CHAPTER - 2

CONCEPTUAL FRAMEWORK OF MARKETING MANAGEMENT

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The end of all production is consumption ........ marketing is the kingpin that sets the revolving of the economy.

Adam Smith

EVOLUTION OF MARKETING-A HISTORICAL BACKGROUND:

Marketing is indeed an ancient art. It has been practised in one form or the other since the beginning of human civilisation. During the pre industrial revolution the world was characterised by an agriculture cum handicraft economy. Agriculturist and the craftsman were the main producers of this era. Whatever was produced by the agriculturist the surplus of those were disposed off in his immediate neighbourhood after meeting his own requirement. These products were required in the neighbourhood by those who were not engaged in the same activity. There was no elaborate distribution system as the habits and needs of the people and the prevailing technology did not demand such a system. In other words, marketing under those conditions meant production of the basic necessities of life and exchanging these with known consumer groups in the immediate neighbourhood. This represented the barter stage in the evolution of marketing.
The next stage in the evolution of marketing was that of money economy. The change during this stage was limited to the replacement of the barter system by the money economy. The barter system was very inconvenient for the following reasons.

(a) It required a double co-incidence of wants. A man with a goat wanting shoes must find a man with shoes wanting goat before any exchange was possible.

(b) Under barter small exchanges were very difficult because the items exchanged could not always be subdivided. It was impossible to sell a part of a goat or a part of a shoe.

(c) There was no convenient method of keeping savings in the state.

For the above and such other inconveniences the barter economy was replaced by the money economy. Gradually some standard medium of exchange were used which were useful and desirable by all persons in the community. This led to the invention of money. Money can be defined as anything which is generally accepted by the people in exchange of commodities and services or in repayment of debts. Pricing became the chief mechanism of marketing. Economist defines price as the
exchange values of a product or service always expressed in money. It is the mechanism or device for translating into quantitative terms (rupees and paisa) the perceived value of the product to the customer at a point of time. From the marketer's point of view, the price also covers the total market offering i.e. the consumer is also purchasing the information through advertising, sales promotion and personal selling and distribution method that has been adopted. The consumer gets these values and also covers their costs. Therefore price can be defined as the money value of a product or service agreed upon in a market transaction. Price is a matter of vital importance to both the seller and the buyer in the market place. In money economy without prices there cannot be marketing. Price denotes the value of a product. Only when a buyer and a seller agree on price, exchange of goods and services can take place.

The next stage was the stage of Industrial revolution. It originated towards the end of the 18th century. Far reaching changes took place in this stage. The industrial revolution bore the germ of a new business system. The discovery of powerful machines led to the establishment of large industries, textile mills, steel factories, coal mines and so on. It introduced new products, new system of manufacture, new modes of transportation and methods of communication and brought about sweeping changes in the physical and economic
environment of man. Mass production became the order of the day. The industrial revolution, giving a great deal of disposable surplus income to a large mass of people, sustained the mass production and mass distribution "sheathed by it. "

The United Nations was the first of the world's societies to move sharply into maturity with the age of high level mass consumption. The former was followed by the Atlantic community, Japan, Australia, New Zealand and several countries in the Soviet Socialist bloc which also enjoyed relatively high level of mass consumption."1

The mass production and mass distribution brought by the industrial revolution led to the stage of competition. During the earlier stages, the main task of the industrial firms was distribution of whatever they produced. But in the subsequent stages meeting competition became the chief issue. The industrial firms could no longer confine themselves to distribution. The situation demanded a conscious effort to face the competitors, and the firms had to ensure that their products were accepted in preference to those of their competitors. Attempts had been made at different periods in different countries to adopt some of the principles of marketing or establish institutions much similar to the channels of present day distribution. Thus according to the

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new Encyclopaedia Britannica Macropaedia Voll II (1973)

Chain of stores are known to have operated in China several centuries before Christ. In 1643 a chain of pharmacies was formed in Japan. AU BON MARCHE in Paris developed from a large speciality store to a departmental store in 1860.2

According to Peter Drucker, "The first man to see marketing clearly as the unique and central function of the business enterprise and the creation of a customer as the specific job of management, was Cyrus McCormick who invented the basic tools of modern marketing, market research and market analysis, the concept of market standing, modern pricing policies, the modern service salesman, parts and service supply to the customer and instalment credit. He is truly the father of Business Management and had done all this by 1850."3

