/Advantages/Benefits of Market Segmentation

Market segmentation reflects reality in marketing situation. Customers have different needs and preferences. Hence, in reality, market demand is heterogeneous and not homogeneous. When differences in customer needs are analysed, the analysis may reveal that certain customer needs are not at all met and the marketer can exploit such a golden marketing opportunity and fill these needs. This can yield more profits and prospects for further growth. Segmentation ensures higher customer satisfaction and improves effectiveness of the marketing programme. In short, the market segmentation offers the following benefits or advantages:

(1) *Better Position to Locate Marketing Opportunities* : Under market segmentation, marketers are in a better position to locate and compare marketing opportunities. In the regions where the response of the customers is relatively poor, the strategy of approach can be readjusted accordingly to push the sales.

(2) *Effective Utilisation of Resources* : Segmentation leads to a more effective utilisation of marketing resources because customer is focus of marketing effort and only target markets are served. In the regions having comparatively poor marketing facilities, less amount of resources are provided and thereby maximum resources are allotted and utilised in regions having wide marketing facilities. In this way the resources can be used in the most profitable manner.

(3) *Facing the Competition Effectively*: Segmentation helps the producers to face the competition of his rivals effectively. After assessing his competitive strengths and weaknesses, the marketers can adopt different strategies for different markets taking into account the rival strategies.

(4) *Marketing Programme* : When customer needs are fully understood, marketers can effectively formulate and implement marketing programmes which will be tuned with the demands of the market. Different marketing programmes can be formulated and implemented for different segments.

(5) *Effective Advertising Appeals* : Different advertising appeals can be formulated and implemented in accordance with the needs of different market segments and thus making the advertising appeal more effective.

(6) *Adjustment In Products* : Under market segmentation, marketers can easily make finer adjustment in their products and market communications according to the taste, need, nature and Income of the customers and they can use rifle approach instead of shotgun approach. In this way products can be tailored to the precisely known needs of the segment concerned.

(7) *Enhances Marketing Efficiency* : Market segmentation enhances marketing efficiency by offering specific pricing, sales promotion and distribution channel as per differing response features of each segment. Marketing strategies (product, pricing, sales promotion, advertising, distribution channel etc.) may be tailored to the unique needs of all segments.

(8) *Miscellaneous Advantages* :(i) Consumer satisfaction, (ii) Assists in

Q. 3. What criteria or bases or factors are used for segmenting market ?

Answer: Criteria, Bases or Factors for Market Segmentation

There are a number of bases, criteria or factors for grouping customers in segmenting the market. For example, consumer market segmentation is done on the basis of age, sex, educational level, income, race, religion and size of family etc. On the contrary, industrial market segmentation is based on geographical location of the users, size of users, usual purchasing procedure, kind of business etc. The most common and popular criteria, bases or factors for market segmentation which are used by marketing managements may be given as under :

(1) *Geographic* : It is the most simple, convenient, popular and usual base, as a criterion or factor for market segmentation. In the geographic base, regional differences in terms of topography, climate, population and its density may be considered as the base for market segmentation and differentiated market effort. The entire market of a production may be segmented on geographic basis. The whole market may be divided and sub-divided on area basis. According to area, states may be taken as the basis of segmentation. Each state may be recognised as a separate market. The state may be further segmented on district and sub-district basis. Similarly, the market may be segmented on rural and urban basis. Where the market of a product is international the division may be national and international markets. The marketer may design his marketing strategies taking into consideration the characteristics of the individual markets.

(2) *Demographic* : It is also an important criterion or base or factor for market segmentation. Under demographic base a seller tries to differentiate between different groups of customers on the basis of demographic variables, such as age, sex, family size, marital status, educational level, occupation, language, nationality, religion etc. These variables have been quite popular with marketing executives in population-clustering for segmentation purposes. For instance, markets may be segmented on the basis of sex, i.e., ladies and gents. For example, lipstick is meant for women whereas shaving cream is meant for gents. It may be mainly attributed to three reasons. *Firstly*, these are easier to recognise and measure.. *Secondly* these can be easily co-related with sales and other -marketing data. *Thirdly*, the figures can be easily made available. In the case of frequent bought consumer goods, such as tea, coffee, soap, toothpaste, detergents etc, we can use these demographic variables in segmenting the markets.

