1.4 MARKETING CONCEPTS

A cross sectional and longitudinal analysis of evolution of marketing thought and subsequent reliance of marketing managers on specific elements of marketing brings us to classify concepts of marketing into the following categories. Business enterprises conduct their marketing activity around these five concepts.

1.4.1 PRODUCTION CONCEPT

The production concept holds the consumers will prefer products' that are widely available and inexpensive. The concept is premised on the production orientation of the firm. It is based on the idea that the more we make, the more profitable we become. So let us go out there and make customers buy our products. The basic proposition is that customers will choose products and services that are widely available and are of low cost. So managers try to achieve higher volume by lowering production costs and following intensive distribution strategy. Managers believe that consumers prefer products that are priced low and are widely available. This seems a viable strategy in a developing market where market expansion is the survival strategy for the business. Companies interested to take the benefit of scale economies pursue this kind of orientation. It is natural that the companies cannot deliver quality products and suffer from problems arising out of impersonal behaviour with the customers. Application of this concept leads to poor quality of service and higher level of impersonalisation in business.

1.4.2 PRODUCT CONCEPT

The product concept has the proposition that consumers will favour those products that offer attributes like quality, performance and other innovative features. Managers focus on developing superior products and improving the existing product lines over a period. Innovations in the scientific laboratory are commercialised and consumers get an opportunity to know and use these products. This is called "Technology Push Model". The problem with this orientation is that managers forget to read the customer's mind and launch products based on their own technological research and scientific innovations. Many times it is observed that innovations enter in the market before the market is ready for the product. Innovative products are launched without educating the customers about them and the probable benefit or value that the customer is likely to get by using the new products. The Golden Eye Technology was brought to the Indian market by the television major Onida but the market could not perceive the benefit of this advantage. Subsequently, as the customers became aware of the various brands and technology related to televisions, LG brought the new technology to the market and achieved marketing success.

1.4.3 SELLING CONCEPT

The selling concept holds that the consumers and business, if left alone, will ordinarily not buy enough of the organisations products. The organisation must, therefore, undertake an aggressive selling and promotion effort.

The selling concept proposes that customers, be they individuals or organisations will not buy enough of the firm's products unless they are persuaded to do so through the selling effort. So companies should undertake selling and promotion of their products for marketing success. The consumers typically are inert and they need to be goaded into buying by converting their inert need into a buying motive through persuasion and selling action.

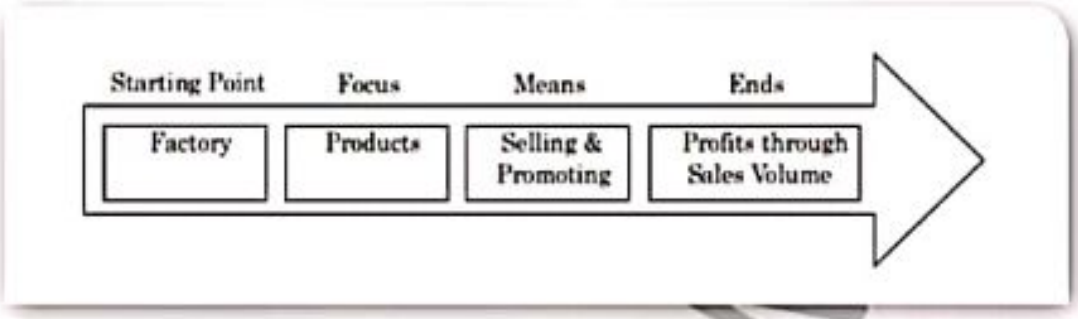

Figure 1.1: Selling Concept

This approach is applicable in the cases of unsought for goods like life insurance, vacuum cleaner, fire fighting equipments including fire extinguishers. These industries are seen having a strong network of sales force. Firms with high capacity apply this orientation, in which their goal is to sell what they produce than what the customer really wants. In a modern marketing situation the buyer has a basket to choose from and is also exposed to a high decibel of advertising. Effectiveness of such an orientation comes down as more and more mass media is used for the purpose of brand communication. Use of this concept breeds the misconception that marketing is all about selling. The problem with this approach is the assumption that the customer will certainly buy the product after persuasion and if dissatisfied will not complain. In reality this does not happen and companies pursuing this concept often fail in business.

