CHAPTER 1
WHAT IS MARKETING?
Introduction

The marketing remains one of most difficult areas of analysis and decision-making for each company. The marketing problems do not exhibit the neat quantitative properties as of many of the problems in production, accounting or finance.

The psychological variables play a large role, marketing expenditure affect demand and cost simultaneously; Marketing plans shape and interact with other corporate plans. Marketing Decision must be made in the face of insufficient information about process that are dynamic, non-linear, lagged, stochastic, interactive and downright difficult.

Of course we are witnessing about new phenomenas in the marketing and business activities. Marketing research services, have taken a new mode as emanated from new technology, globalization, intelligence marketing systems and several other new methods.

This Chapter is organized into five original parts. First part gave the understanding of the marketing concept and schools of thought, building customer satisfaction and external environment in marketing. The Second belongs to analyzing marketing opportunities, managing marketing information, analyzing consumer markets and buying behavior and identifying market segments and selecting market targets. The third part is the planning of the marketing mix, like product, branding, packaging, price decision, promotion decision and sales promotion, advertising and distribution management. The fourth part consists of the marketing strategy and the fifth part shaped for managing the marketing efforts and marketing control.
1. 1. 0 The Concept of Marketing:

Marketing is a social and managerial process by which individual and groups obtain what they need and want, through creating, offering, and exchanging products of value with others. This definition of marketing rests on the following core concepts: needs, wants and demands; products (goods, services, and ideas); value, cost, and satisfaction; exchange and transactions; relationship, and networks; markets; and marketeers and prospects.

1. 1. 1 Needs, Wants and Demands:

Marketing starts with human needs and wants (people need food, air, water, clothing and shelter to survive). They have strong preferences for particular versions and brands of basic goods and services.

It is important to distinguish among needs, wants, and demands. A human need is a state of deprivation of some basic satisfaction.

Wants are desires for specific satisfiers of needs. Human wants are continually shaped and reshaped by social forces and institutions, including churches, schools, families, and business corporations.

Demands are wants for specific products that are backed by an ability and willingness to buy them. Wants become demands when supported by purchasing power. Needless to say that, marketers don't create needs; needs preexist marketers. Marketers, along with other social influences, influence wants.
1.1.2 Value, Cost, and Satisfaction:

Each product has a different capacity to satisfy customers’ need set. The guiding concepts here are value and satisfaction, value is the consumer’s estimate of the product’s overall capacity to satisfy his needs.³

1.1.3 Products (goods, services and ideas):

A product is anything that can be offered to satisfy a need or want. A product or offering can consist of as many as three components: physical goods, services, and ideas.

The importance of physical products lies not so much in owning them as in obtaining the services they render.⁴

1.1.4 Exchange and Transactions:

People can obtain products in one of four ways. The first way is self-production. In this case there is no market and no marketing. The second is concretion. No benefit is offered to others. The third way is begging. They have nothing tangible to offer except gratitude. The fourth way is exchange. Exchange is the act of obtaining a desired product from someone by offering something in return.

A transaction is a trade of values between two or more parties. A transaction involves several dimensions: at least two things of value, agreements.
1.1.5 Relationship and Network:

Relation marketing is the practice of building long-term satisfying relations with key practitioners—customers, suppliers, distributors—in order to retain their long-term preference and business. They accomplish this by promising and delivering high quality, good service and fair prices to the other parties over time. Relationship marketing results in strong economic, technical, and social ties among the parties.

A marketing network consists of the company and all of its supporting stakeholders, customers, employees, suppliers, distributors, retailers, and agencies.

1.1.6 Markets:

A market consist of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want. Thus the size of market depends on the number of people who exhibit the need or want and have resources in exchange for what they want.

1.1.7 Marketers:

The marketing means working with markets to actualize potential exchanges for the purpose of satisfying human needs and wants. A marketer is someone seeking one or more prospects who might engage in an exchange of values.

A prospect is someone whom the marketer identifies as potentially willing and able to engage in exchange of values.
1.2.0 Economic Development and Marketing:

In the primary stage of economic development, the role of marketing is very peripheral. As the economy is self-sufficient and self-contained the available supply of goods and services finds its own demand.

The product range is naturally very narrow as, by and large, the people live at the subsistence level. As the economy is non-monetised, whatever exchange of goods and services that take place is barter based and is more or less concluded at the doorstep at the community centre.

The tertiary stage of economic development is characterised by its technological orientation and an all-round affluence manifest in automated production process, abundance of production, keen competition, enormous discretionary purchasing power and substitution of money by credit.

The stage of marketing not with standing its consumer orientation, exhibits a functional dynamism where the importance of marketing research is out weighted by that of advertising and pricing which are now used to render more of psychological satisfactions than the real one – the importance of other functions nevertheless, retaining status quo. Innovation became the password of business success.\(^5\)

Marketing stimulates potential aggregate demand. Through stimulation of demand, people are attracted to put in additional efforts in their brand-earning activity and get additional money to buy the goods and services being marketed. It also accelerates the process of monetizing the economy.\(^5\)
1.3.0 The Evolution of Marketing:

When did marketing begin?

Historical accounts of trade practices have led some to conclude that marketing has always existed. As long as there have been people, some, form of the exchange existed. Over 6,000 years of recorded history document that the roots of both Western and Eastern civilization include some form of trade.

The term marketing, as we use it today, is thought to have originated in the United States between 1906 and 1911.

It was used to describe the different activities that took place in the distribution and sale of products.

Marketing did not always have the same thrust—that of facilitating satisfying exchanges—that it has today.6

The focus of marketing activities can be depicted as follows:

**Exhibit (1.1) Evolution of Marketing**

<table>
<thead>
<tr>
<th>Production era: Through 1920 s</th>
<th>Sales era: 1920s through 1950 s</th>
<th>Marketing era: 1950s through 1990 s</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Taking orders and shipping goods</td>
<td>• Advertising and Personal Selling</td>
<td>• Coordinated efforts aimed at satisfying customer.</td>
</tr>
<tr>
<td>• Emphasis on producing goods</td>
<td>• Emphasis on selling goods</td>
<td>• Emphasis on marketing goods.</td>
</tr>
<tr>
<td>• Supply created demand</td>
<td>• Strong demand subsided</td>
<td>• Identify consumer need and then create goods that consumers will demand.</td>
</tr>
</tbody>
</table>
1.3.1 The Production Era:

The Production era began in the 1600s with the colonization of America and continued into the early part of the twentieth century.

American business had its foundation in English mercantilism, a system in which public authority controlled and directed a nation’s economic life-prior to Independence. The commercial approval; mercantile practices discouraged American innovation.

Early settlers arriving in the American colonies had to produce their own goods, such as food and clothing.

Soon people began to perform production activities based on their specialized skills and to exchange their goods-for those products and consumption.

This mark the beginning of the separation of production and consumption.

In 1776, Adam Smith wrote the Wealth of Nations, in which he criticized mercantilism and argued for free enterprise.

These ideas led to more individual creativity and innovation.

The Industrial Revolution made its appearance in the United State in 1970 when a young mechanic named Samuel Stater developed American’s first factory.

The assembly line, mass production, and the division of labor made it
possible to manufacture products more efficiently.

Companies were manufacturing-oriented, and marketing was limited to taking orders and shipping goods.

1.3.2 The Sales Era:

As more and more firms became efficient in producing goods, competition among companies intensified. By the mid-1920s mass production had provided sufficient products for consumers to satisfy many of their needs and wants and the strong demand for products subsided.

Managers began to realize the products would no longer sell themselves; they would have to be sold to consumers. This was the beginning of the sales era, the period from the mid-1920s to the early 1950s in which business looked on sales as the major means of increasing profits.

To help increase demand for product, companies began to advertise. The growth of radio in the 1920s and 1930s opened up new avenues for reaching large groups of people. Firms could now reach millions of people with their sales messages. Some firms also began to develop trained sales forces during this era.

Sales people personally reached thousands of people and, in some cases, used high-pressure tactics to convince consumers to buy products.

Many industries, including automobile, insurance, tobacco, drug, and cosmetics industries, used advertising and sales to spur rapid growth.
1.3.3 The marketing Era:

During the sales era, many firms were still not considering the needs and wants of the marketplace. In fact, critics of the sales era believe that products were often sold without regard for the needs of consumers.

But companies began to realize that many products were failing simply because they did not satisfy consumer needs.

By the early 1950s, companies moved into the marketing era, a customer-oriented period that continues today in which business try to make products that consumers want. Business tried to determine customer needs first and then developed products to satisfy those needs. The marketing concept grew out of this era.

1.4.0 Ideas of Marketing:

There are two ideas in the marketing:  

1. Consumerism  
2. Environmentalism

1.4.1 Consumerism:

Consumerism is an organized effort or movement of consumers or other social agencies to protect and enhance the rights and powers of buyers in relation to sellers.

Consumerism may be defined as a "social force designed to protect the consumer by organizing legal, moral and economic pressures on business."
Consumerism is a clarion call for a revised marketing concept.

In developing societies, sellers' market conditions prevail, and there is a general shortage of goods and services. On the other hands, goods and services are available but buyers do not possess adequate purchasing power.

1. 4. 2 Environmentalism:

The environmentalists focus on the impact of modern marketing on the environment and the costs that are borne in serving these consumer needs and wants.

Environmentalism may be defined as an organised movement of people, institutions and government to protect and enhance the environment.

Environmentalists are not against marketing and consumption: They simply want them to operate on more ecological principles. They do not think the goal of the marketing system should be the ‘maximisation of consumption’ or ‘consumer satisfaction’ as such.8

The goal of the marketing system should be maximisation of ‘life quality’. Life quality means not only the quantity and quality of consumer goods and services but also the quality of the environment.

