

# FUNDAMENTALS OF MARKETING

## CAT MARKING SCHEME

### **1. Marketing deals with identifying and meeting human and social needs.**

#### **Discuss the nature of marketing (10mks)**

**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.

**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).

**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.

**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.

**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.

**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.

**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.

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.

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.

Marketing is a dynamic process. series of interrelated functions: Marketing is a complex, continuous and interrelated process. It involves continuous planning, implementation and control.

## **2. Examine the concept of market orientation (15mks)**

Market orientation is a business approach wherein the processes of product development and creation are focused on satisfying the needs of consumers. It is a type of marketing technique that designs products with qualities that consumers want, which is completely different from the conventional marketing approach. In the conventional approach, the business prioritizes the promotion of existing products by establishing features that can be key selling points.

- Market orientation is a marketing approach wherein the processes of product development and creation are focused on satisfying the needs of consumers.
- Marketing orientation is the business approach that dictates all the processes within that organization. It comes in several types: sales orientation, market orientation, production orientation, and societal orientation.
- Market orientation offers several advantages, including product differentiation and increased consumer satisfaction.

Market orientation is more of an approach to product design rather than promotion. It means that the priority is to analyze the target audience and determine their needs instead of undertaking any promotional or sales activity. The needs are kept in mind while developing and upgrading the product offering.

A market-oriented organization uses a customer-centered approach, which means that the most pressing concerns, immediate needs, and personal preferences of the consumer base must be researched.

The strategy must be focused on values, culture, and other behavioral traits of the consumer base. Thus, the development efforts of the organization are focused on

characteristics that are most widely demanded. This enables companies to adapt to different markets and enhance competitiveness.

**3. Company ABZ invites you to advise them on the bases to consider during market segmentation. Give your views in details.(15mks)**

### **Geographic Segmentation:**

Geographic location is one of the simplest methods of segmenting the market. People living in one region of the country have purchasing and consuming habit which differs from those living in other regions

### **Demographic Segmentation**

Demographic variables such as age, occupation, education, sex and income are commonly used for segmenting markets.

(a) Age: Teenagers, adults, retired.

(b) Sex: Male and female.

(c) Occupation: Agriculture, industry, trade, students, service sector, house-holds, institutions.

(i) Industrial sector: Large, small, tiny.

(ii) Trade: Wholesale, retail, exporters.

(iii) Services: Professionals and non-professionals.

(iv) Institutions: Educational, religions, clubs.

(v) Agriculture and cottage industries.

### **Psychographic Segmentation:**

Under this method consumers are classified into market segments on the basis of their psychological make-up, i.e., personality, attitude and lifestyle. According to attitude towards life, people may be classified as traditionalists, achievers, etc.

Rogers has identified five groups of consumer personalities according to the way they adopt new products:

(a) Innovators: These are cosmopolitan people who are eager to try new ideas. They are highly venturesome and willing to assume the risk of an occasional bad experience with a new product.

(b) Early Adopters: These are influential people with whom the average person checks out an innovation.

(c) Early Majority: This group tends to deliberate before adopting a new product. Its members are important in legitimizing an innovation but they are seldom leaders.

(d) Late Majority: This group is cautious and adopts new ideas after an innovation has received public confidence.

(e) Laggards: These are past-oriented people. They are suspicious of change and innovations

### **Behavioristic Segmentation:**

In this method consumers are classified into market segments not the basis of their knowledge, attitude and use of actual products or product attributes.

Any of the following variables might be used for this purpose:

(a) Purchase Occasion: Buyers may be differentiated on the basis of when they use a product or service. For example, air travellers might fly for business or vacation. Therefore, one airline might promote itself as a business flyer while another might target the tourists.

(b) Benefits Sought: The major benefit sought in a product is used as the basis of classify consumers. High quality, low price, good taste, speed, sex appeal are examples of benefits. For example, some air travellers prefer economy class (low price), while others seek executive class (status and comfort).

(c) User Status: Potential buyers may be classified as regular users, occasional users and non-users. Marketers can develop new products or new uses of old products by targeting one or another of these groups.

### **Volume Segmentation:**

Consumers are classified light, medium and heavy users of a product. In some cases, 80 per cent of the product may be sold to only 20 per cent of the group. Marketers can decide product features and advertising strategies by finding common characteristics among heavy users. For example, airlines having 'Frequent Flyer' are using user rate as the basis of market segmentation. Generally, marketers are interested in the heavy user group.

### **Product-space Segmentation:**

Here the buyers are asked to compare the existing brands according to their perceived similarity and in relation to their ideal brands. First, the analyst infers the latent attributes that consumers are using to perceive the brand. Then buyers are classified into groups each having a distinct ideal brand in mind. The distinctive characteristics of each group are ascertained.

### **STP Approach: Segmentation**

Segmentation is the breaking down of large markets into sub markets or segments of consumers that are similar in terms of needs wants ad buying habits. The first method of segmenting a market is demographic segmentation. In demographic segmentation factors like age, gender, income, education, occupation, marital status family cycle and ownership of durables are used for determining consumer segments.

**3. Consumer behavior is helpful in understanding the purchase behavior and preferences of different consumers. Elaborate this statement (10mks)**

Consumer behavior is about how consumers behave in situations involving goods, services, ideas and experiences. The situations could cover pre-purchase, purchase and post-purchase. The situations could be for trying something new (for example, a new food item offered by a sales promoter in a supermarket), buying a new purchase (for example, a car), making a repeat purchase (for example, buying the same brand of milk), changing a service provider (for example, your internet or telephone provider), supporting a public service campaign (for example, slowing your driving speed) or considering a purchase but not eventually buying it (for example, travel insurance).

Consumer behaviour focuses on how individuals make decisions to spend their available resources on items related to consumption. To succeed, businesses need to know everything they can about consumers. They need to understand the personal and group influences that affect consumer decisions and how these decisions are made. Consumer behaviour is important as it is the essence of marketing. It helps the marketer to provide the desired value to customers. To understand each customer and be able to satisfy all his needs in a market is not possible as the needs vary a lot. Most of the organizations do not have the capability to serve the widely varying needs. So the best option for an organization is to select customers whose needs can be matched with its capability to serve them.