

## **COURSE: FUNDAMENTALS OF MARKETING**

### **LECTURE 2: NATURE OF MARKETING**

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#### **Lecture learning outcomes:**

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

- i. Examine objectives of marketing
- ii. Discuss importance of marketing
- iii. Discuss the functions of marketing

### **NATURE OF MARKETING**

Marketing deals with identifying and meeting human and social needs. One of the shortest definitions of marketing is —meeting needs profitably. The objective of all business enterprises is to satisfy the needs and wants of society. Marketing is, therefore, a basic function of all business firms. When for example, a salesperson sells washing machines, a doctor treats a patient or a Government asks people to take their children for getting polio drops, each is marketing something to the targets.

**Nature of marketing is outline in the following key points:**

1. Human activity: Originally, the term marketing is a human activity under which human needs are satisfied by human efforts. It's a human action for human satisfaction.
2. Consumer-oriented: A business exist to satisfy human needs, hence business must find out what the desire of customer (or consumer) and thereby produce goods and services as per the needs of the customer. Thus, only those goods should be produced that satisfy consumer needs and at a reasonable profit to the manufacturer (or producer).
3. Art as well as science: In the technological arena, marketing is the art and science of choosing target markets and satisfying customers through creating, delivering, and communicating superior customer value. It is a technique of making the goods available at right time, right place, into right hands, right quality, in the right form and at right price.

4. Exchange Process: All marketing activities revolve around commercial exchange process. The exchange process implies transactions between buyer and seller. It also involves exchange of technology, exchange of information and exchange of ideas.
5. Starts and ends with customers: Marketing is consumer oriented and it is crucial to know what the actual demand of consumer is. This is possible only when required information related to the goods and services is collected from the customer. Thus, it is the starting of marketing and the marketing end as soon as those goods and services reach into the safe hands of the customer.
6. Creation of Utilities: Marketing creates four components of utilities viz. time, place, possession and form. The form utility refers to the product or service a company offers to their customers. The place utility refers to the availability of a product or service in a location i.e. Easier for customers. By time utility, a company can ensure that products and services are available when customers need them. The possession utility gives customers ownership of a product or service and enables them to derive benefits in their own business.
7. Goal oriented: Marketing seeks to achieve benefits for both buyers and sellers by satisfying human needs. The ultimate goal of marketing is to generate profits through the satisfaction of the customer.
8. Guiding element of business: Modern Marketing is the heart of industrial activity that tells what, when, how to produce. It is capable of guiding and controlling business.
9. System of Interacting Business Activities: Marketing is the system through which a business enterprise, institution or organization interacts with the customers with the objective to earn profit, satisfy customers and manage relationship. It is the performance of business activities that direct the flow of goods and services from producer to consumer or user.
10. Marketing is a dynamic process. series of interrelated functions: Marketing is a complex, continuous and interrelated process. It involves continuous planning, implementation and control.

### **Scope of Marketing**

The term 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. It lies in insuring the customer needs and converting them into product or services and moving the product and services to the final user or customer, to satisfy the wants and needs of specific segment of customers with emphasis on profitability and ensuring the optimum use of resources available with the organization. The marketing manager has to perform the research functions and exchange functions as discussed below:

1. **Product Development and Designing:** Product design plays a vital role in the selling of a product. A company whose product is designed better sells more products than the companies whose products are weakly designed.
2. **Labelling and Packaging:** Packaging refers to the development and design of packages for the products, while labelling refers to the development and design of labels to be put on the package.
3. **Customer Support Services:** This refers to the services provided to consumers such as adjustments, sales services, and handling customer complaints. All the services aim to present maximum consumer satisfaction.
4. **Analyzing and Gathering Market Information:** This is a crucial function of marketing that quickly identifies the consumer's needs and helps to facilitate
5. **Warehousing or Storage:** A proper storage maintains the smooth flow of products and services in the market. The need for storage is essential to ensure the adequate stock of goods or products against unavoidable delays or to cover up the contingencies in demand. Retailers and wholesalers play a vital role.

The scope of marketing can also be understood in terms of functions that an entrepreneur has to perform. These include the following:

**a. Functions of exchange:** which include buying and assembling and selling?

**b. Functions of physical supply:** include transportation, storage and warehousing

**c. Functions of facilitation:** Product Planning and Development, Marketing Research, Standardisation, Grading, Packaging, Branding, Sales Promotion, Financing.

Today, marketing offers are not confined into products and services. The scope of marketing is now becoming larger. Marketing people are involved in marketing several types of entities:

- **Goods:** Physical goods constitute the bulk of most countries' production and marketing effort. Most of the country produces and markets various types of physical goods such as maize, beans, potatoes, bananas etc. In developing nations, goods—particularly food, commodities, clothing, and housing are the backbone of the economy.

- **Services:** As economies advance, a growing proportion of their activities are focused on the production of services. Services include airlines, hotels, and maintenance and repair people, as well as professionals such as accountants,

lawyers, engineers, and doctors. Many market offerings consist of a variable mix of goods and services.