1. 5. 0 Importance of Marketing Management:

Efficient marketing is the back bone of a business enterprise. Marketing management is primarily concerned with movement of goods and services from the producer to the consumers or customers in order to satisfy their needs.
Therefore the need for an efficient and effective system of marketing management in improving the functioning of an enterprise or organisation cannot be overlooked.

The importance of marketing management can be summed up as follows:

1. Marketing management helps in the realisation of the objectives for which the organisation has been setup. It helps in the task of running the establishment smoothly and effectively. In fact, an effective marketing management is essential for the survival and growth of the organisation.

2. It helps the community to satisfy their economic and social needs and thus raise their standard of living. Marketing management is also defined as "the creation and delivery of standard of living to the society". It helps the enterprise to fulfil its social responsibilities.

3. It helps in producing those products that are needed by the consumers and community at large it activates the production – consumption chain.

Thus it helps in an efficient and productive utilisation of resources, both human materials, eliminating wastage.

4. It helps the enterprise to adapt to the changing conditions and circumstances.

5. It provides guidance to the organisation on the innovations to be adopted, enabling it to face competition more squarely.

6. It helps the enterprise in achieving the maximum efficiency, productivity
and profitability with the minimum of efforts and costs.

7. Effective marketing management ensures effective performance of other functional departments and better effective results. The effectiveness of other departments depends on effectiveness of marketing management.

8. It makes organizational planning more meaningful and relevant.

9. It helps in creating efficient entrepreneurs and managers.

10. It ensures the economic development of the country is profit directed.

1.6.0 The Emergence of Marketing:

After the second world war, the size and character of markets changed enormously. There was a substantial increase in population. The disposable income of the average family registered an increase.

Now industrial concerns sprang up rapidly. A great variety of new products and services strengthened the rapidly developing consumer market. At the same time, selling of products and services became unusually difficult because of the high intensity of competition. It was a situation of abundant choices to the consumer and the consumer began to occupy a place of unique importance.

In particular, the consumer in the affluent world, educated as he was, and endowed with a good discretionary income at his disposal, found himself in a position to bargain in the market and get the best return for every penny
he spent.

The businessmen realised that it was not enough if they somehow made a one-time sale of their product, to the consumer.

They found it necessary to ensure that the man who purchased their products once, comes back to them again and again whenever he needed the product.

They also had to ensure that the product was made available at a place convenient to the consumer. In addition they had to make available their products at a price that was advantageous to the consumer.¹¹

They also had to ensure that any complaint from the consumer about the product was attended to promptly; if it needs replacing, it had to be replaced; if it required after sales servicing, it had to be provided. And that meant the emergence of marketing.

1.7.0 Difference Between Selling and Marketing Concept:

Professor Theodor Levitt of Harvard drew a perceptive contrast between the selling and marketing concepts.

Selling focuses on the needs of the seller, marketing on the needs of the buyer. Selling is preoccupied with the seller’s need to convert his product into cash; marketing with the idea of satisfying the needs of the product and the whole cluster of things associated with creating and finally consuming it.¹²
### Exhibit 1.2 Difference between selling and marketing

<table>
<thead>
<tr>
<th>Selling</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling starts with the seller and is preoccupied all the time the need of the seller.</td>
<td>Marketing starts with the buyer and focuses constantly on the needs of the buyer.</td>
</tr>
<tr>
<td>Selling starts with the corporation’s existing activities and products</td>
<td>Under marketing, all activities and products take their direction from the consumer and his needs.</td>
</tr>
<tr>
<td>Selling emphasis on saleable surpluses within the corporation; seeks to convert products’ into ‘cash’; emphasises getting rid of the stocks; concerns itself with the tricks and techniques of getting the customers to part with their cash for the products available with the salesman.</td>
<td>Marketing emphasises identification of a market opportunity; seeks to convert ‘customer needs’ into ‘products’; emphasises fulfilling the needs of the customers.</td>
</tr>
<tr>
<td>Selling overemphasises the ‘exchange’ aspect without caring for the ‘value satisfactions’ inherent in the exchange.</td>
<td>Marketing concerns itself primarily and truly with the ‘value satisfactions’ that should flow to the customer from the exchange.</td>
</tr>
<tr>
<td>Views business as a goods producing process</td>
<td>Views business as a ‘customer satisfying process’.</td>
</tr>
<tr>
<td>The seller determines what ‘product’ is to be offered.</td>
<td>What should be offered as a ‘product’ is determined by the buyer; the seller makes a ‘total product offering’ that would match and satisfy the identified needs of the identified customers.</td>
</tr>
<tr>
<td>The ‘product’ precedes the marketing effort; the marketing effort becomes the consequence of the product on hand.</td>
<td>The ‘product’ is the consequence of the marketing effort; the marketing effort leads to products the consumers would actually want to buy in their own interest.</td>
</tr>
<tr>
<td>In selling, packaging is essentially seen as a mere protection or a mere container for the product</td>
<td>In marketing, it is seen from the point of view of the customer, it is designed to provide the maximum possible convenience and satisfaction to the customer.</td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td>Cost determines price.</td>
<td>Consumer determines price; price determines cost.</td>
</tr>
<tr>
<td>Transportation, storage and other distribution functions are perceived as mere extensions of the production function.</td>
<td>They are seen as vital services to be provided to the customer—not grudgingly, but in the most willing manner.</td>
</tr>
<tr>
<td>The emphasis is on 'somehow selling'; there is no coordination among the different functions of the total marketing task.</td>
<td>The emphasis is on an integrated approach; through an integrated strategy covering product, promotion, pricing and distribution.</td>
</tr>
<tr>
<td>Different departments of the business operate as separate watertight components.</td>
<td>All departments of the business operate in close integration with the sole purpose of producing consumer satisfaction.</td>
</tr>
</tbody>
</table>

1.8.0 Definitions of Marketing Management:

1. Marketing Management is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.13

2. Marketing Management is the process of analyzing, planning, implementing, coordinating, and controlling programs involving the conception, pricing promotion, and distribution of products, services and ideas designed to create and maintain beneficial exchanges with target markets for the purpose of achieving organizational objectives.14
3. Marketing Management is the 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. (Hansen).  

4. Marketing Management is the system of value exchange.  

5. Marketing Management is the process of planning, implementing, and directing a firm's marketing efforts with the intention of functions satisfying the customer and turning profits. Among the many functions included in the marketing management process are strategy developments and sales forecasting, advertising and sales promotion, analysis of market opportunities, and the establishment of the proper marketing mix.  

1. 9. 0 Level of Marketing Management:  

The marketing concept requires a consumer-buyer orientation, middle manager's activities focus on specific customer needs and on adapting the firm's products, prices, promotional effort, and other activities to meet these needs. The marketing decision making also takes place at the top-management level. The emphasis of the distinction between top management and middle management is found in the types of decisions they make, not just in their job titles.  

Top-management and middle-management marketing personell focus on different decisions, their activities are both related to the marketing concept.  

Top management must identify general, long-term positions to assure
future customer satisfaction in a changing environment. The responsibility of middle management is to identify more specific, short-term action to achieve customer satisfaction.

As a general rule, middle management decisions focus on the sales and profitability of individual products, brands, or lines of closely related products marketed as a group.

Top management decisions are those that makes to think of the long-term direction of the products that is to be produced.

The Top Level of Marketing Management:

Exhibit (1.3) – Top Management

Personnel
- Chief executives officer
- Comptroller
- Vice president of marketing
- Other vice presidents

Decisions
- Market to be served
- Products to offer
- Product objectives
- Allocation of resources

Middleman Management

Personnel
- Marketing management
- Product and brand managers
- Sales managers
- Advertising managers
- Promotion managers
- Customer service manager

Decisions
- Product design
- Prices
- Advertising
- Sales promotion
- Selling and distribution
- Customer service

Reference: see the reference No. 18.
1. 10. 0 Marketing Functions:

1. Contractual: The searching of buyer and seller
2. Merchandising: Matching the products to customer needs and desire.
4. Promotion: Persuading the buyers to favour the firm and its products.
5. Physical distribution: The transport, warehousing and inventory control.

Exhibit (1.4) Marketing Functions
1.11.0 Definition of Customer Value and Satisfaction:

According to marketing ideas, we can discuss customer satisfaction and customer value for all nonbusiness and business companies. Thus, it will be better to start from customer value.

Actually over 35 years ago, Peter Drucker observed that a company's first task is to create customers. But today’s customer faces a vast array of product and brand choices, prices, and suppliers.

Philip Kotler, believes that; customer delivered value is the difference between total customer value and total customer cost. Total customer value is the bundle of benefit customers expect from a given product or service. Total customer cost is the bundle of costs customers expect to incur in evaluating, obtaining and using the product or service.20

A- Customer Satisfaction:

A customer’s satisfaction is a function of the product’s perceived performance and the customer’s expectations. What is the satisfaction: satisfaction is a person’s feeling of pleasure or disappointment resulting from comparing a product’s perceived performance (or outcome) in relation to his or her expectations.

As this definition makes clear, satisfaction is a function of perceived performance and expectations. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is highly satisfied or delighted. High satisfaction or delight creates an emotional affinity with the brand, not just a rational performance. The result is high customer loyalty.
B- Delivering Customer Value and Satisfaction:

If we want to know that, what does it take to produce and deliver them, we need to discuss the concepts of value chain and value-delivery system.

Value chain:

Michael Porter of Harvard proposed the value chain as a tool for identifying ways to create more customer value. The value chain identifies nine strategically relevant activities that create value and cost in a specific business. These nine value creating activities consist of five primary activities and four support activities. It is shown in figure (1.5).

