CHAPTER - 1

MARKETING AND CUSTOMER RELATIONSHIP MANAGEMENT
THE MARKETING CONCEPT

Marketing is an ancient art.

Marketing has been practiced in one form or the other since the days of Adam and Eve. Its emergence as a management discipline, however, is of relatively recent origin and within this relatively short period, it has gained a great deal of importance and stature. In fact, today most management thinkers and practitioners the world over, regard marketing as the most important of all management functions in any business.

THE EVOLUTION OF MARKETING

The Barter System

The pre-industrial revolution world was characterised by an agricultural-cum-handicraft economy. The agriculturist, whether he produced corn or cotton, meat or butter, disposed of the surplus in his immediate neighbourhood. These products were required in the neighbourhood by those who were not engaged in the same activity. The agriculturist bartered the corn, cotton, meat and butter produced by him for the leather, hand tools, utensils and furniture produced by the craftsman. There was no elaborate distribution system as the needs and habits of the people and the prevailing technology did not demand such a system. This represented the stage of barter in the evolution of marketing.
The Stage of Money Economy

The next stage in the evolution of marketing was that of money economy. No fundamental or far-reaching change took place in this stage in the production & distribution of goods. The change was limited to the replacement of the barter system by the money system, pricing becoming the mechanism of the exchange process.

The Stage of Industrial Revolution

Industrial Revolution was the next stage. Far-reaching changes took place in this stage. The industrial revolution bore the germ of a new business system. It introduced new products, new systems of manufacture, new modes of transportation, new methods of communication and brought about sweeping changes in the physical and economic environment of man. Mass production became the order of the day. A variety of low priced goods became available in great abundance. The industrial revolution also generated the income revolution, giving a great deal of disposable income to a large mass of people. And it was this income revolution that sustained the mass production and mass distribution unleashed by the industrial revolution.

The Stage of Competition

The mass production and mass distribution brought by the industrial revolution soon led to the stage of competition. The ever increasing number and size of the producing firms generated the phenomenon of competition. Earlier, the main task of the industrial firms was disposal or distribution of their products. Now, facing competition became the main issue. The situation
demanded conscious efforts on the part of the firms to ensure that their products were preferred to those of their competitors.

The Emergence of Marketing

After the Second World War, especially in the fifties and sixties, the size and character of markets in many countries of the world changed enormously. There was a substantial increase in population; the disposable income of the average family registered an increase; new industrial concerns sprang up rapidly; a great variety of new products and services strengthened the rapidly developing consumer market; and selling of products and services became unusually difficult because of the high intensity of competition. Abundant choices were made available to the consumer and the consumer began to occupy a place of unique importance. The industrial firms realized that it was not enough if they somehow made an one-time sale of their products, they had to ensure that the consumer who purchased their products once, came 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. They also had to ensure that any complaint from the consumer about the product was attended too promptly; if the product needed replacing, it had to be replaced; if it required after-sales servicing, it had to be provided. And that, meant the emergence of marketing.

Defining Marketing

Marketing is a combination of that art & science through which business organizations, entrepreneurs, service providers, etc., deliver their products & services to the ultimate consumers.
Numerous definitions have been offered for marketing, one can distinguish between a **social** and a **managerial** definition. A social definition shows the *role marketing plays in society*. One marketer said that marketing's role is to "deliver a higher standard of living." A social definition that serves the purpose follows:

*Marketing* is a societal process by which individuals and groups can obtain what they **need** and **want** through **creating**, **offering**, and **freely exchanging products and services** of value with others.

For a managerial definition, marketing has often been described as **"the art of selling products."** But people are surprised when they hear that the most important part of marketing is not selling! **Selling is only the tip of the marketing iceberg.**

Peter Drucker, a leading management theorist, puts it this way:

*There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself: Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available.***

The American Marketing Association offers the following definition:

*Marketing* is the process of planning and executing the conception, **pricing**, **promotion**, and **distribution of ideas, goods, services** to create exchanges that satisfy individual and organizational goals.
Marketing is typically seen as the task of creating, promoting, and delivering, goods and services to consumers and businesses. In fact, marketing people are involved in marketing 10 types of entities. They are as follows.

1. Goods

Physical goods constitute the bulk of most countries production and marketing effort. The Indian economy alone produces and markets each year billions of eggs, billions of chickens, millions of hair dryers, million tons of steel, and billions tons of cotton. In developing nations, goods—particularly food, commodities, clothing, and housing—are the mainstay of the economy.

