CHAPTER 1
MARKETING PRACTICES

1) Introduction

2) Types of marketing practices.

3) Objectives of marketing practices

4) Scope of marketing practices

5) Advantages of marketing practices

6) Challenges in marketing practices
CHAPTER 1

MARKETING PRACTICES

1.1 Introduction:

Phase 1

The General Bank of India was set up in the year 1786. Next come Bank of Hindustan and Bengal Bank. The East India Company established Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) as independent units and called it Presidency Banks.

Phase 2

Nationalisation of Imperial Bank of India with extensive banking facilities on a large scale specially in rural and semi-urban areas. It formed State Bank of India to act as the principal agent of RBI and to handle banking transactions of the Union and State Governments all over the country. Seven banks forming subsidiary of State Bank of India was nationalised in 1960 on 19th July, 1969, major process of nationalisation was carried out, 14 major commercial banks in the country was nationalised. The second phase of nationalisation of Indian banks took place in the year 1980. Seven more banks were nationalised with deposits over 200 cr.

Nationalisation of Banking Sector

The nationalisation of banks in India took place in 1969 by Prime Minister Mrs. Indira Gandhi 14 banks was nationalised at that time. These banks were mostly owned by businessmen and even managed by them. Central Bank of India, Bank of Maharashtra, Dena Bank, Punjab National Bank, Syndicate Bank, Canara Bank, Indian Bank, Indian Overseas Bank, Bank of Baroda, Union Bank, Allahabad Bank, United Bank of India, UCO Bank.

Phase 3

This phase has introduced many more products and facilities in the banking sector in its reforms measure. In 1991, under the chairmanship of Mr. Narasimham, a committee was set up by his name which worked for the liberalisation of banking practices. The country is flooded with foreign banks and their ATM stations. Efforts are being put to give a satisfactory service to
customers. Phone banking and Net banking is introduced. The entire system became more convenient and swift. Time is given more importance than money.

**Banking System in India**

In India the banks are being segregated in different groups. Each group has their own benefits and limitations in operating in India. Each has their own dedicated target market. Few work in rural sector while others in both rural as well as urban. Many even are only catering in cities. Some are of Indian origin and some are foreign players.

**Public sector bank**

Among the Public Sector Banks in India, United Bank of India is one of the 14 major banks which were nationalised on July 19, 1969. Its predecessor, in the Public Sector Banks, the United Bank of India Ltd., was formed in 1950 with the amalgamation of four banks viz. Comilla Banking Corporation Ltd. (1914), Bengal Central Bank Ltd. (1918) Comilla Union Bank Ltd. (1922) and Hooghly Bank Ltd. (1932). This Public Sector Bank India has implemented 14 point action plan for strengthening of credit delivery to women and has designated 5 branches as specialized branches for women entrepreneurs.

**Private sector bank**

The first Private bank in India to be set up in Private Sector Banks in India was IndusInd Bank. It is one of the fastest growing private sector banks in India. IDBI ranks the tenth largest development bank in the world as Private Banks in India and has promoted world class institutions in India. The first Private Bank in India to receive an in principle approval from the Reserve Bank of India was Housing Development Finance Corporation Limited, to set up a bank in the private sector banks in India as part of the RBI's liberalisation of the Indian Banking Industry. It was incorporated in August 1994 as HDFC Bank Limited with registered office in Mumbai and commenced operations as Scheduled Commercial Bank in January 1995.

**Co-operative banks in India**

The Co-operative banks in India started functioning almost 100 years ago. Though the co-operative movement originated in the West, but the importance of such banks have assumed in India is rarely paralleled anywhere else in the world. The
Co-operative banks in India play an important role even today in rural financing. The business of co-operative bank in the urban areas also has increased phenomenally in recent years due to the sharp increase in the number of primary co-operative banks. Co-operative Banks in India are registered under the Cooperative Societies Act. The cooperative bank is also regulated by the RBI. They are governed by the Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1965. This exponential growth of Co-operative Banks in India is attributed mainly to their much better local reach, personal interaction with customers, their ability to catch the nerve of the local clientele.

**Rural banking**

Rural banking in India started since the establishment of banking sector in India. Rural Banks in those days mainly focussed upon the agro sector. The Haryana State Cooperative Apex Bank Ltd. commonly called as HARCO BANK plays a vital role in rural banking in the economy of Haryana State and has been providing aids and financing farmers, rural artisans, agricultural labourers, entrepreneurs, etc. in the state and giving service to its depositors. National Bank for Agriculture and Rural Development (NABARD) is a development bank in the sector of Regional Rural Banks in India. It provides and regulates credit and gives service for the promotion and development of rural sectors mainly agriculture, small scale industries, cottage and village industries, handicrafts.

**Foreign banks in India**

Foreign Banks in India always brought an explanation about the prompt services to customers. After the setup of foreign banks in India, the banking sector in India also became competitive and accurate.

The scheduled review in 2009 of “Road Map for presence of foreign banks” laid down in 2005 was put on hold primarily on account of uncertainties caused by the financial crisis in late 2008. Further, many foreign banks applied to RBI for setting up a branch presence in India during the last couple of years. There were representations to consider differentiated banking licenses regime in line with other developed nations. During this time, RBI has had the occasion to study and analyse, the impact on the Indian banking system, of the financial crisis and also the practices followed in other countries. Presently Foreign banks can undertake banking operations only through a branch form of presence in India.
**Present scenario**

Banking industry has been undergoing a rapid transformation. Banks today are market driven and market responsive. With the entry of new players and multiple channels, customers (both corporate and retail) have become more discerning and less "loyal" to banks. This makes it imperative that banks provide best possible products and services to ensure customer satisfaction. They have been managing a world of information about customers their profiles, location, needs, requirements, cash positions, etc. Furthermore, banks have very strong in-house research and market intelligence units in order to face the future challenges of competition, especially customer retention. They are focusing on region-specific campaigns rather than national media campaigns as effective strategy for a diverse country like India. Customer-centricity also implies increasing investment in technology. Apart from the Mobile Banking, including of SMS Banking, Net Banking and ATMs are the major steps taken by the banks in India towards modernization.

