
UNIT 1 MARKETING ENVIRONMENT

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1.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the meaning of marketing;
- define the importance of marketing to organizations and consumers;
- differentiate between marketing and sales;

- discuss the conceptual framework of marketing; and
- identify the linkage of marketing and environment.

1.1 INTRODUCTION

Marketing is the process of communicating the value of a product or service to customers. Marketing might sometimes be interpreted as the art of selling products, but sales are only one part of marketing. As the term “Marketing” may replace “Advertising” it is the overall strategy and function of promoting a product or service to the customer.

From a societal point of view, marketing is the link between a society’s material requirements and its economic patterns of response. Marketing satisfies these needs and wants through exchange processes and building long-term relationships. It is a process of communicating the value of a product or service through positioning to customers. Marketing can be looked at as an organizational function and a set of processes for creating, delivering, and communicating value to customers, and managing customer relationships in ways that benefit the organization and its shareholders. Marketing is the science of choosing target markets through market analysis and market segmentation, as well as understanding consumer buying behaviour and providing superior customer value.

There are five competing concepts under which organizations can choose to operate their business; the production concept, the product concept, the selling concept, the marketing concept, and the holistic marketing concept. The four components of holistic marketing are relationship marketing, internal marketing, integrated marketing, and socially responsive marketing. The set of engagements necessary for successful marketing management includes capturing marketing insights, connecting with customers, building strong brands, shaping the market offerings, delivering and communicating value, creating long-term growth, and developing marketing strategies and plans.

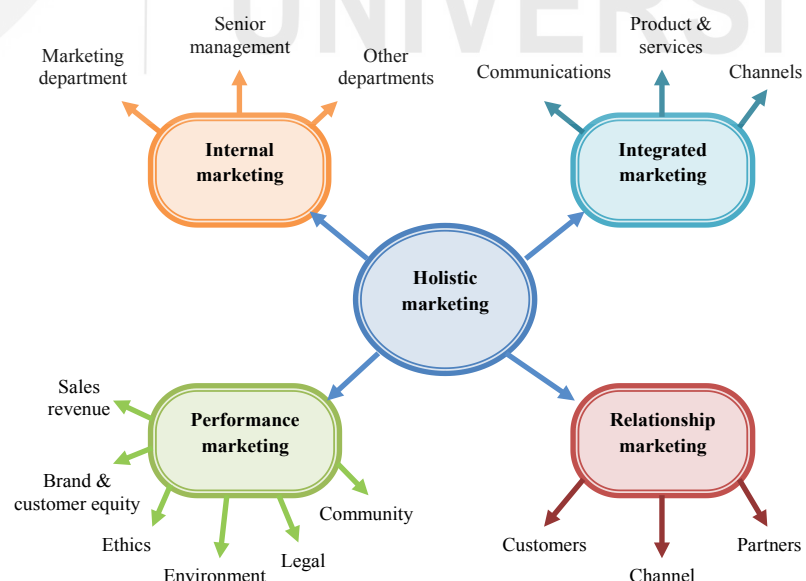


Fig 1.1: Holistic marketing concept

Source: <https://www.geektonight.com/marketing-concept-5-philosophy-of-marketing-management/>

1.2 CONCEPT OF MARKETING MANAGEMENT

“Marketing is the activity, set of institutions, and process for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners, and society at large”. (American Marketing Association 2007)

“Marketing management is an art and science of choosing target markets and getting, keeping and growing customers through creating delivering, and communicating superior customer value” (Philip Kotler and Kevin Keller – Marketing Management, 12th ed., 2006, Pearson)

“Marketing is the management process which identifies, anticipates and supplies customer requirements efficiently and profitably.” (Chartered Institute of Marketing 2001)

“Marketing is the social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.”
—Philip Kotler

In conclusion, we can say that marketing starts with the customer and ends with the customer. Start in the context of understanding the needs, wants, and demands of the customer; and ends with the customer in creating and delivering continuous value to the customer and creating customer delight. The organizations which practice and manage this concept efficiently can create and sustain profits, and gain a competitive edge in the competitive business environment.

Activity 1.1

Visit the nearby market and observe the customers at any retail outlet and give your own definition of marketing.

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1.3 IMPORTANCE OF MARKETING

Marketing is important for all sections of society. The importance of marketing to society and consumers and business firms are discussed in the following sub-sections.

1.3.1 Importance of Marketing to Society and Consumers

Marketing is very important for both consumers and society. Through marketing communications, consumers can decide between buying from the available options of goods or services they would prefer to possess. Effective marketing aids consumers to improve their cognition towards the various shortlisted choices. Marketing plays a big role in society also. It enables the consumers to be aware of their rights and privileges as a consumer. Effective marketing also cautions consumers about the evils prevalent in

society, which enables consumers to be more cautious in making the final choices to buy.

1. Marketing helps to achieve, maintain and raise the standard of living of the society

Marketing is a continuous process through which marketers innovate and launch new products and services which makes the lives of consumers more comfortable and satisfying, and ultimately enhances the lifestyle of individuals.

2. Marketing increases employment opportunities

Marketing offers career opportunities. These exist in the areas of selling, brand management, packaging, marketing research, supply chain management, and apart from this non-governmental organizations such as Hope and Cry provide great opportunities.

3. Marketing helps to increase national income

The nations' income is composed of the goods and services that money can buy. The increase in efficiency of marketing really results in a lower cost of distribution. Lower prices to consumers mean a real increase in the national income.

4. Marketing helps in creating utilities

Marketing creates utilities in the areas of form, place, time, and possession utility.

