

COURSE: FUNDAMENTALS OF MARKETING
LECTURE 1: INTRODUCTION TO MARKETING
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Lecture learning outcomes:

At the end of the lecture, you will be able to:

- i. Understand the concept of marketing
- ii. Discuss various concepts of marketing
- iii. Examine marketing arena and philosophies of marketing

Introduction to Marketing

The market is commonly referred to as a place where sellers and buyers carry out transactions for the involvement of the exchange of services and goods. Marketing is mostly defined as the performance of the business activities that direct the flow of services and goods from producers and consumers.

The term 'market' is derived from Latin word called 'marcatus' which means trade, merchandise, traffic or place of business. In ordinary language, the term market refers to a certain place where buyers and sellers personally meet each other and make purchases and sales.

Concept of Market

- **Place Concept:** A market is a convenient meeting place of buyers and sellers to gather together in order to conduct buying and selling activities. It is a physical location where buyers and sellers personally meet to affect purchase and sales.
- **Marketer:** It refers to the person who organises the various marketing activities such as market research, product planning, pricing, distribution etc.

- **Seller:** It refers to a person or organization, who is directly involved in the process of exchange of goods and services for money. This includes the wholesaler, retailer, etc.
- **Buyer:** A buyer is one who is directly involved in the process of purchase of goods and services. He/she is one who selects the goods, makes payment and takes the delivery.
- **Consumer:** One who actually uses the product or service. For example, you bought a shoe and gifted it to your friend who uses it. In this case your friend is the consumer, and you are a buyer. However, a consumer can also be the buyer.
- **Customer:** A customer usually refers to the person who takes the buying decision. For example, in a family, the person who decides on the brand of the rice to be cooked .In this case, the family is the consumer and the father or mother is the customer. A customer can also be the consumer. Similarly, the buyer may be different from the customer, or one can be the customer as well as the buyer.
- **Virtual Market:** Today with advancement in technology, the buyer and sellers can interact by using the internet.

Market from the viewpoint of modern marketing, market does not stand for a place where buyers and sellers gathered to buy or sell goods. A market is the set of actual and potential buyers. More specifically, a market is an arrangement of all customers who have needs that may be fulfilled by an organization's offerings. The size of a market depends on the number of people who exhibit the need, have resources to engage in exchange and are willing to offer these resources in exchange for what they want.

The key customer markets can be: Consumer market, Business Market, Global Market and Non-profit and Government market. Normally people understand market as a place where goods are bought and sold. But, in the context of Marketing, it refers to a group of buyers for a particular product or service.

According to Cornot, "Market is meant not any particular place in which things are bought and sold, but the whole of any region in which the buyers and sellers are in such free intercourse with one another, that the price of the same goods tends to equality easily and quickly".

According to Chapman, the term market refers "not to a place but to a commodity or commodities and buyers and sellers who are in direct competition with one another".

Marketing is a comprehensive term and it includes all resources and a set of activities necessary to direct and facilitate the flow of goods and services from producer to consumer in the process of distribution.

Therefore, Marketing is referred to as a process of creating or directing an organization to be successful in selling a product or service that people not only desire, but are willing to buy.

According to American Marketing Association (2004) - *"Marketing is an organizational function and set of processes for creating, communicating and delivering value to customers and for managing relationships in a way that benefits both the organization and the stakeholder."*

According to **Eldridge (1970)** - *"Marketing is the combination of activities designed to produce profit through ascertaining, creating, stimulating, and satisfying the needs and/or wants of a selected segment of the market."*

According to **Kotler (2000)** - *"A societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others."*

Marketing is a process by which companies create value for customers and build strong customer relationships in order to **capture value** for customers in return.

Marketers aim to create products that satisfy **needs, wants** and **demands** and marketing aims to create **value** and **utility**.

Below is an explanation of key terms in marketing:

1. **Need** is a state of felt deprivation of some basic satisfaction (inherent in human behaviour). The most basic concept of marketing is the human needs. Human needs are states of felt deprivation. Human needs can be physical needs (Hunger, thirst, shelter etc) social needs (belongingness and affection) and individual needs (knowledge and self-expression).

