Chapter – I

INTRODUCTION

Introduction

First chapter deals with the introduction of different marketing concepts given by the national as well as international experts. It also compares the old concept of marketing, which was product centered, with the modern concept of marketing which moves around the customer, this new concept is called as customer centered concept of marketing. It also emphasizes the need of changing the old and obsolete concepts of marketing. By virtue of rapid economic development & globalization, the whole world is converted into a small village. This chapter also highlights the basic ingredients of the concept of marketing such as needs & wants, demand, product, value, and exchange. It also includes the significance of marketing management in the present scenario. This chapter also deals with the meanings, concept, and growth of direct marketing. While focusing on these points, it has also covered the benefits of direct marketing, concept of integrated direct marketing, and major channels of direct marketing.

Marketing is a comprehensive term and it includes all resources and a set of activities necessary to direct and facilitate the flow of goods and services from producer to consumer in the process of distribution. It is regarded as a management function to plan, promote and deliver products to the clients or customers. Human efforts, finance, and management constitute the primary resources in marketing. Basically, marketing deals with identifying and satisfying, human and social needs. A marketer is motivated to convert a private or social need into a profitable business opportunity. It is the task of creating, promoting, and delivering goods and services to consumers and businesses. Many people view marketing as being advertising, sales promotion (i.e. merely selling), and in some cases, consumer research. “Marketing is a human activity directed at satisfying needs and wants through exchange process”\(^1\). The threshold of marketing is demand generation. After the demand for a product is generated, the process of satisfying such a demand starts through advertising and sales promotion. But before going to the task of advertising and sales promotion, the marketer has to match the generated demand with the supply position of the company. This is because, mere generation of demand for a product is just one of the several tasks of marketing. Failing to match the demand with the supply position of the company may prove disastrous for the marketer. Prof. Philip Kotler, in the article “The Major Tasks of Marketing Management” has listed various levels of demand and the
corresponding tasks of a marketer. For example, a hotel marketer on a hill station may be faced with an irregular demand i.e. excessive demand during the season. Here, his task obviously is to promote the hotel during off season by offering off season discounts on room and food tariffs, organizing special events to attract tourists, promoting it as a conference venue, etc.

The very purpose of business is to create a customer, and for this, the companies have to understand his needs, want and desires in a sharp manner. Gone are the days, when Indian customer had only Bajaj scooters, Ambassadors and Fiats for his automotive needs. The wider choice available today cater to the gaps in his personal transportation needs and also tries to match his personality profile. There are vehicles suitable for men and women, vehicles for teenagers, vehicles to shuttle in the city and vehicles for small families. These vehicles are not only functional, but they are aesthetically built too. Technologically, they are aerodynamic and fuel-efficient. The moral is to keep on changing so as to keep pace with the changing needs of customers. The winning formula cannot be the same for all time to come.

Following are two activities that are most significant in marketing:

1. Matching the product with demand, i.e., customer needs and desires or target.
2. The transfer of ownership and possession at every stage in the flow of goods from the primary producer to the ultimate consumer.

Marketing comprises all activities involved in the determination and satisfaction of customer needs at a profit. “Marketing should be considered as a central business function as it establishes, develops and commercializes long term customer relationship so that objectives of both the parties are met”\(^2\). By means of marketing function, marketer can direct the firm's response to an ever-changing market environment and orient all parts of the business towards the creation of a satisfied customer. Marketing encompasses all activities of exchange conducted by producers andmiddlemen in commerce for the purpose of satisfying consumer demand. “Marketing is typically seen as the task of creating, promoting and delivering goods and services to consumer and businessmen”\(^3\).
The American Marketing Association defines marketing as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individual and organizational objectives. Paul Mazur defined marketing as the creation and delivery of a standard of living to society. This definition catches the real spirit of the marketing process. It has consumer orientation. It duly honours the marketing concept, which indicates a shift from product to customer-orientation, i.e., fulfillment of customer needs and desires. It emphasizes the major function of marketing, viz., satisfaction of customer and social demand for material goods and services. It includes product planning and development. It makes business firm a full-fledged marketing organization. However, it is too vague, general, and broad and lacks descriptive tone in marketing.

Economic Development

Rapid means of transportation and telecommunications has converted the world into a small village. Satellite transmission has widened the geographical markets. The countries have become interdependent, both in purchases as well as in sales. In India, we have cars and TV sets with many Japanese components. An aircraft has parts from Italy, Canada, England and Japan, though the finished product may be American. The finished products are thus a combination of made and bought parts, may come from different countries of the world. “Buy Indian” may be, a good slogan. In practice, however, it may lead to our buying a calculator that was actually made in Japan and only assembled in India. On the contrary, we may avoid buying Kellog’s cornflakes, though the product is essentially produced in India.

Indian companies use not only imported components, but are also selling their finished products to markets abroad. To take advantage of global markets, Indian companies are making strategic alliances with foreign companies. We have Modi-Xerox, HPL-Olivetti ICIM-Fuji, Kinetic Honda etc. Global networking of suppliers, distributors, technical collaborators, and ad agencies is being created. The winners of today will rely more and more on global integration and networking.

There are trends towards universal free trade. At the same time, regional trading blocs like NAFTA (North Atlantic Free Trade Agreement) amongst the U.S., Canada and Mexico are emerging. The ECM, European Common Market, is a trading block of 12 countries. Such blocks
want the elimination of the barriers to the free movement of goods and services. The SAARC and Far East countries may form trading blocks soon. The economic man of the world will change beyond recognition very soon.