(3) *Psychographic* : Market segmentation is also done on psychographic basis. in the psychographic base, population difference in terms of personality, life styles, self-images and other psychological variables form the basis of population-clustering and appropriate differentiated marketing effort. A study of life-styles of cigarette smokers in Bombay showed that a market which had seemed like one homogeneous mass, in reality consisted of distinct group of consumer attitudes and personalities. For example, personality, and thinking are not the same in case of all the consumers. Some customers are crazy for products of new fashion so as to increase their prestige in the society as against who believe in simple living and high thinking.

(4) *Socio-economic* : Socio-economic base is also considered an important factor for market segmentation. In the socio-economic base, differences amongst population in terms of incomes, castes, communities, religion, occupation, family life cycle and other cultural aspects etc. form the base of market segmentation. Socio-economic variables are mostly used in segmenting the markets for those consumer goods, such as soap, detergents, toothpaste, cloths, tea etc. which are frequently purchased.

(5) *Benefits* : Benefits sought by consumer groups from a particular

product are also an important base or factor for market segmentation. It is obvious that customers buy a particular product primarily to secure expected benefits. Customer satisfaction directly depends upon product benefits, such as, economy, durability, performance, style, status, product appearance, taste, flavour etc. For example, toothpaste market has four major identifiable segments, namely, one firm is concerned with 'brightness of teeth' (*BinacaWhite*), one with 'tooth decay prevention' (*Forhan's*), one with flavour' (*Colgate*) and one with 'price' (local made). The strength this market segmentation base is that the firm can select the benefit wants to emphasise, and develop an appropriate product that satisfies it, and communicate it to that particular group of consumers seeks this benefit. In this way, it may maximise consumer satisfaction on the one hand and firm's sales and profitability on the other.

(6) *Marketing Conditions* : Marketing conditions also form an importance base, criteria or factor for market segmentation. In this case, differences in terms of kind and availability of distribution channels and degree of competition intensity form the basis for market segmentation. The nature of marketing effort required will be different in a market segment where channels of distribution are readily and economically available, than the one in which they are not.

(7) *Miscellaneous* : (i) Use Pattern, (ii) Brand/Store Loyalty, (iii) Consumer Behaviour, (iv) Volume of Purchase etc.

Q. 4. What are the conditions precedent to successful market segmentation ? Explain them.

Answer: It is an admitted fact that it is not practicable for a particular firm to cover the entire market successfully. It is true particularly in case of national and international firms. That is why every firm aims at selecting a few appropriate market segments most suited for its products. The main conditions essential for successful market segmentation are as follows :

(1) *Measurability* : The market segment should have measurability. Demographic and socio-economic characteristics are objective and hence measurable. On the contrary, life styles, personality and psychological factors governing buyer behaviour (such as attitude, perception and motivation etc.) are subjective and thus non-measurable. We can identify groups of customers of the segment on the basis of some common characteristics.

(2) *Easy Accessibility* : The segment which is identified must be accessible so that the firm can reach it through suitable means of communication and channels of distribution. In this connection, the market segment should be sufficiently homogeneous in terms of geography, demography and socio-economic characteristics to enable the firm to reach it conveniently and efficiently.

(3) *Responsiveness* : The market segment which is already identified should respond favourably to our marketing efforts. In this connection the market segment should have the need of the product or service in question. In order to have the desired response from the group of customers, we should be aware of their real buying motives and buying habits.

(4) *Significance* : The segment after fulfilling the above three conditions must be worthwhile for cultivating and exploring it. It must have sufficient buying power (willingness to purchase and ability to pay). Simply wishing or wanting a particular product may be relevant for firm's long-range strategy, but for the present it may not hold much relevance. Thus the demand prospects should be sufficiently bright and profitable too.