- **Form Utility:** Form refers to the product or service you offer your customers. Your marketing team carries out research into customer needs to develop a specification for a product or service. Your product development team can then develop a product or service that meets customers' needs and provides your customers with important business benefits such as lower costs, improved productivity, easier installation, or stronger competitive advantage. Your marketing team is creating utility by transforming customers' needs into products or services that deliver added value.
- **Place:** The utility of place refers to the availability of a product or service in a location that is convenient to your customers. In business marketing, the place can refer to the convenience of your distribution channels or direct sales operations. By improving the utility of place, you are ensuring that your customers will find it convenient to buy your product. If you market services, you can improve utility for your customers by developing self-service facilities on your website, for example. Customers can find answers to straightforward technical problems or post questions on a forum where your team or other customers can provide answers. Fertilizer and seeds companies establish temporary warehouses in the sowing season next to villages to aid farmers to get fertilizers and seeds at a convenient place and optimum pricing near the farmlands
- **Time:** By focusing on the utility of time, you can ensure that products and services are available when customers need them.

Logistics plays an important role in improving the time utility. By developing an efficient supply chain, you can ensure that products are delivered on time. Late delivery could impact your customers' own productivity and efficiency if your company is part of their supply chain. In service marketing, you can deliver utility by offering service and support 24 hours a day, seven days a week. That kind of service would add real value if it reduced customers' downtime. Rural distribution has also gained momentum as companies see great opportunities in these areas, for example, Mahindra & Mahindra and Tata has dealerships in rural areas and along with that provide loans to buy tractors and utility vehicles at low-interest rates, and above that, they have the excellent after-sales network to aid rural population.

- **Possession:** The utility of possession gives your customers ownership of a product or service, enabling them to derive benefits in their own business. If you provide customers with a high-performance component, for example, your customers can use that component to improve the performance of their own product. Possession has given them a strong benefit. You can improve the value of possession by offering business customers financing options, for example by leasing products rather than outright purchase. This is very common today for agricultural farm implements for example harvesters leasing during harvesting season, and companies like Mahindra & Mahindra and Tata banks also offer loans at a reasonable rate of interest to buy farm utilities in the likes of utility vehicles, tractors, and farm implements.

1.3.2 Importance of Marketing to Business Firms

- **Marketing generates revenue for the firm:** Effective marketing strategies improve revenue for the firm. The firms that understand the changing needs, wants, and demands of the consumer reap better benefits in the manner of sustained profits.
- **Marketing enhances customer awareness and creates corporate image:** Marketing aims at creating and sustaining brand equity by rejuvenation and revitalizing the brands over some time. For example brand like surf has become generic brand. Consumers recognize the brand with logos, symbols images, or captions. With an established brand name, it becomes easier for marketers to expand and grow in existing as well as new markets globally. Business firms create image and goodwill through the innovation of products, which is possible through the profits earned from sales.
- **Marketing helps top management to manage innovation and changes:** Marketing is all about continuous innovation in products and services offered by the firm and is driven by customer needs and wants and also with competitive innovation and change. This forces the top management to improve in the areas of research & development and continuous change and innovation in technology to

keep profits alive. With businesses going global today the firms have to continuously innovate and change to create and sustain utility for themselves and consumers.

- **Changing with the marketing dynamics:** Today companies are choosing a marketing-led philosophy to aid them to win market share, and also for customer retention, and acquisition of prospective customers. It has today become all about adding and sustaining benefits offered to the customer. Today customer is regarded as the queen as they have to be pampered and retained as the customer acquisition is becoming costlier due to the increase in the marketing costs.

1.4 MARKETING PHILOSOPHIES AND CONCEPTS

The marketing concept is the philosophy that firms should analyze the needs, wants, and demands of their customers, and then makes the decision to satisfy those needs, wants, and demands better than the competitors, to earn and sustain profits. Today most firms adopt the marketing concept. But this has not always been the case. To better understand the marketing concept it is worthwhile to review other philosophies that once were predominant. While these alternative concepts prevailed during different historical time-frames, they are not restricted to those periods and are practiced by some firms even today.

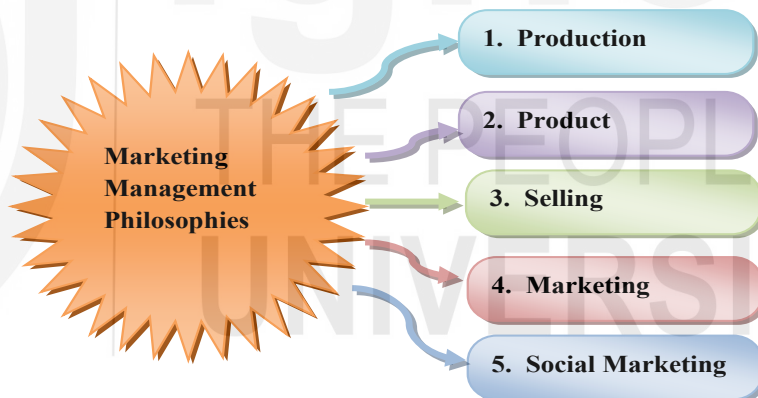


Fig. 1.2: Marketing Management Philosophies

Source: <https://www.geektonight.com/marketing-concept-5-philosophy-of-marketing-management/>

1.4.1 Production Concept

According to this concept, profits can be maximized by producing at a large scale, thereby reducing the average cost of production. It was presumed that consumers would prefer those products which are widely available at affordable prices. Thus availability and affordability were the keywords for the success of a firm. The major drawback of this concept was that mere affordability and availability of the product could not ensure the increase in sales. This concept was dominant at the beginning of the 20th century, as the disposable income of consumers was low, and mass production was still in its initial stage. Customers in this era were completely ignored, as they had to buy what was produced. Example Henry Ford's Model T. "You can have

any colour you want as long as it is black”, he said. In this situation, he can't improve its productivity for the choices of colours because the product's cost is too high in making thousands of cars. More to say, they only provide one black colour. This means they didn't think of the customers. Take yourself as the customer, what colour do you want? Green, Blue, or White?