Services given by banks
- Demat account
- Lockers
- Cash management
- Insurance product
- Mutual fund product
- Loans
- ECS (Electronic clearance system)
- Taxes.

**Marketing strategies**

**Financing rapid industrial growth**

With the Indian economy growing at a blistering pace on the back of strong industrial and services growth, the Indian companies are looking to build up capacity to meet future demand. Banks play a pivotal role in financing this industrial growth.

**Technological innovations & challenges**

Banks are aggressively adopting the latest technology in order to improve product offerings, customer service, operational efficiency and risk management systems.
Financial inclusion & Rural – Microfinance

In the quest for new markets and customer segments, as well as with the RBI directives in this area, banks are looking at the rural and unbanked segments in a new light as a huge business opportunity.

Convergence to a single solution provider

With pressures on the spreads and the competition in the urban markets increasing rapidly, banks need to develop new ways to sustain profitability. Banks led to a plethora of new products, hence becoming a one stop shop for all financial solutions.

Roadmap by RBI for foreign banks

The RBI has laid out a two phased roadmap for giving greater freedom to the foreign banks in India. This has spurred the entry of several other foreign banks in India, along with acting as a signal to the domestic players to pull up their socks to face the new competitors.

Growth in retail lending

Indian population as well as the high margin on retail products makes this a very attractive market for the banks. The inclusive nature of this growth in terms of sectors covers all consumer segments as well as product segments.

Demand for derivatives & other risk management products

The increasingly dynamic business scenario and financial sophistication also increase the need for customized exotic financial products. The complex and peculiar nature of risks faced by the companies are passed onto the banks. Innovative financial tools and advanced risk management methods are required by the banks to capitalize on this business opportunity.

Consolidation

The process of consolidation in India aims at ironing out these deficiencies. The Indian banking industry may soon be characterized by fewer but very competitive banks.
Capital account convertibility

With the possible introduction of capital account convertibility in India, it will provide additional inflow and outflow of foreign currency. This exposes banks to additional exchange risk apart from providing an additional source of revenue generation.

Global expansion plans

Most Indian banks including the PSU banks already have branches abroad, albeit with minimal presence in terms of market share. E.g. ICICI and SBI.

SME Financing

SMEs, with the recent growth, are the new goldmine that the banks have hit upon. With a host of services ranging from bill discounting, factoring and even venture capital funding, banks are knocking at their doors, ready to customize offerings to suit their needs and acquire these customers.

Earlier Studies

Marketing of financial services by banks is under active and extensive discussion among academicians and bank personnel. Survey and research have been conducted both by academic researchers and practitioners on the various aspects of services marketing in general and financial services marketing by banks in particular both in India as well as abroad.

Service Marketing

A study by George William R and Hiran C Barksdale (1974) on the marketing activities in the service firms discovered that Services marketing is generally on the low ebb. Service firms tend to be less marketing oriented; less likely to have marketing mix activities carried out in the marketing department; less likely to perform analysis in the area of service product; more likely to undertake advertising internally rather than go to specialized advertising agencies; less likely to have overall sales plan; less likely to develop sales training programmes; less likely to utilize the services of marketing consultants and marketing research firms; and less likely to spend much on marketing, as a percentage of gross sales.

Study by Besom, Richard M and Donald W Jackson Jr. (1975) of 400 service and marketing firms revealed that service firms are less likely to have marketing
departments, to make use of sales planning and training, and to employ marketing professionals like consultants, advertising firms and market research agencies.

James F Devlin (2000) studied as to how attempts can be made to add value when offering services exhibiting increased complexity, intangibility and impalpability in the eyes of most consumers. It was found that the features and quality of the core service provided are judged by managers to be more important in adding value to more complex services; as are organizational factors such as image and reputation. In addition, price is perceived to be significantly more important in adding value to more simple, rather than complex offerings.

**Characteristics of Services**

Anne M Smith (1990) studied how the four distinguishing characteristics of services—intangibility, inseparability, heterogeneity, and perishability—affect clients' perceptions of quality service from banks. The study revealed that intensifying competition and increasing customer expectations have created a climate where 'quality' is considered to be a major strategic variable for improving customer satisfaction and thus the profitability of financial service providers.

**Financial Services Marketing**

Sankaran M (1999) studied the measures that would help domestic players in financial services sector to improve their competitive efficiency, and thereby to reduce the transaction costs. The study found that the specific set of sources of sustainable competitive advantage relevant for financial service industry are:

- Product and process innovations,
- Brand equity,
- Positive influences of 'Communication Goods',
- Corporate culture,
- Experience effects,
- Scale effects, and
- Information technology.

Trevor Watkins (1989) while studying the current state of the financial services industry worldwide identified four major trends:

1. The trend towards financial conglomeration;
2. Globalization
3. Information technology in bank marketing; and
(4) New approaches to financial services marketing.

These trends, it was concluded, will affect the marketing of banks and other financial services in the 1990. Marisa Maio Mackay (2001) examined whether differences exist between service and product markets, which warrant different marketing practices by applying ten existing consumer based measures of brand equity to a financial services market. The results found that most measures were convergent and correlated highly with market share in the predicted direction, where market share was used as an indicator of brand equity. Brand recall and familiarity, however, were found to be the best estimators of brand equity in the financial services market.

Bank Marketing

In Berry, Kehoe and Lind green's study (1980) it has been found that most frustrating aspects of bank marketing were a) lack of management support, b) lack of interdepartmental cooperation c) crisis management d) government intrusion e) advertising and media problems.

T G Nair (1992) in his study depicts the growth and expansion of Financial Services industry in India. Banks in order to overcome the competition from other agencies are providing wide range of services. Public sector Canara Bank observed the year 1984 as 'Year of Marketing' to create among the staff an awareness of the need for customer satisfaction. The findings stress greater need for a change in the attitude, especially in the case of the counter clerks, field staff and sales force of the bank, towards the customers.