(5) *Market Potential* : Finally, each market segment must be large enough to justify the investment required to market the product in it.

TO MAKE MORE CLEAR THE PROCESS OF SEGMENTING MARKET

1) Benefits for Market Segmentation

A segment-orientated marketing approach generally offers a range of advantages for both, b and customers. The possible advantages are:

- **Increasing sales volume:** Segmentation helps the company to know the demand pattern or segment and satisfy it by preparing desired products. This leads to increase in overall sales volume of the product.
- **Developing effective marketing Plans:** On the basis of segmentation, the company can prepare and follow different marketing programmes for different segments that lead to effectiveness.
- **Enabling decisions:** Analysis of market segments enables decisions about intensity of marketing activities in particular segments.
- **Understanding the needs of consumers:** It helps the marketer to fully understand the needs, behavior, habits, tastes and expectations of the consumers of different segments so that precise and clear decisions can be taken to harness marketing opportunities.
- **Meeting Customer Needs:** It is possible to satisfy a variety of customer needs with a limited product range by using different forms, bundles, incentives and promotional activities. The computer manufacturer Dell, for instance, does not organise its website by product groups (desktops, notebooks, servers, printers etc), but by customer groups (privates, small businesses, large businesses, public/state organisations).
- **Higher Profits:** It is required to earn higher profits. Often the companies find it difficult to increase prices for the whole market. But, it is possible to develop premium segments in which customers accept a higher price level. Such segments could be distinguished from the mass market by features like additional services, exclusive points of sale, product variations etc and could be used to generate more revenues to make whole product line profitable.
- **Minimising aggregation risk:** By dividing the market and designing specific marketing mix to each segment, segmentation reduces the risk of aggregation, which is defined as the risk of not being able to satisfy customer needs with one marketing mix to all segments. For example. in case of highly mobile customers, who may not notice ads carefully, the use of personal selling is better marketing tool.
- **Specialised marketing:** Marketing can be more specialised when there is segmentation as the elements of marketing mix are specially designed to suit the characteristics of particular segments.
- **Expansion of market:** By segmenting the market, a company is able to create new markets for their products.
- **Targeted marketing:** Targeted marketing plans for particular segments allow to individually approach customer groups that otherwise would look out for specialised niche players. By segmenting markets, organisations can create their own 'niche products' and thus attract additional customer groups.
- **Fighting competition effectively:** The segmentation helps the producers to face the competition of competitors effectively by making a deep study of the products, policies and strategies of competitors in all the segments. This helps in adopting different policies, programmes and strategies for different markets based on rivals' strategies, policies and programmes.
- **Opportunities for Growth:** A segmentation strategy that is based on customer loyalty offers the chance to attract new customers with starter products and to move these customers on to premium products.
- **Benefits to the consumers:** The segmentation benefits the customers as the

company produces and supplies products that serve customers' interest and satisfy their needs and wants. Moreover when segmentation attains higher levels of sophistication and perfection, customers and companies can conveniently settle down with each other, as at such stage, they can safely rely on each others'