Marketing research departments were also opened in the Curtis Publishing Company in 1917. But as Kotler (1980) observed, the task of these departments then was just to develop information that would make the sales department easy to sell.4 According to Drucker (1978), The revolution of the American economy since 1900 has in large part been a

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marketing revolution...fifty years ago the typical attitude of American business towards marketing was, the sales departments will sell whatever the plant produces. Today it is increasingly our job to produce what the market needs.\textsuperscript{5}

Marketing as a scientific process and an organised activity had its origin about the middle of the current century. 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. New 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 high intensity of competition. It was a situation of abundant choices to the consumers and the consumer began to occupy a place of unique importance. So the consumer got the best return of every penny spent by him and found himself in a position to bargain. The businessman realised that it was not enough if they somehow made one time sale of their products to the consumer. They insisted on the repeated purchase of the products and as such they ensured that the products should be available at a place convenient to the consumer. In addition they had to make available the products

\textsuperscript{5} Mamoria, C.B., Mamoria Satish, Marketing Management, Kitab Mahal, 1997, pp. 33
at a price advantageous to the consumer. They also ensured that the problems of the consumers were attended promptly. They also made arrangements for replacing the products and providing after sale services when required. Thus this led to the emergence of marketing.

DEFINITION OF MARKETING:

Numerous definitions have been put forward on the term marketing.

A most familiar definition prepared by the definition committee of the American marketing association (Junior of marketing, October 1948) as follows.

'Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user'.6

Individual authorities like Kotler, Clark, Duddy, Hansen have suggested their individual opinions on the definitions of marketing.

The term Marketing is based on conceptual approach to the subject matter which is more target oriented and the performance of the business is judged by the success or failure of fulfilling the target. It is more an activity based definition than of functional nature. However, the definition of Marketing Management is a purely functional approach and views the subject matter in the context of planning, organising, co-ordinating and controlling of activities.

The American marketing association has approved the following definition of marketing management in 1985.

'Marketing management is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individual and organisational objectives.'

Philip Kotler, one of the prominent authorities of marketing management has defined it as follows. "Marketing management is the analysis, planning, implementation and control of programmes designed to bring about desired exchanges with target audiences for the purpose of mutual or personal gain. It relies heavily on the adaptation and coordination of product, price, promotion and place of achieving effective response". To make his definition further clear, he lays down the following facts.

(a) It is a management process and includes analysis planning, implementation and control activities.

(b) It is a purposive activity which aims at bringing desired exchanges which may be of goods or services.

(c) It can be practised by either the seller or the buyer, whoever seeks to stimulate the exchange process.

(d) It may be carried on for personal or mutual gain.

(e) It stresses the adaptation and coordination of several factors that is product price, promotion and place to achieve the effective response.  

Marketing in practice, does not refer to any single activity such as selling, advertising or distribution. It is a total function and is concerned with such activities as product planning, product development, product change, pricing, packaging, sales production, advertising and marketing research. Therefore it includes a major part of the activity area of a modern economy. It involves the interaction of several business activities whose ultimate objective is the gratification of customer needs and desires. By satisfying the existing needs of the consumers and creating new needs and wants for better and improved products marketing sets the pattern of consumption and improves the living standards of the people.

SIGNIFICANCE AND BENEFITS OF MARKETING:

Marketing occupies an unique place in business. Any organisation that fulfils itself through marketing a product or

service is a business. An organisation in which marketing is either absent or incidental is not a business. It is through marketing that the individual needs and wants are satisfied, be it through producing goods or supplying services. Nothing happens in a country until somebody sells something. Hence selling aspect becomes the nerve centre for all human activity. Marketing is the kingpin that revolves the economy of a country.

The modern concept of marketing recognises its role as a direct contributor to profits as well as sales volume. In today's highly competitive and changing market condition a company must first determine what it can sell, how much it can sell and what approaches must be used to entice the wary customer. No decision regarding plan, production, purchase, budget, design are to be taken until the basic market determinations have been made. Marketing has even greater importance and significance for the society as a whole than for any of the individual beneficiaries of the marketing process.

1. The nation's income is composed of goods and services which money can buy. Any increase in the efficiency of the marketing process which results in lower cost of distribution and lower prices to consumers really brings about an increase in the national income.

2. A reduction in the cost of marketing is a direct benefit to
society. The man who makes such a contribution renders a service as important as that of the inventor of a labour saving device or a new manufacturing process.

3. Marketing process brings new varieties, quality and beneficial goods to consumers. It provides a connecting link between production and consumption.