1.4.2 Product Concept

According to this concept, the business goals could be realized when products of high quality are produced. Therefore the emphasis of the firms was shifted from quantity to quality of products. Thus product improvement became the key to the profit maximization of a firm. However product availability and quality did not ensure the survival and growth of the firm because of a large number of sellers selling the quality product. This concept was hence based on the assumption that a good product will sell itself and marketing was regarded as a secondary activity.

1.4.3 Selling Concept

This concept is based on the adoption of aggressive selling and promotional efforts because of consumers buying inertia and resistance. The assumption is that if the consumer is left alone, he would not buy enough of the firm's products. The firm must put its products through aggressive selling and promotional efforts. However, the buyers cannot be manipulated every time. This strategy is good only in short term, as it focused only on selling in numbers and ignoring the needs and expectations of the customers. This strategy is most likely to be found among companies that sell unsought goods or products that people are unwilling to seek on their own, such as insurance.

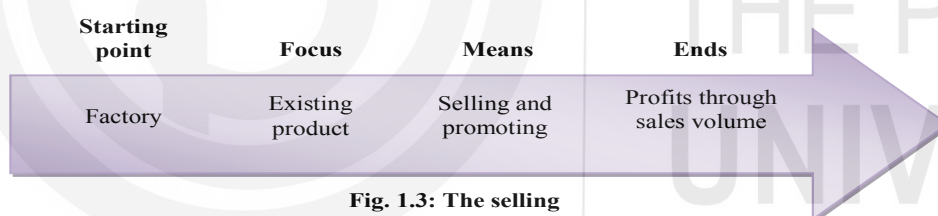


Fig. 1.3: The selling concept

1.4.4 Marketing Concept

It implies that the focus on consumers' needs, wants and demands is the key to the success of any business firm. It assumes that in the long run an organization can achieve its objectives of profit maximization and increase in market share by identifying the needs, wants, and demands of its present and prospective buyers. The firms don't sell what they make; rather they make what they can sell. The following are the pillars of the marketing concept:

- Identification of market or consumers who are chosen as the target of marketing efforts
- Understanding the needs, wants, and demands of the target market
- Development of products or services for satisfying the needs of the target market
- Satisfying these needs better than the competition

Hence in this, the orientation is strictly towards satisfaction of changes in the needs, wants, and demands of the buyer. Example: Many successful and well-known global companies have adopted the marketing concept. Procter & Gamble, Marriott, Nordstrom and Mc Donald's, and Pizza hut follow it faithfully. Toyota, the highly successful Japanese car manufacturer, is also a prime example of an organization that takes a customer- and marketing-oriented view of its business.



1.4.5 Societal concept

The critics of the marketing concept argue that blindly following the goal of identifying customers' needs and satisfying them has led to some social and environmental problems such as pollution, wastage of natural resources. In other words, marketing should also enhance social well-being. Thus, business firms need to be concerned about the ecological and ethical aspects of marketing. Social objectives must be given due importance. This concept also emphasizes on the aspect of treating consumers as human beings with minds, hearts, and spirits instead of simply treating people as consumers. Through this, the profits of the company can be kept alive for a longer period. This concept also encompasses the concept of relationship marketing both with internal and external customers. Internal being the employees who work with the organization and external who buy and consume companies goods or services.



Fig 1.5: Societal concept

Source: <https://www.iedunote.com/societal-marketing-concept>

Check Your Progress 1.1

- Note:** a) Use the spaces given below for your answers.
b) Check your answer with those given at the end of the unit.

- 1) How has marketing changed over time?
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.....
- 2) What is the selling concept?
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.....
- 3) What is place utility?
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Activity 1.2
Analyze how your needs, wants, and demands as a consumer have changed. What were the factors that contributed to these changes? Take a suitable example.
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1.5 CHARACTERISTICS OF MARKETING

The major feature of the marketing-oriented organization is that they are aimed to stay closer to the customers and ahead of their competitors. The reason is that the basic aim of these organizations is to attract customers. Four major characteristics define marketing-oriented organizations including shared values, organization, strategy, and stakeholders. Firstly, all decisions of these companies consider the customers first and they share the common value of superior quality of products. Secondly, their organizational structure has very few layers and their policies are not very difficult. Thirdly, the strategy of a market-oriented organization is long-term, flexible, and participative. Finally, they consider the expectations of the stakeholders before making any important decision.

1.5.1 Marketing is an organization-wide function

As a business philosophy, marketing is not one function amongst others, the responsibility of only the marketing department, rather all departments in the organization contribute to it. "Marketing's future is not as a function of business, but as the function of business" In an organization, the front office staff is the first contact point and creates an impression. (Moment Of Truth) as the customer goes forward from that point he comes into contact with the other departments such as finance, sales, logistics, etc. Hence nearly all departments are equally involved in a marketing job. Thus we don't say

that marketing is more important than other business functions. They are all essential. But everyone in the organization must understand the importance of being marketing-oriented. Everyone has to take customer perspective as the first priority as s/he is profit for the company.

Adopting a marketing approach to business provides the following benefits to business firms.