![The Generic Value Chain](image)

The firm task is to examine its costs and performance in each value-creating activity and to look for ways to improve it.
C- Value Delivery Network:

To be successful the firm also needs to look for competitive advantages beyond its own operations, into the value chain of its suppliers, distributors and customers. Many companies today have partnered with specific suppliers and distributors to create a superior value-delivery network.

D- Relationship Marketing:

To understand customer relationship marketing, we must first examine the process involved in attracting and keeping customers. Figure (1.6) shows the main steps in the customers-development process.²²

Exhibit (1.6) The Customer Development Process

Developing more loyal customers increase the company’s revenue. Developing of customer loyalty will be more profitable in some businesses than in other. We need to distinguish five different levels of company investment in customer-relationship building.²³
i. Basic marketing: The salesperson simply sells the product.

ii. Reactive marketing: The salesperson sells the product and encourage the customer to call if he or she have any questions, comments, or complaints.

iii. Accountable marketing: The salesperson phones the customer a short time after the sales to check whether the product is meeting the customer’s expectations.

iv. Proactive marketing: The company salesperson contacts the customer from time to time with suggestions about improved product uses or helpful new product.

v. Partnership product: The company works continuously with the customer to discover ways to effect customer savings or help the customer perform better.

**E- Customer Profitability:**

Ultimately, marketing is the art of attracting and keeping profitable customer.

Furthermore, it is not necessarily the company’s largest customers are yielding the most profit. The largest customers demand considerable service and receive the deepest discounts, thus reducing the company’s profit.

The smallest customers pay full price and receive minimal service, but the cost of transacting with small customers reduce their profitability. A company should not pursue and satisfy all customers. Lenning and Philips make this point well:
Some organizations try to do anything and everything customer suggest.... Yet, while customers often make many good suggestions, they also suggest many courses of action that are unactionable or unprofitable. Randomly following these suggestions is fundamentally different from market-focus-making a disciplined choice of which customers to serve and which specific combination of benefits and price to deliver to them. The definition of profitable customer is: 24

A profitable customer is a person, household, or company that over time yields a revenue stream exceeds by an acceptable amount the company’s cost stream of attracting, selling, and servicing that customer.

1. 12. 0 Implementing Total Quality Marketing:

The successes of many Japanese companies are due to the exceptional quality of their products. If companies want to stay in the race, let alone be profitable, they have no choice but to adopt total quality management. Total quality management is: 25

Total quality management is an organization-wide approach to continuously improving the quality of all the organization’s processes, products, and services. Now it is necessarily to know what exactly is quality. Various experts have defined it as fitness for use; conformance to requirements; freedom from variation; and so on. The American Society for quality control’s definition, which has been adopted worldwide is-“Quality is the totality of features and characteristics of a product or service, that bear on its ability to satisfy stated or implied needs. Marketing manager has two responsibilities in a quality-centered company. First, they must participate in
formulating strategies and policies designed to help the company any win through total quality excellence.”

Second, they must deliver marketing alongside production quality. Marketers play several roles in supporting their company defined and delivered high quality goods and services to target customers. First, they bear the major responsibility for correctly identifying the customer needs and requirements. Second, they must communicate customer expectation, correctly to product designers. Third, they must make sure that the customer’s orders are filled correctly and on time. Fourth, they must check that customers have received proper instruction, training, and technical assistance in the use of the product. Fifth, they must stay in touch with customers after the sale to ensure that they are satisfied and remain satisfied. Sixth, they must gather customer ideas for product and service improvements and convey them to the appropriate company department.

When marketers do all these they are making their specific contribution to total quality management.

1. 13. 0 The External Marketing Environment:

We discussed what marketing is and how it affects the internal activities of a business firm or other organizations. Such, we saw that marketing has the task of determining customer’s needs and then coordinating the efforts of the firm towards satisfying those needs. This is not as easy as it sounds. The reason is that both customer’s need and the ability of the business firm to supply these needs are determined by a large number of factors, or forces, beyond the direct control of the firm. We will call these factors the
external environment within which all companies operate. The external environment has a major effect on shaping the future needs and wants of customers, making it much more difficult for a business firm to know what these needs will be in time to satisfy them while they arise.

Thus, if marketers or marketing departments in everywhere want to be efficient and effective to do the marketing task, they must identify and analysis the external factors in marketing.

Analysis of the external environment consists of identification of opportunities and threats and tracing it to a particular source.

A systematic approach to environmental analysis and diagnosis involves understanding of the following forces:

1. Socio-economic forces
2. Competition
3. Technology
4. Government policies (Political and Legal climate)
5. Suppliers

Successful companies recognize and respond profitability to unmet needs and trends in the macroenvironment and the unmet needs always exist.

In slow-growth economies, some enterprising individual and companies manage to create solutions to unmet needs. Many opportunities are found by identifying trends.
Trend:

Trend is a direction or sequence of events that have some momentum and durability. Identifying a trend is ferreting out the likely consequences and determining opportunities are critical marketing skills. We need to draw distinctions among fads, trends, and megatrends. Unlike a trend, a fad is unpredictable, short-lived, and without social, economic, and political significance.

John Naisbitt, prefers to talk about megatrends, which are large social, economic, political and technological changes that are slow to form, and once in place, they influence us for some time-between seven and ten years, or longer.26

Thus all the macroenvironment factors are emanated from situations of future changes, which always threaten the duration of organizations' strategic decisions.

Exhibit (1.7) The External Environment and Marketing Support System

Let's now explain each of these in a more detailed manner.

**I. Socio-Economic Forces:**

The socio-economic forces in a country determine the extent and level of industrialization, as they influence the demand for a product or service at a given point of time. This section will explore these forces and changes therein.

**i. Sociological forces:** Sociological forces refer to change in population profiles as also shift in value systems in society. Thus, changes in population profile here imply the demographic changes, and geographic location changes.

**ii. Economic factors:** The economic environment affects the demand of any industry and product. In order to assess the impact of these forces, it is necessary that a marketer examines the following factors in a great detail:

1. Gross national product.
2. Per capital income.
3. Balance of payment
4. Industry life cycle and current phase through which the industry is passing. The different phase of industry life cycle are: 1-Boom, 2-Recession, 3-Depression.
5. Trends in the prices of goods and services.
6. Fiscal policies and prime rate of interest charged by commercial banks.

Each of these factors can be an opportunity or a threat to a firm.
2-Competition:

Demand for a firm’s products/services is also affected by the nature and intensity of competition in an industry. While analyzing the competition, Michael Porter, in his book on competitive advantage and competitive strategy mentions that a firm should extend its competitive analysis to include substitutes also, besides scanning direct competitors. The objective of such an analysis is to assess and predict each competitor’s response to changes in the firm’s strategy and industry conditions. This analysis will ensure the firm emerging as a competitive organization and also deciding on whom it should pick up as its major rival in the industry. Figure (1.8) given below provides a framework for competition analysis. How strong they are and their assumptions of themselves and the industry.\(^\text{27}\)

**Exhibit (1.8) Framework for Competition Analysis**

![Diagram of Competition Analysis Framework](image)

According to Michael porter an analysis of the following, will provide a strategist an insight into this valuable area.\(^\text{28}\)

(i) Firms not in the industry but likely to overcome entry barriers, particularly at a low cost.

(ii) Firms who derive synergy from being in the industry.
(iii) Firms for whom competing in an obvious extension of the corporate strategy.

(iv) Customer or suppliers who may integrate backward or forward. Firm often integrate in such a way to drive economies of scale and also to ensure fuller utilization of capacity.

3-Technology:

The level of technological development in the industry creates an opportunity for a marketer to develop new product and the consumer also tends to benefit from these developments.

However, technological developments are greatly influenced by government policies and the industry's response in terms of investment in R & D. Thus, the technological development causes to expand variety of goods and markets. In this factor we witness for changes in the product and also product life in manufacturings. It effects on shortening of the product life cycle and creation of new sets of customer expectations.

4-Government Policies:

Business firms are always in the public eyes, the same as well an important aspect of their economy and even in the so called free economy, government intervention in industry is a reality. It isn't that the government only sets the policies, the government is an important buyer and seller of goods and services. For example, public sector firms, defence forces and other government agencies participate in the economy as buyers and sellers of goods and services.^[29]
5-Suppliers:

The suppliers to a firm can also alter its competitive position and marketing capabilities. These are raw material suppliers, energy suppliers, suppliers of labour and capital.

According to Michael Porter the relationship between suppliers and the firm epitomizes a power equation between them. This equation is based on the industry conditions and the extent to which each of them is dependent on the other:

Broadly, the bargaining power of the buyer firm increases in the following circumstances.\(^{30}\)

(i) The buyer firm is a monopoly or in an oligopoly position and buys large volumes relative to seller’s sales.

(ii) The products a buyer firm purchases represent a significant fraction of the buyer’s cost or purchases.

(iii) The buyer firm can easily switch its vendors as it faces few switching costs.

(iv) The buyer firm earns low profits and hence has a pressure to lower its purchasing costs.

(v) The buyer firm poses a real threat of backward integration.
1.14.0 Marketing Analysis Opportunities:

In the case of Analysis of marketing opportunities one discusses about four major elements in marketing research and information, as (1) Internal record system (2) Intelligence marketing system (3) Marketing research and (4) Marketing support system.

Every firm must organize the follow-up of marketing information to its marketing managers.

An MIS consist of a structured, interacting complex of persons, machines and procedures designed to generate an orderly flow of pertinent information collected from both intra-and extra-firm sources, for use as the bases for decision-making in specified responsibility areas of marketing management.... It is a carefully developed master plan for information flow, with explicit objectives and a home in the formal organization.

