**CHAPTER** **ONE**

**Marketing Management**

1. **Introduction:**

Before we directly embark upon the discussion of basic concepts of marketing, let’s discuss an overview of marketing for more understanding.

Today, you are here about to begin an excitingly important and necessary undertaking: the exploration of marketing. Marketing is an exciting discipline because it combines the science and the art of business with many other disciplines, such as economics, anthropology, cultural studies, geography, history, jurisprudence, statistics and demographics. This combination will stimulate your intellectual inquisitiveness and enable you to absorb and understand the phenomenon of market-based exchange. The study of marketing has been compared to mountain climbing: challenging, arduous and exhilarating.

Marketing is important and necessary because it takes place all around us every day, has a major effect on our lives, and is crucial to the survival and success of firms and individuals. Successful marketing provides the promise of an important quality of life, a better society and even a more peaceful world. After your study of marketing, you will see what happens, understand how it happens and at some time in the future, perhaps even make it happen. This is, of course, much better than standing by and wondering what happened.

Before 1945, the wars broke out between different countries as a result of scarcity of important resources to produce and market different products in order to generate income for their respective countries. Resources are scarce and are unevenly endowed / distributed/ among the countries. As there was no trade between the countries, some countries have been facing the shortage of necessary inputs for their industries and consequently suffering scarcity of very important resources and they made effort to get such resources by force from those having them in abundance. Such actions used to lead to different wars such as the First World War and the Second World War. The wars were the end-results of shortage of necessary resources. There was no trade among the countries in order to mitigate such shortages by obtaining such raw materials through trade. Then the war broke among the countries and devastated all resources including human resources.

However, during the postwar era, the countries came into agreement to conduct cross-border trades to sell their abundant resource to those countries suffering from shortage of the required resources as inputs for their industries. Consequently, historic enemies such as Japan and the United States of America, France and Germany have not remained enemies as they once used to be. They have become trading partners. America gets what it wants from Japan through trade even using credit terms. France also gets what it requires from Germany through trade. Then, why should they fight? Marketing, therefore, brings a more peaceful world. No more war for resource snatching as far as the countries are open for global trade and they are exchanging their abundant resources with the other’s abundant in which they are facing shortage in their respective countries. Closed countries were seen wasting their money for building huge armies and guns, whereas open and outward looking countries invest their money on machines and tools which may be used for manufacturing of new products to satisfy needs and wants of their consumers/ customers in their respective countries as well as all over the world when trade is conducted at the international level.

* 1. **Marketing and its core concepts**

No one can exhaustively define the term Marketing. Why because there are numerous definitions offered by different scholars and writers to the term. Therefore, we try to mention some of them for our purpose of study.

Marketing is the economic process by which goods and services are exchanged between the producer and the consumer and their values determined in terms of money prices. Marketing is meeting customers’ needs and wants profitably. Marketing is a viewpoint, which looks at the entire business process as a highly integrated effort to discover, create, arouse and satisfy consumer needs.

According to Philip Kotler, Marketing is a social 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.

According to American marketing association, marketing is the process of planning & executing the conception, pricing, promotion & distribution of ideas, goods & services to create exchange that satisfy individual & organizational goals.

According to Peter Drucker, 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. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available.

Many people think that marketing and selling mean the same thing. Others think that marketing is the same as selling and advertising, still others have a notion that marketing has got something to do with making products available in the stores, arranging displays and maintaining inventories of products for future sales. Actually marketing includes all these activities and many more. Marketing is a key function of management. It brings success to business organization. A business organization performs two key functions i.e., producing goods and services and making them available to potential customers for use. An organization business success largely depends on how efficiently the products and services are delivered to customers and how differently do the customers perceive the difference in delivery in comparison to the competitors. This is true of all firms.

The Chartered Institute of Marketing defines Marketing as: “Marketing is the management process for identifying, anticipating & satisfying customer requirements profitably.”

“The all-embracing function that likes the business with customer needs and wants in order to get the right product to the right place at the right time”.

“Marketing may be defined as a set of human activities directed at facilitating and consummating exchanges”.

Which definition is right? In short, they all are. They all try to embody the essence of marketing:

* Marketing is about meeting the needs and wants of customers;
* Marketing is a business-side function – it is not something that operates alone from other business activities;
* Marketing is about understanding customers and finding ways to provide products or services which customers demand.

**Core concepts of Marketing**

Marketing has been defined in various ways. The definition that serves our purpose best is as follows:

Marketing is a social and managerial process by which individuals and groups obtain what they want and need through creating, offering and exchanging products of value with others.