4. Scientific marketing has a stabilizing effect on the price level. As the producers produce what consumers want and consumers have wide choice of products, there is no frequent ups and downs in prices. Scientific marketing is the antithesis of hoarding, profiteering and black marketing.

5. Marketing brings the products to the very door of the consumer. It measures the imbalance in the supply by making available the surpluses to the deficit areas. Marketing provides better provision of transport facilities and storage and thus develops the trade in perishable goods.

6. Patterns of consumption are determined both by the structure of the marketing system which is set up to carry the flow of goods and services from producers to consumers and by the value added to these goods and services through performance of marketing activities.
7. Marketing is essential for full and near full employment. In order to have continuous production, there must be continuous marketing only then a high level of business activity can be continued.

8. Marketing is advantageous to both, the nation and the society. It changes public opinion and creates new norms of behaviour, new standards of conduct and new ways of life. The tools of marketing can be used to implement the national policy. It also helps in expanding the home market and provide a more secure base for exports.

9. Marketing also helps in the speedy development of underdeveloped and developing nations. It integrates the various economic sectors of the nation such as agriculture and industry. It makes fullest utilization of the existing assets and the productive capacity. It mobilises unknown and untapped economic energy. It also contributes to the development of entrepreneur and managerial class of people.

In sum, marketing tries to find out the right type of production that the firm should manufacture, the right place where it should be made available for use, the right price at which it is to be made available and the right channel through which it is to be brought to the notice of the consumers.
FIVE DISTINCT CONCEPTS OF MARKETING:

Exchange Concept:

The exchange concept of marketing indicates the exchange of product between the seller and the buyer. The exchange concept covers only the distribution aspect and the price mechanism involved in marketing. But the marketing process is much broader than exchange. The other important aspects such as value satisfaction, concern for the customers, creative selling and integrated action for serving the customer gets completely ignored in the exchange concept of marketing. To view marketing as merely an exchange process would amount to gross undermining of the essence of marketing.

Production Concept:

According to the production concept marketing is an attachment to production. The concept emphasizes that marketing can be managed by managing production. The consumer support those products that are produced in great volume at a low unit cost. Though this concept achieves high production efficiency and a substantial reduction in the unit cost of production along with the distribution task making the products widely available yet it fails to attract customers.
Customers are motivated by a variety of other considerations in their purchase. Easy availability and low cost are not only the parameters governing the customers buying action. Therefore production concept is not the right marketing philosophy for the enterprise.

The Product Concept:

The product concept lays emphasis on high volume of production and low unit cost of production. This concept advocates the product excellence. Organisations supporting this concept believe that the consumers would automatically purchase products of high quality. They spend money, energy and time on research and development and bring in the variety of new products. This concept neglects the study of the market and the consumer in depth. They concentrate on the product and almost forget the consumer for whom the products are actually meant. Therefore they fail to produce the products as per the demand of the consumers.

The Sales Concept:

The sales concept emphasize that a product is not automatically picked by the customers. The company has to consciously promote and push its products. Heavy advertising,
high personal selling, large scale promotion, heavy price discount and strong publicity and public relations are the normal tools used by the organisations that rely on this concept.

But according to many, sales concept is a flawless idea. Selling and marketing is often thought to be synonymous, but in reality there is great difference between the two.

The Marketing Concept:

The marketing concept was introduced in marketing philosophy only after 1950. This concept lays emphasis on the customer oriented marketing approach and points out that the primary work of a business enterprise is to study needs, desires and values of the potential customers and on the basis of latest and accurate knowledge of market demand, the enterprise must produce and offer the products which will give the desired satisfaction and services to the customers. The marketing concept seeks to believe that marketing starts with the consumer and ends with the satisfaction of those wants. The consumer is placed both at the beginning and end of the business. According to this concept a business can only succeed by supplying to the customer products and services that are properly designed to service their needs.
The essence of marketing concept is that the customer and not the product shall be the centre or the heart of the entire business system. It lays emphasis on the customer oriented marketing process. This concept provides a totally new approach to business. The marketing concept is the best concept as it benefits the organisation, the consumer and the society as a whole. The organisation that adheres to marketing concept keeps itself abreast to the various changes. As a result, it can quickly respond to changes in buyer behaviour and can rectify any drawback in its products. It also gives great importance to planning, research and innovation and its decision are based on reliable data relating to consumer. A firm which does not practise marketing concept get obsolete very soon. Moreover, the firm practising it gets more and more profit because consumer satisfaction guarantees long term financial success. Further, this concept is beneficial to the consumer too. Low price, better quality and ready stocks at convenient locations are some of the benefits enjoyed by the consumer through this concept. The consumer can make cash or credit purchases. He can also purchase on instalment and can even return the material if not satisfied. Therefore the consumer is the greatest beneficiary of the marketing concept. Besides this, the marketing concept also benefits the society. According to this concept only those goods are to be produced which are required by the consumers and therefore it ensures that the country's
economic resources are canalised in the right direction. It also acts as a change agents and a value adder in society and therefore improves the standard of living of the people and the pace of economic development of the society. The marketing concept helps in creating good entrepreneurs and managers in society and makes economic planning more meaningful and relevant to the life of the people.