2. Services

As economies advance, a growing proportion of their activities are focused on the production of services. The U.S. economy today consists of a 70-30 services-to-goods mix whereas it is vice-versa, i.e., 70-30 goods-to-services mix. Services include the work of hotels airlines, railways and roadways, car rental firms, barbers and beauticians, baby-sitters, maintenance and repair people, as well as professionals working within or for companies, such as accountants, lawyers, engineers, doctors, software programmers, and management consultants. Many market offerings consist of a variable mix of goods and services. At the pure service end would be a doctor listening to a patient or a dancer performing Bharat Natyam; at another level would be the telephone call that is supported by a huge investment in plant and equipment; and at a more tangible level would be a fast-food establishment where the customer consumes both a good and a service.
3. **Experiences**

By orchestrating several services and goods, one can create, stage and market experiences. Walt Disney World's Magic Kingdom is an experience, one of visiting a fairy kingdom, a pirate ship, or a haunted house. There are different markets for diverse experiences, such as spending a week at a resort or a day at Water Kingdom or Essel World.

4. **Events**

Marketers promote time-based events, such as the one-day cricket matches, the Olympics, company anniversaries, major trade shows, sports events, and artistic performances. There is a whole profession of meetings planners who work out the details of an event and stage it to come off perfectly.

5. **Persons**

Celebrity marketing has become a major business. Years ago, someone seeking fame would hire a press agent to plant stories in newspapers and magazines. Today every major film star has an agent, a personal manager, and ties to a public relations agency. Artists, musicians, COOs, and financiers, and business tycoons are drawing help from celebrity marketers.

6. **Places**

Places-cities, states, regions, and whole nations-compete actively to attract tourists, factories, company headquarters, and new residents. India and South Asian countries make efforts to attract tourists & industrialists from all parts of the world. Place marketers include economy specialists,
Properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds). Properties are bought and sold, and this occasions a marketing effort. Real estate agents work for property owners or seekers to sell or buy residential or commercial real estate. Investment companies and banks are involved in marketing securities to both institutional and individual investors.

Organizations actively work to build a strong, favorable image in the mind of their publics. Corporate Identity ads by companies seeking more public recognition are frequently visible in the media. Philips, the Dutch electronics company puts out ads with the tag line “Let's Make Things Better” and Aptech’s slogan is “We Change Lives.” Other companies owe their visibility to a dramatic leader, such as Pepsi’s Amitabh Bachchan and Hyundai’s Sharukh Khan. Universities, museums, and performing arts organizations all lay plans to boost their public image to compete more successfully for audiences and funds.

Information can be produced and marketed as a product. This is essentially what schools and universities produce and distribute at a price to parents, students, and communities. Encyclopedias and most nonfiction books market information. Magazines such as Auto India and Computer @
Some supply considerable information about the car and computer worlds, respectively. CD’s and Internet is visited for information. The production, packaging, and distribution of information is one of society’s major industries.

10. Ideas

Every market offering includes a basic idea at its core. Charley Revson of Revlon observed: “In the factory, we make cosmetics; in the store we sell hope.” The buyer of a drill is really buying a hole. Products and services are platforms for delivering some idea or benefit. Marketers search hard for the core need they are trying to satisfy. A temple, for example, must decide whether to market itself as a place of worship or a community center; the design of the temple will be different depending on the choice.

MARKETING MIX

Marketers use numerous tools to elicit desired responses from their target markets. These tools constitute a marketing mix. McCarthy classified these tools into four broad groups that he called the four Ps of marketing, i.e., product, price, place, and promotion.

Marketing mix is the set of marketing tools i.e., product, price, place and promotion which the firm/business/enterprise/company, uses to pursue its marketing objectives in the target market. The particular marketing variables under each P have been shown in Figure 1.1.
It is considerable that the four P's represent the sellers’ view of the marketing tools available for influencing buyer's point of view, each marketing tool is designed to deliver a customer benefit. Robert Lauterborn suggested that the sellers' four P's correspond to the customers' four Cs.

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<th>Four P's</th>
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<tr>
<td>Product</td>
<td>Customer Solution</td>
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<tr>
<td>Price</td>
<td>Customer Cost</td>
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<tr>
<td>Place</td>
<td>Convenience</td>
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<td>Promotion</td>
<td>Communication</td>
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Marketing-mix decisions must be made for influencing the trade channels as well as the final consumers. It has been shown in Figure 1.2, that the company preparing an offering mix of products, services, and prices, and utilizing a promotion mix of sales promotion, advertising, sales force, public relations, direct mail, telemarketing and Internet to reach the trade channels and the target customers.
SELLER'S ORIENTATION TOWARD
THE MARKET PLACE

There are five competing concepts under which organizations conduct their marketing activity.