- **Filling gaps:** Segmentation can help in finding out the unfilled gaps in a market, which can then be satisfied through unique product or promotional offerings.
- **Sustainable customer relationships:** Sustainable customer relationships in all phases of customer life cycle can be made possible. Customers change their preferences and patterns of behaviour over time. Organisations that serve different segments along a customer's life cycle can guide their customers from stage to stage by always offering them a special solution for their particular needs. For example, many car manufacturers offer a product range that caters for the needs of all phases of a customer life cycle: fast car for youths, fun-car for young professionals, family car for young families and sedan for mature big families. Skin care cosmetics brands often offer special series for babies, teens, normal skin and elder skin.
- **Stimulating Innovation:** It is necessary to communicate in a segment-specific way even if product features and brand identity are identical in all market segments. Such a targeted communication allows stressing those criteria that are most relevant for each particular segment (e.g. price vs. reliability vs. prestige).
- **Targeted communication:** An undifferentiated marketing strategy that targets at all customers in the total market necessarily reduces customers' preferences to the smallest common basis. Segmentations provide information about smaller units in the total market that share particular needs. Only the identification of these needs enables a planned development of new or improved products that better meet the wishes of these customer groups. If a product meets and exceeds a customer's expectations by adding superior value, the customer normally is willing to pay a higher price for that product. Thus, profit margins and profitability of the innovating organisations increase.
- **Higher Market Shares:** In contrast to an undifferentiated marketing strategy, segmentation supports the development of niche strategies. Thus marketing activities can be targeted at highly attractive market segments in the beginning. Market leadership in selected segments improves the competitive position of the whole organisation in its relationship with suppliers, channel partners and customers. It strengthens the brand and ensures profitability. On that basis, organisations have better chances to increase their market shares in the overall market.
- **Allocation of marketing budget:** On the basis of segmentation, the marketing budget is allocated for a particular region or locality. For example, in regions where the sales opportunities are limited, a huge budget should not be allocated.
- **Better utilisation of marketing resources:** More resources can be allocated to segments in which there are more possibilities of selling the products and fewer resources may be allocated to the segments in which there are fewer possibilities.
- **Choosing appropriate media:** Segmentation helps in choosing different media options, messages and timings for different segments based on the characteristics of the segments. For example, a health drink ad should better be advertised in kid's channels like Animax, Cartoon Network or Pogo rather than news channel like NDTV 24X7. The same ad targeted at kids needs to be very lively and full of actions instead of information heavy (consider Horlicks "epang opang jhapang" campaign).

Summarising all these advantages, the need for market segmentation is closely related to strategic

2) Requisites of effective Segmentation

There are following criteria for an effective segmentation:

- **Measurable and Obtainable:** The size, profile and other relevant characteristics of

the segment must be measurable and obtainable in terms of data. It has to be possible to determine the values of the variables used for segmentation with justifiable efforts. This is important especially for demographic and geographic variables. For an organisation with direct sales (without intermediaries), the own customer database could deliver valuable information on buying behaviour (frequency, volume, product groups, mode of payment etc).

- **Relevant:** The size and profit potential of a market segment have to be large enough to economically justify separate marketing activities for this segment. If a segment is small in size then the cost of marketing activities cannot be justified.
- **Accessible:** The segment has to be accessible and servable for the organisation. That means, the customer segments may be decided considering that they can be accessed through various target-group specific advertising media such as magazines or websites the target audience likes to use.
- **Substantial:** The segments should be substantial to generate required returns. Activities with small segments will give a biased result or negative results.
- **Valid:** This means the extent to which the base is directly associated with the differences in needs and wants between the different segments. Given that the segmentation is essentially concerned with identifying groups with different needs and wants, it is vital that the segmentation base is meaningful and that different preferences or needs show clear variations in market behaviour and response to individually designed marketing mixes.
- **Distinguishable or Differentiable:** The market segments have to be that diverse that they show different reactions to different marketing mixes. If not then there would have been no use to break them up in segments.
- **Congruous:** The needs and characteristics of each segment must be similar, otherwise the main objective of segmentation will not be served. If within a segment the behaviour of consumers are different and that they react differently, then a unique marketing strategy cannot be implemented for everyone. This will call for a further segmentation.
- **Actionable or Feasible:** It has to be possible to approach each segment with a particular marketing programme and to draw advantages from that. The segments that a company wishes to pursue must be actionable in the sense that there should be sufficient finance, personnel and capability to take them all. Hence, depending upon the reach of the company, the segments must be selected.
- **Some general considerations:** Apart from the above-mentioned characteristics, the segment must have some other features:
 - Growth potential
 - Profitable
 - Less risk prone
 - Less competition intensive

3) Criteria for Market Segmentation

The following figure shows the bases used for segmenting consumer markets.

There are two broad groups of variables that are used to segment consumer markets. They are consumer characteristics and consumer response or behaviour.