Customer Needs

Geiger's (1975) study was to establish the needs of customers. Social structure of the bank's customers and the image that the customers had of the banks were studied along with customers judgment of the range of services that the banks had to offer, the effectiveness of various advertising and other sales promoting measures, and the customers will to save and other habit. Findings indicate that satisfied customers are more positively minded than those who are critical of what their banks have to offer them. The study by Syed Asad Akbar (1990) revealed the need for a more customer oriented approach to bank marketing, and more emphasis on improved marketing strategies. Stressing the need for a 'Plan Oriented Marketing', suggestions were made that new product development should be done on an ongoing basis and schemes which have failed to take off should be reviewed.
and if necessary modified or dropped. Lewis and Birmingham (1991) studied the needs, attitudes and behaviour of youth market for financial services and found the youth market not homogenous in terms of needs and behaviour. Boyd (1994) conducted a study on consumer choice criteria in financial institution selection in USA and found that reputation and interest rates (loans/savings) more important than friendliness of employees, modern facilities and drive-in service. Raja Gopal Nair (1994) in his study on rural bank marketing found that security and liquidity are the major pre-requisites for deposits by rural customers and that interest rate on deposits is not at all a criterion for rural bank depositors to deposit their savings with commercial banks. Huu Phuong Ta and Kiir Yin Har (2000) studied bank selection preferences of undergraduates in Singapore. In the study, nine criteria for bank selection decision and five banks were identified, and the decision problem structured into a three-level hierarchy using the Analytic Hierarchy Process. The findings indicate that undergraduates place high emphasis on the pricing and product dimensions of bank service.

**Marketing Communication**

Andersen P.H (2001) studied marketing communication using three classical rhetorical elements and found communication process as developing an understanding of the communicator's intentions and qualities (ethos) and the communication climate (pathos), both of which are necessary for engaging in constructive dialogues with customers (logos). On this basis, the study outlined a model for integrating practices of marketing communication with relationship building and illustrated the model using a case study from a Danish bank as a reflective device.

**Retail Banking**

Bill Stephenson and Julia Kiely (1991) researched into the key issues facing banks in order to become better at selling in the personal banking market. The results indicate that the radical change in management style, training, motivation and recognition of branch sales personnel is called for. Developing a true sales culture requires major alterations to management structure and style, and is most likely to be successfully achieved by 'top-down' target setting based on corporate business objectives.

Study by Hughes (1969) had revealed that banks used different benchmarks for measuring the degree of success of a branch marketing strategy - dollar volume of deposits, market share of deposits, the number of depositors and the share of the depositors.
Ravisankar T S (1985) in a study on 'Marketing Strategies and Planning for Business Growth in Banks' says that the marketing plan for banking services should be supported by appropriate marketing strategies. He suggests that marketing strategy for banks must be oriented towards customers-current and potential. Radhakrishnan (1987) conducted a study on 'Marketing of Banking Services, Constraints, Challenges and Strategy' and found that mixed banking, complaints from customers about bank charges, competition from Non-banking financial companies and growing investment consciousness of the public are some of the impediments to bank marketing. It is suggested that the Branch Manager can design appropriate marketing strategy through identification of customer needs and service efficiency with appropriate differentiation by understanding customer behaviour.

**Customer Service**

La Londe, Cooper and Noordewier (1988) found customer service as a separate mix of elements and sees the logistics function as being subsumed within the customer service activity. The result of this study shows the relative importance of customer service contrasted with other elements of the marketing mix including advertising, promotion sales effort. Most respondents rated customer service ahead of advertising, promotion and sales effort in terms of importance and ranked third behind product and price.

**Customer Satisfaction**

Luiz Moutinho and Douglas T Brownlie (1989) explored the nature and direction of the satisfactions that are delivered to consumers of bank services. It was revealed that respondents had high levels of satisfaction with regard to the location and accessibility of branches and ATMs, and acceptance of the current levels of banking fees; but expressed some caution in their evaluation of new and improved service.

**Customer Loyalty**

Gerrard and Cunningham (2000) had developed a model of bank switching that contained six switching incidents. The study also investigated if certain demographic characteristics of Singapore's graduates could be used to distinguish those who have switched banks from their counterparts. The results showed that the types of incident that most often influenced bank switching were 'inconvenience', followed by 'service failures' and 'pricing'. The demographic
characteristics that were subject to testing, namely gender, age, salary and racial
group, showed no significant differences.

**Relationship Marketing**

Jain, Pinson & Malhotra (1987) studied the customer loyalty in retail banking and
found that customer loyalty is a useful construct. Economic rationale swayed bank
non-loyal segment whereas the bank loyal segment placed greater emphasis on
human aspects of banking. Meidan and bloutinho (1988) conducted an attitudinal
research on bank customer perceptions and loyalty. The key findings were that
banks should develop ATM usage; financial institutions should review basic
banking services and that customer loyalty is a function of more than one variable.

**Internal Marketing**

Research by Singh (1985) on Bank Marketing found that a good number of banks
in India had taken steps to make use of internal marketing for purposes of raising
the customer service consciousness, and business mindedness on the part of their
employees. The study by Scott Kelley (1990) considered the customer orientation
of the customer contact personnel in four banks and found that specifically the
relationships between employee motivation, satisfaction, and role clarity are all
directly related to customer orientation. However when these variables are
considered together, motivation and role clarity appear to have the greatest impact
on the customer orientation of employees.

A pilot study in internal marketing by Helman and Payne (1992) suggested that
formalized internal marketing programmes are still fairly rare. Other findings were:

- Internal marketing is generally not a discrete activity, but is implicit in
  quality initiatives customer service programmes and broader business
  strategies.

- Internal Marketing comprises structured activities accompanied by a range
  of less formal initiatives.

- Communication is critical to successful internal marketing.

- Internal marketing performs a critical role in competitive differentiation.

- Internal Marketing has an important role to play in reducing conflict
  between the functional areas of the organization.
- Internal Marketing is an experiential process, leading employees to form their own conclusions.

- Internal marketing is evolutionary: it involves the slow erosion of barriers between departments and functions. It has an important role in helping with the balancing of marketing and operations.

- Internal Marketing is used to facilitate a spirit of innovation.

- Internal marketing is more successful when there is commitment at the highest level, when all employees cooperate, and an open management style prevails.