**Income Gap**

In spite of India’s adopting a socialist democracy model with the motto of maximum benefit for the maximum number of people, we still find that large sections of its population live below the poverty line. After the liberalization of economic policy, there is chaos for reforms with a human face in view of the hardships they have caused to the common people. Though wage incomes have risen, the real income has declined due to inflationary pressure that reduces the purchasing power of the rupee. In a market friendly economy that we are creating, the needs of the consumers have multiplied, but they lack the purchasing power to pay for the required goods. India has a great scope to sell the product in volume but at attractively low prices. Of course, there is scope to sell premium products at high prices to the suitable market niches, e.g., a high quality lipstick for the affluent at a price of Rs. 150 to 250 whereas a fairly reasonable quality of lipstick for a large number of women at a price of Rs. 30 to 35. The consumers in India have a greater need to get value for money. This is true whether person sell soap or a luxury car.

**The Environmental Imperative**

Since, the earth summit the awareness about the environmental degradation is increasing. Each company must now examine the overall impact of its operations on the surrounding environment. The environmental regulation by the government has come to stay. What has emerged as an accepted principle is the element of accountability of a company for the maintenance of a healthy environment. The companies have also started going green. In India, there is growing consciousness about environment in the industry and at the governmental level.

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**A New Perspective**
No longer can the firms have a covered existence and sheltered environment. They are facing more and more domestic and international competition. Domestic firms rely more upon the purchases from abroad and sales in the foreign markets. Hence, they have to be on par with international firms in terms of the wage costs and material costs. Indian companies must take cognizance of the rapidly advancing technologies and should learn new ways of organizing and marketing.

Without understanding the rapidly changing environment, the companies cannot remain profitable. One must keep aside the old and outdated marketing strategies, which so far has affiliated him. There is no dearth of counseling on the ways to do business. Each expert has his own presentations. Later in the 70s, the time had come for strategic planning teaching us how different business units can be managed strategically in a new environment. In the 80s, we started concentrating on management excellence and quality. All these are inspiring themes, but after 90 and in new millennium an era of customer oriented and driven companies, replacing the product driven or technology driven approach of the past has set on. Too many companies lack the input of customer needs while designing the new products. Some companies consider the sale as the ultimate transaction beyond which customer need not be remembered. Clearly 90s and new millennium have taught the firms a market-based view of business success.

**Key Concepts in Marketing**

The concept of marketing is essentially a concept of customer orientation. Goods and services are bought not only because of their quality, packaging, or brand name, etc. but because they satisfy a specific need of a customer. In other words, marketing means understanding and responding to customer needs. Companies like Asian Paints, have understood this marketing concept, and as a result, have emerged as market leaders with their goods and services.

The earlier concept of marketing was product oriented which is totally erased today and in its place, today we have customer-centered concept of marketing. “The concept of marketing is essentially a concept of customer orientation”¹. Earlier, companies used to first manufacture a product of their own choice and later use to find a right customer for such product, but now the time has changed, today companies first find a good customer and then produce a product that customer wants.
There are as many definitions of marketing as there are authors on this subject. Consider the following definition of marketing. Marketing is the process that facilitates the exchanges of valuable products created and offered to consumers so as to satisfy their needs and wants according to their demands. In this definition, there are several key concepts like needs, wants and demands, value, products, exchange and satisfaction.” The objective of modern marketing is to make profit through satisfying consumer needs and wants. Hence, marketer has to understand the real needs wants, beliefs and attitude of the consumers towards their products and services”

**Needs and Wants**

Human beings, need certain basic necessities like air, food, water, clothing and shelter. These needs ensure survival and beyond these basic needs, they aspire to have good education, some recreation, and would like to have certain services. Basic human needs exist in the biological condition of the human beings; the marketers do not create them. To satisfy these basic needs, they e show strong preferences for certain product versions, e.g., South Indians prefer rice, whereas north Indian likes wheat.

Wants are our desires for the specific satisfaction of our basic needs. Thus, we need basmati rice, and we want kohinoor. Sometimes we need entertainment, and we visit a cinema hall to see a movie. We need status, and we may buy a Maruti deluxe. While our basic needs are few, our wants have no end. The environment in which we live shapes our wants continuously, and they go on accumulating. Wants, at the same time, have impact of the institutions with which we interact, such institutions are schools, families, religious orders, and business organizations. Understanding customer needs and wants is not always simple. Some customers have needs of which they are not fully conscious and so they cannot express them in words or they use words that require some interpretation or clarification. Many consumers do not know what they want in a product. For instance, when a consumer is first introduced to a cellular phone, he did not know as to what functions of it are really worth for using it. Here, the job of companies is to shape his wants as a part of marketing.
Demands

Human wants when backed by purchasing power and a willingness to buy, they become demand. “Demands are wants for specific products backed by an ability to pay”⁶. Many of us may desire to have a bungalow at a hill station, but only a few can afford it and are willing to buy it. Companies thus basically concentrate on demand management, how many people have the ability and willingness to buy the products. Marketers try to influence the demand by offering a suitable product at an affordable price and make it available to people who demand it.

Products

Product is a comprehensive term that includes both goods and services. Anything that satisfies needs and wants, qualifies to become a product. Our demand for products has not much to do with acquisition, but with the benefits they offer. A car is just not a possession but it enables us to move from place to place. An oven provides us the cooking service, and thus it does not just remain an object of admiration. Physical products are the medium through which benefits sought by us are offered.

Products other than physical products also offer benefits, thus a place like Kashmir rejuvenates us when we visit it as tourists, and activity like a literacy mission keeps us occupied in productive work, an organization like Club provides us a forum of social interaction and a person like a comedian makes us laugh and drive away our blues. The term “product” thus encompasses not only physical products, but also all other media through which our needs and wants are satisfied. We also use the term offering in lieu of product.

Product is not just a bundle of some physical and chemical attributes. Manufacturers view products in this fashion. Products are, really speaking, a bundle of benefits and services. They are to be seen as a solution to our problems. A young girl using lipstick is in fact buying the concept of beauty. Tonics give us a hope of being healthy. Hair dyes offer us youthfulness. No carpenter buys a drill; he buys a hole.

