	SREE SIDDAGANGA FIRST GRADE COLLEGE OF ARTS AND COMMERCE *Sondekoppa Road, Near Ganesha Temple,* *Nelamangala – 562123* **PRINCIPLES OF MARKETING**
I Sem B.COM	**CHAPTER 1** **INTRODUCTION TO MARKETING**

MARKET

- A market is a place where two parties can gather to facilitate the exchange of goods and services. The parties involved usually/generally are buyers and sellers.
- Market refers to a place where the trading of goods or services takes place. The place can be real or virtual (online market) / physical place.
- Market size depends on number of buyers & sellers and depends on quantity of transactions.

MARKETING

Meaning

- Marketing is an organisational function and a set of processes for creating, communicating, and delivering value to customers and managing customer relationships in ways that benefit the organisation and its stake holders.
- Marketing refers to activities undertaken by an organisation/company to promote the buying or selling of a product or a service.

DEFINITION

- According to **Philip Kotler**, Marketing is societal process by which individuals & groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others.
- **American Marketing Association** defines ‘Marketing is the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals.

Importance of Marketing

(1) Marketing Helps in Transfer, Exchange, and Movement of Goods:

Marketing is very helpful in transfer, exchange, and movement of goods. Goods and services are made available to customers through various intermediaries' viz., wholesalers and retailers etc. Marketing is helpful to both producers and consumers.

2)Marketing Is Helpful In Raising And Maintaining The Standard Of Living Of The Community

Marketing is above all the giving of a standard of living to the community. Paul Mazur states, "Marketing is the delivery of standard of living

By making available the uninterrupted supply of goods and services to consumers at a reasonable price, marketing has played an important role in raising and maintaining living standards of the community. Community comprises of three classes of people i.e., rich, middle, and poor. Everything which is used by these different classes of people is supplied by marketing.

(3) Marketing Creates Employment:

Marketing is complex mechanism involving many people in one form or the other. The major marketing functions are buying, selling, financing, transport, warehousing, risk bearing and standardisation, etc. In each such function different activities are performed by a large number of individuals and bodies.

(4) Marketing Acts as a Basis for Making Decisions:

A businessman is confronted with many problems in the form of what, how, when, how much and for whom to produce? In the past problems was less on account of local markets. There was a direct link between producer and consumer.

(5) Marketing Acts as a Source of New Ideas:

The concept of marketing is a dynamic concept. It has changed altogether with the passage of time. Such changes have far reaching effects on production and distribution. With the rapid change in tastes and preference of people, marketing has to come up with the same.

(6) Set better goals for your business

The success of a business depends on its goals and objectives. Marketing can help a business set its goals. By practicing some marketing strategies, it will lead to the popularity of their brand. They will now set clear goals and objectives for their employees to know their targets.

(7) Marketing helps to boost the sales

Marketing is one way to give information to consumers. This way, consumers will have a basic idea of what is your product all about. They will also know the benefits of buying your products. When people are well-informed about your product, your sales will increase.

GOALS/AIMS/OBJECTIVES OF MARKETING SYSTEM:

1. Creation of Utility: It wants to satisfy various wants of consumers. It can create time, place, and possession utility. In this way demand of consumers can be satisfied.

- **Creation of Place utility**: Movement of goods from the producing centres to consuming centres creates place utility. Timber in the forest is a waste but in city it is valuable.
- **Creation of Time utility:** Marketing makes goods available at the time when they are required by the public. Wheat at the time of harvest may not be useful but after few months it can be sold at profit.
- **Possession utility:** Goods are in the warehouses of manufacturers and dealers. Their possession can be transferred to consumers who want to use them. It helps in ownership and possession of goods.

2. Cost reduction: It aims at reducing the cost to give the benefit to both the parties-sellers and buyers. Marketing efficiency is based upon the cost of distribution.

3. Price stability: It aims at stabilisation of prices. The entire body of producers, consumers and society in general desires stable prices and stable market conditions as wide or extreme changes in prices are harmful to all as they create confusion and chaos in the market.