The empirical study on internal service encounter satisfaction by Dwayne Gremler, Mary Jo Bitner arid Kenneth Evans (1995) by using the critical incident methodology found that internal customers are similar to external customers in that with a few interesting differences, the same types of events and behaviours distinguish satisfactory and dissatisfactory incidents in both internal and external encounters. Introducing the concept of the 'internal service encounter', it was found that an internal customer's (i.e. employee's) satisfaction with a service firm could be significantly influenced by service encounters experienced with internal service providers.

Marketing is the process of communicating the value of a product or service to customers, for selling that product or service.

From a societal point of view, marketing is the link between a society’s material requirements and its economic patterns of response. Marketing satisfies these needs and wants through exchange processes and building long term relationships. Marketing can be looked at as an organizational function and a set of processes for creating, delivering and communicating value to customers, and managing customer relationships in ways that also benefit the organization and its shareholders. Marketing is the science of choosing target markets through market analysis and market segmentation, as well as understanding consumer buying behaviour and providing superior customer value.

There are five competing concepts under which organizations can choose to operate their business: the production concept, the product concept, the selling concept, the marketing concept, and the holistic marketing concept. The four components of holistic marketing are relationship marketing, internal marketing, integrated marketing, and socially responsive marketing. The set of engagements necessary for successful marketing management includes capturing marketing
insights, connecting with customers, building strong brands, shaping the market offerings, delivering and communicating value, creating long-term growth, and developing marketing strategies and plans.

1.1(i) **Contemporary approaches:**
Recent approaches in marketing include relationship marketing with focus on the customer, business marketing or industrial marketing with focus on an organization or institution and social marketing with focus on benefits to society.[5] New forms of marketing also use the internet and are therefore called internet marketing or more generally e-marketing, online marketing, "digital marketing", search engine marketing, or desktop advertising. It attempts to perfect the segmentation strategy used in traditional marketing. It targets its audience more precisely, and is sometimes called personalized marketing or one-to-one marketing. Internet marketing is sometimes considered to be broad in scope, because it not only refers to marketing on the Internet, but also includes marketing done via e-mail, wireless media as well as driving audience from traditional marketing methods like radio and billboard to internet properties or landing page.

1.1(ii) **Customer Orientation:**
A firm in the market economy survives by producing goods that persons are willing and able to buy. Consequently, ascertaining consumer demand is vital for a firm's future viability and even existence as a going concern. Many companies today have a customer focus (or market orientation). This implies that the company focuses its activities and products on consumer demands. Generally, there are three ways of doing this: the customer-driven approach, the market change identification approach and the product innovation approach.

In the consumer-driven approach, consumer wants are the drivers of all strategic marketing decisions. No strategy is pursued until it passes the test of consumer research. Every aspect of a market offering, including the nature of the product itself, is driven by the needs of potential consumers. The starting point is always the consumer. The rationale for this approach is that there is no reason to spend R&D (research and development) funds developing products that people will not buy. History attests to many products that were commercial failures in spite of being technological breakthroughs.

A formal approach to this customer-focused marketing is known as SIVA (Solution, Information, Value, Access). This system is basically the four Ps renamed and reworded to provide a customer focus. The SIVA Model provides a
demand/customer-centric alternative to the well-known 4Ps supply side model (product, price, placement, promotion) of marketing management.

![Diagram of the 7Ps of marketing](image)

**Figure 1.1**

- Product→ Solution
- Promotion→ Information
- Price→ Value
- Place (Distribution)→ Access

If any of the 4Ps were problematic or were not in the marketing factor of the business, the business could be in trouble and so other companies may appear in the surroundings of the company, so the consumer demand on its products will decrease. However, in recent years, service marketing has widened the domains to be considered, contributing to the 7P's of marketing in total. The other 3P's of service marketing are: process, physical environment and people.

**1.1(iii) Organizational orientation:**

In this sense, a firm's marketing department is often seen as of prime importance within the functional level of an organization. Information from an organization's marketing department would be used to guide the actions of other departments within the firm. As an example, a marketing department could ascertain (via marketing research) that consumers desired a new type of product, or a new usage for an existing product. With this in mind, the marketing department would inform the R&D (research and development) department to create a prototype of a product or service based on the consumers' new desires.
The production department would then start to manufacture the product, while the marketing department would focus on the promotion, distribution, pricing, etc. of the product. Additionally, a firm's finance department would be consulted, with respect to securing appropriate funding for the development, production and promotion of the product. Inter-departmental conflicts may occur, should a firm adhere to the marketing orientation. Production may oppose the installation, support and servicing of new capital stock, which may be needed to manufacture a new product. Finance may oppose the required capital expenditure, since it could undermine a healthy cash flow for the organization.

1.1(iv) Herd behaviour:
Herd behaviour in marketing is used to explain the dependencies of customers' mutual behaviour. The Economist reported a recent conference in Rome on the subject of the simulation of adaptive human behaviour. It shared mechanisms to increase impulse buying and get people "to buy more by playing on the herd instinct." The basic idea is that people will buy more of products that are seen to be popular, and several feedback mechanisms to get product popularity information to consumers are mentioned, including smart card technology and the use of Radio Frequency Identification Tag technology. A "swarm-moves" model was introduced by a Florida Institute of Technology researcher, which is appealing to supermarkets because it can "increase sales without the need to give people discounts." Other recent studies on the "power of social influence" include an "artificial music market in which some 19,000 people downloaded previously unknown songs" (Columbia University, New York); a Japanese chain of convenience stores which orders its products based on "sales data from department stores and research companies;" a Massachusetts company exploiting knowledge of social networking to improve sales; and online retailers such as Amazon.com who are increasingly informing customers about which products are popular with like-minded customers.

1.1(v) Marketing Research:
Marketing research involves conducting research to support marketing activities, and the statistical interpretation of data into information. This information is then used by managers to plan marketing activities, gauge the nature of a firm's marketing environment and attain information from suppliers.

Marketing researchers use statistical methods such as quantitative research, qualitative research, hypothesis tests, Chi-squared tests, linear regression, correlations, frequency distributions, poison distributions, binomial
distributions, etc. to interpret their findings and convert data into information. The marketing research process spans a number of stages, including the definition of a problem, development of a research plan, collection and interpretation of data and disseminating information formally in the form of a report. The task of marketing research is to provide management with relevant, accurate, reliable, valid, and current information.