There are five types of needs:

- Stated need (Minimum price)
 - Real need (Psychological price)
 - Unstated need (Service for post purchase)
 - Delighted need (Supplementary-Gift)
 - Secret need (Show up, gesture).
2. **Wants** are needs driven by desires shaped by culture, society and individual personality. It is the form of human needs shaped by culture and individual personality. Needs become wants when they are directed to specific objects that might satisfy the need
 3. **Demands** are wants that are backed by purchasing power and a willingness to purchase. Wants become demand when backed by purchasing power. Consumers view products as bundles of benefits and choose product that add up to the most satisfaction. Demand comprises of three steps first, desire to acquire something, second, willingness to pay for it, and third, ability to pay

for it. Many people want a Mercedes; only a few are able and willing to buy one. Companies must measure not only how many people want their product, but also how many would actually be willing and able to buy it. However, marketers do not create needs; Needs preexist marketers. Marketers, along with other societal influences, influence wants. Marketers might promote the idea that a Mercedes would satisfy a person's need for social status. They do not, however, create the need for social status.

4. Exchange and transaction is the way to obtain products and services. An exchange will only occur when the following conditions are satisfied:

- There must be **two parties**
- Each must have something to **offer**
- Each must be able to **negotiate, deal** and **decide**
- Each must be able to **communicate** and **deliver** to one another

Marketing occurs when people decide to satisfy needs and wants through exchange. Exchange is defined as the act of obtaining a desired object from someone by offering something in return. For exchange potential to exist, five conditions must be satisfied:

- There are at least two parties
- Each party has something that might be of value to the other party
- Each party is capable of communication and delivery
- Each party is free to accept or reject the exchange offer
- Each party believes it is appropriate or desirable to deal with the other party.

Transaction: If exchange is the core concept of marketing, transaction is the marketing's unit of measurement. Two parties are engaged in exchange if they are negotiating- trying to arrive at mutually agreeable terms. When an

agreement is reached, we say the transaction takes place. Thus, a **transaction** is a trade of values between two or more parties. When the exchange is made, it results into transaction. A transaction involves several dimensions:

- at least two things of value
- agreed-upon conditions
- a time of agreement and
- a place of agreement.

- 5. Value and satisfaction: Value** can be defined as a ratio between what the customers get and what they give in return. The customers gets benefit and assumes costs. $\text{Value} = \text{Benefits} / \text{Costs}$. Marketers' concern should be to raise the value in the minds of the customers. When value of the products or services is high, customers are willing to pay more for the products. Value is the perceived benefit gained from having/using a product – the cost of obtaining it. Value is the best indicator of customer satisfaction (experience and expectation)
- 6. Customer satisfaction** is the extent to which a product's perceived performance matches a buyer's expectation. If performance matches expectation level, the customer becomes satisfied but if the product's performance falls short of expectations; the customer will be dissatisfied. If performance exceeds expectation, the customer will be highly satisfied or delighted. Satisfaction is how pleased a customer is with a product, measured by how much the experience matched/exceeded the expectation of performance.
- 7. Product or Offering and Value Proposition:** People satisfy their needs and wants with products. A product is any offering that can satisfy a need or want, such as one of the 10 basic offerings of goods, services, experiences, events,

persons, places, properties, organizations, information, and ideas. By an offering customer get the value proposition to use or consume the deliver product or services. So **Value proposition** is the set of benefits or values it promises to deliver to customers to satisfy their needs. It is actually the answer of customer's question: 'Why should I buy your product?'

8. Relationships and Networks: Transaction marketing is part of a larger idea called relationship marketing. *Relationship marketing* aims to build long-term mutually satisfying relations with key parties —customers, suppliers, distributors—in order to earn and retain their long-term preference and business. Effective marketers accomplish this by promising and delivering high-quality products and services at fair prices to the other parties over time. Relationship marketing builds strong economic, technical, and social ties among the parties. It cuts down on transaction costs and time. The ultimate outcome of relationship marketing is the building of a unique company asset called a marketing network.

A *marketing network* consists of the company and its supporting *stakeholders* (customers, employees, suppliers, distributors, university scientists, and others) with whom it has built mutually profitable business relationships.