A marketing information system (MIS) consist of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers.31

The marketing information system illustrated in figure (1.9).
The role of MIS is to assess the manager's information needs, develop the needed information, and distributing the information, in a timely fashion to the marketing managers. The needed information is developed through internal company records. Marketing intelligence activities, marketing research and marketing decision support analysis. They are the components of the company in MIS.32

1. 14. 1 Internal Record System:

The most basic information system used by marketing managers is the internal records system. The internal record system includes some reports on orders, sales, prices, inventory levels, receivables, payable, and so on. By analyzing this information, marketing managers can spot important opportunities and problems.
1. 14. 2 Marketing Intelligence System:

While the internal records system supplies result data, the marketing intelligence system supplies happenings data.

Philip Kotler has defined the marketing intelligence system as follows. A marketing intelligence system is a set of procedures and sources used by managers to obtain their everyday information about pertinent developments in the marketing environment.

1. 14. 3 Marketing Research and Information:

We have emphasized the importance of the external marketing environment to keep products and marketing practices current. But how can marketing management learn about changing customer wants, new competitor initiatives, changing distribution channels, and so on?

In these situations marketing management must develop and manage information. There are three developments make the need for marketing information greater than at any time in the past:

(i) From local to national to global marketing: As companies expand their geographical market coverage, their managers need more information; more quickly than ever before.

(ii) From buyer needs to buyers wants: As buyer's income improves, they become more selective in their choice of goods. To predict buyer's response to different features, styles, and other attributes, sellers must turn to marketing research.
From price to nonprice competition: As sellers increase their use of branding, product differentiation, advertising and sales promotion, they require information on these marketing tools effectiveness.

Needless to say that, marketing research and information are linked to business and marketing strategy. While a good marketing information system (MIS) provides a steady stream of data from a wide variety of sources it does not provide all the marketing information needed for strategic planning purposes. There are always specific problems or decisions that require more through in-depth data collection and analysis. This collection and analysis is the role of marketing research, which usually signifies one-time-only studies done for a specific problem, decision, or planning need.

Now, it is important to know what are applications of marketing research. There are five applications as below:

(i) Sales and marketing research.
(ii) Business economics and corporate research.
(iii) Product research.
(iv) Advertising research
(v) Corporate responsibility research.

1. 15. 0 The Marketing Research Process:

In spite of the wide diversity of applications, there is a surprising similarity in the general approach to most marketing research projects. Since most projects have a beginning and an end, it is obviously wise to begin at the beginning, once the initial ground work is laid, most projects proceed through the same general stages, although the operations performed in each stage will
differ greatly according to the needs of each project. The five major steps in a research project are (A) definition the research objectives, (B) designing the research study (C) collecting the data (D) analyzing and interpreting the data, and (E) presenting finding to management.

A- Defining the Research Objectives:

Research objectives fall into two categories: problems and opportunities. Researchers should define the problems and opportunities carefully and agree on the research objectives, old adage says, “A problem well defined is half solved”. Thus, after defining the problems and opportunities in the field of research, researcher should have objectives for their research.

B- Designing the Research Study:

The second stage of marketing research calls for designing the research study for gathering the needed information. Designing the research study calls for decisions on the data sources, research approaches, research instruments, sampling plan, and contact methods.

C- Collecting the Data:

The data collection phase of marketing research is generally the most expensive and the most prone to error.

D- Analyzing Results:

Finally, the data gathered – from all sources and methods-must be assembled and interpreted. Interpretation means that the data will be converted into information, usually in a final report. The researcher will also
apply some advanced statistical techniques and decision models in the hope of discovering additional findings.

E- Present the findings:

In the final report for giving to managers, the report should have some characteristics as follows:

1. The original research objective.
2. The kind of research design used.
3. The data that was gathered and how.
4. The principal findings, in terms of information plus supporting data.
5. The action the finding suggest in terms of plan or decisions.

1.16. 0 Marketing Decision Support System:

The successful business organizations are using a marketing support system for helping to manage marketing activities to make better decisions and conditions. A marketing decision support system as a guide can distinguish the potential of market, customers and also to forecast of demand and demand measurement. Thus marketers managers by this system, can analyze their opportunities and weaknesses in the market.

John Little have defined the marketing decision support system as below: 34

A marketing decision support system (MDSS) is a coordination of data, systems, tools and techniques with supporting software and hardware by which an organization gathers and interprets relevant information from business and environment and turns it into a basis for marketing actions.
Understanding the Consumer Behaviour:

Understanding customer behavior and ‘knowing customers’ are never simple. Customers are aim of marketing to meet and satisfy target customers’ needs and wants. The field of consumer behavior studies how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy the needs and desire. Customers may state their needs and wants but act otherwise. Nevertheless, marketers must study their target customer’s wants, perceptions, preferences, and shopping and buying behavior. The most important factors in influencing buying behavior are:

1. Cultural Factors:

Culture refers to a set of values, traditions or beliefs, which guide the individual’s behavior. In other word, culture refers to values, ideas, attitudes and other meaningful symbols created by people to shape human behavior and the art facts of that behavior transmitted from one generation to another. In any culture there are subcultures that exist. These are different nationalities, religions and geographic groups.

A marketer needs to be aware of these cultural and sub-cultural influences on consumer preferences. These will affect on the brand, packaging, advertising, sales promotion and even distribution decisions.

2. Social Factors:

In addition to cultural factors, a consumer’s behavior is influenced by social factors like the reference group pressures. Many groups influence a person’s behavior. A person’s references groups consist of all the groups that have a direct or indirect influence on the person’s attitudes or behavior.
3. **Demographic Influences**:

   Individual customer’s age; sex; material status; income; occupation and geographic location also have affected on their consumption pattern.

4. **Self-Concept and Personality**:

   Each person has a distinct personality that influences his or her buying behavior.

   By responsibility, we mean a person’s distinguishing psychological characteristics that lead to relatively consistent and enduring responses to his or her environment.

   Personality is usually described in terms of such traits as: self-confidence, dominance, autonomy, deference, sociability, defensiveness, and adaptability.\(^{36}\)

5. **Lifestyle**:

   The most of people especially in the same area (Village, city, country) have same subculture, social class, and occupation may lead quite different lifestyles.

6. **Psychological Factors**:

   A person’s buying choices are influenced by four major psychological variables. There are five kinds of physical variables, which are influencing buying choice.

   **1. Motivations**: In these variables several theories in Motivation as pronounced by Maslow and Freud, Mary.
2. **Perception**: A motivated person is ready to act. Perception is the process by which an individual selects, organizes, and interprets information inputs to create a meaningful picture of the world.

3. **Learning**: When people act, they will learn. Thus learning involves changes in an individual’s behavior arising from experience.

4. **Beliefs and Attitudes**: A belief is a descriptive thought that a person holds about something. An attitude is a person’s favorable or unfavorable evaluations of emotional feelings, and action tendencies towards some object or idea.

1. 18. 0 **Tools to Study Buyer Behavior**:

   It is important for the marketer to regularly study buyer behavior. There are different tools as follows:

   i. **Surveys**: This is the most common technique to study buyer behavior. It involves the use of questionnaires.

   ii. **Protective techniques**: To throw the customer off his or her conscious level and get to know the sub-conscious level responses, projective techniques like word association, picture association and thematic appreciation test have been used.

   iii. **Focus groups discussion**: This is another qualitative technique used to assess how customers perceive the product and use situations. It also provides the marketeer with valuable information on the target market.
1.18.1 Involvement and the Decision Process:

The amount of involvement and the type of buying decision allow us to classify products and services in terms of how people go about purchasing them. Figure (1.10) shows how this can be done.

**Exhibit (1.10) Example of products and services in each buying category**

<table>
<thead>
<tr>
<th>Buying Decision</th>
<th>High involvement</th>
<th>Low involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complex decision making</td>
<td>Auto Major appliances Personal computer Fashion clothing Living quarters Category 1</td>
<td>Variety seeking Cereals Life insurance Credit card Category 2</td>
</tr>
<tr>
<td>Category 3</td>
<td>Brand loyalty Perfume Cigarettes Shampoo</td>
<td>Inertia Canned vegetables Tooth paste Camera film Category 4</td>
</tr>
</tbody>
</table>

Category 1, shows examples of high-involvement products and services that most people probably investigate and think carefully about before making purchase.

Category 2, shows includes items that are not very high involvement but that still require some amount of search and thought before buying. Both these categories require some sort of complex buying decision for most people.

Category 3, shows examples of items that people would consider high involvement but often buy out of habit. Finally category 4, shows low-involvement items that are usually bought out of habit by most people.
1. 19. 0 Marketing Mix:

Marketing Mix is Modern marketing, which provides management of the four P’s – product; price; promotion and place or distribution channel.

In a general sense, no one element of the marketing mix is more important than any of the others for a particular product or service. All parts must be adjusted properly for a given target segment. On other hand, changes in the external environment sometimes result in greater importance for one element relative to the others at a given point in time for nearly all products and services.

1. 19. 1 Planning the Marketing Mix:

In this section effort is to find out how marketing planners develop a Mix for each product and product line. Since the product or service offered is usually the heart of the Mix. Planning starts by looking carefully at each product to see what it is, what it is not, and how it compares with that of the competitor. This determines what can and cannot be done with the other elements of the Mix: for example:

i. The price that can be asked is primarily a function of product or service quality, quantity and user satisfaction.

ii. Promotional strategy is determined by features and benefits offered by the product, stage in the product life cycle, and the like.

iii. Distribution is based in large measure upon what needs the product fills and for whom, and this determines where it should be made available. This means that the market planner should with a thorough analysis of the
strengths and weaknesses of the company’s product or service as well as the competitor’s, history of the product line, competitive position in the market, and especially what the product or service is designed to do and for whom. However, it is important to discuss about each one of four P’s in modern marketing. They are categorized as follows:

A- Product Administration:

In the case of product administration we will see about several variety matters as product, product line, product mix, and product life cycle, packaging and branding.