4. **Maximize consumption:** The job of marketing is to stimulate maximum consumption which will in turn lead to maximum production, employment, and wealth. It is assumed that more the people spend, buy, and consume, the happier they are.

5. **Maximise consumer satisfaction:** Marketing should maximise consumer satisfaction not simply the quantity of consumption.

6. **Maximise choice:** Marketing should provide to the consumer maximum product variety and choice so that the consumers would be enabled to find goods that exactly satisfy their tastes and maximize their satisfaction.

7. **Maximise life quality:_**The goal of marketing should be to improve the quality of life of consumers. This includes not only the quality, quantity, choice, availability, price but the quality of physical and cultural environment.

SCOPE OF MARKETING

The scope of marketing deals with the question,

- What is Marketing?
- What is Marketed?
- Who is Marketing?

What is Marketing?

Marketing refers to all activities a company does to promote and sell products or services to consumers.

What is Marketed?

According to Kotler, marketing people are involved with ten types of entities.

1. Goods

Physical goods constitute a major part of a country's production and marketing effort. Companies market billions of food products, and millions of cars, refrigerators, television, and machines.

2. Services

As economies advance, a large proportion of their activities is focused on the pro•duction of services. Services include the work of airlines, hotels, car rental firms, beauticians, software programmers, management consultants, and so on. Many market offerings consist of a mix of goods and services. For example, a restaurant offers both goods and services.

3. Events

Marketers promote events. Events can be trade shows, company anniversaries, entertainment award shows, local festivals, health camps, and so on. For example, global sporting events such as the Olympics or Commonwealth Games are promoted aggressively to both companies and fans.

4. Experiences

Marketers create experiences by offering a mix of both goods and services. A product is promoted not only by communicating features but also by giving unique and interesting experiences to customers. For example, Maruti Sx4 comes with Bluetooth technology to ensure connectivity while driving, similarly residential townships offer landscaped gardens and gaming zones.

5. Persons

Due to a rise in testimonial advertising, celebrity marketing has become a business. All popular personalities such as film stars, TV artists, and sportspersons have agents and personal managers. They also tie up with PR agencies for better marketing of oneself

6. Places

Cities, states, regions, and countries compete to attract tourists. Today, states and coun•tries are also marketing places to factories, companies, new residents, real estate agents, banks, and business associations. Place marketers are largely real estate agents and builders. They are using mega events and exhibitions to marketplaces. The tourism ministry is also aggressively promoting tourist spots locally and globally.

7. Properties

Properties can be categorized as real properties or financial properties. Real property is the ownership of real estates, whereas financial property relates to stocks and bonds. Properties are bought and sold through marketing.

Marketing enhances the need of ownership and creates possession utility. With improving income levels in the economy, people are seeking better ways of saving money. Financial and real property marketing need to build trust and confidence at higher levels.

8. Organizations

Organizations actively work to build image in the minds of their target public. The PR department plays an active role in marketing an organization's image. Marketers of the services need to build the corporate image, as exchange of services does not result in the owner-ship of anything. The organization's goodwill promotes trust and reliability. The organization's image also helps the companies in the smooth introduction of new products.

9. Information

Information can be produced and marketed as a product. Educational institutions, encyclopaedias, non-fiction books, specialized magazines, and newspapers market information. The production, packaging, and distribution of information is a major industry. Media revolution and increased literacy levels have widened the scope of informa•tion marketing.

10. Idea

Every market offering includes a basic idea. Products and services are used as platforms for delivering some idea or benefit. Social marketers widely promote ideas. Maruti Udyog Limited promoted safe driving habits, need to wear seat belts, need to prohibit children from sitting near the driver's seat, and so on.

Who is Marketing?

Independent firms which assist in the flow of goods and services from producers to end-users; they include agents, wholesalers, and retailers; marketing services agencies; physical distribution companies; and financial institutions. They above marketing intermediaries help in marketing the goods and services.