1. Builds customer loyalty
2. Keeps organizations in-touch with the ever-changing needs of the customer
3. Provides instant feedback
4. Creates Moment Of Truth at every interaction that the customer encounters
5. Generates products more likely to find a ready market
6. Builds and sustain the goodwill of the organization
7. Offers the opportunity to generate a price premium

1.5.2 Customer oriented

All marketing activities revolve around the customer as mentioned earlier. The customer is both the start and the endpoint of all marketing activity. Hence marketing exists to satisfy the needs and wants of the present and potential customers and build and sustain competitive edge and profits for organizations. Customer feedback is valuable to all marketers as it helps them to improve product features, advantages, and benefits offered to the customer.

1.5.3 Value through exchange

Marketing is an interactive exchange between a firm and its customers. The fundamental objective of marketing is to create value both for the customers as well as the firm. Within the organization, marketing creates value in terms of superior value to shareholders, and outside of the firm to customers. In short, we can infer that value for all stakeholders. Marketing is more than simply advertising or selling the product. It involves developing and managing a product that will that would eventually satisfy the customer's needs, wants, and never-ending demands. Value is delivered through the exchange. All exchange activities have to be win-win relationships. In this process, we have marketers on one side and customers on the other. The marketers are adopting better technologies to constantly interact with the customers and make the process of exchange simpler and more manageable for both. Marketers compete in order to give better value propositions to the customers, in terms of offering innovative products, at an optimum price, at an arm's length (Place), and through new and innovative media of promotion, and above all welcome and act fast on the feedback offered by the customer.

1.5.4 Building relationships

Marketing relationships with the customers is the most important for all businesses. It is all about customer acquisition – retention – building and sustaining customer loyalty. This aids the organization build and sustaining

profits. Companies should also develop strategies to regain the customers who have abandoned the firm. Relationship marketing continuously deepens the trust and confidence in the buyer in the firms' offerings. According to an estimate, it is five times costlier to acquire a new customer than customer retention; hence companies save marketing costs by building and sustaining cordial relations with the customers.

1.5.5 Marketing is an integrated process

Marketing is not a single activity. It is rather a coordination of several inter-related activities. The interaction between different activities gives a unique character to marketing. Marketing is a managerial process in so far as it involves the function of planning and control. Marketing is also a social process as it is concerned with the satisfaction of human needs and wants, and this is one of the most important characteristics of marketing.

1.5.6 Marketing is pervasive

Marketing is required in business as well as in social and other organizations. In other organizations marketing is necessary for spreading socially useful ideas and programs such as family planning, adult education, strategies to increase crop yield per hectare, communal harmony, national integration, environmental protection. This marketing concept is called social marketing

1.5.7 Marketing is part of the total environment

The marketing environment includes competitive, economic, political, legal and regulatory, technological, and socio-cultural forces and each of these forces affects the marketing mix. The environment has an impact upon customers' lifestyles, the standard of living, and changes in tastes and preferences towards various products or services. Marketing environment forces fluctuate dramatically and the marketers need to adjust fast and promptly to these changes in order to build and sustain profitability. The recent changes in the environment in India have given an opportunity to various multinational companies to explore and establish businesses in India. The marketing environment is always termed as being dynamic as it is constantly changing.

1.6 DIFFERENCE BETWEEN MARKETING AND SALES

In general, we use 'marketing' and 'selling' as synonyms but there is a substantial difference between both concepts. Hence it becomes imperative for a successful marketing manager to understand and interpret these differences. Selling has a product focus and is mostly driven by the producer. This is a shortcut to achieving market share, where the needs, wants, and demands of the consumer are completely ignored and the emphasis is to earn short-term profits through maximizing sales. There is no emphasis on creating and sustaining brand equity in the market place and also the consumer is totally ignored in the sense of not having the customer relationship management concept in the place where the emphasis is laid only on customer acquisition, by offering better pricing and special discount

offers, not on customer retention. Hence the profits are for the short-term. The emphasis of the selling aspect is overall on that “somehow the sale must be done” Here the main focus of the manufacturer the sales activity should commence immediately after production in order to realize the cost and profits over that. Hence the organization that follows a selling orientation the major philosophy or thought is that selling converts the product into cash for them in the short run. Hence this is not a forward-looking orientation. It is the action part of marketing only and has short - term goal of achieving market share. The emphasis is on price variation for closing the sale where the objective can be stated, as "I must somehow sell the product". This short-term focus does not consider prudential planning for building up the brand in the marketplace and winning competitive advantage through a high loyal set of customers. The end means of any sales activity is maximizing profits through sales maximization. When the focus is on selling, the businessman thinks that after production has been completed the task of the sales force starts. It is also the task of the sales department to sell whatever the production department has manufactured. Aggressive sales methods are justified to meet this goal and customers' actual needs and satisfaction are taken for granted. Selling converts the product into cash for the company in the short run.

Marketing as a concept is much wider orientation than selling, also more dynamic as the focus here is on consumer needs, wants, and demands and satisfying them, Marketing consists of all those activities that are associated with the marketing mix and service elements such as product planning, pricing, place (distribution), promotion, and post-sale service. In other words, the marketing activity starts with the consumer and ends with the consumer. Starts in the sense of identifying the needs, wants, and demands of the consumer and ends with consumer delight and feedback post consumption as to what extra the consumer is looking for in the product to increase the factor of consumer delight. Marketing is a prelude to the selling concept that is guided by the ever-changing consumer needs, wants and demands, it's a long process of activities starting from needs identification, production, packaging, pricing, distribution, promotion, selling, and then continue working towards adding consistent value to the consumer. The product offering is as per the buyers and not sellers. Seller develops and markets products as per the consumers changing needs, here the aspect of changes in the consumer behaviour is given a priority whereas in selling orientation it is completely ignored. Selling is all about applying tricks and tactics of getting the cash from the customers through the exchange of the company's products. It hardly bothers whether the consumer is satisfied with the product and what is the value that the consumer is looking for or actually derives after consumption of the product. Whereas marketing is a more integrated activity to ascertain the needs, wants, and demands of the consumer and then satisfy them at a profit. The profits of the business firm would be consistent only if the firm continuously innovates and make necessary improvements in their products or services to create ultimate value for the consumers.