Physical objects just package the benefits. Our definition of products should be need-oriented or benefit-oriented.

Value

Value is the combination of quality, service, and price. Value increases with quality & service and decreases with price. Value can be defined as a ratio between what the customer gets
and what he gives. In reality, the customer gets benefited and gives cost. Many products satisfy our given needs and we have to choose from among them. An employee who has to reach his office in Bombay’s central business district can think of taking a suburban train, ride a motorbike, or a scooter, or board a BEST bus or hire a taxicab or use a car. All these products fall into his choice set. An employee has to satisfy several additional needs to reach as quickly as he can, to have a comfortable journey, to have a safe journey and above all, to economize on the cost of transport. The products available have a different capacity to satisfy each of his needs. The product that is ultimately chosen should deliver the maximum total satisfaction in respect of his various needs.

The criterion is customer value. We have to assess the capacity of each product to satisfy our need set, thus mentally ranking the products from the most satisfying ones to the least satisfying ones. Value is an assessment that the customer makes about the overall capacity of the product to satisfy his or her needs.

Ideal transport makes us reach the place of work with utmost comfort and safety, and without paying anything at all. We have to see how closer the available products are to the ideal one. Again, we have to consider what value we get and at what price we get it. To be frank, one would love to commute in an automobile, but the initial investment and the recurring maintenance cost and the problem of parking may make us opt for another product, say, a first-class suburban train travel. The product that is chosen must give the most value per rupee spent.

**Exchange**

Marketing has an array of concept; one of these is the concept of exchange. “Goods are produced for satisfying human wants. This is achieved only when goods finally reach the hands of consumers. The process of passing goods into the consumers’ hand is called function of exchange”.

Some people alternatively call exchange as transaction. It is an act of acquiring some desired product or service from someone in exchange of some other product or money. In exchange, there must be two parties and each party must hold something that might be of some value to the other party. The exchange takes place only when both parties agree on terms and conditions that are beneficial to them. When both parties mutually agree to exchange their holdings, we say that a transaction takes place. A transaction is a trade of value between two
parties. To undertake an exchange, the marketers analyze as to what each party expects from each other.

Apart from exchanges, we can get products as charity, by force or by self-production. But the most widely prevalent method of obtaining products is through exchanges. In return, we may offer another product or service or money. These days money is the most common medium of exchange. The actual exchange is a value creating process. When money is offered as consideration for a product in a transaction, it is called a monetary transaction. Each transaction is governed by agreed upon conditions. Agreed transactions are legally enforceable through a law of contract. A transaction differs from a transfer where nothing tangible is offered in return, for example, a gift from X to Y, is thus a transfer.

“Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others”18. Marketing is all about eliciting the desired responses from our customers for effecting successful exchanges. This is called transaction marketing. But transaction marketing is based on mutual trust, respect, credibility and win-win situations. No marketer can afford to stop at just concluding a deal. He has to offer quality, after-sales-service, and support service, fair price to other parties over a period of time. He has to build strong bonds with all concerned so as to facilitate transactions. What is the result of a marketing activity? It is a marketing network consisting of the firm, its suppliers, its intermediaries, and its customers who are bound together in a beneficial business relationship. Marketing has shifted its focus from profit to long-term beneficial relationship.

**Modern Concept of Marketing**

The Modern concept of marketing considers it as a total system of business, an ongoing process of:

1) Discovering and translating consumer needs and desires into products and services. Creating demand for these products and services, through promotion and pricing.
2) Serving the consumer demand, through planned physical distribution, with the help of marketing channels.
3) Expanding the market even in the face of keen competition, the modern marketer is called upon to set the marketing function, implement the marketing plan or program (i.e. marketing mix) and control the marketing program to assure the accomplishment of the marketing
objectives. The marketing program covers product planning or merchandising, price, promotion and physical distribution.

Thus, modern marketing begins with the customer, and not with the production cost, sales, technological landmarks, and it ends with the customer satisfaction and social well-being. Under the market-driven economy buyer or customer is the boss and his satisfaction is of paramount importance. Accordingly, all the activities that are directed towards the customer satisfaction are marketing activities.

**The System Approach**

A system is a set of interacting or interdependent components groups coordinated to form a unified whole and organized to accomplish a set of objectives. In the model of systems approach, there are objectives, inputs, processor, outputs, and feedback elements. The system is designed to achieve objectives or goals according to a plan, which provides for the processing of inputs and the discharge of appropriate outputs. The objectives direct the process and control & monitor the process. Information feedback gives the information from internal and external sources and it is the basis for future change in the system. An open system has its own environment giving the inputs and accepting the outputs. Inputs are processed to produce outputs and outputs to meet the objectives of marketing system i.e. customers satisfaction and profitability.

The system approach provides the best model for marketing activities. It places emphasis on the inputs to the system for producing outputs. It helps in the determination of marketing and corporate goals, and the development of marketing program and the total marketing mix.

Adoption of a system approach provides a good basis for the logical and orderly analysis of marketing activities. It stresses marketing linkages inside and outside the firm. It depends on using the right information. The output established the purpose or objective of a system. The objective is profit, through serving the demand of consumers and community. The output of marketing system is sales of goods. Correct inputs must be available to the processor; i.e. marketing administration, in order to produce desirable outputs. “Business as a whole is a body, but is composed of separate functional areas, such as production, engineering, personnel, marketing etc. Accordingly, marketing has product planning, pricing, promotion, distribution etc., as sub-sub system. Each of these functions is independent but they are interdependent also. They are continually interacting to achieve the aim of the system as a whole”9. The marketing
system must operate as per plans and policies and within control, which may be available for introducing corrections in future. Plans and marketing operations require the flow of information to check performance, called feedback. Feedback ensures the accomplishment of objectives through continuous marketing. Marketing environment can be broken down into a number of layers. The inner layers become the subsystems of the outer layer. Output from one layer becomes the input for the next.