1- Product:

Product is a bundle of satisfaction that a customer buys. It represents a solution to a customer’s problems. It is in this context that marketing definition of a product is more than just what the manufacturer understands it. As Peter Drucker puts it, so long as a product is not bought and consumed, it remains a raw material or at best an intermediate. Product is almost a combination of tangible and intangible benefits.

2- Product Line:

The most companies do not offer a single product or services. They offer a number of products or services that are related in some way that is meaningful to the customer. These are known as product lines. In other definition, product line consists of different products that are closely related to each other, in the sense, that they satisfy a particular class of needs, or are used together, or are distributed through the same channels, or possess common physical or technical characteristics.
The most companies strive towards the objective of offering a product line of some sort to their customers for several reasons as below.38

i. This is what customer orientation and satisfying customer needs really means, because most customers have several related needs within some general needs.

ii. A product line usually generates greater sales volume and profits for a company than a single product or a loose collection or separate product items, because a product line can often satisfy all of a customer's needs of general type.

iii. A relatively complete product line tends to shut out competitions from a single familiar supplier.

As the product lines composed of separate items that are related in terms of satisfying customer needs usually offer the best growth opportunities for most business firms of any size.

3- Product Mix:

Each firm must carefully consider what product or service lines best fit both the needs of its customers and its own resources and capabilities. The particular assortment of products, and products lines offered by a firm at a given point in time is known as the product mix.39

A product mix may consist of anything from a single product item (mostly in the small firms) on up to a wide assortment of different product lines (mostly in the very large firms).

The following situations may suggest that the firm has a suboptimal
product mix.40

i. Excess capacity in firm's manufacturing, warehousing or transportation facilities.

ii. High proportion of profits from a small percentage of product items.

iii. Insufficient use of sales force contacts and skills.

iv. Steadily declining sales or profits.

4- The Decision Making in Product Mix:

Often firms take decisions to change their product mix. These decisions are dictated by the previous factors in case of product mix and also by the changes occurring in the market place. These changes take the following forms:41

i. Product line Addition / Deletion: A firm may add new product items or delete existing ones or do both in its existing product lines. Further, a firm may go up in its technology and use state of the art technology or decide to stretch the product line downwards toward a more simple technology.

ii. Product abandonment: This involves discontinuing or deleting either the individual product or the entire product line. Generally products that are abandoned are those for which demand is so low that uneconomical short production runs or frequent uneconomical price and inventory adjustments are required. These products, could also be consuming excessive management time not justified by their profit contribution.

iii. Product modification: A company must constantly alter both the need and the opportunities for changing its product lines as time goes by.
Usually the easiest and safest way to do this is by modifying a present product in some way, rather than introduce an entirely new product. The most successful companies modify their existing products to respond to changes in market tastes, the competition, new technology, and so on.

5- Product Life Cycle (PLC):

Another approach to examining product mix is to look at the life cycle phase of each product. Each product goes through a life cycle. The product life cycle is a series of stages through which a product or service passes as it evolves in the market place. The product life cycle (PLC) is an important concept that provides insights into a product’s competitive dynamics.42

Four stages are rapidly identifiable: (1) Introduction of product, (2) Its growth, i.e., the extent of demand for the product, (3) Market maturity (4) The ultimate saturation of the market by the product. It shows introduction, growth, maturity and decline during its period of existence, in figure (1.11).

\[ \text{Exhibit (1.11) Product Life Cycle (PLC)} \]

- Introduction
- Growth
- Maturity
- Market saturation
- Decline

Unites Sales

TIME
(i) **Introduction** : A period of slow sales growth as the product is introduced in the market. Profits are nonexistent in this stage because of the heavy expenses incurred with product introduction.

(ii) **Growth** : A period of a rapid market acceptance and substantial profit improvement.

(iii) **Maturity** : A period of a slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profit stabilizes or declines because of increased marketing outlays to defend the product against competition.

(iv) **Decline** : The period when sales slow a downward drift and profits erode.

6- **New Product** :

A new product is product, which is perceived by the customers being new. This could involve repositioning of existing products or offering the existing products at low prices, or making improvements in the existing product, or adding new product items to the existing product line, or for that matter, taking up a product line which is totally new to the organization or new to the world.

There are some factors listed in below which they contribute to new product development.⁴³
7- Factors Contributing to New Product Development:

Several factors contribute to new product development, while most are related to external environmental variables.

According to nature of new product and marketing task, the important one are environmental factors. There are several environmental factors contributing to development of new products. They are as; changing customer preference; technological changes; and government policy.

a- Changing Customer Preferences:

The driving force in new product-development is the changing customer life-styles, leading towards a change in the customers’ preferences and expectations.

b- Technological Changes:

Another factor is the technological changes in the industry and the market. To take the advantage of the technological changes and remain competitive the firm has to have a closer relationship with technological institutes, universities and other R & D labs.

c- Government Policy:

The government policy also can change or foster new product development process. For instance, government policy encouraging competition and entrepreneurship can motivate firms to launch new products.
8- Packaging:

Most industrial products must be put into some kind of package before delivery to other business firms, and nearly all consumer products must be packaged before shipping to wholesalers and retailers. Even new consumer services must be “packaged” in some tangible way that is attractive and understandable. Moreover, they should have interesting brand names that help sell the product. Packaging and branding have been increasing greatly in importance in recent years, but they have always been very important for both consumer and industrial products.

There are two primary objectives to consider in designing a good package for a consumer product, defensive and aggressive:

i) **Defensive**: The package must protect the contents against a reasonable amount of potential damage (spilling, breaking, exploding, changes in chemical composition due to sunlight, or contamination). It should also keep the product from spoiling, both before and after opening.

(ii) **Aggressive**: The package must help sell the product, by being attractive, easy to stock in supermarkets, able to be used for other purposes after the contents are used up, and so on. There are several other possible ways that a good package can help sell products.

   a. It can be easier to open than competitor’s packages.
   b. It can make the product easier to use or apply.
   c. It can be easier to dispose.
   d. It can make the product lighter in weight.
e. It can offer a range of sizes to fit people’s own buying needs.

f. The package itself can be used afterward by the consumer.44

9- Branding:

The final step in getting a product ready for market is the selection of an appropriate brand name. Branding is an important strategy to differentiate the product from its competitors.

A brand is defined as “name, term, symbol, or design, or combination of them, which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.45

a- Strategic Consideration in Branding:

Brand names are important for several reasons. They provide a unique identity for a product, and this makes it possible for the brand owner to reap the benefits of having consistently good quality and performance build into the product. The people who like it can easily identify it when they want to buy again. It is also essential to have a brand name for any advertising or promotion efforts aimed at building volume or market share.

There are two major alternative brand strategies for manufacturers to use.46

i. Family Brands: One name covers an entire product line (General electric appliances).

ii. Individual brands: Each product in the line has a different brand name.
b- Choosing a Good Brand Name:

The choice of a good brand name is more difficult than it would seem. Part of the problem lies in defining what is meant by "good". Different types of products and different branding objectives may require different names. Still, here are some general rules many consumer products companies try to observe in selecting an individual brand name for each product.

i. It should be brief and easy to pronounce and remember

ii. It should be distinctive

iii. It should suggest something about what the product will do for the user.

iv. It should reflect the characteristics or features of the product.

1. 19. 1. B Price (Decision):

To a manufacturer, price represents quantity of money (or goods and services in a barter trade) received by the firm or seller. To a customer it represents sacrifice and hence his perception of the value of the product. Conceptually, price meaning is: \[ \text{Price} = \frac{\text{Quantity of money received by the seller}}{\text{Quantity of goods and services received by the buyer}} \]

According to importance of pricing as one of the essential element in marketing mix, and lately, which it has come to occupy the center-stage in marketing wars. The reasons for this are.
(i) **Product differentiation getting blunted**: As technologies get standardised, differentiation among firms on the basis of the product is going to get blunted. More products and brands will transcend to a commodity situation.

(ii) **Intensity in inter-firm rivalry**: The intensity in inter-firm rivalry increases as the entry and exit barriers in the industry are lowered.

(iii) **Matured products and markets**: When the products enter the maturity stage and the markets are also matured, the only way to differentiate various offers is on the basis of augmented service or price cuts.

(iv) **Customer's value perception**: Another factor contributing to the importance of pricing decision is the customer's perception of the product's current and potential value. To a customer, price always represents the product's value.

(v) **Inflation in the economy**: Pricing decisions become important in the inflationary economy. Inflation affects pricing in two ways—one, it lowers the purchasing power of the customer and hence a search for low-priced substitutes, and two, it increases a firm's costs because of the inputs costing more, thus forcing the price of the product upwards.

1- **Procedure for Setting Prices**:

Price setting in some business firms is a rather casual matter. It consists of simply following the market price established in one manner or another by competitors. The firm has to consider many factors in setting its pricing policy in the following paragraphs we will discuss and explain a six-step procedure for pricing setting.
1. Setting the price objectives.
2. Demand estimation.
3. Estimation of costs.
4. Analyzing competitors' cost, price, and offers.
5. Selecting a pricing method.
6. Selecting the final price.