This definition of marketing rests on the following core concepts: needs, wants and demands; products (goods, services, and ideas); Value, cost and satisfaction; exchange and transactions; relationships and networks; markets; marketers and prospects. This will be shown in the following diagram.



**Needs, wants and demands**

**Needs** – “A state of felt deprivation”, “Basic human requirements”. Needs are natural. All human beings have the same type of need irrespective of culture, economic and other conditions. All have need for food, for clothing, for shelter. When a need is not satisfied, a person will do one of two things:

1. Look for an object that will satisfy it; or

2. Try to reduce the need.

People in industrial societies may try to find or develop objects that will satisfy their desires. While, people in less developed societies may try to reduce their desires and satisfy them with what is available.

**Wants** – Wants are desires for specific satisfiers of needs. Wants are shaped by culture & individual personality. Ethiopians need injera for hunger relieving and Kenyans’ want poraje.

**Demands –** Human wants that are backed by buying power. This is the most important for marketers. Marketers should study the needs and wants of customers and customers need to have money to buy.

**The market offering – products, services and experiences**

**Marketing offer** – Combinations of products, services, information or experiences offered to a market to satisfy a need or want.

**Value, satisfaction and quality**

**Consumer value:** – is the difference between the values the customer gains from owning and using a product and the costs of obtaining the product. The customer’s view of costs and benefits is not just limited to economic (or even rational) considerations – and a low price may NOT result in superior value.

**Customer satisfaction: -** the extent to which a product’s perceived performance matches a buyer’s expectations. If the product’s performance falls short of expectations, the buyer is dissatisfied. If performance matches or exceeds expectations, the buyer is satisfied or delighted.

**Exchange, transactions and relationships**

**Exchange-** Exchange is the act of obtaining a desired product from someone by offering something in return. For exchange potential to exist, the following 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 that it is appropriate or desirable to deal with the other party.

**Transaction**: A trade between two parties that involve at least two things of value, agreed-upon conditions, a time of agreement and a place of agreement.

**Relationships and Networks**

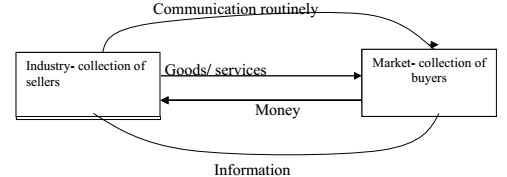
**Transaction marketing** is a part of larger idea called r/ship marketing. R/ship marketing is the practice of building long term satisfying relations with key parties- customers, suppliers and distributors in order to retain their long term preference and business. Smart marketers try to build up long-term trusting, win-win r/ships with valued customers, distributors, dealers and suppliers. They accomplish these r/ships by promising and delivering high quality, good service and fair prices to other parties over time. R/ship marketing results in strong economic, technical and social ties among the parties. In most successful cases, transactions move from being negotiated each time to being a matter of routine.

The ultimate outcome of r/ship marketing is the building of a unique company asset called a marketing network.

**A marketing Network:** A marketing network consists of its supporting stakeholders: customers, employees, distributors, retailers, ad agencies, university scientists, and others with whom it has built mutually profitable business r/ships.

**Markets**: The concept of exchange leads to the concept of a market. A market consists of all the potential customers sharing a particular need or wants who might be willing and able to engage in exchange to satisfy that need or want. Thus, the size of market depends on the number of people who exhibit the need or want, have resources that interest others, and are willing and able to offer these resources in exchange for what they want.

Traditionally, a market was a place where buyers and sellers gathered to exchange their goods - such as a village square. Economists use the term to refer to a collection of buyers and sellers who transact over a particular product or product class. E.g. the housing market, the grain market and so on. Marketers, however, see the sellers as constituting the industry and the buyers as constituting the market.



Here, in just the above diagram, the sellers and buyers are connected by four flows. The sellers send goods, services, and communications (ads, direct mail, and so forth) to the market; in return, they receive money and information (attitudes, sales data, and so forth). The inner loop shows an exchange of money for goods and services. The outer loop shows an exchange of information.

**Marketers and Prospects**

Marketers are persons who try to initiate response from other person whether to sell or buy products and services from other party. A prospect is someone whom the marketer identifies as potentially willing and able to engage in an exchange of values. In the normal situation, the marketer is a company serving a market in a face of competitors.

**Utility**

Organizations add various utility on products or services. Utility is the satisfaction customers are getting from using the product and there are four types of utilities.