1. The Production Concept

Production Concept is one of the oldest concepts guiding seller.

The production concept holds that consumers will favour those products that are widely available and low in cost. Managers of production-oriented organisation concentrate on achieving high production efficiency and wide distribution coverage.

The assumption that consumers are primarily interested in product availability and low price holds in at least two types of situations. The first is where the demand for a product exceeds supply, as is the case in many Third World countries. Here consumers are more interested in obtaining the product than in its fine Points. The suppliers concentrate on finding ways to increase production. The second situation is where the product's cost is high and has to be brought down through increased productivity to expand the market.

2. The Product Concept

Product Concept holds that consumers will always favour those products that offer the most quality or performance.
Managers in these product-oriented organizations focus their energy on making good products and improving them over time.

These managers, guided by the product concept, assume that buyers admire well-made products and can appraise product quality and performance. These managers are caught up in a love affair with their product and fail to appreciate that the market may be less "turned on" and may even be moving in a different direction.

One of the most common manifestations of the product concept occurs with new products that a company invents, Management becomes enamored of the product and often losses perspective, It falls into the "better-mousetrap" fallacy, believing that a better mousetrap will cause people to beat a path to its door.

The product concept leads to "marketing myopia", an undue concentration on the product rather than the need.

3. The Selling Concept

Selling Concept (sales concept) is another common approach many firms take to the market.

The selling concept holds that consumer, if left alone, will ordinarily not buy enough of the organisation’s product. The organization must therefore undertake an aggressive selling and promotion effort.
The concept assumes that consumers typically show buying inertia or resistance and have to be coaxed into buying more and that the company has available a whole battery of effective selling and promotion tools to stimulate more buying.

The selling concept is practiced most aggressively with "unsought goods", those goods that buyers normally do not think of buying, such as insurance, encyclopedias, and funeral plots.

4. The Marketing Concept

Marketing Concept is a business philosophy that arose to challenge the previous concepts.

The marketing concept holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors.

The marketing concept has been expressed in many colourful ways like,

- "Find wants and fill them."
- "Make what will sell instead of trying to sell what you can make."
- "Love the customer and not the product."

The marketing concept is a market-focused, customer-oriented, coordinated marketing effort aimed at generating customer satisfaction as the key to satisfying organizational goals.

Each pillar of the marketing concept contributes to more effective marketing. This may be evident from the following:
Market Focus: No company can operate in every market and satisfy every need. Nor can it even do a good job within one broad market. Companies do best when they define their target markets carefully. They do best when they prepare a tailored marketing program for each target market.

Customer-Oriented thinking requires the company to define customer needs from the customer point of view, not from its own point of view. Every product involves trade off, and management cannot know what these are without talking to and researching customers.

It is supremely important to satisfy the customer because a company's sales each period come from two groups new customers and repeat customers. It always costs more to attract new customers than to retain current customers. Therefore customer retention is more critical than customer attraction. The key to customer retention is customer satisfaction. A satisfied customer will:

1. Buys again.
2. Talks favourably to others about the company.
3. Pays less attention to competing brands and advertising.
4. Buys other products from the same company.

Coordinated marketing means two things. First, the various marketing functions – sales force, advertising, product management, marketing research, and so on – must be coordinated among themselves.

Second, marketing must be well coordinated with the other company departments. Marketing does not work when it is merely a department; it only works when all employees appreciate the effect they have on customer satisfaction.
The purpose of the marketing concept is to help organizations achieve their goals. In the case of private firms, the major goal is profit in the case of non-profit and public organizations, it is surviving and attracting enough funds to perform their work. Now the key is not to aim for profits as such but to achieve them as a by product of doing the job well.

5. The Societal Marketing Concept

In recent years, some people have questioned whether the marketing concept is appropriate organizational philosophy in an age of environmental deterioration, resource shortages, explosive population growth, world hunger & poverty, and neglected social services. The question is whether companies that do an excellent job of sensing, serving, and satisfying individual consumer wants are necessarily acting in the best long-run interests of consumers and society. The marketing concept, side steps the potential conflicts between consumer wants, consumer interests, and long run societal welfare.

The societal marketing concept calls upon marketers to balance three considerations in setting their marketing policies namely, company profits, consumer want & satisfaction, and public interest. Originally, companies based their marketing decisions largely on immediate company profit calculations. Then they began to recognize the long run importance of satisfying consumer wants, and this introduced the marketing concept. Now they are beginning to factor in society's interests in their decision making. The societal marketing concept calls for balancing all three considerations, a number of companies have achieved notable sales and profit gains through adopting and practicing the societal marketing concept.