2- Pricing Objective:

The company first has to decide what it wants to accomplish with its particular product offer. If the company has selected its target market and market positioning carefully, then its marketing-mix strategy—including price—will be fairly straightforward. The clearer a firm's objectives, the easier it is to set price. A company can pursue any of six major objectives through its pricing: (a) survival, (b) maximum current profit, (c) maximum current revenue, (d) maximum sales growth, (e) maximum market skimming, or product-quality leadership.

(i) Survival: Companies pursue survival as their major objective if they are plagued with overcapacity, intense competition, or changing consumer wants. To keep the plant operating and the inventories turning over, they will cut price. Profits are less important than this factor.

(ii) Maximum current profit: Many firms set a price to maximize their current profits. They estimate the demand and costs associated with alternative prices and choose the price that product has maximum current profit, cash flow, or rate of return on investment.
(iii) **Maximum current revenue**: Revenue maximization requires estimating only the demand function.

(iv) **Maximum sales growth**: Some firms want to maximize unit sales. They believe that a higher sales volume will lead to lower unit costs and higher long-run profit. They set the lowest price, assuming the market is price sensitive.

(v) **Maximum market skimming**: Many companies favor setting high price to 'skim' the market.

(vi) **Product-quantity leadership**: A company might aim to be the product-quantity leader in the market. The company may offer its products with the best quality, a few more than competitors.

3- **Demand Estimation**:

One of the important task in price decision is to estimate customer demand at different price levels and also to measure the existence of price sensitivity. It is important to understand that the demand for some products is inelastic to price changes. Typically, good and another essential commodities will form a part of this product group.

4- **Estimating Costs**:

Demand sets a ceiling on the price that the company can charge for its product. And company costs set the floor. The company wants to charge a price that covers its cost of producing, distributing and selling the product, including a fair return for its effort and risk. There are several types of costs as below:
i. Cost behavior as a different levels of production per period.

ii. Cost behavior as a function of accumulated production

iii. Cost behavior as a function of differentiated marketing offers.

iv. Target costing.

5- Analyzing Competitor’s Costs, Price and Offers:

Usually, companies can understand the range of possible price determined by market demand and costs, competitor’s costs, prices and possible price reaction for helping the firm establish where to set its prices. The company needs to benchmark its costs against its competitor’s costs to learn whether it is operating at a cost advantage or disadvantage. The company also needs to know the price and quality of competitor’s offers.

6- Selecting a Pricing Methods:

After given three kinds of information from customer demand schedule, the cost function, and competitor’s prices, the company is now ready to select a price. The price will be somewhere between one that is too low to produce a profit and one that is too high to produce enough demand. There are several kinds, of price-setting methods as:

i. Markup pricing

ii. Target-return pricing

iii. Perceived-value pricing

iv. Going-rate pricing
v. Sealed-bid pricing

7- Selecting the Final Price:

Pricing methods, narrow the price range from which the company must select its final price. In selecting the final price, the company must consider additional factors, including psychological pricing, the influence of other marketing mix elements on price, company pricing policies, and the impact of price on others:

(i) **Psychological pricing**: Seller should consider the psychology of prices in addition to their economies.

(ii) **The influence of other marketing mix elements on price**: The final price must be taken into account the brands’ quality and advertising relative to competition.

(iii) **Company pricing policies**: The contemplated price must be consistent with company pricing policies. Many companies set up a pricing department to develop pricing policies and establish or approve pricing decisions.

(iv) **Impact of price on others**: In the last case, marketers need to know the law affecting price and make sure that their pricing policies are defensible.

1. 19. 1. C- **Marketing Communication** (Promotion Mix):

   The marketing communication mix (also called promotion mix) consists of five major modes or communication.\(^{50}\)
1. **Advertising**: Any paid form of non-personal communications of ideas, products and services by an identified sponsor.

2. **Sales promotion**: Short-term direct inducements to encourage sales of products and services.

3. **Public relations and publicity**: A variety of programs designed to promote and/or protect a company's image or its individual products.

4. **Personal selling**: Face to face interaction with one or more prospective purchasers for the purpose of making presentations, answering questions, and procuring orders.

5. **Direct marketing**: Use of mail, telephone, fax, e-mail, and other nonpersonal contact tools to communicate directly with or solicit a direct response from specific customers and prospects.51

The major promotion objectives are discussed below:

(i) **Shifting the demand curve**: In the economist’s view, the purpose of promotion is to shift the entire demand curve in either or both of two ways.

1. Towards the right, so that a greater quantity of a company’s products will be bought at the same price.

2. Towards the vertical, so that demand becomes more inelastic and prices can be arrived with less effect on demand.

Most business firms in a normally competitive market feel that the least desirable way to compete is by price competition, since this usually means lowering price in hopes of obtaining a greater value of sales.*

* Unless, of course, the firm is pursuing some special strategy, like becoming the lowest cost producer.
The most firms vastly prefer to leave prices at the level where they get a reasonable return on their investment and then to compare using other elements of the marketing mix. This is referred to as nonprice competition.

(ii) **Informing and persuading potential customer:**

Usually the most obvious and important promotion objective in any company is to sell more products or services. This is done by using any one or several promotion tools to inform people about the product and to persuade them to buy. Of course, the way in which this is done will vary considerably from one promotion tool to another.

(iii) **Supporting dealers and salespeople:**

While the objectives of promotion in terms of customers are generally rather obvious, they are not as well understood in the case of both dealers and salespeople.

Both those groups have a great deal of direct influence on customers in many product lines, especially industrial products and consumer durable goods. Sales people must be helped in every possible way by other promotion efforts.

(iv) **Improving company image:**

Some promotion efforts are aimed not so much at selling a specific product or product line as they are at improving the image of the entire company among both customers and prospects. This is accomplished by a variety of promotion tools, including advertising, publicity and community events.\(^{52}\)
1- Deciding on a promotions strategy:

There are two alternative strategies that can be employed for firm’s objective: a pull strategy and push strategy.53

(i) Pull Strategy:

A pull strategy is demand-oriented. It attempts to create market demand by means of heavy advertising or by sales promotion. The objective is to make potential customers aware of a product or services and to provide them with knowledge about it to generate interest.

A pull strategy is used primarily by companies selling consumer products, specially packaged goods sold through supermarkets, drug stores, and other retail outlets.

(ii) Push Strategy:

A push strategy places the primary promotion burden upon salespeople or other employees that deal directly with customers. This is the strategy being used by industrial product companies when they send their salespeople out to call on present and potential customers.

2- Determining promotion expenditure:

After promotion objectives and strategies have been decided upon, the next step is to determine how much money should be spent for all promotion efforts combined. Methods most frequently used to determine total promotion expenditures are:

(a) Percentage of sales.
(b) Meeting the competition.

(c) All available funds.

(d) Objective and task.

(e) Marketing planning implications.

3. Advertising:

The word advertising originate form a Latin word advertise, which means to turn to. Advertising as a term is used by many to cover almost any topic in the promotion includes personal selling and advertising along with sales promotion public relations and publicity. Philip Kotler one can define – Advertising as any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor.

a- Advertising as marketing tool:

Advertising is the communication link between the seller and the buyer or the consumer. It does not simply provide information about products and services but is an active attempt at influencing people to action by an over appeal to reason or emotion. Advertising does not end with the flow of information from the seller to the buyer, it goes further to influence and persuade people to action or belief. Advertising as a part of the total marketing mix influences the sales of the product, as do the other variables of the mix. Together with the product or brand, price, channel of distribution and personal selling, advertising attempts to reach the marketing objectives. When a firm introduces a prestige product with a premium price, advertising should reinforce the idea of the high quality and prestige of the product by
associating it with prestigious people, places and events. Advertising should be complementary to personal selling, which is another marketing tool primarily concerned with communication. In personal selling, communication is more effective, for it can be tailored to suit each prospect. Also personal selling provides flexibility in altering presentation based on the feedback gathered during inter-personal interaction.  

Right advertising is as essential as the right product, the right price, the right distribution channel and personal selling. This necessarily calls for right advertisement planning.

b- Advertising Objectives:

There are several objectives for using advertising:

(i) **Induce trial**: When the product comes on the market, the advertising goal may be to get people to try it.

(ii) **Intensity usage**: This objective is based on the premise that there is no better prospect than a current customer.

(iii) **Sustain preference**: Without advertising, it does not sustain customer preference in the marketplace.

(iv) **Change habits**: Advertising can sell also to people on new ideas.

(v) **Build line acceptance**: Advertising can create and establish among of many companies that advertise numerous products while working to build a total product line.

(vi) **Break the ice**: In many business situations, advertising is crucial as an
ice breaker. Advertising may wave the product name just enough to provide brand recognition and thereby, get the sales person to see the buyer.

(vii) **Build ambience**: Advertising can help to create a positive feeling about a business.

(viii) **Generate sales leads**: The objective of the Ad may be centered around obtaining the names of prospective customers.

(ix) **Increase awareness**: Every Ad, regardless of the stated objective, should promote awareness in some form, without awareness the result could be no sales.

(x) **Increase sales**: For most organizations, an advertising objective that calls for an increase in sales is most desirable.  

**c- Deciding on the advertising budget**:

After determining advertising objectives, the company can proceed to establish its advertising budget for each product. The role of advertising is to increase demand for the product. Thus, the company wants to spend the amount required to achieve the sales goal. Usually the company should consider some of the factors for setting the advertising budget.

There are five specific factors to consider when setting the advertising budget.  

(i) **Stage in the product life cycle**: New product typically receive large advertising budgets to build awareness and to gain consumer trial.
(ii) **Market share and consumer base**: High-market-share brands usually require less advertising expenditure as a percentage of sales to maintain their share. To build, share by increasing market size requires larger advertising expenditures.