The systems model (i.e. plan-inputs-processing-outputs-feedback-environment) placed emphasis on the inputs of resources as per plan, discharge of outputs and marketing information flow. It enables the determination of goals as well as development of strategies and programs to achieve those goals through feedback control mechanisms.

**Markets**

Customers make up markets, all of them have certain needs and wants, and they try to satisfy these through the exchange mechanism. The persons having particular needs & wants and who are ready to exchange their resources for want satisfying products thus give market size.

Formerly, markets were considered to be certain geographic locations. To the economists, market is a group of buyers and sellers who enter into transactions for certain goods and services. To the marketers, the sellers are the industry and the buyers constitute a market. Sellers offer products to the market. To inform and motivate the buyers in the market, they communicate with the buyers, say, through advertising. Modern economy is based on the concept of market. Division of labour leads to specialization. These specialists produce a number of goods. They sell off these to receive money. They use the same to finance their purchase. There are a number of intermediaries between the manufacturers and the customers i.e. wholesalers, retailers, departmental stores, supermarkets etc. The government itself is a very large producer and seller of goods and services. The government receives taxes both from the producers and customers to run its affairs. Two or more firms engaged in the same type of business are competitors.

**Types of Markets**

1. On the basis of selling area, we have local, national and international markets.
2. On the basis of trade, we have product markets, i.e. cotton market, bullion market.
3. On the basis of nature of exchange dealing, we have spot or cash market and futures or forward market.
4. On the basis of nature of goods sold, we have consumer goods market and industrial
goods market.
5. On the basis of period, we have short term and long term markets, i.e. money market for
short-term funds and capital market for long-term funds.
6. On the basis of nature and magnitude of selling, we have wholesale and retail markets.

Kinds of Goods

There are three kinds of goods, that is, Manufactured Goods, Agricultural Goods, and
Natural Raw Materials. Manufactured goods may be consumer goods needed for use or
consumption by consumer or industrial goods needed for use by producers in the process of
production. Agricultural goods may be in the form of raw materials for industry or consumer
goods for immediate consumption. Natural raw materials are the free gifts of nature and they are
the raw materials of industry.

Prof. M.T. Copeland developed three-fold classification of consumer goods based on
typical buying habits of consumers, such as how, when and where consumers usually buy
commodities. Three categories of consumer goods are Convenience goods, Shopping goods, and
Specialty goods.

Marketing Management

The American Association defines marketing management as follows:
Marketing management is the process of planning and executing, pricing, promotion and
distribution of goods, services and ideas to create exchange with target groups that satisfy
customer and organizational objectives.

This definition acknowledges the significance of exchange process of goods, services and
ideas. It recognizes that marketing management is a process of planning and implementation.
Analysis precedes planning, and controlling follows implementation. The ultimate aim is
consumer satisfaction.

Marketing management traditionally has been associated with consumer or customer
markets, though there can be dealing in labour market, money or capital market and raw
materials market. Stanton defines marketing as, marketing is a total system of business activities
designed to plan, price, promote and distribute want satisfying good and services to present the
potential customers.
Marketing is not an isolated activity. It is a sum of several activities, i.e. selling, advertising, marketing research, distribution, sales promotion, public relations, product management etc. Even mere summation of these activities would not be marketing management. There is interaction amongst these, making it a total, integrated process.

Marketing starts with the conception of product idea. It does not end with the sale of a finished product. It aims at consumer satisfaction, and hence continues even after the sale is made.

In its broadest sense, marketing management is essentially demand management. It influences the level of demand, i.e. the actual demand is less than the desired demand, and marketing management has to stimulate demand. Marketing management also influences the timing, and the composition of demand, i.e. telephone services have low demand at night, and so concessions are offered in tariff to stimulate the demand during these lean hours.

By using marketing resources like marketing research, sales force and advertising marketing, managers develop marketing programs. These planned programs need implementation so as to produce a desired level and mix of transactions with the target markets.

**Evolution of Marketing Management**

Marketing management is an attempt to get the desired response from our target audience towards our offering. The overriding consideration is what influences marketing philosophy the most.

**Marketing Functions**

If we consider expanded concept of product, which includes all goods and services, we have the following marketing functions of a marketer.

1. **Contextual:** The searching of buyers and sellers.
2. **Merchandising:** Matching the products to customer needs and desires.
3. **Pricing:** Determining the optimum price.
4. **Promotion:** Persuading the buyers to favour the firm and its products.
5. **Physical distribution:** The transport, warehousing and inventory control

The manufacturer and all middlemen in the machinery of distribution perform marketing functions. The marketing process has four components. They are: (i) marketing management, (ii)
marketing channels, (iii) marketing functions, and (iv) market demand. The study of marketing process starts with market demand and ends with marketing management.

Production Orientation

This is very common orientation to be seen. The whole company is engineering driven. Production is considered to be an ultimate aim. Whatever is produced is fed into the market. The emphasis is on production efficiency. Later, the efforts are concentrated on distributing widely the available production. There is no marketing effort worth the name; the assumption being well made and reasonably priced product will find its own market. In the U.S. Taxes Instruments sells a large volume of instruments at rock bottom prices. It has a typical production orientation. Many Japanese companies also have production orientation. This type of orientation works when demand exceeds supply. Most of the technocrats tend to be obsessed with production. Indian companies prior to liberalization, operated under license permit raj and in a protected environment. They tended to be production centered.

Production-centered firm at a later stage does attempt to improve product design as far as possible by engineering skills, without any input from the customers. It leads to marketing myopia where railroads concentrate on trains, rather than on transportation needs.

