

MARKETING

Marketing is a process or system of researching into identifying consumer needs and applying suitable price, product, place and promotion strategies in order to satisfy these needs profitably.

It is a business function which aims to link the business to the consumer and aims to get the right product having the right price to the right place at the right time.

Market is a group of consumers having similar needs. It can be a place where the consumers are or could be people buying through any medium of communication like internet. It includes all the current and potential buyers of a good or service.

Two groups of market

- Business market
- Consumer market

Business market includes all people and organisations which buy product for 3 reasons:

- Manufacturing a product e.g. textile manufacturers buy machines and designers for textile.
- To resell – not manufacturing but buy products to sell again e.g. car dealers, retailers, distributors
- To use in running the business on daily basis e.g. lighting in a school, stationery for organisation's offices, computer systems for the business, security system, split air conditioners.

Consumer market are the ultimate consumers – final consumers who consume either by themselves, family members or for the household e.g. for pets, diapers for babies.

Evolution of Marketing

1. Product – orientation stage
2. Production – orientation
3. Sales orientation
4. Market orientation

Product – orientation stage

Initiated in 18th century during industrialization. They try to make unique products without keeping customers needs in mind as there was very less competition.

Production – orientation

Emphasis on quality of product and production methods increased. However, no research on needs of the customers. Competition increases. They only want to cut down their costs and improve their quality.

Sales – orientation

Before 2nd World War efforts on distribution of production increases. First product is made, then promotion and then deciding the best place for them to be sold is taken into account. So more emphasis on increasing sales and profits.

Market – Orientation

Then media increased, population structure changed. Competition increased greatly as new businesses came into being. Greater awareness about other countries. So businesses only paying attention to profits and sales started failing. Therefore businesses started paying more attention to customers and their satisfaction of needs. Research has to be taken to understand psychology of consumers, features they need, the price they want, the adverts they wish. So those businesses are successful who provide goods and services which are wanted by consumers and so must undertake market research.

What you are selling to the consumer is not the product but solution to his problems e.g. satisfying status consciousness, tastes and their needs. Market orientation is producing products according to the demand and needs of customers and satisfying them.

Products can, have their natural deaths but brands are always killed e.g. products can become outdated, and so fail due to time factor. But brands are those, which the companies can modify, and innovate the products e.g. Pepsi, Coke, Mcdonalds. They bring variations and changes to product, packaging or enter into new markets. Brands are killed by bad management.

Technical products especially die a natural death.

Marketing Objectives

Increasing sales turnover by 5%

To increase the market share by 10%

To increase the awareness of people by 5%

- found by research
- tells us what consumers think of the product

To increase the promotional budget by 5%.

Importance

Sales strategies base on it

Marketing Strategies are based on it

Gives the sense of direction to the organisation

Helps in target selling.

NOTE ON “MARKET – ORIENTATION”

Market – orientation is the placing of consumers at the central spot to determine the products to be produced. This means that the firm focuses on the identification of the needs and wants of consumers and elevated production and marketing resources to satisfying them. Some of the key features of market orientation are:

- the plans of the business towards its production are determined by customer’s needs
- the product made is the one which can be sold as it has a market for itself
- market research and market analysis are required to determine customer needs, the price they are willing to pay i.e. demand as well as to decide which segment of market to aim for
- giving credit to customers is seen as a service
- the packaging is designed for customer convenience as a selling tool
- the stock quantity and orders are set with customers in mind
- innovation is used to identify new opportunities
- profits is critical objective
- transport and delivery is customer service
- advertising focuses on the benefits of the product that would satisfy customer needs.

Taking a market – orientated approach has several important advantages, especially in fast – changing, volatile consumer markets. In these cases increasing consumer awareness about the competitors’ products, prices and image can result in significant fluctuations in popularity of goods and services.

Some of the major benefits of market – orientation are:

- the firm will be more confident of a successful launch of a new product as effective market research has been undertaken to determine customer requirements
- appropriate products that meet customer needs are likely to survive longer and give higher profits than those built with a product – led approach
- firm can respond quickly to changes in the market information as constant feedback from customers is given
- due to continuous market research firm will be better able to anticipate changes and will be in a strong position to meet the challenge of new competitor entering the market.

There are several effects on the business of taking a market – orientated approach

- consult the consumer continuously (market research)
- design the product according to the wishes of the consumer
- produce the product in the quantities that the consumer wants to buy
- distribute the product according to the buying habits and delivery requirements of the consumer
- set the price of the product at a level that the consumer is prepared to pay at

Market - Segmentation

Market segmentation is a process of dividing the whole market into different sub-groups according to their respective similar or homogenous characteristics.

Market segment is a subgroup of a whole market in which consumers have similar characteristics.

Identifying different sub-groups in the market and marketing different products or services to them is known as market – segmentation. It can be done on four different basis:

- 1) Demographic segmentation
- 2) Geographic segmentation
- 3) Psychographic segmentation
- 4) Behavioral segmentation

Demographics are the vital statistics of population e.g. gender, age, income distribution as part of size of population. It is the most common form of segmentation e.g. diet cokes.