* **Form Utility** – is the utility organizations add by changing the format of the input into new output. E.g. when bakers change the wheat flower to Bread, it is adding form utility.
* **Time Utility**- is the utility the organizations are providing by making the product available at the required time. E.g. Merchants make available rain coats during summer season.
* **Place utility** -the utility the organizations are providing by making the product available at the required place. E.g., when products are available near to the villages of customers, it is providing place utility.
* **Possession utility**- is the satisfaction customer is getting by undertaking various activities on the product.
  1. **Demand Management**

Most people think of marketing management as finding enough customers for the company's current output, but this is too limited a view. The organization has a desired level of demand for its products. At any point in time, there may be no demand, adequate demand, irregular demand or too much demand, and marketing management must find ways to deal with these different demand states. Marketing management is concerned not only with finding and increasing demand, but also with changing or even reducing it. Thus, marketing management seeks to affect the level, timing and nature of demand in a way that helps the organization achieve its objectives. Simply put, marketing management is *demand management.*

**Marketing Demands and tasks**

There are eight different states of demands and the corresponding tasks facing marketing managers. They are:

1. **Negative demand-** A market is said in a state of negative demand if a major part of the market dislikes the product and even pays a price to avoid it. E.g. Christian meat in Muslim countries or meat generally among the vegetarians as in India.

The marketing task is to analyze why the market dislikes the product and whether a marketing program consisting of product redesign, lower prices and more positive promotion can change beliefs and attitudes.

1. **No demand -** When there is no demand, the target consumers may be unaware of, or uninterested in the product. The marketing task is to find ways to connect benefits of the product with the person's natural needs and interest. E.g., Farmers may not be interested in new way of farming or in the package of extension. The marketing task is to demonstrate benefits that will be driven by the members who have been encompassed in the package.
2. **Latent demand -** Many consumers may share a strong need that cannot be satisfied by an existing product. There might be a strong latent demand for completely a new product, which was not available in the market until then. For example, harmless cigarettes, or fuel-efficient cars, or cars that use water for their fuel.

The marketing task is to measure the size of the potential market and then develop goods and services to satisfy the latent demand.

1. **Declining demand-** Every organization eventually faces declining demand for one or more of its products. For example, churches have seen membership decline, private colleges have seen application fall. When such is the case, the marketer must analyze the causes of decline and determine whether the demand can be restimualated by new target markets, by changing product features, or by more communication that is effective.

The marketing task is to reverse declining demand through creative remarketing.

1. **Irregular demand-** Many organizations may face demand that varies on a seasonal, daily, or even hourly basis, causing problems of idle or overworked capacity. For example, much mass transit equipment is idle during off peak hours and insufficient during peak travel hours. Museums are under visited on weekdays and overcrowded on weekends.

The marketing task, called synchromarketing, is to find ways to alter the pattern of demand through flexible pricing, promotion and incentives.

1. **Full Demand -** Organizations face full demand when they are pleased with their volume of business.

The marketing task is to maintain the existing level of demand in the face of changing consumer preferences and increasing competition. The organization must maintain or improve its quality and continually measure consumer satisfaction.

1. **Over-full demand-** Some organizations face a demand level that is higher than they can handle. When demand level is higher and overcrowded, the marketing task called demarketing requires finding ways to reduce demand temporarily or permanently to the level it can be handled. Demarketing can be classified into two: 1) general demarketing and 2) selective demarketing.

* General Demarketing - seeks to discourage overall demand and takes such steps as raising prices and reducing promotion and service.
* Selective demarketing consists of trying to reduce demand from those parts of the market that are less profitable or less in need of the product.

1. **Unwholesome demand-** some products are dangerous to society as a whole. Such products will attract organized effort to discourage their consumption. Unselling campaigns have been conducted against cigarettes, alcohol, hard drugs, handguns, large families and environmental pollution.

The marketing task is to get people who like something to give it up, using such tools as fear message, price hikes and reduced availability.

* 1. **Philosophies of Marketing**

Marketing activities should be carried out under a well-thought-out philosophy of efficient, effective and socially responsible marketing. However, there are five concepts under which organizations conduct marketing activities.

They are as follow:

1. The production concept
2. Product concept
3. Selling concept
4. Marketing concept
5. Societal marketing concept
6. **The production concept:** This is one of the oldest concepts in business. It holds that consumers will prefer those products that are widely available and inexpensive/low in cost.