FUNCTIONS OF MARKETING

EXCHANGE FUNCTIONS

1. BUYING

Buying involves decisions on what to buy, how much, what quality, whom, when and at what price. buying of goods and services here means that organisation is buying for the industrial use/ producing a product. the buying function is carried out by all entities in the marketing chain.

2. SELLING

Selling is the last activity and core objective of marketing. The marketing completes by sale of goods and services.

The volume of sales has direct relation with the profits of the business. Marketers use various techniques to enhance the volume of sales.

3. PRICING

Pricing a product or a service is major function of marketing as it directly impacts the profits of business. Price is the cost that customer give up/sacrifice to buy a product.

The organisation should ask basic question before pricing a product

1. What will customer pay?
2. How much will it cost to product?
3. What is the competitor price?

4. ASSEMBLING

It is concerned with the collection and concentration of goods of the same type from different sources at a place for further movement. This function helps the organization to assemble variety of goods bought from different suppliers in order to disperse them either for production or consumption.

SUPPLY CHAIN (DISTRIBUTION) FUNCTION

1) TRANSPORTATION

Transportation refers to real distribution of goods from place of production to place of consumption. This function ensures that the product/services is easily and effectively transported/moved to reach the target market/customers.

2) STORAGE

It refers to holding of goods until it is reached to the consumer. Storing is an important function as it helps to protect the quantity, quality, and nature of the product. Storage helps in managing the time gap between production and consumption of a product.

3) RETAILING

Retailing is a distribution process where retailer buy from wholesaler or from the manufacturer and those goods to consumer in smaller quantities.

Retailing helps in providing a convenient buying location, and better market information.

UTILITY FUNCTIONS

1. FINANCING

This function of marketing provides credit facilities to all entities in market channels (manufacturer, distributor, wholesalers, retailers, customers)

Financing function provides necessary cash or credit to produce, transport, store, promote, sell and buy products.

2. MARKET INFORMATION

It refers to market information around the world about market conditions, price movements and other relevant information that affect the marketing process. Marketing information helps in effective decision making. Modern marketing must have information of size, location, characteristics of market etc. it also includes facts, estimates, opinions, and other information used in decision making, which affects the marketing of products and services.

3. CUSTOMER SERVICES

This function of marketing helps to manage and retain the existing customers. To manage the customers, marketers must be concerned with the entire experience a customer derive from using a product.

4. PROMOTION

This function plays a vital role in marketing a product. The business/marketers promote the product by providing the maximum information about the product. There are different forms of promotion such as personal selling, advertising, sales promotion etc

5. STANDARDISATION AND GRADING

- Standardisation helps the marketers to target potential customers and keep the cost low.

- It brings a uniformity by implementing/establishing certain standards.
- Grading involves classifying the standardised product.

6. LABELING

Labelling the product refers to the printed information affixed to a product communicated from the manufacturer to consumers or other users.

The primary purpose of a product label is to identify type, size, brand, product line, manufacturer, and other product information to inform the consumer and encourage a purchase.

7. MARKET RISK (risk bearing)

In marketing, there arise numerous risks- damages to goods, physical loss, changes in value of goods, changes in supply and demand conditions, mismanagement, credit loss etc. marketers are able provide protection against these risks through insurance companies.

8. MARKET INTELLIGENCE

Market intelligence is the everyday information relevant to a company's markets, gathered and analysed specifically for the purpose of accurate decision making in marketing.

APPROACHES OF MARKETING

1. Commodity Approach: here we study the flow of a certain commodity and its journey from the original producer right up to the final customer. The subject matter under this approach is to study and analyse the issues and problems relating to a specific commodity. Here we can locate the centre of production, supply and demand, people engaged in buying and selling of the product, transportation, storage, advertisement etc. Here we can have a fuller picture of the field of the marketing.

2. Functional Approach: it refers to detail study of different functions performed in marketing. we concentrate on the specialised services or functions performed by marketers like buying, selling, storage, market information, risk bearing, transport, financing etc. these functions may be studied one after another, and each function is studied in detail in order to understand each function's importance and need.