TRADITIONAL CONCEPT OF MARKETING

According to the traditional concept, marketing means selling goods and services that have been produced. Thus, all those activities which are concerned with persuasion and sale of goods and services, are called marketing. This concept of marketing emphasizes on promotion and sale of goods and services and little attention is paid to consumer satisfaction. This concept has the following implications:

- The main focus of this concept is on product, i.e., we have a product and it has to be sold. So, we have to persuade the consumers to buy the product.
- All efforts of the marketing people are concentrated on selling the product. They adopt all means like personal selling and sales promotion to boost the sales.
- The ultimate goal of all marketing activity is to earn profit through maximisation of sales.

The traditional meaning of marketing is clearly borne out by the definition given by Ralf S. Alexander and Others, “Marketing is the performance of business activities that direct the flow of goods and services from the producer to consumer or user”.

MODERN CONCEPT OF MARKETING

The modern concept of marketing considers the consumers’ wants and needs as the guiding spirit and focuses on the delivery of such goods and services that can satisfy those needs most effectively. Thus, marketing starts with identifying consumer needs, then plan the production of goods and services accordingly to provide him the maximum satisfaction. In other words, the products and services are planned according to the needs of the customers rather than according to the availability of materials and machinery. Not only that, all activities (manufacturing, research and development, quality control, distribution, selling etc.) are directed to satisfy the consumers. **Thus, the main implications of the modern concepts are:**

- The focus of this concept is on customer orientation. The marketing activity starts with an assessment of the customer’s needs and plans the production of items that satisfy these needs most effectively. This also applies to all other marketing activities like pricing, packaging, distribution and sales promotion.

- All marketing activities like product planning, pricing, packaging, distribution and sales promotion are combined into one as coordinated marketing efforts. This is called integrating marketing. It implies:
- Developing a product that can satisfy the needs of the consumers: taking promotional measures so that consumers come to know about the products. Its features, quality, availability etc.
- Pricing the product keeping in mind the target consumers purchasing power and willingness to pay
- Packaging and grading the product to make it more attractive and undertaking sales promotion measures to motivate consumers to buy the product and taking various other measures for example after sales service to satisfy the consumers needs.
- The main aim of all effort is to earn profit through maximisation of customer satisfaction. This implies that, if the customers are satisfied, they will continue to buy and many new customers will be added. This will lead to increased sales and so also the profits.

The **modern concept of marketing** was defined by *E.F.L. Breach* as, “Marketing is the process of determining consumer demand for a product or service, motivating its sales and distributing it into ultimate consumption at a profit”. This terms marketing as a business process which creates and keep the customer.

The term ‘modern marketing’ can be expressed as the achievement of corporate goals through meeting and exceeding customer needs better than the competition.

According to Philip Kotler, the term ‘marketing’ is a social and managerial process by which individual groups obtain what they need and want through creating, offering and freely exchanging product and services of value with others.

Therefore, with growing awareness of the social relevance of business, marketing has to take into account the social needs and ensure that while enhancing consumer satisfaction, it also aims at society’s long-term interest.

Marketing more than any other business activities deals with customers. Although there are several definitions of marketing perhaps the simplest definition of marketing is managing profitable customer relationship.

It is key to distinguish between a social and a managerial definition for marketing.

- According to a social definition, marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products and services of value freely with others.
- As a managerial definition, marketing has often been described as “the art of selling products.”
- *But Peter Drucker, a leading management theorist, says that “the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself.*
- Marketing is the management process that identifies, anticipates and satisfies customer requirements profitably - The Chartered Institute of Marketing (CIM)

Marketing arena

The word “ARENA” is derived from Latin word “HARENA” which means smooth or fine. Marketing arena is a process of composing of a large open space surrounded on most or all sides by varieties of products and brands.

a. Seeking: The purpose of seeking is to discover the customer and customer needs. The marketing opportunity is revealed through an analysis of the environment.

b. Matching: Marketing is a matching process. Customer demand has to be matched with organizational resources and environmental limitations, such as competition, government regulations, general economic conditions and so on.

c. Programming: The marketing programme, called the marketing mix, covering product, price, promotion and distribution strategies will be formulated and implemented to accomplish the twin objectives of customer satisfaction and profitability.