Sales Orientation

When we find that simply making a better product is not enough guarantee of market success, we turn to sales orientation, believing that the output must be sold by conscious efforts. To begin with there used to be hard self for such products like insurance policies, encyclopedias, used cars etc. The salesmen tried to work up the customer so as to close the sale. In non-profit areas, selling concept is seen to be at work, i.e. raising funds for a social cause. The firms with over capacity adopt sales orientation, the aim being to sell what is made, rather than making what the market needs.

In a marketing class when students learn that selling is not the most important component of marketing, they are surprised as well as amused. In fact, marketing makes selling superfluous. To be effective, selling has to follow several marketing activities like need assessment through marketing research, product development, pricing and distribution. Marketing facilitates selling. Right products are based on careful marketing homework i.e. Sony Workman Xerox copier.

Marketing Orientation
Marketing-orientation is an anti-thesis of the above two orientations. Its foundation is the assessment of needs and wants of the target markets. It practices coordinated marketing to deliver the desired satisfaction better than others. Profitable sales volume is attained through customer satisfaction. The key concepts are: the target market, customer needs, coordinated marketing and profitability.

**Distinction between Marketing and Selling**

Many amongst us are still confused about the distinction between marketing and selling. Many tend to equate these terms, as if they are synonymous. However, these two concepts have exactly opposite connotations. As we have already observed, the selling concept comes in when a product is first made and then an attempt is made to sell it by various methods so as to motivate people to buy it. As a matter of fact, the company tries to manipulate the demand in such a way that it suits the supply made available by it.

Under the marketing concept, the company first identifies its customers or its target market and then identifies what these customers want. The product is developed so that it satisfies these wants and still yields profit. Here the company is manipulating its supply so that it serves as means to the consumer demand.

The distinction between selling and marketing is given here in the form of a table.

<table>
<thead>
<tr>
<th>Selling</th>
<th>Marketing</th>
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<tbody>
<tr>
<td>1. Emphasis on the needs of the seller</td>
<td>1. Emphasis on the needs of the buyer.</td>
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<tr>
<td>2. First, a product is made, and then efforts are taken to sell it.</td>
<td>2. First, target market and its wants are identified; the product is made to satisfy these wants.</td>
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<tr>
<td>3. The company’s goal is to convert the product into cash by selling a large volume.</td>
<td>3. The company’s goal is to satisfy the needs and wants of customers by means of the product. Profitable sales volume is incidental.</td>
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<tr>
<td>4. Short-term results are expected from planning. Only current products and markets are considered.</td>
<td>4. Long run strategic planning. New products and new markets are considered. Future growth is an</td>
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Target Market

A market consists of people with needs and wants, with money to spend, and with a willingness to buy. An organization starts its marketing planning by selecting and analyzing its target market out of the total market. The whole market has many sub-divisions or segments. To illustrate, in an automobile market, we have mopeds market, motorbike market, car market, light commercial vehicles market, truck market, rickshaw market and so on. Even within each subdivision, there can be further sub-segments, i.e. in the car market, we can have luxury-cars market, small family car market, sports car market etc. There can be gender-based segments like a man’s vehicle and a woman’s vehicle. There can be psychographics segments like a vehicle for the young people. Thus it is for the company to decide to which one or several subdivisions of the market it wants to offer the product. A target market is a group of customers at whom the company intends to aim its marketing effort. The more carefully, a target market is selected, and the more sharply, it is defined the easier it becomes to tailor the elements of the marketing mix like the product, the price, the promotion and the distribution. Just as the target market influences the marketing mix, the marketing mix also influences the selection of the target market.

Identification of Customer Needs

Despite the selection of the target market, the company may fail to understand the needs of its customers. To illustrate, an economy car may mean fuel-efficient car, low maintenance car or initially low investment car. An attractive swimwear might be interpreted as a good-looking swimwear or sexy swimwear or fashionable swimwear. The needs, that are stated, are as important as the needs that are unstated, i.e. a customer buying cars economy model expects good after sales service from the dealer, though he explicitly does not say so. There are also hidden needs, i.e. a car buyer desires that he is considered to be a modern consumer or a motorbike buyer needs identification as a sports man. “ Needs are the basic human requirements. People need food, air, water, clothing and shelter to survive. People also have strong needs for recreation, education, and entertainment. These needs become wants when they are directed to specific object that might satisfy the need.”10.

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The customer may have a real need, which is far different from the stated need, i.e. a customer demanding computer education needs employability. Maybe, a TV Advertising Course covering Computer Graphics may satisfy his need better than the ordinary computer fundamentals course.

Customer driven companies think everything from the customers’ point of view. A customer’s buying decision is a result of balancing and counter balancing of several alternatives. A car has to be low cost, safe, good performance car, which is at the same time eye appealing. All these attributes are needed in a car with an overall price of Rs 1.5 lakh. The car marketer has to incorporate these trade-offs of desirable features while designing the car. Every marketer thus satisfies real needs and wants as well as hidden needs and wants. While doing so, the marketer has to be one up than the competitor.

The sales of a company originate from existing customers and new customers. Existing customers must keep on buying, they should do repeat purchasing. It is a question of retaining them. Attracting new customers is a costly proposition. Customer retention is thus crucial. It is ensured by customer satisfaction. How does a satisfied customer help a company?

i) He continues to buy, shows loyalty and buys more and more.

ii) He buys product-brand extensions from the same company.

iii) He gives good word of mouth publicity.

iv) He is less vulnerable to competitive advertising and brands he is less sensitive on the price front.

v) He costs less to serve.

vi) He is a good source of ideas to the company.

A satisfied customer is more effective, as an advertiser than the media advertising. It is advisable for a company to conduct regular research to assess customer satisfaction. The irritants can be removed and corrective action can be taken, if there is some dissatisfaction.