Consumer Characteristics Segmentation

Under *consumer characteristics* there are *three main bases* for segmentation. They are:

Geographic Segmentation: The markets in which the companies operate specifically in the present age of Globalization are geographically far apart. So for effective implementation of marketing strategies they need to be geographically segmented. This type of segmentation divides the market into different geographical units such as nations, states, regions, countries, trading blocks (e.g. European Union, ASEAN), districts, cities, localities, urban/rural, sales or distribution

territories/ telephone exchanges, postal codes, electoral divisions (like parliamentary and assembly constituencies, wards, panchayats), radial or lateral distance from a particular location (e.g. production centre, stock-yard) etc. The Company can operate in one or a few Geographic areas or operate in all but pay attention to local variations.

Demographic Segmentation: In demographic segmentation the market is divided into groups on the basis of variable such as age, family size, family life-cycle, gender, income, occupation, education, religion, race, generation, nationality and social class. Demographic variables are the most popular bases for distinguishing customer groups. One reason is that consumer wants, preferences and usage rates are often associated with demographic variables. Another is that demographic variables are easier to measure. Even when the target market is described in non-demographic terms, the link back to demographic characteristics is needed in order to estimate the size of the target market and the media that should be used to reach it efficiently. Some of the demographic variables used are:

i. Age and Life-Cycle Stage: Consumers' wants and liabilities change with age. On the basis of a market can be divided into four parts viz., children, young, adults and old. For consumers of different age groups, different types of products are produced. For instance, different types of ready-made garments are produced for consumers of different age groups. A successful marketing manager should understand the age group for which the product would be most suited and determine marketing policy, pricing policy, advertising policy etc., accordingly.

ii. Gender and sexual orientation: When God created human being he made Males and Females and gave them distinct survival needs. The gender segmentation is one of the most common forms of segmentation as around the globe man and woman have always been vocal about their separate needs. Gender segmentation has long been applied in clothing, hairstyling, cosmetics and magazines. Occasionally other marketers notice an opportunity for gender segmentation. Today even financial services are designed for women separately. For example special accounts for women by ICICI, Peerless Savings, special credit card for women by Standard Chartered Bank etc.

iii. Marital or cohabitational status: Life style of a person depends on whether he is married or not. An unmarried bachelor prefers to enjoy life and his purchase behaviour will show more of food and entertainment and less of furniture. But a married person will purchase house and the furniture. After that if they have a child their purchase pattern again changes and they buy baby food, medicines etc. If the couple is old their purchase pattern again shows change. Thus marital status and the status of marriage vis-à-vis their age is an important variable of segmentation, as they definitely need to be catered differently.

iv. Income: Income varies along the population in any country. In India it is as diverse as from few hundred rupees a month to millions a month. In this scenario the customers will behave differently in terms of wants as per their income. Income segmentation is a long-standing practice in such product and service categories as automobiles, clothing, cosmetics and travel. However, income does not always predict the best customers for a given product.

v. Generation: It has been noticed that there has been a recent change in customer preferences, especially of the younger age groups or those of the present generation and the older ones are yet to catch up. Because of this one marketing strategy cannot be implemented for all. So many researchers are now turning to generation segmentation. Each generation is profoundly influenced by the times in which it grows up—the music, movies, politics and events of that period.

vi. Social Class: It has a strong influence on preference in cars, clothing, home furnishings, leisure activities, reading habits etc. Many Companies design products and services for specific social classes.

vii. Family size: The size of the family affects the amount and size of purchases. The consumption pattern of a big-sized joint family differs from a small-sized nucleus family.

viii. Family composition: The composition of families can be another base for segmentation. In rural or joint family, the head of the family takes the majority of decisions whereas in urban small families, more freedom in decision-making is given to the individual family members. Even the children have become an important part of decision making nowadays because they are now aware about the alternatives.

ix. Occupation: Various occupations can influence the buying behaviour. People in sales and people in academic training will have different purchase behaviour. Those who are senior managers will need to maintain the corporate status but a field representative will require other things, which will make his work easier like files, folders etc. A model or an airhostess will be more beauty conscious and spend a lot in buying cosmetics and beauty care products.