Managers of production-oriented business concentrate on achieving high production efficiency, low costs, and mass distribution. The assumption that consumers are primary interested in product availability and low price will hold true in at least two situations:

1. This orientation makes sense in developing countries, where the demand for a product exceeds supply. Here consumers are more interested in obtaining the product than in its fine points (features), and suppliers taking this advantage will concentrate on finding ways to increase production and distribution.
2. Where the product’s cost is high and has to be decreased to expand the market. Texas Instruments is one of the leading companies that use the production concept with philosophy of “GET-OUT-PRODUCTION, CUT THE PRICE”. Accordingly, TI puts all of its efforts in building production volume and improving technology in order to bring down costs. It uses its lower costs to cut prices and attract more consumers and hence expand the market size.
3. **The product concept:** The product concept holds that the consumers will favor those products that offer the most quality, performance or innovative features.

Managers in these organizations focus their energy on making superior products and improving them over time. They assume that buyers admire well-made products and can appraise product quality and performance. However, these managers are sometimes caught up in a love affair with their product and do not realize what the market needs.

Product oriented companies often design their products with little or no customer input. They trust that their engineers can design exceptional products. Very often they will not even examine competitor's products. Even, whatever, quality product is produced without considering the consumers’ needs there will be no demand for the product in market. Consumers place orders to purchase a product because there is certain problem with them. The solution to the problem is the product. The consumers buy the product only when there is a problem and when they wish a solution from the product. Otherwise, no need of buying the product even if the product is quality and provides the best performance for other some purpose.

1. **The selling concept:** The selling concept holds that consumers and businesses, if left alone, will ordinarily not buy enough of the organizations’ product. The organization must, therefore undertake an aggressive selling and promotion effort. This concept assumes that consumers typically show buying inertia or resistance and therefore must be coaxed into buying.

The selling concept is practiced most aggressively with unsought goods-goods that buyers normally do not think of buying, such as insurance, encyclopedias, and funeral plots. These industries have perfected various sales techniques to locate prospects and hard sell them on their products benefits.

Most firms practice the selling concept when they have overcapacity. Their aim is to sell what they make rather than make what the market wants. Moreover, prospects are bombarded with TV commercials, newspaper ads, direct mail and sales calls. At every turn, someone is trying to sell something. As a result, the public often identifies marketing with hard selling and advertising.

Nevertheless, marketing based on hard selling carries high risks. It assumes that customers who are coaxed into buying a product will like it, and even if they do not like it, they will not bad-mouth it or complain to consumer organizations and will forget their disappointment and buy it again. These are indefensible assumptions because one study showed that dissatisfied customers may bad-mouth the product to 10 or more acquaintances; bad news travels fast. Selling focuses on the needs of the seller. Selling is preoccupied with the seller's need to convert his product into cash through hard selling.

1. **The marketing concept:** The marketing concept holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competitors do. Market targeting is not sufficient by itself. It is not an end. After the market is targeted, the marketers must know what the customers in that market want. This can be obtained through market research and assessment.

In addition more attention given to consumers, companies have also been giving more thought to the competitions. It is not enough to satisfy customers if competitors are satisfying them just as well. It might be very difficult to dislodge if the competitors once set their foot on the ground in the market. What companies seek is a competitive advantage, something that sets them apart from their rivals and makes their product more appealing to customers. In other words, they produce tailored products to satisfy the target market.

There are, basically, two ways to establish a competitive advantage:

1) Offering the lowest possible price for a product, or

2) Offering a unique benefit that justifies an equal or higher price.

With the first approach the key to success lies in driving down costs so that a company can produce its products less expensively than its competitors can.

A company pursuing a second approach must analyze existing and potential customers to determine what matters most to them - delivery, service, style, image, reliability. Then it must create and communicate that quality better than competitors do. The marketing concept has been stated in colorful ways such as "we make it happen for you." To fly, to serve (British Air lines); "Going to great lengths to please you" Ethiopian Airlines; our business is service (Total).

There is some difference b/n marketing and selling concept. These two concepts are sometimes confused. The Selling concept takes an inside out perspective. It starts with the factory, focuses on the company’s existing product and calls for heavy selling and promotion to obtain profitable sales. In contrast, the marketing concept takes an outside in perspective. It starts with a well-defined market, focuses on customer needs, coordinates all marketing activities affecting customers and makes profit by creating long-term customer r/ships based on customer value and satisfaction. Under the marketing concepts, companies produce what consumers' want thereby satisfying consumers and making profits.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| - | Starting Point | Focus | Means | Ends |
| Selling  Concept | Factory | Existing  Products | Selling and  promoting | Profit through sales  Volume |
| Marketing  Concept | Market | Customer  Needs | Integrated  marketing | Profit through customer satisfaction |

1. **The Societal marketing concept**: The Societal marketing concept holds that the organization should determine the needs, wants and interests of target markets and it then deliver superior value to customers in a way that maintains or improves the customers’ and the societies’ well-being.