1.4.4 MARKETING CONCEPT

The marketing concept holds that the key to achieving its organisational goals consists of the company being more effective than the competitors in creating, delivering, and communicating customer value to its chosen target markets. The concept proposes that the reason for success lies in the company's ability to create, deliver and communicate a better value proposition through its marketing offer, in comparison to the competitors for its chosen target segment. According to Theodore Levitt, "Selling focuses on the needs of the seller and marketing focuses on the buyer. Selling is preoccupied with the seller's need to convert his product into cash, marketing deals with

1.4.5 SOCIETAL MARKETING CONCEPT

The societal marketing concept proposes that the enterprise's task is to determine the needs, wants and intentions of the target market and to deliver the expected satisfaction more effectively and efficiently than the competitors in a way to preserve or enhance the consumer's and society's well being. It combines the best elements of marketing to bring social change in an integrated planning and action framework with the utilisation of communication technology and marketing techniques. It also expects marketers to instil social and ethical considerations into their marketing decisions. The goals of profit maximisation should match with the goals of customer satisfaction and responsible corporate citizenship. Social marketing, often termed as cause related marketing, utilises concepts of market segmentation, consumer research, product concept development, product testing and brand communication to maximise the target segment response.

With the growing awareness of the social relevance of business, there is an attempt to make marketing more relevant to our society. In a sense, marketing is not a business activity alone but must take into account the social needs. Excessive exploitation of resources, environmental deterioration and customer exploitation, in particular, has necessitated the recognition of the relevance of marketing to the society. Marketing then must be a socially responsible or accountable activity. The societal concept is an extension of the marketing concept to cover society in addition to the consumers.

1.4.6 RELATIONSHIP MARKETING CONCEPT

The relationship-marketing concept posits that marketing, as a business function is affected by continuity of time and thus entails the need to forge strong relationships with the customer. This approach allows the organisation to track and analyse the evolution of a customer's requirements over time. In relationship marketing, customer profile, buying patterns, and history of contacts are maintained in a sales database. An account executive is assigned to one or more major customers to fulfil their needs and maintain the relationship. It enables an organisation to systematise implicit knowledge of customer purchase history, tastes and preferences, amounts billed and other behavioural aspects of the customer in a database. The database of customers serves as a paradigm for the organisation to learn and repeat best practices. When practiced with automation of information systems and communication channels it lays the foundation for effective email, social media and digital marketing. The merit of the concept lies in its ability to organise scattered data and translate the same into a clear marketing strategy.

1.6 COMPARISON OF MARKETING ORIENTATION WITH OTHER ORIENTATIONS

The orientation of a company in marketing terminology refers to the beliefs that lead to the creation of a mind-set. This mind-set shapes not only the product and its production process but also drives the marketing programs of the organisation. There is a broad spectrum of orientations that organisations may be classified into. The major types of orientations include product, cost, capacity, erratic, technology and marketing.

- Product oriented companies feel that their product sells in the market because of the quality of the product. While there is general acceptance among practicing managers and marketers that the quality of a product plays a great role in creating customer satisfaction and thus value to the organisation, corporate history is replete with example of high quality products that have failed.
- Cost oriented managers believe that the only way to improve profits is to reduce marketing and production costs. Cost discipline is an essential way of exercising control on the organisation and allows corrective action to enhance efficiency, but does not always generate value for the customer. Moreover, rampant cost cutting without consideration of its impact on product quality can take its toll on the brand and consequently the corporate image of the company.
- Capacity oriented companies believe that the more they make, the more profitable they are and if they go into the market with more variants, customers will buy them. This school of thought stresses on the need for high volumes of production. The concept holds good for products that require standardisation. An assembly line production system that produces in bulk and thus accrues economies of scale leads organisations to producing the product in bulk.
- Erratic oriented firms believe that no planning is possible for future because nobody knows what is going to happen in the