MODERN SCENARIO OF MARKETING IN THE GLOBALISED ECONOMY:

Marketing is the performance of business that diverts the flow of goods from the producer to the consumer. The marketing process starts even before the goods go into production. It does not end with the sale but continues till the satisfaction of the consumer is obtained. In order to know business one must understand its purpose and the main purpose of business is to create a customer.

In the rapid process of industrialisation and growing competition, a need for systematic and scientific marketing is fast increasing. Globalisation, a buzzing word in our present age is supposed to accelerate and increase the level of interdependence and competitiveness among nations. It is a change that is transforming the world economy reflecting in
widening and intensifying international linkages in trade and finance. It is being driven by a near universal push towards trade and capital market liberalisation, increasing internationalisation of corporate production, distribution strategies and technological change. To an extent globalisation is having the effect of endogenising policy reform in developing countries. The need of any.... growing economy like India at present is to make economic development realistic and at the same time produce a clear picture of the effects and economic development in a marketing system, a system of integrating wants, needs & purchasing powers of the consumer with capacity and resources of produc tion. The phenomenon of globalisation would suggest that this trend will continue to develop in an irreversible manner over the course of the next millennium in the words of Prof. Bokonga.9

'Butros Butros Ghali, on the occasion of 50th anniversary of UN depicted the true picture and effect of globalisation. He stressed that it is an emotive appeal for global solidarity to be at the heart of the international economy which is currently becoming globalised. And acknowledging the name of international society towards the process of change or of globalisation and is at the same time confronted by a

true crisis of identity as a result of a loss of its value system or of its traditional mores, pointed out that globalisation increases both opportunities and unfortunately risks.\textsuperscript{10}

In the modern business world competition is growing at a very fast rate. The producers today are trying to put forward their products as best in the market and while doing so, efforts are been made to capture the market and give highest satisfaction to the consumers. For this, the producers have adopted various means of advertising and have also taken recourse to new styles of packaging. Moreover the role of the state has also become more critical both in helping people and firms to grasp the opportunities of the global market place. Further the world trade organisation (WTO), also plays a significant role in making the world into a truly global market place. In this context, the world trade organisation has provided a greater helping hand to the developing and least developed countries in establishing themselves in the world market. The preamble of the agreement establishing the WTO has the need for positive efforts, designed to ensure that developing countries and especially the least developed among them secure a share in the growth in international trade commensurate with the needs of their economic development.

The measures to achieve this objective are substantial

reduction of tariff, reduction of other barriers to trade, elimination of discriminatory treatment in international trade, facilitation of concessions of obligation to developing and least developing countries, technical assistance and favourable treatment to them.

In recent years, there has been a substantial expansion in the advertising media available in India. Today, all the major media, the press, the television, the radios, the cinema and the outdoors are used extensively by the advertisers to reach their target consumers. The main purpose of packaging which is considered as the fifth 'P' of marketing is to carry contents safely. However in modern times packaging means much more. Besides, its basic purpose of functionality the key buzz words today are innovation and design. A product must be packaged in such a way that it marks itself out from the rest. Packaging acquires an important dimension for markets in building their brand. As different brands are kept in a limited shelf space of a neighbourhood store or a supermarket, therefore a superior packaging becomes a critical element that attracts a customer choosing one brand over another. Moreover, in today's environment friendly age, packaging with economic friendly material has become essential. Of the various packaging material the current favourite is plastic-PVC, PET, Polyster, Polypropylene
in various forms like bottles, films, bags etc. New innovations have also been made in the designing and style of packaging. In this era of globalised economy more and more sophisticated ways of packaging has been developed for the world wide marketing of the products. Therefore marketing policies today has been undergone a profound change in order to successfully tackle the global market. At the present time the packaging, labelling, channelising design and style of the products have adopted new processes in order to capture the global market.