3. Institutional Approach: this approach's main interest centres round the marketing institutions such as wholesalers, retailers, transport undertakings, banks, insurance companies etc who participate in discharging the marketing responsibilities during the movement of distribution of goods and services to ultimate consumers.

4. Managerial or Decision-Making Approach: This approach which is of recent origin combines certain features of commodity, institutional and functional approaches. Here the focus is on the Decision-making process and the study encompasses discussion of the different underlying concepts, decision influencing factors, strategies and techniques etc. and their relative importance, strength and weakness.

5. The System Approach: A system is a set of interacting groups co-ordinated to form a unified whole and organised to accomplish a set of objectives. System approaches focus on interconnections and interrelations among functions of business and marketing.

In the model we have:

1.Objectives: it is designed to achieve organisational goals such as profits, customer satisfaction, social welfare etc.

2.Inputs: are the labour (human), money (financial), materials and equipment resources that enter a transformation process.

3.Processor: comprises of technology by transforming the input into output.

4.Outputs: are the original inputs as changed by the transformation process i.e. products and services.

5.Feedback: is the information about a system's status and performance.

this approach provides the best model for marketing activity. It emphasis on the inputs to the system and outputs produced. It helps in the determination of marketing and corporate goals, development of marketing programmes and total marketing mix.

6. **Legal Approach:** it focuses its attention on the legal transfer of ownership of goods to the buyer. It highlights the various legislations that are in force to support marketing system like Sales of Goods Act, Carrier Act, Contract Act etc.

7. **Societal Approach:** It states that society identifies its own consumption needs and satisfy it accordingly. Modern aspect of marketing- consumer to consumer- is the theme of this approach. Consumers in the society project their desires, producers produce the products accordingly and sell them to consumers.

8. **Economic Approach:** It considers maker forces like demand, supply, price etc. the market behaviour, the types of markets etc are considered in this approach.

Elements of marketing mix

1. **Product:** this refers to the goods manufactured by the company and offered for sale to the people. A product may be tangible or intangible (service). The marketer must question himself so as to understand the product
   a. What does a customer want from a product or service?
   b. What features do the product have to meet the needs?
   c. What does a product look like?
   d. What size(s), colour(s), so on?
   e. What it is to be called?
   f. How is it branded?
   g. What else can be done to make the product more acceptable by consumers?
2. **Price:** price is the exchange value of a product or service always expressed in money.
   a. What is the value of the product or service to the product?
   b. Is the customer price sensitive?
   c. Will small increase or decrease in price lead to market share?
   d. At what time and amount trade discounts should to offered to consumers?
3. **Place:** this refers to the places or locations where the products are made available to the people.
   a. Where do buyers look for the product or service?
   b. If they look in a store, what kind?
   c. How can a marketer access the right distribution channels?
   d. Does a marketer need to use a sales force?

4. **Promotion:** this refers to various strategies and ideas adopted by the company to bring the products to the notice of the consumers and thereby make the products popular.
   a. when and where can the marketing messages be conveyed to the target market?
   b. Will the audience be reached through promotional strategies?
   c. What is the best time to promote?
   d. How do the competitors do their promotions?

Boom and Bitner have developed a marketing mix with 7Ps, called the extend marketing mix. This includes the first 4Ps, plus 3Ps.

5. **People:** the individuals involved in the sale and purchase of products or services come under people.
6. **Processes:** processes include the various mechanisms and procedures which help the product to finally reach its target market.
7. **Physical evidence:** with the help of physical evidence the marketer tries to communicate the USPs and benefits of a product to the end users.

MARKETING ENVIRONMENT

Meaning

Market environment is a combination of external and internal factors and forces which affect the company's ability to establish a relationship and serve its customers.

Marketing environment consists of both internal and external environment.

Definition

According to Philip Kotler "A company's marketing environment consists of the factors and forces outside marketing that affect marketing management's ability to maintain successful relationships with its target customers"

MACRO ENVIRONMENT

Macro environment is the condition that exists in the market as whole, rather than in a particular sector or region.

The marketing management must keep close contact with many uncontrollable forces. A company has to understand the macro environment and do its best to carry on marketing within the prevailing limitations

Macro environment also called as External environment, uncontrollable factors.