Features of Marketing

There are four significant and crucial features of Marketing.

1. **Customer Value** - Customer value is the process of marketing that facilitates the exchange of the services and products between the buyers and sellers.
2. **Needs and Wants** - Needs and wants is another vital process of marketing that helps groups or individuals to obtain what they need and what they want.
3. **Exchange Mechanism** - The exchange mechanism is the process of marketing that involves the exchange of services and products for money or some other products.
4. **Creating a Market Offering** - The creation of market offerings like taste, size, or quality that are available at a given location or outlet.

PHILOSOPHIES OF MARKETING MANAGEMENT

1. Production Concept

Production concept expresses that customers will favor products that are generally accessible and not very expensive. Achieving high efficiency in production, low cost as well as distribution on a mass scale is the usual focus of the managers. This sort of business orientation is efficient in developing nations where buyers are more attracted in getting the product than its attributes.

For instance, the local mobile handset producing organizations produce them at a lower cost than the branded companies. Thus, consumers in these countries would buy the handsets produced locally rather than the branded ones.

2. Product Concept

The product concept recommends that shoppers will favor items that have better quality, performance and attributes instead of an ordinary product.

For example, two organizations which stand separate from the crowd on the product concept are Apple and Google. Both of these organizations have strived hard on their products and offer rich, ground-breaking as well as different application products and individuals are passionate about these brands.

One issue which has been connected with the product concept is that it may additionally direct to marketing myopia. Hence, organizations need to consider developments and traits sincerely and give precedence to consumer needs.

3. Selling Concept

The selling concept basically reflects the possibility that customers will not buy enough of the organization's products unless comprehensive promotional as well as selling endeavors are undertaken by it. This concept is utilized for merchandise which consumers do not normally purchase, unsought products like insurance and so on. These products are forcefully sold by finding the target fragment and sold on the high caliber of the product benefits.

This concept lives up to expectations under poor suppositions that if consumers are coaxed into purchasing a product then they will fundamentally like it. Regardless of the fact that they dislike it, they will overlook their displeasure over a period of time and purchase the product later on.

4. Marketing Concept

Marketing concept has developed over time, it emphasizes on organizations to evaluate the demands of the consumers and produce products or services to fulfill these wants better than the opposition. It is totally contradictory to the ‘manufacture’ concept in addition to sales concept as it stresses on the consumers and their wants.

5. The Societal Marketing Concept

Societal Marketing has the observation that an organization must settle on great promoting choices in the wake of considering customer needs, the prerequisites of the organization and above all else the long-term interests of the general public. Societal Marketing is really a branch of the idea of Corporate Social Responsibility and maintainable development. This concept urges organizations to accomplish more than having a trade association with consumers, to go past conveying products and work for the profit of the consumers and the society.

Marketing Management

Marketing management is the process of decision making, planning, and controlling the marketing aspects of a company in terms of the marketing concept, somewhere within the marketing system. Before proceeding to examine some of the details of this process, comments on two aspects will be helpful background.

In other words, Marketing management is “planning, organising, controlling and implementing of marketing programmes, policies, strategies and tactics designed to create and satisfy the demand for the firms’ product offerings or services as a means of generating an acceptable profit.”

Institute of Marketing Management, England, has defined Marketing Management as *“Marketing Management is the creative management function which promotes trade and employment by assessing consumer needs and initiating research and development to meet them. It co-ordinates the resources of production and distribution of goods and services, determines and directs the total efforts required to sell profitably to ultimate user”.*

According to Philip Kotler, *“Marketing Management is the art and science of choosing target markets and building profitable relationship with them. Marketing management is a process involving analysis, planning, implementing and control and it covers goods, services, ideas and the goal is to produce satisfaction to the parties involved”.*

Features of Marketing Management

1. Managerial Process

Marketing management is a managerial process involving planning, organising, decision making, forecasting, directing, coordinating and controlling. Stanley Vance defines management as the process of decision making and controlling. Every aspect of marketing, starting with identifying the consumer’s need and wants, identifying the targeted customer, product planning, development, pricing, promotion, distribution process requires planning, decision making, coordination and controlling.