Though customer complaints are a good index of dissatisfaction, all dissatisfied customers do not complain. Some may stop dealing with the company. The company should actively encourage customers to complain and to give suggestions. Many of the great product improvement ideas come by listening to customers carefully. Mere listening is not sufficient; the company must come out with a positive and constructive response. It is foolish to lose
customers for minor things. Tracking customer satisfaction continuously is a must for every marketer. Profitability with declining customer satisfaction is a serious concern. Long-term profits come through customer satisfaction.

**Co-ordinated Marketing**

All the employees may not be inclined to work for the customers. In a branch of nationalized bank, the clerks offer less than courteous, prompt and satisfactory service to the customers. They feel customers are too demanding. The supervisory staff and the manager, however, wish they could help customers transact their business with the branch as smoothly as possible. There is lack of coordination in the approach towards customers between the managers and the staff. Internal coordination is a must for a marketing oriented company. First, there should be coordination between sales, advertising, marketing research, product management and distribution. Secondly, there should be coordination between marketing and other departments of the company like production, personnel, finance, purchase and materials. It is not desirable to keep top management isolated from customers. Middle and front-line people who interact with the customers must keep top management posted with what the customer perceptions are. The top management must analyze these perceptions, and support the middle and front-line managers in their efforts to satisfy the customers. All levels of management must be geared to serve the customers.

**Profitability**

Profit is a major goal for any company in the private sector. This is to be achieved incidentally while serving the customers. It should be an index of how well the company is serving the customers in the long run. Marketing offers profits, market share and growth on a large scale to those who keep customers’ interest in mind. Different marketing opportunities have different profit potentials, and hence a good marketing manager analyzes each marketing opportunity for what is worth.

**Acceptance of Marketing Concept**

Of late, marketing has come to be accepted all over the world. Even in India, companies have started acknowledging the importance of the marketing concept. But when it comes to practicing, very few companies can really be labeled as master marketers. Only a handful of companies in India focus on the customers and respond positively to his needs.
What are the criteria to judge a good marketing oriented company?
First and foremost, it has a well-staffed marketing department. Secondly, all the other
departments of such a company like production, materials, personnel, finance, R&D accept the
marketing philosophy of being consumer oriented. Thirdly, the organizational culture has a
typical marketing ethos that spread through the whole organization.

Mere presence of a formal marketing department or appointment of a few marketing
functionaries do not make a company market focused or customer driven. The acid tests are how
they respond to the customers’ needs, and that too in relation to the competitors. The failure to
adapt to the changing environment and losing the focus on customer show that the company
lacks marketing maturity.

What are those factors, which lead companies of marketing concept?
1)  To begin with, heavy marketing expenditure by itself leads to the adoption of a
systematic marketing program. The media tariff for advertising inflates every now and
then. Space and time buying for advertising have become expensive. The compensation of
the sales force, the expenditure on marketing communications, the sales promotion
expenses, the public relations exercises, and publicity campaigns, all these need more and
more money. It is necessary to undertake marketing planning and marketing audit.

2) Another factor that motivates the company to accept marketing is the competitive
environment. Indian firms have now to face both domestic and foreign competition. India
has opened up her economy. In the consumer electronics sector, we now find many TV
companies, especially the foreign brands like Panasonic, Akai, Samsung, Thomson, Gold
star and LG. The automobile sector has changed its complexion, and there are many two-
wheelers and four-wheelers in the market. Telecom and power sector are being exposed to
foreign competition. In such a competitive environment, it becomes necessary to learn
marketing in order to survive and grow.

3) Stagnation also leads to acceptance of the marketing philosophy. Companies will have to
seek new markets, launch new products, and stimulate demand for the new products in the
new markets to remove stagnation.

4) Changes in consumer behavior also act in favour of the marketing concept. The needs
and wants of consumers have undergone a sea change. The phenomenon of working
women, for example, makes it necessary for companies to tap markets for an entirely new
range of products like instant foods, kitchen equipment and labour saving devices. To match the product to the changing consumer wants and needs, it becomes necessary to adopt marketing.

5) Declining sales also affects companies to marketing action. With the onslaught of TV and satellite TV, the magazines were compelled to redesign their marketing strategies to arrest their declining sales. Thus we have niche magazines, regional editions, better editorials etc.

To begin with, most of the companies are production oriented. They gradually evolve to have sales-orientation. Certain factors discussed here lead them to adopt marketing orientation ultimately. Broadly, marketing concept represents a philosophy of doing business. The firm accepts customers want satisfaction as the justification of its existence. The whole business is viewed, as a result, from the customer’s point of view. While satisfying the customers, the firm has still to make profits in the long run. As Stanton observes, “the key to implementing the marketing concept successfully is a favourable attitude on the part of top management”. Chase Bank stated, “Marketing begins with top management. Only top management can provide the climate, the discipline and the leadership required for a successful marketing program”.

Though companies have started adopting the marketing concept owing to a variety of factors, the actual implementation of the concept still leaves much to be desired. There are several degrees of marketing orientation. At one extreme there are firms who just pay lip sympathy to this concept and establish marketing department only in name. To them marketing is just a fancy label given to selling. At the other extreme, there are firms where pre-eminence of the customer permeates every nook and corner of the company. The whole organization becomes marketing oriented. In between these two extremes, there are several possibilities of differing marketing orientations.

Creating customers and retaining them are the key tasks of marketing. The product offering should satisfy customers’ needs so as to satisfy them. Marketing function of satisfying the customers is to be shared by other departments like production, finance and personnel. Marketing department should influence the decisions in other departments in such a way that the concerned action of the firm is for the satisfaction of the customer. In the early stages, the firm gives equal importance to all functional areas like production, finance, marketing and personnel. Several factors make it adopt marketing orientation, thus gradually increasing the importance of marketing function. A stage is soon reached where all other functions serve as means to the
marketing function, which occupies a central position. When the marketing orientation becomes 100%, the customers’ sovereignty is accepted, and the whole business is seen as an organized one. Ultimately marketing becomes a bridge between the customer and all other functions of business.