Following are the macro environment factors that affect the marketing decisions:

1. Demographic environment.
2. Economic environment.
3. Social and cultural environment.
4. Political and legal environment.
5. Science and technology.
6. Competition.
7. Ecology. (natural factors)
8. International environment.
9. Customer demand.

1. DEMOGRAPHIC ENVIRONMENT:

Demography is the scientific study of human population and its distribution structure. Demographic analysis is the study of population in terms of size, density, location, age, gender, race, occupation, income, family size, family lifestyle and other statistics. Demographic environment helps in studying the population characteristics that describe the consumers. Thus, demography helps in better marketing decisions, market segmentation, determination of target markets and marketing strategies.

2. ECONOMIC ENVIRONMENT:

The economic environment constitutes factors such as the GDP, per capita income, inflation, deflation, recession, rates of interest, money supply conditions, incidence of savings etc. which prevail in the country. Economic factors greatly affect the marketing of a company as they collectively have a great influence on the purchasing power of the people. The purchasing power enables the people to buy goods and services. A proper understanding of economic factors will enable the company to frame better policies in terms of pricing, advertisements, quantity of goods to be manufactured etc.

3. SOCIAL AND CULTURAL ENVIRONMENT:

Customs, traditions, living habits, thinking, human relations etc. of a society are largely influenced by the culture. People imbibe cultural and social values in their lives. The cultural and social factors are deep rooted and influence the purchases of goods andservices. The social environment has 3 aspects

- Change in lifestyle and social values. Ex: roles of gender.
- Social problems. Ex: pollution, global warming.
- Growing consumerism.
  The company must understand these factors before designing the product or marketing policies.

4. POLITICAL AND LEGAL ENVIRONMENT:

The policies framed by the government in terms of finance, economy, consumer protection, ecology and environment, direct and indirect taxation, imports and exports, foreign investment etc. have a strong influence on marketing. These laws also keep changing from time to time. Every company must understand the laws of the country which an impact on its marketing. No company can violate the government policies or laws.

5. SCIENCE AND TECHNOLOGY:

The ever changing and dynamic factor is technology. The technology has created positive things such as computers, mobile phones lifesaving drugs, better machineries etc. and negative things such as machine guns, nuclear bombs etc. every technology replaces another technology and the latter becomes a waste. This factor give rise to new products and market opportunities and allows existing products to be made more better. A company's success or failure depends up on the marketers' attitude towards technology.

6.COMPETITION:

There is price and non-price competition in the market. No marketing decision of major importance should be made without assessing competition in a free market economy. He can merely anticipate competitive actions and can be prepared to deal with them. Competitors influence the company's choice of marketing strategies particularly in relation to target markets, suppliers, price place etc.

7.ECOLOGY (NATURAL FACTORS):

The fast-deteriorating conditions of ecology and environment greatly affect the company's marketing. Factors like environmental pollution, weakening ozone layer, dwindling forests, shrinking water bodies, shortage of power supply have a negative impact on marketing. A company must convince the customers that the company is environmentally responsible, and the products are safe etc company has realized these facts, revamp all its operations and become eco-friendly.

8.INTERNATIONAL ENVIRONMENT:

This environment consists of those factors which have an impact on foreign trade of a country. These factors may be foreign policy, international treaties and foreign investment policy and various acts which are concerned with other countries in trade matters with the formation of WTO, there is a tremendous change in international trading environment.

9.CUSTOMER DEMAND:

It is ever- changing, unpredictable and unmeasurable with accuracy. It is also complained, and very intricate customer needs and desires act as the centre of marketing. In fact, marketing system must respond to the customer needs and desires in all respect. Marketing policies, programs and strategies are planned organised and executed with the main objectives of customer satisfaction and service. Today marketing begins and end with the customers.