A distinction should be made between marketing research and market research. Market research pertains to research in a given market. As an example, a firm may conduct research in a target market, after selecting a suitable market segment. In contrast, marketing research relates to all research conducted within marketing. Thus, market research is a subset of marketing research.

1.1(vi) Marketing environment:
Staying ahead of the consumer is an important part of a marketer's job. It is important to understand the "marketing environment" in order to comprehend the consumers concerns, motivations and to adjust the product according to the consumer’s needs. Marketers use the process of marketing environmental scans, which continually acquires information on events occurring outside the organization to identify trends, opportunities and threats to a business. The six key elements of a marketing scan are the demographic forces, socio-cultural forces, economic forces, regulatory forces, competitive forces, and technological forces. Marketers must look at where the threats and opportunities stem from in the world around the consumer to maintain a productive and profitable business.

The market environment is a marketing term and refers to factors and forces that affect a firm’s ability to build and maintain successful relationships with customers. Three levels of the environment are: Micro (internal) environment - forces within the company that affect its ability to serve its customers. Meso environment: The industry in which a company operates and the industry’s market. Macro (national) environment: larger societal forces that affect the microenvironment.

1.1(vii) Market segmentation:
Market segmentation pertains to the division of a market of consumers into persons with similar needs and wants. For instance, Kellogg's cereals, Frosties are marketed to children. Crunchy Nut Cornflakes are marketed to adults. Both goods denote two products which are marketed to two distinct groups of persons, both with similar needs, traits, and wants. In another example, Sun Microsystems can
use market segmentation to classify its clients according to their promptness to adopt new products.

Market segmentation allows for a better allocation of a firm's finite resources. A firm only possesses a certain amount of resources. Accordingly, it must make choices (and incur the related costs) in servicing specific groups of consumers. In this way, the diversified tastes of contemporary Western consumers can be served better. With growing diversity in the tastes of modern consumers, firms are taking note of the benefit of servicing a multiplicity of new markets.

Market segmentation can be viewed as a key dynamic in interpreting and executing a logical perspective of Strategic Marketing Planning. The manifestation of this process is considered by many traditional thinkers to include the following; Segmenting, Targeting and Positioning.

1.1(viii) Types of market research:

Market research, as a sub-set aspect of marketing activities, can be divided into the following parts:

- **Primary research** (also known as field research), which involves the conduction and compilation of research for a specific purpose.
- **Secondary research** (also referred to as desk research), initially conducted for one purpose, but often used to support another purpose or end goal.

By these definitions, an example of primary research would be market research conducted into health foods, which is used solely to ascertain the needs/wants of the target market for health foods. Secondary research in this case would be research pertaining to health foods, but used by a firm wishing to develop an unrelated product.

Primary research is often expensive to prepare, collect and interpret from data to information. Nevertheless, while secondary research is relatively inexpensive, it often can become outdated and outmoded, given that it is used for a purpose other than the one for which it was intended. Primary research can also be broken down into quantitative research and qualitative research, which, as the terms suggest, pertain to numerical and non-numerical research methods and techniques, respectively. The appropriateness of each mode of research depends on whether data can be quantified (quantitative research), or whether subjective, non-numeric or abstract concepts are required to be studied (qualitative research).

There also exist additional modes of marketing research, which are:
• Exploratory research, pertaining to research that investigates an assumption.
• Descriptive research, which, as the term suggests, describes "what is".
• Predictive research, meaning research conducted to predict a future occurrence.
• Conclusive research, for the purpose of deriving a conclusion via a research process.

1.1(ix) **Marketing Planning:**
The marketing planning process involves forging a plan for a firm's marketing activities. A marketing plan can also pertain to a specific product, as well as to an organization's overall marketing strategy. Generally speaking, an organization's marketing planning process is derived from its overall business strategy. Thus, when top management are devising the firm's strategic direction or mission, the intended marketing activities are incorporated into this plan. There are several levels of marketing objectives within an organization. The senior management of a firm would formulate a general business strategy for a firm. However, this general business strategy would be interpreted and implemented in different contexts throughout the firm.

1.1(x) **Marketing strategy:**
The field of marketing strategy considers the total marketing environment and its impacts on a company or product or service. The emphasis is on "an in depth understanding of the market environment, particularly the competitors and customers."

A given firm may offer numerous products or services to a marketplace, spanning numerous and sometimes wholly unrelated industries. Accordingly, a plan is required in order to effectively manage such products. Evidently, a company needs to weigh up and ascertain how to utilize its finite resources. For example, a start-up car manufacturing firm would face little success should it attempt to rival Toyota, Ford, Nissan, Chevrolet, or any other large global car maker. Moreover, a product may be reaching the end of its life-cycle. Thus, the issue of divest, or a ceasing of production, may be made. Each scenario requires a unique marketing strategy. Listed below are some prominent marketing strategy models.

A marketing strategy differs from a marketing tactic in that a strategy looks at the longer term view of the products, goods, or services being marketed. A tactic refers to a shorter term view. Therefore, the mailing of a postcard or sales letter would be a tactic, but changing marketing channels of distribution, changing the pricing, or promotional elements used would be considered a strategic change.
1.1(xi) Buying Behaviour:
A marketing firm must ascertain the nature of customers' buying behaviour if it is to market its product properly. In order to entice and persuade a consumer to buy a product, marketers try to determine the behavioural process of how a given product is purchased. Buying behaviour is usually split into two prime strands, whether selling to the consumer, known as business-to-consumer (B2C), or to another business, known as business-to-business (B2B).

B2C buying behaviour:
This mode of behaviour concerns consumers and their purchase of a given product. For example, if one imagines a pair of sneakers, the desire for a pair of sneakers would be followed by an information search on available types/brands. This may include perusing media outlets, but most commonly consists of information gathered from family and friends. If the information search is insufficient, the consumer may search for alternative means to satisfy the need/want. In this case, this may mean buying leather shoes, sandals, etc. The purchase decision is then made, in which the consumer actually buys the product. Following this stage, a post-purchase evaluation is often conducted, comprising an appraisal of the value/utility brought by the purchase of the sneakers. If the value/utility is high, then a repeat purchase may be made. This could then develop into consumer loyalty to the firm producing the sneakers.