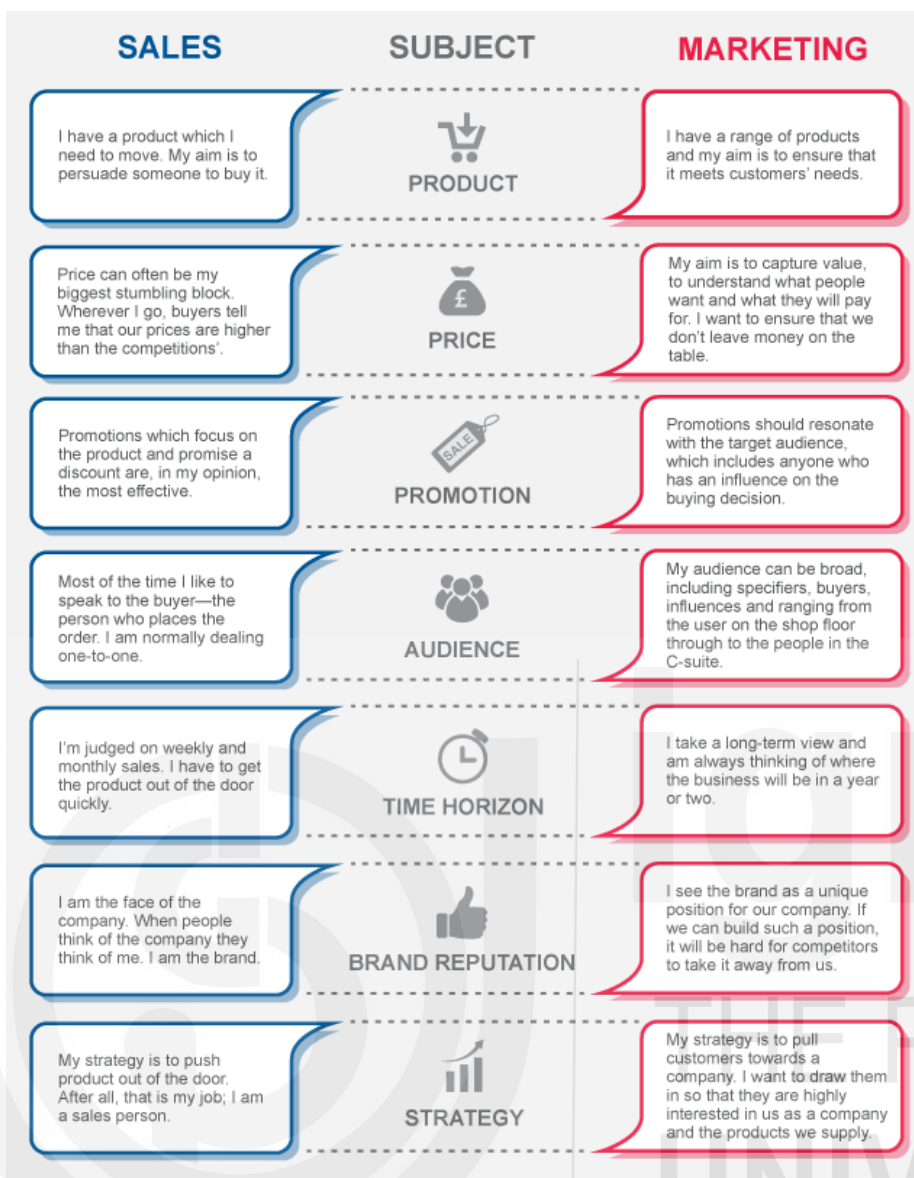


Fig. 1.6: Difference between marketing and sales

Source: <https://www.b2binternationalusa.com/publications/sales-vs-marketing/>

1.7 MARKETING ENVIRONMENT

The consumer is guided by basic instincts before making any purchase. Marketing is a subsystem of the total system with basic characteristics of interaction, interrelation, and interdependence. The marketer is in a state of constant flux because of the dynamics of the environment. The environment is bouncy i.e. the changes are quick and unprecedented, but like most things in business, rapid change is a double-edged sword – a threat but also an opportunity. If adaptation is quick towards these changes then the companies get a competitive edge and would be able to sustain longer in business. The marketing environment can be broadly categorized under two heads internal and external environment.

1.7.1 Why do companies scan the environment?

1. To Analyze the strengths, weaknesses, opportunities, threats, and trends

A proper analysis of the business environment appraises the marketer of these aspects. Strengths and weaknesses are internal to the organization and opportunities, threats and trends are to be scanned from the external environment.

2. To study the changes in human demographics and lifestyles.

Human needs, want, and demands are on a constant change with change in income, learning, urbanization, ruralization, changing socio-cultural patterns, etc. Lifestyles are also constantly changing. This comprises human activities, interests, and opinions. The marketer needs to keep abreast with all these changes to make requisite changes in product design and attributes offered to the consumers.

3. To understand and comprehend changes in the regulatory policies.

Government policies and regulations keep on changing with time to make markets more competitive and enhance the choices given to the consumer. Moreover, in the broader sense of it to know about changing economic and political trends globally, in order to make their business more competitive and fulfill the needs of the consumer at a profit.