x. Educational level: The academic standard segments people with same income i.e. with a similar ability to buy into their different likelihood to buy. For example, an illiterate miner and an educated primary teacher with same income may prefer different products due to their difference in educational standards.

xi Religion: Religious rituals, traditions and cultures also differentiate and segment the market. The famous Nike "Swoosh" symbol is not used in some Arab countries for its resemblance with Islamic scriptures.

xi. Race and ethnic background: The difference in races in terms of their tastes, beliefs, life styles are very much significant. In India, the presence of different castes, tribes, religions, and linguistic groups is an example of this.

xii. Nationality: Different countries have different cultures, legislations and climatic conditions making the nationality a significant segmentation variable. General Motor's Nova car did not sell in Spain, as In Spanish, "nova" means "no go".

The hybrid models of geographic and demographic segmentation methods are becoming popular. This hybrid model assumes that people of similar social class frequently cluster in the same neighbourhood. One of such hybrid models named ACORN (A Classification Of Residential Neighbourhoods) developed by CACI Information Services assume that there are 6 major categories of neighbourhoods viz. Thriving, Expanding, Rising, Settling, Aspiring and Striving.

Psychographic segmentation: This term was devised by Emmanuel H. Denby as "a measurement of consumers' propensity to purchase under a variety of conditions, needs and stimuli". This segmentation method represents a merging of demographic characteristics with psychoanalytical approaches to consumer behavior. In Psychographic segmentation buyers are divided into different groups on the basis of life-style or personality and values. People within the same demographic group can exhibit very different psychographic profile.

Life-style: People exhibit different life-styles and goods they consume express their life-styles. The life-styles could be upwardly mobile (those who are ambitious people seeking a better lifestyle through better paid and more interesting work), traditional and sociable (those who seek conformity and compliance with group norms), security and status seeking (those who purchase well-known brands and whose purchases emphasise those products that confer status and make life more predictable) and hedonistic preference (those who believe in enjoying life for the present with little thought given to the future). Many companies seek opportunities in life-style segmentation. One such segmentation system is called sagacity life cycle model, which assumes that people have different aspirations and behaviour patterns as they go through their life cycle, the four phases of which are dependent (under 24, student or unemployed), pre-family (under 35, own family with no children), family (under 65, head or joint head of households with one or more children) and late (all adults whose children have left home or those childless adults above 75). Life-cycle segmentation is measured either through the clusters of products used or through what are sometimes summarised as VAIO (Values,

Activities, Interests and Opinions). There is a certain intuitive appeal to the life style approach. There are groups of people who visibly buy certain brands to identify themselves as members of the groups and may share similar values, activities, interests and opinions. Others may buy the brands to show that they aspire to the desired group. This phenomenon is most obvious in fashion products such as clothes, jewellery, accessories etc. and now has been extended to fields such as restaurants, cars and watches. Hence, we now see many premium brands made for people of high life-style such as Armani, Versace, (clothing), De Beer (diamond), Skoda Superb, Mercedes M-class, Hyundai Teracan (cars), Rolex, Tag Heur (watches).

ii. Personality: Marketers have used personality variables to segment markets. They endow their products with brand personality that corresponds to consumer personalities.

iii. Values: Some marketers segment by core values, i.e. belief systems that underlie consumer attitudes and behaviour. Core values go much deeper than behaviour or attitude and determine, at a basic level, people's choices and desires over the long term. Marketers who segment by values believe that by appealing to people's inner selves it is possible to influence their outer-selves, their purchase behaviour.

iv. Beliefs: This is one of the parameters of segmentation used by marketers to sell products. People according to their situation and bringing up develop their own beliefs. For example people develop religious beliefs as per the religion they follow. And their purchase behaviours are greatly influenced by their beliefs. Not only during festivals but in normal life also people with different religious beliefs develop different lifestyles and different behaviour as consumer.

v. Attitudes: People have different attitudes towards different aspects of life, which affect their consumption pattern also. Some people who develop a very negative attitude towards life do not enjoy and hence behaves in a very different manner from the person whose attitude is to always have fun and live life to the fullest. Hence the marketing decision makers have taken this as a parameter to segment the population.