2.2.3 UNDERSTANDING THE DIFFERENCE BETWEEN PROMOTION AND ADVERTISING

In the context of marketing, the third and the final ambiguity exist between the concepts of promotion and advertising. Promotions refer to the entire set of activities, which communicate the product, brand or service to the user. The idea is to make people aware, attract and induce to buy the product, in preference over others. Promotion may assume several forms. Promotion is a marketing technique that is used to reach consumers and create awareness of a new product or a service. This includes advertising the particular product as well as the company. Promotion is a part of market mix elements and is used by companies as a part of their marketing plan. Promotion includes other techniques such as personal selling, advertising, sales promotion, direct marketing, and publicity. The objective of promotion includes new product acceptance, creation of a corporate image, positioning, creation of brand equity, sales increases or competitive retaliations. Primarily promotion activities are short term events that are intended at increasing awareness of the product or service with an eye on actionable behaviour form the consumer. It aims at positioning the product or service as being different from the competitors at the market place. Promotion is a short-term event. The primary objectives are to present information regarding the company or a project, to increase demand for a particular project as well as differentiate the product from similar products that are produced by other companies. Mediums used to promote include discounts, coupons, freebies, contests, events, points (that lead to discounts on next purchase), etc. Depending on the budget that is set aside by the company, promotions can be cheap or expensive. Due to the company being able to decide the budget, it is usually opted for small to medium companies. The major difference between advertising and promotion is that advertising is impersonal, as the companies are not directly interacting with their customers.

2.3 MARKETING AS AN EXCHANGE PROCESS

Marketing as an exchange process has gained significance over the years, as it has tried to conceptualise marketing behaviour. We need to understand why people get engaged in the process of exchange relationships and how exchanges are created, resolved or avoided. Though a customer can get involved in different kinds of exchanges while buying a product, the scope of understanding exchange in the context of marketing is confined to the economic institutions and consumers in the traditional sense. We will broaden the scope of marketing exchange as we move ahead in our discussion. Broadly there are three types of exchanges: restricted, generalised and complex exchanges.

A restricted exchange refers to two party reciprocal relationships, which may be represented as A↔B where signifies 'gives to and receives from' and A and B represent social actors such as consumers, intermediaries, salesmen, organisations or collectives. Most of the references in marketing literature talk about some or the other form of restricted exchanges like customer-salesman, customer-retailer or wholesaler-retailer or other form of dyadic relationships. There are two characteristics of restricted exchange. First there is a great deal of attempt to maintain equality. This is the case of repeatable social exchange acts. An attempt to gain advantage over the other is minimised. Any breach in this equality leads to immediate emotional responses. Secondly, there is a *quid pro quo* mentality (Bagozzi, 1975) in restricted exchange activities. Time intervals in mutual reciprocities are cut short and there is an attempt to balance activities and exchange items as part of the mutual reciprocal relations. For example, retailers know that they will not obtain repeat purchases if the consumer is taken advantage of or deceived. Breach in this equality has seen demonstrations, pickets and boycotts, since restricted exchanges must involve *quid pro quo* notion (something of value in exchange for something of value).

However, there are various exceptions to restricted exchanges. Generalised exchange denotes univocal, reciprocal relationships among at least three actors in the exchange situation. If the reciprocations involve at least three actors and if the actors do not benefit each other directly, but only indirectly, we can call this process as generalised exchange process. This process can be explained by (A↔B↔C↔A) where (↔) signifies 'gives to'. The social actors in generalised exchanges form a system in which each actor gives to another but receives from someone other than to whom he gave.