B2B buying behaviour:
Relates to organizational/industrial buying behaviour, Business buy either wholesale from other businesses or directly from the manufacturer in contracts or agreements. B2B marketing involves one business marketing a product or service to another business. B2C and B2B behaviour are not precise terms, as similarities and differences exist, with some key differences listed below:

In a straight re-buy, the fourth, fifth and sixth stages are omitted. In a modified re-buy scenario, the fifth and sixth stages are precluded. In a new buy, all stages are conducted.

1.1(xii) Use of Technologies:
Marketing management can also rely on various technologies within the scope of its marketing efforts. Computer-based information systems can be employed, aiding in better processing and storage of data. Marketing researchers can use such
systems to devise better methods of converting data into information, and for the creation of enhanced data gathering methods. Information technology can aid in enhancing an MKIS' software and hardware components, and improve a company's marketing decision-making process.

In recent years, the notebook personal computer has gained significant market share among laptops, largely due to its more user-friendly size and portability. Information technology typically progresses at a fast rate, leading to marketing managers being cognizant of the latest technological developments. Moreover, the launch of smartphones into the cell phone market is commonly derived from a demand among consumers for more technologically advanced products. A firm can lose out to competitors should it ignore technological innovations in its industry.

Technological advancements can lessen barriers between countries and regions. Using the World Wide Web, firms can quickly dispatch information from one country to another without much restriction. Prior to the mass usage of the Internet, such transfers of information would have taken longer to send, especially if done via snail mail, telex, etc.

Recently, there has been a large emphasis on data analytics. Data can be mined from various sources such as online forms, mobile phone applications and more recently, social media.

1.1(xi) Services Marketing:

Services marketing relates to the marketing of services, as opposed to tangible products. A service (as opposed to a good) is typically defined as follows:

- The use of it is inseparable from its purchase (i.e., a service is used and consumed simultaneously)
- It does not possess material form, and thus cannot be touched, seen, heard, tasted, or smelled.
- The use of a service is inherently subjective, meaning that several persons experiencing a service would each experience it uniquely.

For example, a train ride can be deemed a service. If one buys a train ticket, the use of the train is typically experienced concurrently with the purchase of the ticket. Although the train is a physical object, one is not paying for the permanent ownership of the tangible components of the train.

Services (compared with goods) can also be viewed as a spectrum. Not all products are either pure goods or pure services. An example would be a restaurant, where a waiter's service is intangible, but the food is tangible.
1.1(xiv) **Right-Time Marketing:**

Right-time marketing is an approach to marketing which selects an appropriate time and place for the delivery of a marketing message.

As the number of vendors and delivery channels has increased, customers demand a right time and place for accepting messages and only pay attention to messages when and how it is convenient for them.

**1.2 Types of marketing practices:**

Marketing is a strategy used by companies to communicate with the consumer and make him knowledgeable about the various features of their products and services. It is an essential part of attracting the target buyers to a particular product, and companies use various innovative or tried-and-tested techniques to stay ahead of their competitors and make their place in the market.

![Figure 1.2](image)

Here are some of the most popular and effective types of marketing:
1.2(i) **Affinity Marketing**

Also known as Partnership Marketing, this technique links complementary brands, thereby creating strategic partnerships that benefit both companies. While one adds value to existing customers by generating more income, the other builds new customer relationships.

1.2(ii) **Alliance Marketing**

Here two or more entities come together to pool in their resources to promote and sell a product or service, which will not only benefit their stakeholders, but also have a greater impact on the market.

1.2(iii) **Ambush Marketing**

This strategy is used by advertisers to capitalize on and associated themselves with a specific event without the payment of any sponsorship fee, thereby bringing down the value of sponsorship. It has sub-categories like direct or predatory ambushing or indirect ambushing by association, to name a few.

1.2(iv) **Call to Action (CTA) Marketing**

CTA is a part of inbound marketing used on websites in the form of a banner, text or graphic, where it is meant to prompt a person to click it and move into the conversion funnel, that is, from searching to navigating an online store to converting to a sale.

1.2(v) **Close Range Marketing (CRM)**

Also known as Proximity Marketing, CRM uses bluetooth technology or Wifi to promote their products and services to their customers at close proximity.

1.2(vi) **Cloud Marketing**

This refers to the type of marketing that takes place on the internet, where all the marketing resources and assets are transferred online so that the respective parties can develop, modify, utilise and share them.
1.2(vii) **Community Marketing**

This technique caters to the needs and requirements of the existing customers, as opposed to using resources to gather new consumers. This promotes loyalty and product satisfaction and also gives rise to word of mouth marketing among the community.

1.2(viii) **Content Marketing**

In this case, content is created and published on various platforms to give information about a certain product or service to potential customers and to influence them, without making a direct sales pitch.

1.2(ix) **Cross-media Marketing**

As the name suggests, multiple channels like emails, letters, web pages etc are used to give information about products and services to customers in the form of cross promotion.

1.2(x) **Database Marketing**

This utilizes and information from database of customers or potential consumers to create customised communication strategies through any media in order to promote products and services.

1.2(xi) **Digital Marketing**

This strategy uses various digital devices like smartphones, computers, tablets or digital billboards to inform customers and business partners about its products. Internet Marketing is a key element in Digital Marketing.

1.2(xii) **Direct Marketing**

This is a wide term which refers to the technique where organisations communicate directly with the consumer through mail, email, texts, fliers and various promotional materials.
1.2(xiii) **Diversity Marketing**

The aim of this strategy is to take into account the different diversities in a culture in terms of beliefs, expectations, tastes and needs and then create a customised marketing plan to target those consumers effectively.

1.2(xiv) **Evangelism Marketing**

It is similar to word-of-mouth marketing, where a company develops customers who become voluntary advocates of a product and who promote its features and benefits on behalf of the company.

1.2(xv) **Freebie Marketing**

Here a particular item is sold at low rates, or is given away free, to boost the sales of another complimentary item or service.

1.2(xvi) **Free Sample Marketing**

Unlike Freebie Marketing, this is not dependent on complimentary marketing, but rather consists of giving away a free sample of the product to influence the consumer to make the purchase.