The marketing concept was regarded as appropriate strategy for forward- looking company and it was regarded socially quite acceptable because of its focus on customer wants and satisfaction. It has, however, been now widely recognized that it has a serious drawback – it takes into account only the short-run customer satisfaction and company goals and it ignores the long-run societal interest. The short-run societal interest could be in conflict with the long-run consumer welfare or the societal interests. For example, a product, which gives short-run consumer satisfaction, may have adverse effects in the long- run. Cigarette factories and automobile companies are good examples for this. There are also products the production of which causes environmental problem, ecological problem and the depletion of resources at all.

All these indicate that a socially responsible company must take into account the long-run consumer and societal welfare. As stated earlier, the drawback of marketing concept is that it ignores the long-run societal welfare and focuses only on the short-run benefits. It has, therefore, been felt that the marketing concept be revised incorporating the long-run societal welfare. Therefore, organizations must discharge their responsibility by producing pollution- less, environment friendly products in order to attain the long-run welfare of society thereby achieving organizational objectives.

## Scope of Marketing

Marketing is typically seen as the task of creating, promoting, and delivering goods and services to consumers and businesses. In fact, marketing people are involved in marketing through 10 types of entities: goods, services, experiences, events, persons, places, properties, organizations, information and ideas.

1. Goods/ products- any tangible offerings, which provide functional value/ benefit to customers/ consumers.
2. Services- are intangible products. As economies advance, growing proportions of the activities are focused on the production of services. E.g. work of airlines, hotels, car rentals firms, beauticians, maintenance and repair people.
3. Experience- by orchestrating/ arranging/ several services and goods one can create, stage, and market experiences. There is a market for different experiences. E.g. management contract.
4. Events- are happenings or usually something important. Marketers must promote time-based events such as Olympics, major trade shows, sport events and artistic events.
5. Persons- Celebrity marketing has become a major business. Celebrity is fame and honor. E.g., someone seeking fame would hire a press agent to plant stories in newspapers and magazines. Today every film star has an agent, personal manager and ties to a public relations agency.
6. Places- cities, states, regions, and whole nations compete actively to attract tourists, factories, company headquarters, and new residents. Nowadays, Far-East Asia is attracting huge multinational companies, as there is cheap resource for their business.
7. Properties- properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds).
8. Organization- organized body of persons or organized system. Organizations actually work together to build a strong favorable image in the minds of their publics.
9. Information - information can be produced and marketed as a product. In today's modern markets, marketing cannot take place without reliable information. Marketers have to know about the users of product, and customers or consumers have to know the quality of product through information.
10. Ideas- every market offering includes a basic idea at its core. Producers manufacture the product in the factories and they sell HOPE in the stores. The buyer of drill is really buying a hole. Products and services are platforms for delivering some idea or benefits. Marketers search hard for the core need they are trying to satisfy.

## Importance of Marketing

Marketing is a very important aspect in business since it contributes greatly to the success of the organization. Production and distribution depends largely on marketing.

Marketing covers advertising, promotion public relation and sales. It is the process of introducing and promoting the product or service to the market and encourages sales from the buying public. So marketing have the following importance:

* Marketing promotes product awareness to the public
* Marketing builds company reputation
* Marketing helps boost product sales and revenue growth whatever your business selling; it will generate sales once the public learns about your product through TV, Radio, Newspaper online advertisement and other forms of Marketing.

## The goals of marketing system

Marketing is not a one-time activity it is a continuous process and affects different parties with different interests such as, customers, suppliers, and the public etc.; most of the time the interest of these different parties conflict each other.

The marketing system generally has four goals:

1. **Maximizing consumption**- marketing stimulates maximum demand. Maximum consumption inter maximize production, employment and wealth.
2. **Maximizing Satisfaction**-owning one product gives sense when it maximized satisfaction to customers. Marketing systems maximize satisfaction by creating and providing quality products, variety products etc.
3. **Maximizing choices**—marketing system provides varieties. As a result the consumer will find products that fit to their exact taste.
4. **Maximizing life quality**—the participation of marketing system in environmental protection maximize the quality of life of consumer. As a result of this the life style consumers leads to quality of life achieved.

Note: Marketing management is the analysis, planning, implementation and control of programs designed to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organizational objectives.

THE END!