For example, a children's home asks a retail store to donate few T-shirts to destitute children and destitute children wear these dresses in a

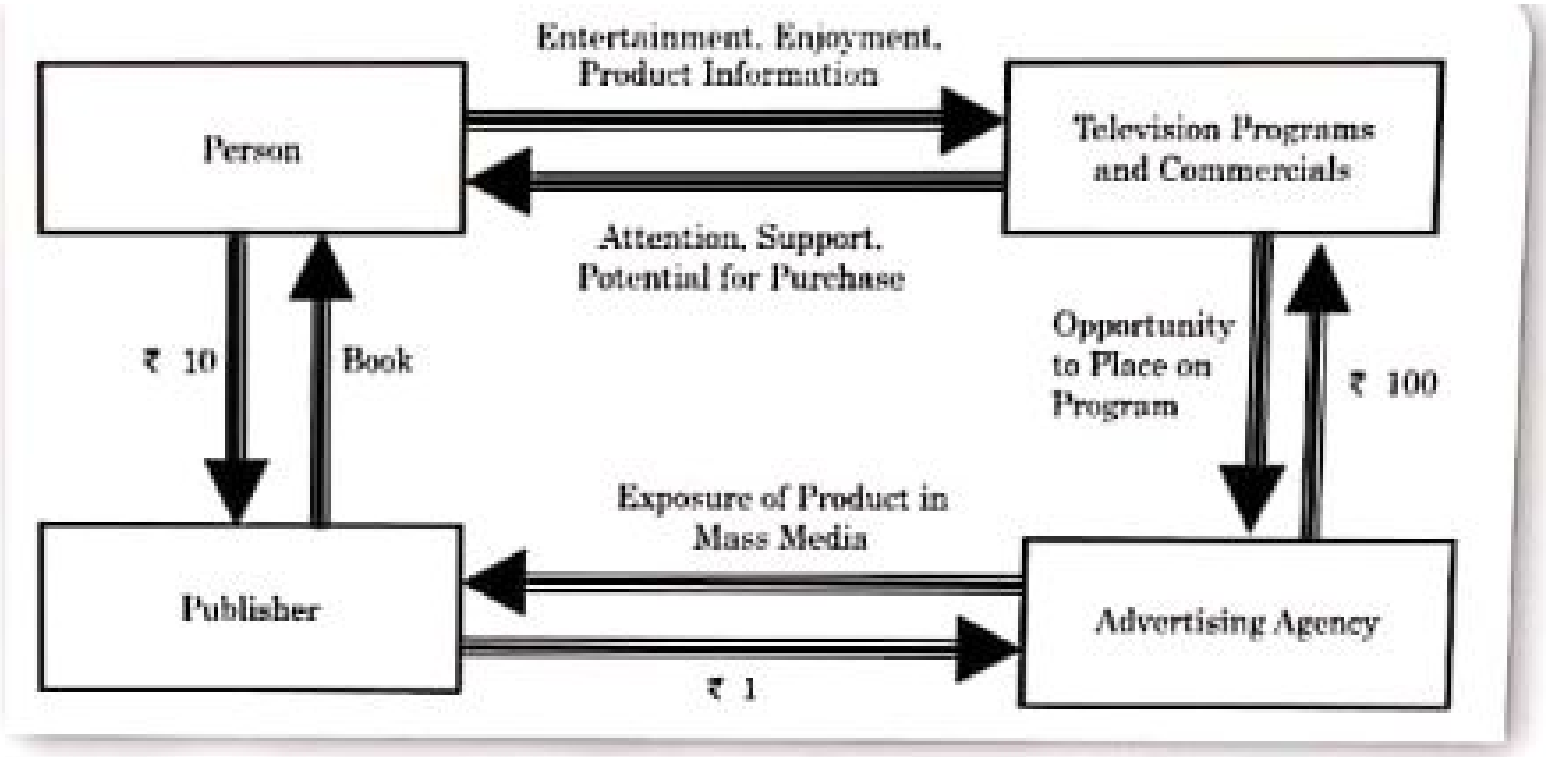

Figure 2.1: Example of Complex Circular Exchange Process

2.4 MARKETING MANAGEMENT PROCESS

Marketing management is a process of identifying customer needs and wants and then developing a marketing program to satisfy customer needs with a profit. So, effective marketing starts with the identification of a set of consumers and their need structure.

- **Identifying customer needs (Market Analysis):** A marketer needs to identify marketing opportunities by analysing and scanning external environment and collecting market related information to estimate current market demand and forecast future potential.