Socio-economic segmentation: In this type of segmentation, buyers are divided into different groups on the basis of social class and income. In consumer behaviour section, we have discussed about various social and economic factors, which influence consumer behaviour.

Income may be a more direct measure of buying power, though it should be noted that ability to buy has three components viz. earnings, wealth and credit potential. In recent years, many Indian individuals have experienced rapid changes in their buying power, both upwards and downwards. There is a trend towards polarisation in buying power, which is reflected in a polarisation in markets. The growing number of the relatively poor will increase the demand for economy products and outlets whereas the growing disposable income of one sector of the population will create growing demand for premium brands. In between, the market for standard products may decline, leaving a U-shaped distribution.

Behavioural Segmentation or Consumer Response Segmentation:

In behavioural segmentation, buyers are divided into groups on the basis of their knowledge or attitude toward, use of or response to a product. Some marketers believe that behavioural variables are the best starting points for constructing market segments.

(a) Occasions: According to the occasions buyers develop a need, purchase a product or use a product. It can help firms expand product usage. A company can consider critical life events to see whether they are accompanied by certain needs. There can be 2 types of occasions:

- *Regular*
- *Special*

For example if we consider the apparel purchase of men and women we see that for regular wear men buy formal shirts and trousers and casual shirts for weekends.

Similarly women buy salwar kameez or western formal for office and other casual wears for holidays. This is a regular occasion purchase. On the other hand, during any special meeting with client or a board meeting, executives purchase special suits or blazers. Women buy special sarees or ethnic dresses on marriage etc. This is called special occasion purchase.

(b) Benefits: Buyers can be classified according to the benefits they seek. On a purchase of same product different customer look for different benefit because of which they buy products from different companies which satisfy their specific needs. Let us take the example of a car. The basic function of a car is transportation. But people prefer different cars because they seek different benefits. The benefits can be of four types. Let us explain them with the choice of cars.

- *Quality:* there are people for whom the quality matters most in any purchase. So when they buy cars they buy *Mercedes Benz, Skoda Octavia*.
- *Service:* At times people buy things to avail some specific service. At this stage more than quality or price the service that the product can give matters more. For example politicians mostly use Hindustan Motors Ambassador bulletproof car.
- *Economy:* For most of the people belonging to the middle and lower income group price is the most important deciding factor in case of any purchase. These people look for the economy in every purchase. These people when go for a purchase of any car apart from quality and service their first criteria of choice will be the price of the car and their preference will be for cars like Maruti 800.
- *Specially:* People can be adventurous and sporty in purchase decisions for car and they would prefer Ferrari etc.

(c) User Status: Markets can be segmented into following classes depending on the user status. Let us explain the category of user with an example of a product say Deodorant. Let us see how we can divide the users of deodorant in different categories.

- *Non-user:* A 10-year child or 70-year old in our country generally do not use deodorant
- *Potential users:* This is the category where the usage rate is expected to be highest. In our example fashionable teenager, corporate people are the potential users of deodorant.
- *First time users:* The users who use it for the first time. For example the teenagers first deodorant used, may be in his college days.
- *Regular user:* A corporate big-wig always in big party or conference, a fashion conscious lady or a regular corporate and nowadays because of fall in its price students also are the regular users.
- *Ex-user:* Somebody who stopped using for some reasons may be due to allergies or due to switching to some substitutes like perfume are the ex-users of the product.

Each market segment requires a different marketing strategy. The Company's market position will also influence its focus. Market-share leaders will focus on attracting potential users, whereas smaller firms will try to attract current users away from the market leader.