(iii) **Competition and clutter**: In a market with a large number of competitors and high advertising spending, a brand must advertise more heavily to be heard above the noise of the market.

(iv) **Advertising frequency**: The number of repetitions needed to put across the brand’s message to consumers has an important impact on the advertising budget.

(v) **Product substitutability**: Brands in a commodity class require heavy advertising to establish a differential image. Advertising is also important when a brand can offer unique physical benefits or features.

d- **Kinds of Advertising**:

Advertising may be classified into the following six categories:

i. Product advertising.

ii. Service advertising

iii. Institutional advertising.

iv. Public relations advertising.

v. Public service advertising.

vi. Financial advertising.
4- Sales Promotion:

Sales promotion is a key ingredient in marketing campaigns, we define it as follows:

Sales promotion consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker and / or greater purchase of particular products/services by consumers or the trade.

Sales promotion, collectively comprises of the tools used to promote sale in a given territory and time. These are primarily short term in nature and are designed to quickly stimulate sale. While advertising creates awareness and promotion induces him / her to try / buy the product.

Sales promotion includes tools for consumer promotion (samples, coupons, cash refund offers, prices off, premiums, prizes, patronage reward, free trial, warranties, tie-in promotions, cross-promotions, point-of-purchase displays, and demonstrations); trade promotion (price off, advertising and display allowances, and free goods); and business and salesforce promotion (trade shows and conventions, contests for sales reps, and especially advertising. Sales-promotion tools are used by most organizations, including manufacturers, distributors, retailers, trade association and nonprofit organizations.

a-Purpose of sales promotion:

Sales promotion tools vary in their specific objectives. A free sample stimulates consumer trial, while a free management - advisory service aim at commencing a long-term relationship with a retailer. Sellers use incentive-type promotions to attract new tiers, to reward loyal customers, and to
increase the repurchase rates of occasional users. Today, many marketing managers first estimate what they need to spend in trade promotion, then what they need to spend in consumer promotion.

b- Planning sales promotion programmes:

In order to make sales promotion programmes effective, it is necessary that the marketer should spend considerable time in planning. Marketers should approach and adopt a long-term analytical planning approach, which involves the following:

(i) **Review of the product market situation**: In this stage, the marketer should examine the trends in his brand sales and the product category sales.

(ii) **Consumer purchase patterns**: The marketer should plan to provide incentive for a sufficiently long time so that all heavy users get an opportunity to benefit in their normal purchase cycles.

(iii) **Distribution methods**: The marketer should analyze the distribution methods being used in his product category as this will influence choice of the promotion tools.

(iv) **Identification of opportunities and threats**: Based on the above analyzing and also that of the trade characteristics, a firm has to identify opportunities and threats confronting it.

(v) **Deciding on sales promotion objectives**: We have already outlined these objectives in our previous sections.

(vi) **Deciding on sales promotion budgets**: Now the marketer or marketing
department should decide its promotion budget. Because without budget they can’t achieve to above stages. There are several types of budget analysis as following.

1. Costs– include both, direct fixed and variable cost. The direct fixed costs are costs of physically distributing samples, placing advertisements and point of purchase material, etc. Variable costs are payments made to the retailer for each coupon redeemed.

2. Likely market response: The marketer, it is suggested should analyze six types of market responses. These are:

   (i) Redemption rates, (ii) Displacement rates, (iii) Acquisition rates,
   (iv) Stock up rates, (v) Conversion rates, (vi) Product line effects.

5- Public Relations:

Like advertising and sales promotion, public relations is an important marketing tool. The company must relate constructively to its customers, suppliers and dealers, such must also relate to a large set of interested publics. There is a definition of public as follows:

A public is any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives. Public relations (PR) involves a variety of programs designed to promote or protect a company's image or its individual products.57

The most, companies operate a public relations development to plan these relations. The public relations department monitors the attributes of the
organization’s public relation department, perform the following five activities, not all of which support marketing objectives.

a. **Press relations**: Presenting news and information about organization in the most positive light.

b. **Product publicity**: Sponsoring various efforts to publicize specific products.

c. **Corporate communication**: Promoting understanding of the organization with internal and external communications.

d. **Lobbying**: Dealing with legislators and government officials to promote or defeat legislation and regulation.

e. **Counseling**: Advising management about public issues and company positions and image. This include advertising in the event of a product mishap when the public confidence in a product is shaken.

(i) **Marketing public relation** can contribute to the following objectives.

a. **Build awareness**: Marketing public relations can place stories in the media to bring attention to a product, service person, organization or idea.

b. **Build credibility**: Marketing public relations can add credibility by communicating the message in an additional context.

c. **Stimulate the salesforce and dealers**: Marketing public relations can help boost sales force and dealers enthusiasm.

d. **Hold down promotion costs**: Marketing public relation; costs less than
direct mail and media advertising.

(ii) Choosing the PR message and vehicles:

After establishing the marketing relations objectives, the manager must identify or develop interesting stories to tell about the product.

6 Direct Marketing:

In recent years, we have encountered a new style of marketing operations as direct marketing by internet.

According to the internet application in the marketing, scientists invented the E-business and E-commerce.

They are training the methods of marketing on the internet by specialists and experts in the computer programming and business. They also mixed computer and trade (marketing) to each other for comforting of customers to buy at any location.

Consumer enjoy buying by mail, fax, phone, and internet for a number of reasons: 24 hours convenience, a wide selection of specialized products. The comfort and safety of shopping from home instead of crowded malls and shopping centers.

Henry R. "Pete" has defined direct marketing as:

"An Interactive system of marketing that uses one or more advertising media to effect a measurable response and/or transaction at any location, with this activity stored on database."
This definition touches on several important points as follows:

1- Direct marketing is a system of marketing.

2- Direct marketing is interactive, in attempts to set up a cause-and-effect relationship with the prospect, asking for a certain response to a call to action and fostering a dialogue rather than one-way communication.

3- Direct marketing uses one or more advertising media.

4- Direct marketing produces a measurable response device such as a coupon, a toll-free telephone number, a fax number, an e-mail address, a world wide site, an other form, or a mail.

5- Direct marketing may involve a transaction of any location. Thus, the direct marketer may receive their response not only via media but also when customers take mail-sent coupons to retail outlets, show up for an advertised sale, or visit a local dealer mentioned in a national Ad campaign.

6- Direct marketing activity is stored on database, this allows direct marketing to record and manipulate data which can help them to offer customers and prospects the best possible offers at the optimum time through the most appropriate media.

1. 19. 1. D- Designing and Managing of Marketing Channels:

It’s not necessary to discuss in present chapter. However, in the next chapter it is explained about marketing channels in detail, specially in the cases of Dealers, Distributors, wholesalers, retailers etc.
1. 20. 0 Marketing Strategy:

Marketing strategy is aimed at making an organization competitive and improve its effectiveness in the market place. It is important to understand that while strategies are long-term action plans, tactics are short-term. Often the strategies lead to tactics but recently even the latter is thought to create marketing strategies. The goal of any marketing strategy is to create and retain a satisfied customer through the process of value addition. A marketer has a choice of either accepting a customer driven approach or evolve competition oriented strategies.

Marketing strategy before anything, needs an idea and strategic thinking. Strategic thinking is a key to evolution of successful marketing strategies. Thus, this involves the following analysis:

a. Understanding Markets: The starting point of analysis is the market. Demographic and lifestyle, changes taking place and evolving in the new opportunities for marketers.

b. Finding Market Niches: As the market evolves and customer needs become more defined, the marketer needs an opportunity to adopt a segmental approach. Some of the market niches are like, price, service, convenience, technology and fashion.

c. Product and service planning: When we enter an era of standardized technology, we embrace more and more undifferential products. The tangible difference between one brand and another will get diminished, in fact, eliminated.
Product and service analysis involves the following:

1. Are there any new uses or use situation or users that the firm is currently not aware of? Are they emerging?

2. What is the position of the generic product and the brand in the life cycle?

3. How can a brand’s equity be enhanced?

4. Are brand extensions possible? What are the limits to brand extension?

5. Is the brand positioning valid?

6. Does the product require to be killed?

7. What are the services that customers are looking for?

8. Are there any new packaging technologies available that help make the product look more attractive, convenient and also reduce current packaging costs and hence help in reducing the final price to the customer?

These are just a few issues that must hold the marketers attention.

d- Distribution: The distribution analysis for a firm: The success of a firm depends upon its ability to make the product available at the right place, at the right time and in the right quantities.

c- Managing for results: Highlighting the importance of strategic analysis, a
well-known strategist and thinker, Kenichi Ohmae, prods the strategic and inquisitive mind that can form right questions so as to conduct an objective situation analysis. Ohmae believes that an analysis done for vindicating one's own preconceived notions do not lead to creative solutions and also intuition alone does not ensure secured business plans (R). He gives a framework for strategic thinking as illustrated in figure (1.12)

**Exhibit (1.12) Stage of strategic thinking**


Thus, before any business strategy and marketing strategy is evolved, it is necessary that the strategist thinks through and takes a strategic perspective of the market.
1. 20. 1. A- Strategy :

The concept of strategy has been explained by different authors in several ways. On going through these explanations, one conclusion that can be drawn is that there is no universally accepted definition. One view of strategy is that it is a deliberate search for an action plan that will develop a firm's competitive advantage and help augment it. This search:

(i) is an initiative process and

(ii) begins with recognition of where you are, what you have now, where you want to go and in how much time you have to reach there?