- **Segmentation:** The marketing manager segments the market to identify a homogenous set of customers who are likely to respond more positively to the planned marketing program. The marketing manager evaluates positions of competing brands in business and decides a suitable and unique position, which will differentiate its offer from the competitors.

  While developing marketing strategies, he should understand consumer decision-making process and what factors influence this process to deal with competition.

- **Targeting:** Identification and selection of targeted segment(s) and positioning strategy helps the marketer to develop a new product or service offer for the market.

- **Develop marketing strategies (Marketing Planning):** He develops the product or service, gives it a brand name and decides a pricing strategy for the new offer. Pricing strategy is decided for the whole life of the product or service and not merely for the introductory period of the offer. He also develops a strategy about coping with pricing changes in countering the competitor's counter pricing strategy. He also sets up intermediaries and recruits sales people to take the offer to the market. Design and selection of value networks helps in distributing the product into different parts of the market.

  Market analysis revolves around finding out the current position of the company in the form of current market share, market power, the relevant strengths and weaknesses of the company in the face of competition and the market opportunity and threats it is likely to face in the marketing environment. The marketer uses various methods like SWOT analysis, scenario building, cross

4.3 EXTERNAL ENVIRONMENT

Companies, its competitors and other players in the competitive world operate in the macro world. Decisions take shape in relation to the macro world, as a marketing manager cannot really influence these external, uncontrollable forces. So, he needs to monitor the external world and try to moderate the effect of these external factors on his business. As we have mentioned, macro environmental factors are grouped as demographical, cultural, social, legal and political, economic, natural and technological environment.

4.3.1 DEMOGRAPHICAL ENVIRONMENT

The most important environmental factor that needs proper and continuous monitoring is the demographical environment. Demography is the study of population and its characteristics. Marketers are always interested in population related growth indices because eventual market growth rate in the long run depends largely on growth of population. The slowing down of population growth rate in European economy has led marketers to look for emerging markets like India and China. Demographical studies reflect the population growth rate in cities, towns, urban areas, villages, age distribution of population, educational level and household patterns, regional characteristics and migration of population.

Population growth provides an opportunity only when it is healthy and meaningful. If one evaluates the population growth, we can find that the exponential growth is happening in countries where both the government and people can least afford it. Population growth in sub Saharan Africa and poor South East Asia are examples where growth has the most adverse impact in the form of malnutrition, higher child and mother mortality rate, and increased percentage of people below the poverty line. Such growth is neither conducive to the world nor to the country. It has no scope to augment the demand or consumption pattern of such a large number of people in the bottom half of the pyramid. The second concern is related to the level of finite non-renewable resources. High level of population growth will fasten the consumption of these resources and the globe will be heading towards a catastrophe. Such uncontrolled growth of population will lead to insufficient food supply, depletion of key mineral and useful resources and increase in pollution level. A growth in population does not mean that the market is growing, because marketers need to see where the growth is happening. It is better to serve markets, which have fewer customers with paying capability than a large sized, crowded market with few who can really afford to buy. High rise in population and subsequent curbing by legislation in countries like China and India offers challenges as well as threats to companies in the form of increase in demand for certain products at one stage of the life cycle and slump in another stage of life cycle due to population squeeze.

The second most important factor is the population mix. If the majority of the population is vibrant and in the work force, then they

ACTIVITY

"The legal environment for marketing decisions is basically a positive environment". Comment.

4.3.7 NATURAL ENVIRONMENT

Perhaps people are more concerned about natural environment today compared to yester years. The finite, non-renewable natural resources are being consumed very fast and there is little likelihood that they can be replenished in the near future. Finite, non-renewable resources that include fuel and gasoline are heading towards a big energy crisis for the world. If we are not able to find out alternatives to fossil fuel consumption, it is going to reverse the process of development and growth across the globe. The term 'energy crisis' refers to the general realisation that our energy resources are not limitless and hence one needs to conserve energy for future. Stringent legislations are being made across the globe to address this issue. This crisis makes us rethink current allocation of energy resources. Existing sources are being expanded. Traditional resources, like coal, are being rediscovered. New ones are being sought. Perhaps the most important fact is that attempts are being made to cut waste in energy utilisation. Let us consider how the energy crisis is going to affect our tyre industry. It may lead to reduced driving, causing a reduction in sales, lower new car sales, reducing the Original Equipment Market (OEM) for tyres and increasing cost of petroleum-based raw materials for the tyre industry.