1.2(xvii) **Guerrilla Marketing**

Unconventional and inexpensive techniques with imagination, big crowds and a surprise element are used for marketing something, a popular example being flash mobs.
By keeping in mind the distinctive features of the product, the demographics of the target consumer and their spending power, and the current strategies of existing companies, an effective marketing strategy may be successfully created.

1.3 **Objectives of Marketing Practices:**

A marketing objective is a goal that is targeted to be attained at the end of a marketing campaign. A marketing objective or goal also leads to the sales goal in a company since the main agenda of marketing is to increase sales in a company. Marketing objectives are formulated at the beginning of every marketing campaign.
Marketing objectives are the aims of an organisation's marketing strategy on the individual stages to be achieved on the way in order to achieve organisations marketing goals.

Marketing objective understands the strengths and weaknesses of a business, and the business environment it operates in.

Figure 1.3

A marketing objective is a goal to be accomplished by an organization's overall marketing program such as sales, market share, or profitability. Marketing objectives should be based on the understanding of strengths and weaknesses together with the business environment.

Marketing objectives define what you want to accomplish through your marketing activities. There are several important factors to consider when establishing effective marketing objectives.

SMART Approach—Setting specific, measurable, achievable, realistic and time specific objectives

When setting objectives it is very important to ensure that your objectives are; specific, measurable, achievable, realistic and time specific, or SMART for short. The "SMART" approach allows you to effectively manage your marketing activities and importantly be able to determine how successful they have been and whether they have delivered the particular benefits sought.

The "SMART" approach is explained to illustrate how you address each area;
1.3(i) **Specific**
Are your objectives stated in a way that is precise about what you are hoping to achieve?

1.3(ii) **Measurable**
Can you quantify each objective, i.e. can you use a unit of measure such as market share in percentage or dollars or other to provide a way to check your level of success?

1.3(iii) **Achievable**
Are your objectives reasonable in terms of what you can actually achieve or are you setting your sights too high?

1.3(iv) **Realistic**
Do you have sufficient employees and resources to achieve the objectives you have set if you don't then they are likely to be unrealistic?

1.3(v) **Time specific**
When are you hoping to achieve these objectives, you need to define a timing plan with target timing for each specific objective?
1.4 **Scope of Marketing Practices**

1.3(i) **Customer Focus** – As we know that the main focus of marketing is the customers. Thus, the marketing intends to satisfy the needs or wants of the customers. Due to this, a marketer can optimism its cost for the customer and allowing the organization to focus on its core competencies in order to achieve its goals.

1.3(ii) **Delivery Value** – Delivery is the key objective of marketing to satisfy the customer needs and wants. The Customer value can be determined by dividing the benefit with cost.

1.4(iii) **Surrounded by customer needs** – Marketing is always starts with identifying the needs of the customers. Thus, the needs are turns into the features of the product that might satisfy the basic need of the customer.

1.4(iv) **Part of environment** – Marketing is a part of environment. Here, the environment is the total of all the resources and institutions which are related to the production and distribution of goods and services to satisfy human wants.

1.4(v) **Marketing System Affect the Company’s Strategies** – Marketing has its own sub-system which interacts with each other and helps to form complete marketing system in response to company marketing strategy. Thus, a marketing system can easily affect the company’s strategies.

The scope of marketing can be understood in terms of the functions of the marketing manager. The major purpose of marketing manager is to generate revenue for the business by selling goods and services to the consumers. To satisfy the human wants, the marketing manager has to perform the following functions of marketing the scope of marketing and functions of marketing are -

**Product Planning:** Product planning is the process of creating a product idea and following through on it until the product is introduced to the market. Additionally, a small company must have an exit strategy for its product in case the product does not sell. Product planning entails managing the product throughout its life using various marketing strategies, including product extensions or improvements, increased distribution, price changes and promotions.
Branding: The process involved in creating a unique name and image for a product in the consumers’ mind, mainly through advertising campaigns with a consistent theme. Branding aims to establish a significant and differentiated presence in the market that attracts and retains loyal customers.

Packaging: Packaging is the science, art, and technology of enclosing or protecting products for distribution, storage, sale, and use. Packaging also refers to the process of design, evaluation, and production of packages. Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use. Packaging contains, protects, preserves, transports, informs, and sells. In many countries it is fully integrated into government, business, institutions, industrial, and personal use.

Distribution Channel: The path through which goods and services travel from the vendor to the consumer or payments for those products travel from the consumer to the vendor. A distribution channel can be as short as a direct transaction from the vendor to the consumer, or may include several interconnected intermediaries along the way such as wholesalers, distributors, agents and retailers. Each intermediary receives the item at one pricing point and moves it to the next higher pricing point until it reaches the final buyer. Coffee does not reach the consumer before first going through a channel involving the farmer, exporter, importer, distributor and the retailer, Also called the channel of distribution.

Advertising: Advertising is the communication relayed from companies to persuade an audience to purchase their products. This communication is usually through various forms of paid media -- TV and radio commercials, print ads, billboards and more recently, product placement. Ads are placed where advertisers believe they will reach the largest, most relevant audience. Commercial businesses use advertising to drive the consumption of their product, while non-profit organizations may place ads to raise awareness or encourage a change in behaviour or perception.

Sales Management: “The attainment of sales goals in an effective and efficient manner through planning, staffing, training, directing, and evaluating organizational resources.”
**After Sales Service:** After sale service is defined as a periodic or as-required preservation or fix of equipment by its producer or supplier, during and after a warranty stage. The service is usually provided after products or services have been purchased.

1.5 **Advantages of marketing practices:**

Advances in marketing measurement, as well as significant changes in communications media, have transformed the discipline of marketing and how its impact on the business is assessed. At the same time, marketing departments have come under increasing pressure to defend their budgets and more clearly articulate the value they create for their organizations. The result has been a seismic shift away from management by feel and toward the application of marketing science, along with an explosion of interest in marketing measurement. 

Marketing” is defined by Wikipedia as “the process by which companies create customer interest in goods or services… through which companies build strong customer relationships and creates value for their customers and for themselves.”