James Brain Quinn has explained the concept and definition of strategy, according to him, strategy is the pattern or plan that integrates an organization’s major goals, policies and action sequences into a cohesive whole.60

Thus, strategy as a position, therefore involves developing a fit between the organization and its external environment such that it is able to join and maintain a sustainable advantage and as a perspective involves understanding the orientation and structure of an organization. It involves creating a shared perspective of the environment by employees at different levels in the organizational hierarchy.

1. 20. 2. B- Tactic :

As was mentioned, the distinction between strategy and tactic, depends on the level at which it is being conceived. For example, an additional discount or preferential delivery to a major customer in the territory is a
strategic decision as far as salespersons are concerned, but for a vice president of marketing it’s a tactical decision. Thus the difference between strategy and tactics lies in the scale of action or the leaders perspective. Tactics, therefore, are the short-duration, adaptive, action-interaction realignments that opposing forces use to accomplish limited goals after their initial contact.61

1.21.0 Definition of Strategy:

As a matter of fact, a corporate strategy has three essential elements, these are:

(i) Goals.

(ii) Significant policies

(iii) Major action sequences

If a strategy does not spell out these dimensions then it is incomplete to that extent.

1.22.0 Criteria for Effective Strategy:

The strategist often has this question “will the strategy succeed?” Many a time other environmental factors and even luck helps in achieving the organizational goal. Effective corporate strategies are the ones that help strengthen the organizational fit with its external environment and also motivate people to deliver above average performance.

At a minimum, effective, strategies are ones that encompass and help, build an organization’s long term viability by addressing the following issues:

(i) Setting clear and decisive objectives.

(ii) Maintaining the initiative.
(iii) Concentrating resources at the time and place that will help organizations win the war decisively.

(iv) Flexibility in operations.

(v) Coordinated and committed leadership.

(vi) Surprise

(vii) Security

Thus, strategy and tactics together help an organization achieve its desired goals.

The marketing strategy goal is to help achieve it and build a market leader position for the firm.

1. 23. 0 Marketing Strategy in Connection with Customers:

In recent sections one conclusion can be drawn is that to remain competitive, the corporate marketing strategy must aim to create and retain a satisfied customer. Not only this, the customer should perceive this value to be distinctively more than the firms rivals.

1. 23. 1 Value Added Strategy:

Value addition could be achieved through a combination of different routes. However, all these routes emanate from one source, viz. Customer needs.\(^6^2\)

Needless to say that value added marketing strategy starts with taking a close look at customers needs and problems and they think deeply about the product. In fact, there are several kinds of factors which they are composing or creating the meaning of marketing strategy. These factors are:
a- **Segmentation**: The segmentation is one of the basic in marketing strategy. Value added marketing strategy is based on segmented analysis and using the segment information for product design. Segmentation can also help leverage marketing resources on more productive customer groups.

b- **Mass customization**: This strategy is termed mass-customization. It is based on the idea of trying computer based information system together with new modes of operation such as flexible manufacturing and just in time production and then using those linked systems to make it possible so attract each customer with the tailor made benefits of the pre-industrial craft era at the low cost of modern mass production. Thus the key elements of this strategy are:

1. Computer based information system.
2. Flexible manufacturing programmes.
3. Just in time operations like production and distribution.

c- **Value addition**: The customer based marketing strategy is the art of creating value and delivering it at a profit. One of the thinking today is that successful companies do not just add value, they reinvent it. They do by linking together their two key resources – knowledge and relationships, or their competencies and customers.

d- **Product market fit**: Another way of strengthening the product marketing fit is to examine the product's usage in the existing and new markets.
1.24.0 Competition Oriented Marketing Strategies:

Marketing has often been termed as a warfare. The battlefield there is customers' mind and the rival forces are competitive firms. It is imperative that the firm also considers principles of this warfare that will give it the competitive edge and hence market leadership. The effectiveness of any firm's competitive marketing can be gauged by the ratio of its market share to the total size of its served market.
1. 25. 0 Controlling Marketing Operation:

Planning is the first task of management in any type of business firm or any other organization. The second task of management is to organize the people that know how to carry out plans. The third task is to execute the plans and the final task is to undertake control operations, to see how well the plans have been carried out. These are the four major tasks of management, for marketing as well as for all other major functions of an organization.63

In this section let us see the last of these management functions – controlling marketing operations. Even the best marketing plans are not effective unless they are carried out properly. The only good way management has of knowing how well plans are being carried out is by establishing effective control for all the important parts of the plan. Also good controls provide the continuous feedback that is necessary for management to know what is going on while plans are being carried out.

1. 25. 1 Control Based of Plans:

Control can be thought of as the opposite side of the coin from plans. Plans that are not followed up by a good system of controls often drift off course or fall through completely, and management may not know for sure why this happened. On the other hand, controls are not as meaningful unless they are closely tied to plans that have previously been made.64

1. 25. 2 Setting Control Objectives:

In one sense, marketing operations are controlled in the same ways as other functions in the business firm. Marketing functions have annual budget that must be adhered to, and their outputs are measured in various ways.

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Management also must set specific objectives for controlling marketing operations. Usually the most important control objectives for marketing oriented companies are the following:

i. Sales volume analysis.

ii. Market share analysis.

iii. Marketing expense to sales analysis.

iv. Financial analysis.

v. Customer attitude tracking.

vi. Profitability control.

vii. Efficiency control.

viii. Strategic control.

1. 25. 3 Breakdown for each Objective:

There are the primary measures that are used as bases for controlling marketing operations. The first three of these should be available for each of such breakdowns as: (a) Product line, (b) Geographic area, (c) Customer type, (d) Channel of distribution, (e) order size.

A- Sales volume control: Sales control (analysis) consist of measuring and evaluating actual sales, goals. There are several standard for judging sales volume control standard that are in common use by business firms of all kinds today. The most common are:

i. Last year sales.

ii. The company’s sales forecast for the current year.
iii. Sales of the competitors.
iv. Total potential sales in a given market.

Philip Kotler in his famous book as marketing management, believes that, two specific tools are used in sales analysis, (1) sales-variance analysis measures the relative contribution of different factors to a gap in sales performance. (2) Microsales analysis, looks at specific products, territories, and so forth, that failed to produce expected sales. 57

B- Market share analysis: Company sales do not reveal how well the company is performing relative to competitors. For this purpose, management needs to track its market share. If the company's market share goes up, the company is growing on competitors; if it goes down, the company is losing relative to competitors.

C- Marketing expense to sales analysis: When expense is further analyzed, a marketer may be able to calculate:

i. Advertising to sales ratio.
ii. Sales promotion to sales ratio.
iii. Salesforce cost to sales ratio.
iv. Distribution expenses to sales ratio.
v. Sales administration to sales ratio.

The marketer needs to keep a close watch on these ratio variations over a period of time be investigated and corrective measures taken.
D- Financial control (analysis):

Often a good financial analysis can silence the critics of marketing. A marketer needs to analyze all the factors that affect the firm's rate of return, return on assets and also the firm's financial leverage.

E- Customer attitude tracking:

Increasingly, research is pointing to the need to track customer satisfaction and attitudes.

F- Profitability control in marketing performance:

Usually, with increasing competition, firms, are finding their profit margins reducing. They look for profit marketing strategies and increasingly the marketer will be called upon to determine profit from products, territories and even trade channels.

Kotler suggests three steps for developing a system of profit control:

(i) Identifying the functional expenses: This stage involves identifying all functional expenses incurred in selling a product in a defined territory or through a channel.

(ii) Assign the functional expenses to marketing entities: This stage becomes important when expenses are incurred on non-marketing entities too.

(iii) Prepare a profit and loss statement for each marketing entity: In this stage a marketer can prepare a profit and loss statement for each marketing activity.
G- Efficiency control:

This system helps a marketer determine if there are better ways of performing a task. These mechanisms or systems exist in determining the salesforce efficiency, distribution efficiency, advertising and sales promotion efficiency. I have listed them below:

1- Salesforce efficiency indicators:

(i) Average number of sales calls per sales person per day.

(ii) Average number of sales calls per sales person per customer

(iii) Average time spent for customer.

(iv) Average time spent on travel.

(v) Return on time invested on different customer groups.

(vi) Number or new customers added.

(vii) Volume of potential business lost to competition.

(viii) Average cost per sales call.

(ix) Salesforce cost as a percent of total sales.

2- Advertising efficiency indicator:

(i) Advertising cost per thousand target customers reached by the media.

(ii) Advertising recall as a percent of the total target market reached by the campaign.

(iii) Top of the mind awareness of the brand.

(iv) Number of enquiries generated by an advertisement.

(v) Cost per enquiry.
3- **Distribution efficiency**:

(i) Market reach of the channel member as measured by the number of customers served by it.

(ii) Sales extraction from the channel member as measured by the brand's sale to the total product sales by the channel members.

(iii) Cost per channel member – this is that firm incurs to service a particular channel.
1. 26. 0 **Strategic Control**:

This system helps management to determine the fit between the firm's marketing and the external environment. They, specifically, help in resolving issues of obsolescence in strategies, structure, policies, programmes and systems. There are two types of strategic control that can help management: customer relationship barometer and marketing audit.

1. 26. 1 Relationship barometer aim to assess how well is the customer integrated to the organization. Thus, it provides inputs on the following parameters:

1. Core value of the organization and their internalization.
2. Organization structure and decision making for primary customer.
3. Organizational policies.
4. Organizational systems.
5. People skills, attitudes and knowledge.
6. Technology.
7. Strategy of customer retention.

1. 26. 2 Marketing Audit is a comprehensive, systematic and independent, periodic examination of a company's or business units, marketing environment, objectives, strategies and activities with a view to determine problem areas and opportunities and recommending a plan of action to improve the company's marketing performance.
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