4. The choice to manage relationships.

Organizations have the choice of how to manage relationships with the environment. They have the choice to be reactive or proactive, i.e. proactive in the sense of visualizing and making suitable adjustments in their strategies to manage the environment, or reactive in the sense of acting on the changes as and when they happen. A successful organization plays a proactive role and plans for the future by taking into account the changes that might take place in the future.

5. To make requisite changes in the recruitment strategies.

The labour market has also changed drastically from the 1960s till today. The organization is constantly looking to upgrade talent by hiring and retaining the best employees.

1.7.2 SWOT Analysis

The proper evaluation of the environment is just not possible without a proper SWOT analysis, since it tries to identify (S) strengths (W) Weaknesses (O) Opportunities, and (T) Threats. Recently there is no more T attached to the scanning of the environment which is termed as Trends. So now it has changed to SWOTT. The trends are today changing fast for example trends towards junk food, fashion, gadgets, hairstyles, brands, consumer spending, Strengths, and weaknesses are located in the firms' capability in the terms of enhancing employee skills, resources in the terms of financial, human capital and technological. Organizational culture, organization structure, and management style; whereas opportunities and threats are linked to the external environment and are characterized by the changes occurring in the areas of cultural, political, legal, economic, global happenings, economic, trade. Companies that constantly monitor such changes both within the four walls of the organization and outside can exploit opportunities and minimize threats. It is all about the firms being reactive or proactive to these changing situations.

Internal Environment- (Trends)

Marketing Environment

Strengths	Weaknesses
Opportunities	Threats

External environment- (Trends)

1.7.3 Internal Environment

The internal environment appraises the strengths and weaknesses within the company. Proper assessment of the internal environment appraises the organization where they lack, and by overcoming these shortcomings the firms can achieve competitive advantage. This helps the organization to understand the pitfalls or gaps between the areas of planning implementation and ultimately performance, in order to develop and sustain advantage vis-a-vis competition. The internal factors include the following:

1. Corporate culture
2. Organization structure
3. Marketing competence
4. Financial stability and performance
5. Resource availability
6. Customer relationship management
7. Human resource policy

1.7.4 Meso Environment

Meso environment basically decides the competitive position of the industry vis-a-vis the organization we study. The environment comprises of those organizations or groups with which the firm maintains contacts and the firms' performance is being affected by those groups. It talks about demand analysis, suppliers, distribution channels, strategic partners, competition and business proposition,

Mesoenvironment or competitive environment can be best understood through Porter's five forces industry analysis.

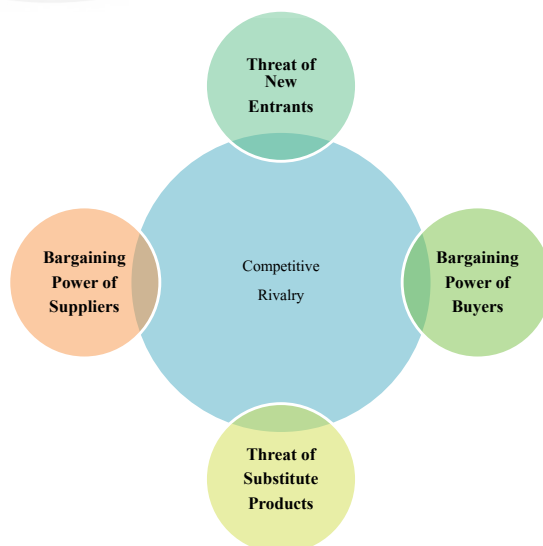


Fig. 1.7: Five Forces model

Source: Adapted from M.E. Porter

a. Threat of New Entrants

In this competitive era, very few industries remain static, they are always under threat of new entrants in the field, these new entrants change the rules of the game and bring with them new innovative ideas. Entry of private companies in fertilizer like Tata Chemicals setting up of Tata Kissan Kendras in rural India and ITC Limited setting up e – choupals as a one-stop shop to handle queries on agriculture of Indian farmers, right from procurement of high-quality fertilizers and seeds and increasing yield per hectare. All this is posing threat to companies owned by the government of India such as IFFCO, KRIBHCO, etc, hence they have to employ aggressive strategies to reach rural farmers and give them value for money. Another example could be of low cost carriers in Indian skies, with the entering of Tatas the aviation industry is in for big overhauling, they have tied with Air Asia and to start operations by October/November 2013. They have posed a big threat to Spicejet, Jet air, air India, Indigo, and Go air. Entrant's entry depends upon the barriers of entry that may exist in any given industry. Entry may be restricted because of high capital requirement, late entry, achieving of scale be a necessity and above all exit barriers.

b. Threat of substitute products

“Competitors may hurt you but substitutes can kill you” Substitutes present a threat if switching costs are low (like, mobile number portability has posed competition for existing mobile service providers) While deciding our place in the industry, we must analyze the alternative product offerings and to what extent they meet needs and wants of customers. A new product may eliminate the need for the previous product like cassette tapes were replaced by compact discs. There is also a danger of generic substitution, i.e consumers may decide to buy a car instead of going for a foreign holiday

c. Bargaining power of buyers

Buyers today dictate the market; the basic need of the buyers is to buy quality products at optimum prices, so the firms which provide the buyers these benefits can reap benefits. Companies today are trying their best to reduce costs as they could pass on the benefit to the buyer in the sense of offering a lower price than the competition. Foreign retail businesses are knocking on Indian doors; buyers are viewing it as a great opportunity to offer them better value for money. Hence in today's scenario buyer is termed as Queen, Why? Because she needs constant pampering, as today customers also need the same.

d. Bargaining power of suppliers

The number of suppliers shall determine whether the industry shall have a competitive position in buying. If the number of suppliers is few in an industry dominated by a large number of competitors, the suppliers shall have more bargaining power. If the suppliers can supply unique customized products they have better bargaining power. Hence industries today buy from multiple suppliers to get better prices, have continuous supply even in times of shortages, and ultimately bargain better pricing and hence have a competitive edge over the competition. Auto manufacturers today have set up OEMs (Original equipment manufacturers) to lower their costs of buying and to keep the bargaining power of suppliers in check.

e. **Competitive Rivalry**

The rivalry depends upon several operators, each one is continuously looking to grab the market share of other competitors, for example, Samsung with the introduction of android technology has taken away the market share of Nokia. New entrants in the automobile market have made a dent in the market share of Maruti Suzuki. Even in the case of low-cost carriers offering discounts and freebies has become a norm due to competitive forces.