Increased energy cost will automatically increase the cost of goods sold in the market. We have seen how the barrel price for fuel is increasing everyday in the international market and its subsequent effect on the increase in fuel prices in India. People are also getting concerned about water, sound and air pollution levels. The level of observation towards pollution and control mechanism to curb the level of pollution is on an increase. In a recent judgment, the Supreme Court of India has banned a list of industries in New Delhi and has also stopped diesel driven public transportation system in the capital. The role of the government is also changing. Instead of being a facilitator for industrial growth, government is promoting specific industries, which create less pollution. Special interest groups like European Peace Parliament serve as watchdogs to protect the nations from pollution menace. Use of plastic is catching attention of people, as its usage brings more problems to the world. All these developments in the

natural environment and concern of people towards these problems are on the rise, leading to more trouble for the modern day marketer. It is demanded of him to produce and market products, which are nature friendly and bio degradable, for the benefit of consumer and society at large.

4.3.8 TECHNOLOGICAL ENVIRONMENT

Technological changes occur in two ways. Some changes evolve over a period of time and consumers hardly mark the difference, as they do not alter their level of consumption. But some technological changes are so strong and disruptive in nature that they establish a new consumption patterns. Technology is one of the dramatic forces that shape the lives of people. Every new technology that is of the second order is a force of creative destruction. Technology has accelerated the pace of change in the market place. Technological life cycles are shortening day by day and new product introduction has become a phenomenon of the market place. Companies are open to exploit unlimited opportunities in the field of marketing in providing better products and services. Companies like Sony, 3M, Samsung, Wipro have increased their research and development budget manifold, so as to always be ahead of their competitors.

Nobody ever thought that revolution in the form of Internet technology will bring e-commerce to the forefront of business and customers will find web as an alternative channel of transaction. Companies like priceline.com, ebay.com and amazon.com are some of the successful stories in the era of Internet revolution. Today marketing related transactions have crossed geographical boundaries and people can transact, trade and post their complaints at real time over the Internet. Revolutions in the world of biotechnology, genetic engineering are in the waiting, for the benefit of the consumers and the speed at which these changes embrace our civilisation makes past seem to lose its significance as a trend-setter for the future. We are also seeing an increase in regulation due to technological changes. Laws related to protection of intellectual property rights and patents, cyber crime and fraud on Internet are on the increase. There is a global agreement to control the lawbreakers and bring new technology related business into order.

Decades ago people were hardly aware of products which are the common lingo of this generation. For example, the mobile handset, major Nokia had emerged the market leader in India in the first decade of the new millennium. Its range of feature phones at affordable prices made it one of the most sought after brands. The dynamics of the market changed with the entry of smart phone maker Samsung. Feature phones offered functional value of verbal communication. Smart phones changed the functional value of mobile handsets by including applications for corporate and domestic usage. The emergence of Android as an operating system for mobile phones forced other mobile manufacturing companies to amend their

- **Dissonance Reducing Buying Behaviour:** Customers show dissonance reducing buying behaviour when the involvement of customer in the purchase activity is high and customers cannot find a substantial differentiation among the alternatives. The consumer is highly involved and sees little difference among brand alternatives. The purchase is high involvement in the case of first time buying without previous purchase experience, in an expensive, infrequent and risky buying situation. The buyer will shop around in the market to learn about the various alternative brands in the market. If there is a substantial difference in quality level among similar brands, then he is likely to buy the higher priced brand. If there is only a little difference, then his purchase will be on the basis of price or convenience.