Geographic is area wise e.g. woolen and thick garment are not demanded in hot cities and regions while it is higher in northern regions. Another example is tea as taste differences are as per the region (provinces).

Psychographic is according to mental status of people. It includes culture, personality, attitude and social class of the consumer. Income is an imp. Factor in determining social class but social class is related to the way you think (personality) as well as attitude (how you carry yourself). Income doesn't change social class overnight.

Brands are generally segmented according to the psychographics. Segmentation is decided according to the advertisements and the content shown e.g. walls showing that it is very expensive while people only thought it to be expensive. So it was targeted to higher class or middle higher class who wants to move up to the higher class.

Behavioral segmentation is according to the utilization of the product e.g. photocopiers in organisation.

Niche Marketing Vs. Mass Marketing

Niche marketing involves identifying and exploiting one segment of a larger market. This segment can be one that has not been identified and filled by competitors and is a very small section of the market.

Mass marketing involves selling the same products to the whole market with no attempt to target separate groups.

Market Share

It is the proportion or percentage of sales of one firm as compared or with respect to the whole market size. It can be calculated by the formula:

$$\text{market share} = \frac{\text{sales of business}}{\text{sales of market industry}} \times 100$$

Share can be calculated in a number of ways. One way is by the value of sales like \$50 million worth of shoes. Another way is the volume of sales like 9 million pairs of shoes sold.

Market size

The size of a market can be estimated or calculated by the local sales of all businesses in the market. Market size could be found in several ways.

- Value:- the total amount spent by customers buying products
- Volume: this is the physical quantity of products which are produced and sold.
- sometimes potential customers are also included

Market Growth

It means the rate at which total sales in the market are rising each year – or falling if growth is negative. Market growth is the percentage increases in the size of the whole market.

It can also be measured in terms of value of sales or volume no. of sold and each may give different rate of growth so care has to be taken to select the best way for particular product. If the market size decreases it is represented by a negative growth rate.

Adding Value

Literally 'added value' is the difference between the price which the finished goods are sold for and the cost of the materials and components bought into make it.

It is not same as profit, because expenses such as wages rent and others have not yet been deducted. However profit is included in this added value.

MASS MARKETING AND NICHE MARKETING

Q. Differentiate between Niche Marketing and Mass Marketing.

Ans. Niche marketing involves a business aiming a product at a particular, often tiny segment of a larger market. It is opposite to mass marketing which involves products being aimed at whole markets rather than particular parts of them.

- The products in mass marketing are standardized so that majority of the members of that market can utilize it e.g. PEPSI. The products are generalized like pens. However in market niches, the products are customized and sometimes made to order e.g. the Rolls Royce cars aren't available in the show rooms. Orders have to be placed buy them. So niche marketing can be for the elite class who wish to have the unique and the best that only market niches can provide.
- There are certain products which aren't only for elite class but could be for any class of society. However, due to their nature, they are a part of niche market e.g. the medicines for cancer and tuberculosis patient would only be made available by niche market due to the fact that very few people require it. However Aspirin and Dispirin are part of mass markets as nearly anyone can use them to relieve pains and fever.
- In mass – marketing there is a lot of competition as the needs and wants of the general market or a large market can be seen by many businesses and companies. The demand for certain products e.g. phones is very high and so several businesses try to set up to produce something which is obviously needed. However, niche marketing has very little competition as it has deliberately been searched for and so is an extremely tiny with limited customers.
- In mass- marketing products are being produced for a very large market due to which they have to be produced in very large quantities. Due to this the firms using mass marketing can benefit from economics of scale and so lower average costs. However niche market cannot as they have a very limited number of customers and so produce in very few numbers to actually benefit from e.g. bulk buying.
- Niche markets are great deal more risky than mass – markets. In niches there is no way of cutting down costs. So if they fail then the owners have to incur huge losses. However, if they succeed than again there are huge profits. But due to competition in mass markets profits are low and so are costs.
- In niche marketing details about consumer preferences are needed. Specifies on the needs and wants of consumers are required. However, in mass – marketing a general idea of their needs is required.

ADDED VALUE

Q. Explain what is meant by added value. Give an example as well.

Ans. Added value is literally the difference between the selling price of a finished good and the cost of the raw materials utilized in the manufacturing of that finished good. Therefore, value is added to raw materials when they are processed.

e.g. a company makes wooden furniture the cost of the raw material i.e. the wood and polish for a table is \$2000.

the table once completed is sold at a price of \$3500.

the added value would be:

= selling price – cost of raw materials

= \$3500 - \$2000

= \$1500

Added value is not, however, the profit that the company has made on this table. Other expenses such as wages, electricity used by machinery and other overheads have yet to be paid. However, the added value does have the profit included in the figure. Increasing the added value may increase profits as long as change in price is kept higher than the incurred expenses.