MICROENVIRONMENT

"Microenvironment refers to the forces which are close to the company that affect its ability to service its customers- the company, suppliers, marketing channels firms, customers, competitors and publics" **PHILIP KOTLER**

1. **THE COMPANY:** To achieve the task of marketing, the marketing department needs co-operation from various department. An organisation consists consist of department such as marketing, production, finance HR, and each department is placed under the control of a manager. All departments must work with co-ordination to achieve organisational objectives.

2. **CORPORATE RESOURCES:** resources comprise of men, material, money, machinery, and management. The corporate resources are controllable and can be adjusted according to marketing plan and policy. These factors influence the marketing and are interdependent.
3. **MARKETING MIX:** marketing mix is tool that a firm uses to pursue its marketing objectives. It consists of 4 elements a) product mix b) price mix c) promotion mix d) place mix. The marketing mix differ according to external environment and can impact the company's distribution strategy keeping in view the competition, cost, and customer satisfaction.
4. **MARKET:** it consists of different types of purchasers Ex: individuals and households for personal consumption, producer, and manufacturer for industrial purpose.
5. **SUPPLIERS:** suppliers provide the resources needed by the company to produce its goods and services. Marketing managers must watch the supply availability, supply shortages or delays, labour strikes in the short run and customer satisfaction in the long run.
6. **MARKETING INTERMEDIARIES:** these are distribution channels that provide a valuable link between an organisation and its customers. Marketing intermediaries include resellers, physical distribution firms, marketing service agencies and financial intermediaries. They help the company to promote, sell and distribute the product.
7. **EMPLOYEES:** employees of an organisation, consisting of managers, executives, supervisors, board of directors etc which can be controlled to greater extent. The employee's productivity and attitude towards the can be controlled by the organisation sound HR policies.

Value Philosophy in marketing

Value

Value is the measure of the benefit gained from a product or service relative to the full cost of the item.

Value = benefit – cost

Types of value

The four types of value include: functional value, monetary value, social value, and psychological value. The sources of value are not equally important to all consumers. How important a value is, depends on the consumer and the purchase. Values should always be defined through the "eyes" of the consumer.

- Functional Value: This type of value is what an offer does, it's the solution an offer provides to the customer.
- Monetary Value: This is where the function of the price paid is relative to an offering perceived worth. This value invites a trade-off between other values and monetary costs.
- Social Value: The extent to which owning a product or engaging in a service allows the consumer to connect with others.
- Psychological Value: The extent to which a product allows consumers to express themselves or feel better.

Value creation

Meaning

When an organization exercises its effort and resources to generate something of value that is sold to a customer base is referred to as value creation.

Value Delivery

- Value delivery is the way you design your products such that it gives maximum value to the customer using it.
- The value delivered to customers can be in the form of products, benefits, attributes etc. Anything which creates value for your customer should be involved in your value delivery process.

Value Delivery Process

When the firm or an organization makes something, manufacture something and then sells it then it is known as marketing kind of a thing. It tells about making the product and then selling it. The value delivery process consists of two things that are as follows:

1. Making the product
2. Selling the product

The Value Delivery Process breaks into three distinct phases:

1. **Choosing the value**: where Marketing Management does its own **"homework marketing"** before any product exists (e.g. market segmentation, targeting and positioning as the essence of the first phase of strategic marketing.

NOTE: Market positioning refers to Influencing consumer perception of a brand or product in relation to rival brands.

2. **Providing the value:** where Marketing Management decide the marketing mix criteria (For example, Marketing tactics) that will provide a strong competitive and thus a differential advantage.

3. **Communicating the value:** where Marketing Management decides on the actual implementation process - utilization of the Sales Force, Sales Promotion, Advertising, and other integrated communication tools.

Value Innovation

Value innovation is a process in which a company introduces new technologies or upgrades that are designed to achieve both product differentiation and low costs.

Co- creation of value

Co-creation of Value is a marketing strategy based on consumer values. Customers use different forums to share ideas and problem faced and their knowledge for product improvement. This in turn, creates an additional value to the product.

Upstream Marketing

- It is a type of marketing that focuses on a specific group of customers and identifies their needs.
- It is a practice of strategically aligning a product to a market by identifying and fulfilling customer needs.