  In this case, the consumer is likely to experience dissonance. Dissonance is a state of consumer's mind when he experiences substantial difference between what is expected out of the choice and the real performance of the chosen alternative. This may occur if he finds his purchase not getting an acceptance in social setting e.g. among peers or there is some negative publicity about the chosen brand. So he will strive to collect any positive information about the brand in the environment, which supports his decision. In this case, the consumer first makes a decision, then acquires new beliefs and then ends up with a set of attitudes. The job of the marketer is to communicate to customers through a process of assuring them that they are making the right choice which will help the consumer feel good about his brand choice.

- **Complex Buying Behaviour:** This is a case consumer is highly involved in situations very similar to the first case of dissonance reducing buying behaviour but he finds a substantial difference among the available brands. In this case, the buyer develops beliefs about the product or service, then he develops a set of attitude towards the product and finally he makes a deliberate choice. This is a case when products are expensive, bought infrequently, risky and highly self-expressive.

  The marketer needs to understand this structured process of information gathering, processing and evaluation. The marketing program should help in assisting consumers to learn about the attributes of products, their relative weight in the company's brand and significance of these attributes in the purchase process. If you wish to buy toothpaste, you will like to find out the desired level of oral health present in a company's brand. LG Electronics promotes a particular attribute of 'Golden Eye' technology and makes consumers take a decision in favour of the brand by using 'Golden Eye' benefit in its brand communication.

- **Variety Seeking Buying Behaviour:** This kind of behaviour is shown in some situations where the consumer shows low involvement behaviour but there is significant brand difference. Consumers show a high level of brand switching behaviour.