1.7.5 **Macro Environment**

A company can neither control nor influence the macroeconomic environment. The macro-environment can be summed up by the abbreviation STEEPLED –

Where, S stands for socio-cultural, T for technological, E for economic, E for ethical, P for political, L for Legal, E for environmental also termed as natural, and D for demographic.

a. **Socio-Cultural environment**

The social environment includes cultural aspects as well. How do we behave as consumers, consumers depend upon values, attitudes, beliefs, past experiences, norms, customs, and the most critical factor today is lifestyle. All these forces determine and influence what, why, how where, how much, and when people buy products or services. These offer both opportunities and threats.

Three areas need specific attention.

1. **Demographics:** Broadly speaking this is the study of people, how have people changed with changing times, in their needs, wants, demands, and moreover in lifestyle, buying habits, education, and income.
2. **Values:** these comprise core values that come from family norms and beliefs.
3. **Consumerism:** This is a movement that began in the west it embraces the rights and privileges of consumers and protection of their rights.

Culture includes language as a medium of communication between marketer and consumer, religion, and social institutions to which buyers belong. There is also the influence of social networking sites like Facebook, Twitter LinkedIn, etc on buying patterns as it has offered a great opportunity to buyers to interact in virtual space and share experiences of products or services purchased and used. With more females now taking on the roles of working, the discretionary income of the family is hiked and the buyer is now looking for branded products that offer them better value for money and of course quality. The demographic trends in rural markets are also fast changing in India, as mentioned earlier the concept of Rurbanization is fast catching up with the growing incomes of the rural customer, and the shift of population from rural to urban areas.

b. **Technological Environment**

Technology has always played a big role in overall human development and growth. Recently there has been a big roar globally on the technology issue of leading brands like Apple and Samsung. Many new technologies have evolved which have made human lives more comfortable, like the

innovation of microwave ovens, televisions today changing to SMART. Mobile phones today have shifted towards android technology to offer consumers a pleasing experience, technology in the areas of automobiles.

c. Economic Environment

The economic environment changes rapidly. This has a far-reaching impact on the marketing strategies of marketers. The economic environment includes the economic system of the country (Capitalist, command, or mixed economy), economic policies (fiscal, Monetary, and commercial), level of development (Developed, developing, underdeveloped and third world), sector-wise conditions (agriculture, industry, and growth in service sectors), Foreign trade, the balance of payments and economic growth (GVAs) foreign exchange and gold reserves, distribution of incomes, competition, business cycle(overall pattern of change in the economy).

Increasing growth rate is an opportunity for global companies to invest here; Indian market offers a great opportunity for foreign investors as this market has growing incomes of buyers and the complete change in demographic trends of owning brands and buying goods which enhance the overall lifestyle. The economic environment also encompasses the rate of interest, price hike, and inflation index. The exchange rate is a very important aspect of the economic environment, it affects the imports and exports scenario. Consumer spending is based on the economic conditions of any country.

d. Ecological environment

Natural resources today are getting depleted globally, the global warming aspect is catching up, the biodiversity aspect needs to be taken care of, the governments, people, NGO's, and companies are becoming more aware of their ecological surroundings and have become more considerate towards saving the environment. In the past, there have been various legislations passed by the Government of India in this regard i.e. to safeguard and maintain the ecological balance. Companies have started to concentrate on the aspect of green marketing i.e. in the areas of packaging and disposal of waste both at the factory and at the level of consumer.

e. Political environment

There has been always a linkage between politics and business. Political environment refers to the political system followed by the country; it typically depends on the ideology of the ruling party, the political stability, the other parties, and public opinion. Political instability is a big threat to business. Another case was FDI in the multi-brand retail sector; the issue took a long time to be resolved as it had come under major criticism. Hence political environment needs to be conducive for companies to do business and satisfy the changes in the needs, wants, and demands of the buyer.

f. Legal environment

Law is a complex set of rules and institutions. It consists not only of the formal rules as per the constitutions, statutes, or precedents, but includes the legal practices that may or may not follow the formal law, ignorance of the law is not an excuse if not followed as per the set guidelines. Thus the legal environment refers to the framework of laws, regulations, and court decisions intended to encourage, guide, and control business activities. The

laws relate to consumers, workers, firms, and communities. Other relates to the enforcement of contracts; and products, pricing, channels of distribution, promotion, sale of goods, negotiable instruments, and market entry laws. The legal environment also plays a critical role for companies embarking on global expansion as the study of the host country's legal environment becomes imperative to minimize the risks of doing business in a faraway land. They have to be aware of the legal framework and laws pertaining to conducting business effectively, which enables them a better understanding of prevailing conditions, and also to minimize the entry and exit barriers and in case of any legal disputes, they are aware of the methodology for redressal.