The adoption of marketing is a slow process. It starts as a sales department in an organization. Later on, other functions like advertising and sales promotion are added to the marketing department. Consumer orientation slowly creeps in, and emphasis is placed on feedback and marketing research. The target market is defined by segmenting the market and selecting some specific segments for product offerings. The product, price, promotion and distribution make up the marketing mix, which is adapted to suit the specific segments. A specific consumer benefit is then selected to appeal to a large section of the market, thus paying the way for market positioning. In its highly evolved form, marketing acquires a managerial orientation with elements of analysis, planning and control. It is a very slow journey from sales department to an integrated marketing department with managerial orientation. Kotler calls this as the law of slow learning. Though marketing evolves slowly, many organizations slip back to the old ways of doing business and tend to neglect the customers once again. This tendency is called by Kotler as the law of fast forgetting.

Social Orientation

Marketing has now acquired an added dimension of social responsibility. Marketing executives are expected to act in a socially responsible manner. They have to trade off between the consumer wants and interests and the long-term social welfare. External pressures of diverse nature influence the marketing program of a firm. Marketing has to show concern for natural resources, shortages, injurious effects of certain products, pollution, environment etc. Marketing has to offer a better quality of life rather than a mere standard of living.

Spread of Marketing

Marketing has been adopted not only by the business organizations, but also by the non-profit organizations like hospitals, universities, churches, and performing arts groups. In India, non-government organizations, that are voluntary groups to promote a social cause, use marketing campaigns for loss prevention, cancer detection, energy saving etc. International business has made marketing an international discipline. It has spread along with the
multinationals all over the world. The western firms have entered the huge Indian, Chinese, South-East Asian markets. Marketing has registered its presence in these countries. Multinationals are also exploring marketing opportunities in East European countries, whose economies had so far remained ‘closed’.

**Relationship Marketing**

It is an attempt at a long-term relationship and is an exercise in brand building, with interaction between the brand and the consumer. “In today’s competitive world it is therefore important for organization to examine ways and means to develop mutually satisfying long term relationship with their buyers”\(^{11}\).

It goes beyond conventional marketing, and seeks to establish an enduring relationship with the consumers. It is not just one transaction. It is antithesis of sales promotion, which is a short-term exercise, a temporary incentive for people to buy. “Relationship marketing has the aim of building mutually satisfying long term relations with key parties-customers, suppliers, distributors in order to earn and retain their business”\(^{12}\).

To institute relationship marketing, we have to start with the data on consumers. Mattel Toys has been able to create a phenomenal demand for its Barbie dolls worldwide by settling up kiddie’s cubs. On similar lines, Leo and their Indian collaborators set up the Barbie Friends Club. It is an interactive club where children can emulate the role model. The new members of the Club write to Barbie and she replies to them. It is fun with learning. For children, involvement levels and attachment to characters and products are very high.

Leo has built a 21,000 strong database. The Club has 12000 active members between the ages of 6 to 12 years. Every year, around 5,000 new members join, though there is a subscription fee of Rs. 95/-. They have been successful at developing.

The Club members are hard core Barbie fans, and they correspond regularly with the company. The relationship marketing exercise has helped the company sell 1.5 million Barbie dolls so far.

Parle Agro has also formed Frooti Funtoo Club targeted at youngsters to carry over the brand appeal to the second generations. These members will be parents twenty years hence and will still have a fondness for the brand. The club organizes plant visits; animation film shows and quiz contests. Birthday cards are sent. The scheme aims at building up a solid database plus a consumer segment.
Hawkins cookers train its 500 odd dealers with consumers. Incentives are offered from time to time to keep the dealers on their toes. Salesman visits families to demonstrate cooking. The company builds up a database on the guarantee card. Miniature Hawkins for children to train them to use cooker and help the mother brand.

Companies may offer schemes to its regular customers during sales and special offers. Service industry like banks and hotels can also make effective use of relationship marketing. Communication here is more focused and effective. Relationship marketing opens a two-way communication channel with consumers. It has potential to win their loyalty.

**Direct Marketing**

The use of consumer-direct channels to reach and deliver goods and services to customers without using marketing middlemen is termed as direct marketing. These channels include direct mail, catalogs, telemarketing, interactive TV, kiosks, Web sites, and mobile devices. Direct marketing is one of the fastest growing mediums for serving customers.

Customer order is a measurable response of direct marketing; therefore it is also called direct-order marketing. Today, many direct marketers use direct marketing to build a long-term relationship with the customer. They send birthday cards, information materials, or small premiums to select customer. Airlines, hotels, and other businesses build strong customer relationships through frequency award programs and club programs.

**The growth of direct marketing**

Sales produced through traditional direct marketing channels (i.e. catalogs, direct mail, and telemarketing) have been growing rapidly. Whereas U.S. retail sales grow around 3 percent annually, catalog and direct mail sales grow at about double the rate. Direct sales include sales to the consumer market (53 percent), B2B (27 percent), and fundraising by charitable institutions (20 percent). Total media spending for all direct marketing in 2000 (including direct mail, telephone, broadcast, Internet, newspaper, magazine, etc.) was over $421 billion.