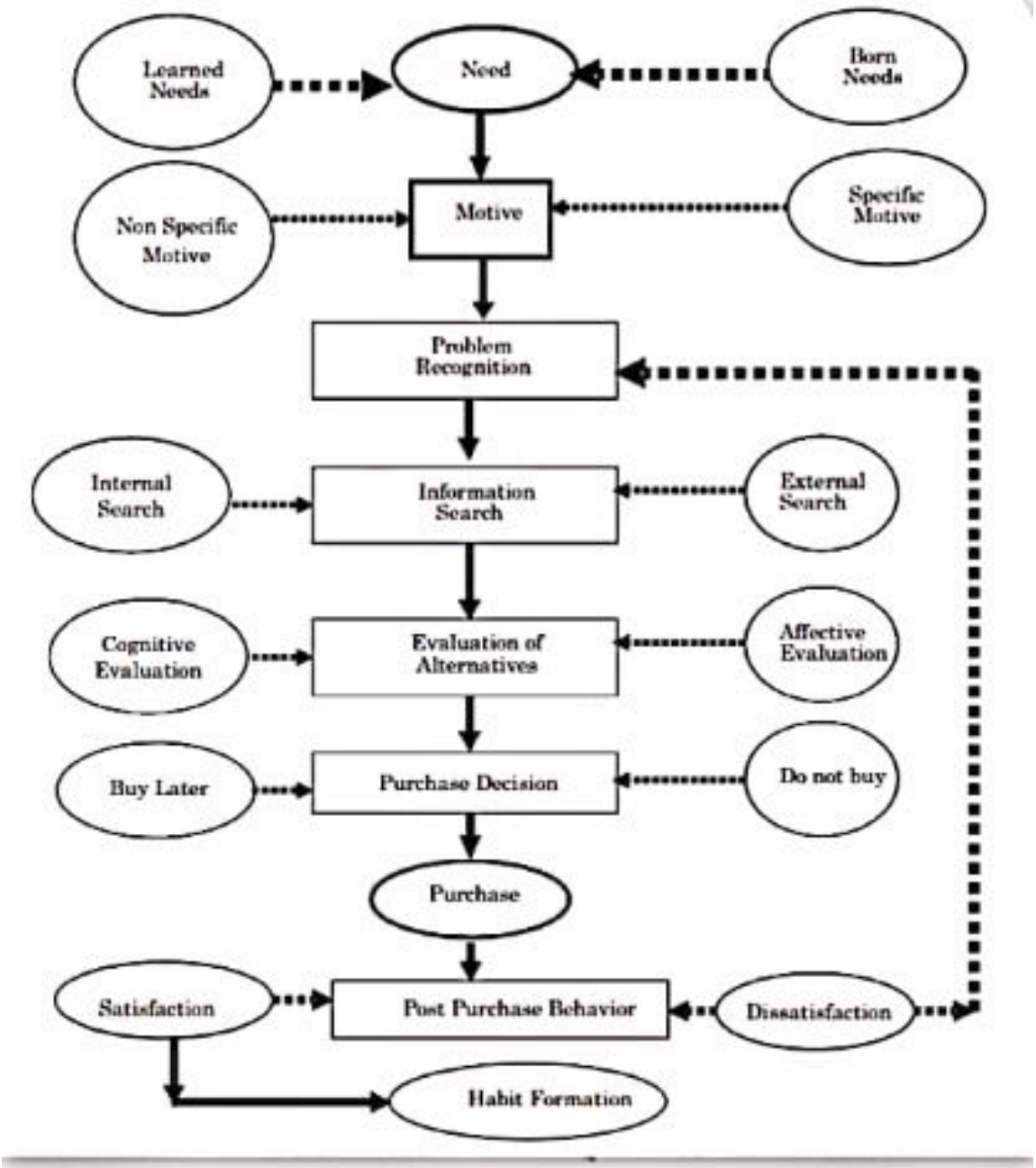

Figure 5.2: Stages in Consumer Decision-making Process

A need can be activated through internal or external stimuli. Th basic needs of a common man rise to a particular level and becom a drive and he knows from his previous experience how to satisf these needs like hunger, thirst, sex, etc. This is a case of interna stimulus. A need can also be aroused by an external stimulu such as the sight of new product in a shop while purchasing othe usual products. There is a two-fold significance of need arousa stage to a marketer.

- The marketer must identify the drive that might actuall or potentially connect with the product class or brand an make the buyer feel that the product can satisfy his needs.
- He should also recognise that the need levels for the produ fluctuate over time and are triggered by different cues. Th marketer can arrange cues to conform better to the natura rhythms and timing of need arousal.

6.9 ORGANISATIONAL BUYING SITUATIONS

The business buyer has to take many decisions while making a purchase decision. The number of decisions depends on different buying situations. Three types of buying situations are popular among business buyers:

- **Straight Rebuy:** This type of situation is found when there is repetitive or routine order processing which is given by buyers to long-term suppliers. There can be various reasons for a straight rebuy situation, which include an additional small order to the existing supplier, satisfaction with the present suppliers, and shortage of ordering time. This also gives opportunities for out suppliers to step in and even supply the real orders so as to get an entry into the buying organisation by offering something new or the same product at a differential cost to take any benefit of dissatisfaction with the current suppliers. When a company faces a situation of computer stationery shortage, company orders, in routine, to the old suppliers of computer stationery from an approved list. This kind of order is placed with an approved list of buyers who have a specified quality and service assurance. This also saves re-ordering time. Very often out-suppliers try to get a small order and then enlarge their order size.

- **Modified Rebuy:** This situation occurs when buyer wants to modify any purchase, i.e., improvement in product specification, price reduction, change in terms and conditions. This poses a threat and opportunity to in-suppliers. Out suppliers can take this situation, as a good chance to make an entry by meeting this modified expectation. For example, a branch bank uses a data server of 100GB capacity and with the new business expanding to non-retail sector of banking, it needs to modify its order to a higher memory server, let's say of 500GB. The in-suppliers are often in time pressure and incur extra expenses for such modified orders. They should keep a cushion in their profit or a provision to add the additional costs to their bills for the emerging modified demand.

- **New Buy:** This is a situation when a new buyer purchases for the first time. The customer perceives a higher risk if the product or service is of high value and demands more technical understanding and hence more and more people are involved as participants in the buying centre. They collect more information about the alternatives, their cost structure and service requirements. In a typical new buying situation, the customers are likely to pass through different stages like awareness, interest, evaluation, trial and adoption. The effectiveness of various marketing and communication tools will vary from stage to stage. The sales people play a major role in making customers move from awareness to choice stage. Buyer does not have any previous knowledge, information or data to compare. Naturally the buyer takes a lot of time to decide about the purchase.