2. Consumer Centric

All marketing activities are consumer centric. The consumers are the king. Marketing activities are based on the premise of “make what the market wants”. The principal objective of marketing is to create new customers and to retain current customer. Marketing management performs the task of converting the potential customers into actual customer.

This is possible through satisfaction of customer’s needs and wants by delivering them, appropriate goods and services according to their needs and wants, at right time and through convenient channel.

3. Research Analysis

The basis function of marketing is identification of consumer’s needs and wants. This requires continuous and systematic collection of data, analysis and reporting of data relevant to marketing activities. This helps the management to understand consumer’s needs, wants, preferences and behaviour of the consumer towards firm’s marketing mix strategies. This helps in forecasting and planning future course of action.

4. Planning and Development

Marketing involves planning and development of goods and services. Organizations make a continuous endeavour towards planning, development and innovation of product and services so as to meet the changing demand, taste and preferences of the consumers.

5. Building Marketing Framework

Marketing activities are not just selling and distribution of ownership of goods and services from the producer to the ultimate consumer. But it involves a series of activities like research analysis, production, development and innovation,

advertisement and promotion pricing decision, selling and distribution, customer relationship and after sales service.

All these functional areas of marketing must be effectively planned, organised and built effectively to achieve best results. Marketing structure depends upon the size of the enterprise, geographical coverage of the operation, number of product lines, nature of product, size of customers.

6. Organizational Objectives

All marketing activities are based on overall organisational objectives. The marketer bridges the gap between overall organisational objectives of achieving high profit and maximization of sales and consumer's interest of satisfying needs.

7. Promotional and Communication Process

The ultimate objective of a firm is to maximise sales volume and profit. This can be achieved through promotion and communication about the goods and services. This function of marketing management enables the firm to provide information about the product to the customers.

8. Controlling of Activities

Marketing management performs the function of controlling of marketing activities. Marketing management evaluates the effectiveness of marketing activities, to judge the efficiency of marketing personnel and the plans. This process involves measuring the actual performance with the standard and identifying the deviations and taking corrective actions.

Functions of marketing management are:

1. Assessing the Marketing Opportunities

Determination of marketing objectives and assessment of the marketing opportunities for the firm, is an important function of marketing management. The constantly changing market conditions and opportunities make it imperative for the

marketing management to come out with planned programmes to meet the challenges, and reap the opportunities.

2. Planning the Marketing Activities

Planning is an important managerial function. Planning of marketing activities is a crucial task and involves numerous steps. It involves planning effective strategies to achieve the desired marketing objectives. It is concerned with formulation of policies relating to product, price, channels of distribution, promotional measures, forecast of target sales etc. Planning provides the basis for an effective marketing for the enterprise.

3. Organising the Marketing Activities

Another significant function of marketing is organising it implies determination of various activities to be performed and assigning these activities to right person, so that marketing objectives are achieved. In the light of the changing concept of marketing, it is necessary that the organisation structure is flexible and accommodative. This will help in better interaction between organisation and environment.

4. Co-Ordinating Different Activities of Enterprise

Even the best of planning will not be rewarding if there is improper coordination between different activities of the organisation. Marketing involves various activities and these are inter-related and interdependent. Product decisions, pricing strategies, channel structure research activities all require proper coordination. Only then the objectives can be achieved.

5. Directing and Motivating the Employee

A good direction is a must for effective performance of marketing functions. Direction helps in rightful performance of the work. Different leadership style are practised to guide the subordinates. A leader directs his subordinates and ensures through effective supervision, that the performance is as per planned specification.

At the same time, it is necessary that employers are properly motivated. Motivation not only helps in better performance by the employee but also holds him back to the organisation for longer periods.

Today's organisations are very serious as far as motivation policies are concerned. New ways of motivation are being introduced so that the employee gives the best of services.

6. Evaluating and Controlling Marketing Efforts

In order to have a profitable venture, marketing manager must on a continuous basis, evaluate the marketing efforts. This will help him in knowing the deficiencies if any, which can be corrected beforehand only and proper adjustments can be made with the changing environment. Controlling is a managerial function concerned with comparison of actual performance with the standard performance and locating the shortcomings if any, finally corrective measures are taken to overcome the shortcomings.

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