g. Ethical environment

Marketing ethics is the area of applied ethics that deals with the moral principles behind the operation and regulation of marketing. Some popular areas of marketing ethics are advertising and sales promotion. These overlap with media ethics. These days the ethical values among marketers are diminishing, most of them are wanted to earn huge profits in a short time. Hence these practices are normally noticed in making wrong commitments to the consumers, unethical advertising, i.e. to portray the features, advantages, and benefits of the product and services which they might not possess. These ads misguide the buyer and hence result in making wrong buying decisions. Though with the growing education levels of the Indian consumers, they are becoming aware of these malpractices, they seek physical evidence of the product before they make the final decision to purchase. Ethics is all about the application of moral principles, which guide the conduct. The major ethical dilemmas facing marketing professionals fall under three categories. Tobacco, alcohol, consumer privacy – for example getting calls on your mobile phones of various firms especially in the service sector, we wonder from where they got our numbers. This is all about ethics.

h. Demographic

As mentioned earlier demography in a broad sense means the study of people, it includes factors like education, ethnicity, income, lifestyle change, the shift of population from rural to urban. These entire factors influence consumer buying decisions, and the marketers are working hard to study and analyze these changes and cater their products and services to these changing needs, wants and demands of the Indian buyer.

Activity 1.3:
Study the changes in the tastes and preferences of people at your workplace or in your own family, and analyze the changes taking place in the demographic environment. After analysis conclude why is the study of demographics so important for a marketer to study and analyze?

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Check Your Progress 1.2

Note: a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

1) What is customer relationship management?

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2) The demography of Indian consumers is changing very fast. Comment?

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3) India is now the growing market for foreign investors. What factors have contributed to this change?

1.8 LET US SUM UP

In this unit, we have discussed what is Marketing, the concepts and philosophies of marketing, the difference between sales and marketing, micro and macro environment. All marketing activities revolve around the consumer, i.e. to identify the changing needs, wants, and demands of the buyer and satisfying them at a profit by business firms. Marketing is always done with a profit motive in mind, but the sustenance of any organization depends upon accurate planning and execution of marketing plans, and these are based upon the environment both micro and macro. The success of any company depends upon how they delight their customers at all times, and innovate changes in the product design and value offered to the consumer. Selling is also a very integral part of a company's strategy as it ensures sustained profits and it gives first-hand and accurate feedback to the organization to improve the value to the customer. Even NGOs make a profit, to meet their daily expenses; they also stress marketing planning and proper execution of these plans.

1.9 KEYWORDS

- **Building relationships:** A basic term used in customer relationship management, marketing is all about building and sustaining relationships between the buyer and the seller.
- **Business markets:** Buy goods and services for further processing or use in their production process.
- **Consumer markets:** Individuals and households that buy goods and services for personal consumption.
- **Environment:** A company's marketing environment consists of the actors and forces outside marketing that affect marketing management's ability to develop and maintain successful relationships with its target customers.
- **International markets:** buyers of all types in foreign countries.
- **Marketing:** Marketing is the basis of all economic activities, it is to develop products to the needs of the consumers, select the best pricing method for selling, determine proper place of distribution,

and communicate with present and prospective buyers about product features, advantages, and benefits offered vis-a-vis competition. It is all about creating and sustaining value for both company and the consumer.

- **Moment of truth:** Every time that a customer interacts with the marketer, their expectations rise over the previous encounter.
- **Reseller markets:** Buy goods and services to resell them at a profit).
- **Government markets:** agencies that buy goods and services to produce public services or transfer them to those that needs them.
- **Rurbanization:** This is a term associated with the rural population being more exposed to the urban way of living, is turning from rural to urban. The factors contributing to this are media, and the rural population from nearly every household work in urban areas and bring back new ideas, and thoughts that have changed the thinking of rural masses towards more of urban today, this is observed especially in the change in buying patterns of the rural consumers.
- **Selling:** It has a product focus and is mostly producer-driven. It is the action part of marketing only and has a short-term goal of achieving market share. The emphasis is on price variation for closing the sale.

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1.11 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress 1.1

- 1) Marketing has changed over a period of time as the needs, wants and demands of the buyer have changed. The changes have been in the areas of rising incomes, increased learning, and exposure to international brands. The economic, demographic, and regulatory environment has changed at a brisk pace, the government of India has opened doors to transnational companies to establish businesses in India. This has given the customer a better choice of products and services to select from, and also companies have turned attention towards consumers' needs and wants due to an increase in competition. Rural markets in India also offer a great opportunity to Indian marketers to enter and earn profits due to the rising incomes and change in tastes and preferences of the rural consumer. Hence marketing has taken a 360° turn.
- 2) The concept is based on the adoption of aggressive selling and promotional efforts because of customers buying inertia and resistance. The assumption is that customers if left alone would not buy enough of the firms' product. The firm must put its products through aggressive selling and promotional efforts.

Drawbacks: Buyers cannot be manipulated many times. This is good in the short term only.
- 3) Customers do not travel distances to buy goods or services, they demand that all these should be available to them at an arm's length and at the time when they require the same. For example, Mahindra & Mahindra and Tata offer rural customer farming implements and utility vehicles, they have set up dealerships in rural areas giving the customer the place utility as they do not have to travel distance to buy.

Check Your Progress 1.2

- 1) This is all about customer acquisition, retention, and building customer loyalty over some time. It applies to both pre-sales and post-sales.
- 2) Demography is concerned with the study of people. This is fast changing as with the change in incomes, education and most importantly lifestyle of the consumer. Marketers have to keep abreast with these changes, to create and sustain continuous value for the buyer and in turn for the marketer.
- 3) The factors which have contributed to the entry of many foreign players are changes in demography, economic policies of the Govt of India, changing global marketing environment, and socio-cultural changes.



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