(d) Usage Rate: Markets can be segmented into various classes depending on usage rate. Considering the cosmetics usage the different categories of usage rate are as follows:

- *Light:* These are the categories of the users who are very infrequent users. In case of cosmetics an average housewife who is not very fashion conscious is a light user of the cosmetics.
- *Medium:* The fashion-conscious teenagers are the medium users of cosmetics i.e. they use it very frequently.
- *Heavy:* There are people for whom the cosmetics are the most important purchase and they are heavy users of it. Celebrities in entertainment world, the models etc. need cosmetics on a regular basis, as it is the most important part of their

profession.

Heavy users are often a small percentage of the market but account for a high percentage of total consumption. Marketers prefer to attract one heavy user rather than several light users and they vary their promotional efforts accordingly.

(e) Loyal Status: Consumers have varying degrees of loyalty to specific brands, stores and other entities. Buyers can be divided into four groups according to brand loyalty status.

- *Hard-core Loyals:* Consumers who buy one brand all the time. We find people who have been using Colgate for years without caring which other brands are coming in and going out of the market.
- *Split or Soft Core Loyals:* Consumers who are loyal to two or three brands. Pepsodent after its launch found some customers of Colgate switching between the two brands.
- *Shifting Loyals:* Consumers who shift from one brand to another. Customers can be found to keep on switching off from Colgate to Close up and then to Pepsodent without any consistency.
- *Switchers:* Consumers who show no loyalty to any brand. These are the people who will buy any brand that is available in the market.

Each market consists of different number of the four types of buyers. Companies selling in a brand-loyal market have a hard time gaining more market share and companies that enter such a market have a hard time getting in. A company can identify its product's strengths by studying its hard-core loyals. By studying its split loyals, the company can pinpoint which brands are most competitive with its own. By looking at customers who are shifting away from its brand, the company can learn about its marketing weaknesses and attempt to correct them.

(f) Buyer-Readiness Stage: A market consists of people in different stages of readiness to buy a product. Various stages are:

- *Unaware:* People not following technology trend and completely unaware about its improvement and new innovations.
- *Aware:* People who have seen the advertisements but do not have enough knowledge about the technology.
- *Informed:* These people get info from friends colleagues, relatives who are users or technical people.
- *Interested:* People who have information and hence are variety-seekers.
- *Desired:* These are the people Who have gathered detailed knowledge, probably has taken a trial, but may lack money to purchase the product.
- *Intended to buy:* People who have the knowledge, has the purchasing capacity and desire and are ready to buy.

The relative number makes a big difference in designing the marketing programme.

(g) Attitude: Five attitude groups can be found in a market. For example in a credit card market they can be distinguished as follows:

- *Enthusiastic:* These are people having tendency of impulsive purchase. They may not carry cash all the time but suddenly decide to buy something. They definitely need credit cards.
- *Positive:* they are serious but mobile people who need to buy suddenly at any time.
- *Indifferent:* There are some people who are technology averse with systematic purchasing pattern.

They would prefer to purchase with cash after thinking over the need for purchase. They do not prove to be potential users of credit cards.

- *Negative* People can be spendthrifts who fear of losing money or misusing it. They would never ever go for a credit card.
- *Hostile.* People at times become very much irritated either by salespeople calling or meeting anytime, giving false promise or by the service provided. For example in case of credit cards, there are some hidden costs which are not clarified by the

salesperson during selling.

So you see there are a huge number of variables that could be used for market segmentation. The following table shows the most important traditional segmentation variables for consumer and business market.

list of Segmentation Variables

Consumer Markets

Geographic:

Land or region

Rural or metropolitan area

Demographic:

Age, sex, marital status

Income, occupation, education

Religion, nationality, ethnical group

Psychographic:

Social status

Lifestyle-type

Personal type

Behavioural:

Intensity of product use

Brand loyalty

User behaviours

Benefit

Socio-economic

Industrial Markets / Business Markets

Industry

Intermediary or final consumer

Type of corporation (public or private sector)

Size of corporation

Geographical location

Intensity of product use

Organisation of purchasing function

Centralised or decentralised

Purchasing policies, rules and criteria