Start with a marketing plan identifying the customer and their needs and wants. Since the essence of business is fulfilling a need it is an important to know which need you are trying to fulfil. Then you need to know how best to reach those customers who have that need.

There are many different marketing mediums and working out which is best for your business is essential, both to keep costs down and to get the most back from your marketing campaign.

An obvious advantage of marketing is the promotion of your business; getting the recognition and attention of your target audience across a wide ranging or specific market.

Going hand-in-hand with this is the enhanced brand recognition. Over time potential customers and members of the public will begin to associate your logo and your brand with your business.

Every business needs to ‘spend money to make money’. Investing in marketing is no different. The most important advantage of marketing is therefore quite simply improving the businesses profits by boosting sales.
• The market provides an incentive to acquire useful skills.

• The price system encourages producers and consumers to conserve scarce resources.

• Competition pushes businesses to be efficient: keeping costs down and production high.

• The market system involves a high degree of economic freedom.

• The market gives producers an incentive to produce goods that consumers want.

1.5(i) **Print Advertising:**

• Choosing the appropriate magazine or newspaper to advertise and market your business allows you to appeal to a specific audience and demographic. Targeting your adverts at the right audience to maximise its effectiveness.

• Often an advantage of marketing via print media is the flexibility. The size, placement and type of advert can be adopted and changed according to your needs.

• Another advantage marketing this way is the repeated display of your advert over time. Multiple appearances in various issues of the paper or magazine will improve chances of your brand sticking with the customers and also the results you will see in terms of sales leads.

1.5(ii) **Television & Radio Marketing:**

• There are many radio and television stations out there. You can appeal to your local audience by using a local radio or television station. You may also run an advert on a specific station with a genre which would suit your business. The variety of radio and television stations makes it easy to appeal to a specific audience.

• Advert may well be repeated throughout the day at specific times, which would allow you to reach the best audience for your marketing.
1.5(iii) **Direct Mail Marketing:**

Direct mail marketing will allow you to target to your specific customer. Personalising your message to have the best possible impact on them.

- Unlike other forms of advertising, your marketing will not need to stand out on a page full of other adverts. It will just need to stand out from the pile on the doormat. A brightly coloured, appealing envelope may be all it takes.
- This type of marketing allows you target a specific area or locality. Especially important if your business is local.

1.5(iv) **Telemarketing:**

Cold-calling and other telemarketing campaigns have their place in business. They can be effective if done correctly. Like the other types of marketing, they have their own advantages and disadvantages.

- Personal contact with the customer is more effective than something abstract designed to appeal to a multitude of people. It makes the customer feel more important if you can make them think you are only there to help them with their needs.
- Results are easy to measure and often a potential customer can be easily led to a sale over the phone. In other words the call to action will be more effective.

1.6 **Challenges in Marketing practices:**

Marketing today remains a great challenge, in large part because of the consistently changing technology and media landscape. Information sources (conferences, blogs, etc.) consistently address these challenges, yet many issues persist.

It may be time to take a step back and look at how education and information sources are meeting these challenges.

Here are the seven difficulties for today’s communicators, each followed by an idea or three about how to address them. Please add your own thoughts in the comments section.
1.6(i) **Technology adoption and automation:**

An on-going challenge is balancing human intelligence, strategy, and likability with the precision of analysis gleaned from big data. There’s much professional fear of technology. Some deals with nomenclature and the failure of tech and social media firms to make their products easily accessible. We also need information and education to get more specific, refine roles, and better define which data sets matter, as well as how people can master these evolving tools.

1.6(ii) **Integration:**

“Marketing in the Round” (co-authored with Gini Dietrich) has been out for a year, and most marketers agree that integration should occur in marketing, but it remains a huge issue. People still think in silos and are not stretching to create better results by teaming with other communicators. Frankly, this is an issue for the C-cuite. Until CEOs and presidents demand successful integration, it’s going to be hit or miss depending on the level and training of the lead marketer in each organization. The good news is that leading educational institutions are now teaching integration.

1.6(iii) **Rapidly evolving media:**

Media evolution remains a huge issue. It used to be that you could become comfortable for a short period of time. Even the first wave of major social networks (My Space, Facebook, Twitter) had staying power. Today, media evolves quickly, and volatility is part of the game. What worked last year won’t this year. Look no further than the decrease Facebook has suffered in tactical viability for some types of business.

Marketers have to move away from channel-specific strategies and must adopt a truly liquid approach to communication. They must deliver a complete content and engagement effort to serve stakeholders wherever they are and however they like to receive information in that channel. Further, businesses should adopt an attitude of on-going experimentation.
1.6(iv) **Transition to the Internet:**

The Internet is accessible everywhere—or close to it. The current responsive-design movement addresses the shift temporarily, but the market will soon discover that although making one-size-fits-all Web pages may be attractive, we need custom environments to differentiate. There’s nothing wrong with a few mobile-specific pages. As marketing IT budgets increase, developing specific experiences for each conduit will best serve stakeholders and brands alike.

1.6(v) **Video and visual skills missing:**

The visual revolution is here, and most small and mid-size businesses are not competing effectively. Some of that lag is a matter of financial resources, but most of it is training and skill sets. Today’s communicators are writers, pitchers (PR), or networkers. They don’t think visually. The next generation of communicators will have a combined skill set of visual and verbal creativity. We need to get them into the workforce quickly. Seasoned executives would benefit from training as well.

1.6(vi) **Nurturing skills for inbound marketing:**

A majority of leads expected to come via online content and other forms inbound marketing. To succeed communicators have to understand customer experiences and needs and must build more intelligent conversion paths on their sites, in call centres, and in stores. Through the use of data analysis and intelligent content, nurturing customers should become more customized and targeted toward niches. Education and experience will provide a better understanding of customer service, email marketing, the role of landing pages, and the creation of value-added content for core community members. Communicators steeped in broadcast or public social media paths will need to expand their knowledge.

1.6(vii) **Stuck in social media/community management:**

Perhaps this is a function of the social media expert/blogger, but the general conversation online seems to lag the challenges that CMOs face. Single-person or small social media consultancies with fewer than 10 people don’t deal with enterprise-level issues like this. Instead, they are often limited in conversation to their tactical area of expertise.