- **Experiences:** By orchestrate several services and goods, one can create, stage, and market experiences for example, Walt Disney World's Magic Kingdom is an experience.
- **Event:** Marketers promote time-based events, such as the Olympics, trade shows, sports events, and artistic performances.
- **Persons:** Celebrity marketing has become a major business. Artists, musicians, CEOs, physicians, high profile lawyers and financiers, and other professionals draw help from celebrity marketers.
- **Place:** Cities, states, regions, and nations compete to attract tourists, factories, company headquarters, and new residents. Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies.
- **Properties:** Properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds). Properties are bought and sold, and this occasions a marketing effort by real estate agents (for real estate) and investment companies and banks (for securities).
- **Organizations:** Organizations actively work to build a strong, favorable image in the mind of their publics. Philips, the Dutch electronics company, advertises with the tag line, "Let's Make Things Better." The Body Shop and Ben and Jerry's also gain attention by promoting social causes. Universities, museums, and performing arts organizations boost their public images to compete more successfully for audiences and funds.
- **Information:** The production, packaging, and distribution of information is one of society's major industries. Among the marketers of information are schools and universities; publishers of encyclopedias, nonfiction books, and specialized magazines; makers of CDs; and Internet Web sites.
- **Ideas:** Every market offering has a basic idea at its core. In essence, products and services are platforms for delivering some idea or benefit to satisfy a core need.

## **OBJECTIVES OF MARKETING**

### **Creation of Demand**

The objective of marketing is to create demand through various means. A conscious attempt is made to find out the preferences and tastes of the consumers. Goods and services are produced to satisfy the needs of the customers. Demand is also created by informing the customers the utility of various goods and services.

## **Customer Satisfaction**

The marketing manager must study the demands of customers before offering them any goods or services. Selling the goods or services is not that important as the satisfaction of the customers' needs. Modern marketing is customer-oriented. It begins and ends with the customer.

## **Market Share**

Every business aims to increase its market share, i.e. the ratio of its sales to the total sales in the economy. For instance, both Pepsi and Coke compete with each other to increase their market share. For this, they have adopted innovative advertising, innovative packaging, sales promotion activities etc.

## **Generation of Profits**

The marketing department is the only department which generates revenue for the business. Sufficient profits must be earned as a result of sale of want satisfying products. If the firm is not earning profits, it will not be able to survive in the market. Moreover, profits are also needed for the growth and diversification of the firm.

## **Creation of Goodwill and Public Image**

To build up the public image of a firm over a period is another objective of marketing. The marketing department provides quality products to customers at reasonable prices and thus creates its impact on the customers.

## **Apply effective and intelligent modern marketing policies**

Changing growth rate, rapid technological change and new aggressive rivals all made every marketing firm to adopt and respond to change for survival and prosperity. So it is necessary for the firms to scrutinize its expenditure and make maximum profits by adopting themselves to viable and matching methodologies, techniques and practices

## **Functions of marketing management**

### **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. These days organisations are very serious as far as their motivation policies are concerned. New ways of motivation are being introduced so that the employee gives his 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.

## **IMPORTANCE OF MARKETING**

### **TOWARDS SOCIETY**

#### **1) Helpful in raising and maintaining the standard living of the community**

##### **Marketing**

Marketing is the creation and delivery of standard of living to the society by making available the uninterrupted supply of goods and services to consumers at a reasonable price. Society comprises of three classes of people i.e. rich, middle and poor. Everything which is used by these different classes of people is supplied by marketing.

#### **2) Creates Employment**

Marketing is complex mechanism involving many people in one form or the other. The major marketing functions are buying, selling, financing, transport, warehousing, risk bearing etc. In each such function different activities are performed by a large number of individuals and bodies. Thus, marketing gives employment to many people.

#### **3) Helpful in Development of an Economy**

Marketing is the key to set the economy revolving. The marketing organization, more scientifically organized, makes the economy strong and stable, the lesser the stress on the marketing function, the weaker will be the economy.

### **B. TOWARDS COMPANY**

#### **4) Helps in Transfer, Exchange and Movement of goods**

Marketing makes goods and services available to customers through various intermediaries like wholesalers and retailers etc. Marketing is helpful to both producers and consumers.

#### **5) Source of Income and Revenue**

Marketing generates revenue by providing many opportunities in the process of buying and selling the goods, by creating time, place and possession utilities. This income and profit are reinvested in the concern, thereby earning more profits in future.

#### **6) Source of new ideas**

The concept of marketing is a dynamic concept. It has changed altogether with the passage of time. Such changes have far reaching effects on production and distribution. With the rapid change in tastes and preference of people, marketing has to come up with the unique products.

## **APPROACHES OF MARKETING**

The following are the most significant approaches of marketing:

### **1) Commodity Approach**

In this approach the focus of study is on specific commodity. Under this approach the study focuses on the flow of a certain commodity and its journey from the original producer right up to the final customer and it includes conditions of supply, nature and extent of demand, the distribution channels used etc. Agricultural products like wheat, jute, and cotton represent the commodity approach.

### **2) Institutional Approach**

Under this approach, the interest of marketer centers around the marketing agencies i.e. transport and service agencies viz., wholesalers, retailers, banks, transport undertakings, insurance companies etc., who participate in discharging their marketing responsibilities during the movement of distribution of goods.

### **3) Functional Approach**

Under this approach, marketer concentrates his attention on the specialized functions or activities like buying, selling, storage, risk bearing, transport, finance etc. These functions are also studied in relation to given commodities and marketing institutions in terms of their operational methods and systems.

### **4) Managerial Approach**

This approach is also known as Decision-making approach. The focus of this approach is on the decision-making process. The study encompasses discussion on planning, organizing, controlling, directing etc. This approach is considered the most useful way of studying marketing activities.

### **5) Societal Approach**

This approach focuses on the social contributions and costs created by various marketing activities and institutions. In this approach the focus of study will be on the interactions between the various environmental factors and their impact on the well-being of society.

### **6) System Approach**

The approach recognizes the inter-relations and inter-connections among the components of a marketing system in which products, services, money, equipments and information flow from marketers to consumers. The focus of this approach will be on the analysis of marketing flows and communication.

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