Electronic marketing is showing even more explosive growth. In 2001, the Internet user population in the United States numbered over 100 million, and there were over 2 million Web sites. In the week ending January 30, 2001, 6.8 million orders book place over the Internet, adding up to an amount spent of $785 million.
The fast growth of direct marketing can be attributed to many factors. Higher costs of driving, traffic congestion, parking headaches, lack of time, a shortage of retail sales help, and lines at checkout counters, all encourage at home shopping. Consumers appreciate direct marketers’ toll free phone numbers available 24 hours a day, 7 days a week, and their commitment to customer service. The growth of next-day delivery via FedEx, Airborne, and UPS has made ordering fast and easy. In addition, many chain stores have dropped slower-moving specially items, creating an opportunity for direct marketers to promote these items to interested buyers. The growth of the Internet, e-mail, mobile phones, and fax machines has made product selection and ordering much simpler. More and more business marketers have turned to direct mail and telemarketing in response to the high and increasing costs of reaching business markets through a sales force.

Benefits of Direct Marketing

Consumers are benefited in several ways by direct marketing. Home shopping is fun, convenient, and hassle-free. It saves time and introduces consumers to a larger selection of merchandise. They can do comparative shopping by browsing through mail catalogs and online shopping services. They can order goods for themselves or others. Business customers also benefit by learning about available products and services without trying up time in meeting salespeople.

Direct marketers can buy a mailing list containing the names of almost any group: left-handed people, overweight people, and millionaires. They can customize and personalize their messages. Direct marketers can build a continuous relationship with each customer. The parents of a newborn baby will receive periodic mailing describing new clothes, toys, and other goods as the child grows. Nestlé’s baby-food division continuously builds a database of new mothers and mails six personalized packages of gifts and advice at key stages in the baby’s file.

Direct marketing can be timed to reach prospects at the right moment, and direct marketing material receives higher readership because it is sent to more interested prospects. Direct marketing permits the testing of alternative media and messages in search of the most cost-effective approach. Direct marketing also makes the direct marketer’s offer and strategy less visible to competitors. Finally, direct marketers can measure responses to their campaigns to decide which have been the most profitable. (However, see “Marketing Memo: The Public and Ethical Issues in Direct Marketing.”)
Integrated Direct Marketing

Although direct and online marketing are booming, a large number of companies will relegate them to minor roles in their communication/promotion mix. Advertising and sales-promotion departments receive most of the communication dollars and jealously guard their budgets. The sales force may also see direct marketing as a threat when it has to turn over smaller customers and prospects to direct mailers and telemarketers.

Integration of marketing communications increasingly recognized by the companies. Some companies are appointing a chief communications officer (CCO) in addition to a CIO (chief information officer). The CCO supervises specialists in advertising, sales promotion, public relations, and direct marketing. The aim is to establish the right overall communication budget and the right allocation of funds to each communication tool. This movement has been variously called integrated marketing communications (IMC), integrated direct marketing (IDM), and maximarketing. Imagine a marketer using a single tool in a “one-shot” effort to reach and sell a prospect. An example of a single-vehicle, single-stage campaign is a one-time mailing offering a cookware item. A single-vehicle, multiple-stage campaign would involve successive mailings to the same prospect. Magazine publishers, for example, send about four renewal notices to a household before giving up. A more powerful approach is the multiple-vehicle, multiple-stage campaign.

Ernan Roman says that the use of response compression, whereby multiple media are deployed within a tightly defined time frame, increases message reach and impact. The underlying idea is to deploy a sequence of messages with precise timing intervals in the hope of generating incremental sales and profits that exceed the costs involved. Roman cites a Citibank campaign to market home equity loans. Instead of using only “mail plus an 800 number,” Citibank used “Mail plus coupon plus 800 number plus out-bound telemarketing plus print advertising.” Although the second campaign was more expensive, it resulted in a 15 percent increase in the number of new accounts compared with direct mail alone. Roman concluded:

When a toll-free 800-number ordering channel supplements a mailing piece that might generate a 2% response on its own, we regularly see response rise by 50-125%. A skillfully integrated outbound telemarketing effort can add another 500% lift in response. Suddenly our 2% response has grown to 13% or more by adding interactive marketing channels to a “business as usual” mailing. The dollars and cents involved in adding media to the integrated media mix is
normally marginal on a cost-per-order basis because of the high level of responses generated. Adding media to a marketing program will raise total response...because different people are inclined to respond to different stimuli.

Rapp and Collins’s Maxi marketing model makes direct-marketing techniques the driving force in the general marketing process. This model recommends the creation of a customer database and advocates making direct marketing a full partner in the marketing process. Maxi marketing consists of a comprehensive set of steps for reaching the prospect, making the sale, and developing the relationship. Citigroup, AT&T, IBM, FORD, and American Airlines have used integrated direct marketing to build profitable relations with customers over the years. Retailers such as Nordstrom, Nieman Marcus, Saks Fifth Avenue, and Bloomingdale’s regularly send catalogs to supplement in-store sales. Direct-marketing companies such as L. L. Bean, Eddie Bauer, Franklin Mint, and the Sharper Image made fortunes in the direct-marketing mail-order and phone-order business, then opened retail stores after establishing strong brand names as direct marketers.

**Major Channels of Direct Marketing**

Individual prospects and customers can be reached by using a number of channels. These include fact-to-face selling, direct mail. Catalog marketing, telemarketing, TV and other direct-response media, kiosk marketing, and e-marketing.

**Face-to-Face Selling**

The original and oldest form of direct marketing is the field sales call. Today most industrial companies rely heavily on a professional sales force to locate prospects, develop them into customers, and grow the business; or they hire manufacturers’ representatives and agents to carry out the direct-selling task. In addition, many consumer companies use a direct-selling force: insurance agents, stockbrokers, and distributors working for direct sales organizations such as Avon, Amway, Mary Kay, and Tupperware.

**Direct Mail**

Direct-mail marketing involves sending an offer, announcement, reminder, or other item to a person. Using highly selective mailing lists, direct marketers send out millions of mail pieces each year—letters, flyers, foldouts, and other “salespeople with wings.” Some direct marketers mail audiotapes, videotapes, CDs, and computer diskettes to prospects and customers. Ford sends