

BLOCK I:
MARKETING CHALLENGES

- Unit 1 : Introduction to Marketing
- Unit 2 : Marketing Challenges in a Liberalizing and Globalizing India
- Unit 3 : Holistic Marketing Concept; The Value Framework
- Unit 4 : Global Marketing Environment: Measuring Demand and Forecasting
- Unit 5 : Relationship of Marketing with Other Functional Areas

Unit-1

Introduction to Marketing

Unit Structure:

- 1.1 Introduction
- 1.2 Objectives
- 1.3 Concepts of Market And Marketing
 - 1.3.1 Core Concepts of Marketing
 - 1.3.2 Importance of Marketing
 - 1.3.3 Functions of Marketing
- 1.4 Evolution of Marketing
 - 1.4.1 Marketing Philosophy
- 1.5 The Marketing Mix
 - 1.5.1 Elements of Marketing Mix
- 1.6 Summing Up
- 1.7 Model Questions
- 1.8 References and Suggested Readings

1.1 Introduction

Social beings knowingly or unknowingly are influenced by marketers to choose a product or service in particular. If you find yourself sitting at a restaurant with a friend and munching onto something that you probably have found it on the restaurant's social media page, just know that you are influenced by the whole marketing team who die-heartedly have been working to create a relation or an exchange process between you and the producer. In the present situation, where the customers are exposed to products and services of wide range, value and choice, it is an immense task of the marketers to deliver customer value amidst the wide changes and competitions.

However, when asked about marketing, people often define it as selling or advertising. But to be precise, they are only a part of marketing. Marketing is an activity that results in making products available for customers and satisfying their needs while making profits for the businesses that offer the products to the customer. To satisfy the needs, the human wants are first recognized, then necessary information are gathered to design the products in order to fulfill the buyer's expectations and thereafter, develop cordial relationship with the customers. Hence, it can be said that the term marketing

is comprehensive in nature. The function of marketing personnel gets started even before the production commences and continues till the after-sales service. Their main focus lies on satisfying the consumers' needs and wants through an exchange process. It is not an easy task for the marketing personnel as the task must be done at a profit. The personnel have to be aware of challenges such as- what his competitors are doing and what they are upto in near future, new rules and regulations of the government, and the economy as a whole so that he could make profit for his company.

1.2 Objectives

After going through this unit you will be able to:

- know the definition of market,
- know the concept of marketing,
- distinguish between market and marketing,
- understand the basic concepts underlying marketing,
- identify the objectives of Marketing,
- understand the functions of marketing,
- trace the origin of marketing and explain how it has evolved,
- analyse the elements of marketing mix.

1.3 Concepts of Market and Marketing

What comes to your mind when you hear the terms 'market' and 'marketing'? Before getting into detailed meaning of marketing it is important to know the difference between the words "market" and "marketing".

The term '*market*' is derived from Latin word called '*marcatus*' which means trade, merchandise, traffic or place of business. In simple term, market refers to a place where buyers and sellers meet each other in person and make their purchases and sales.

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

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

From the above definitions, the term market can be referred to as a medium that facilitates exchange activity which takes place between buyers and sellers directly or through middlemen, in a place or otherwise, for a price, resulting in physical delivery of ownership of goods.

Now, how marketing performs its role is that it directs the flow of goods and services from producer to consumers to fulfill their needs and wants profitably.

The *American Marketing Association (AMA)* defines marketing as “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large”.

According to *H.L.Hanson*, “Marketing is the process of discovering and translating consumer needs and wants into product and service specification, creating demand for those products and services and then in return expanding this demand.”

According to *William J. Stanson*, “Marketing is a total system of business activities designed to plan, price, promote and distribute want- satisfying products to target markets to achieve organizational objectives.”

Thus, marketing implies attracting existing and new customers by promising and offering superior value and to retain and grow customers by delivering satisfaction.

“The enigma of marketing is that it is one of man’s oldest activities and yet it is regarded as the most recent of the business disciplines”- Michael J. Baker, Marketing: Theory and Practice, 1st Edn, Macmillan, 1976

‘Marketing is so basic that it cannot be considered as separate function. It is the whole business seen from the point of view of its final result, that is, from the customer’s point of view’. - Peter Drucker.

1.3.1 Core Concepts of Marketing

Now, we shall be looking at the basic concepts of marketing to understand its meaning.

- a. Needs:** The most basic concept underlying marketing is that of human requirements. These include food, clothing, shelter and safety; social needs for belonging and affection; and individual needs for knowledge and self-expression. These needs are inherent in nature; a natural creation.
- b. Wants:** Human wants are desires for specific satisfaction of needs. Human needs may be few, but wants are numerous. Mostly, wants are shaped and reshaped by our society. The needs pre-exist in the market; it's just the wants that the marketers influence. They introduce products of such kind that the human wants are fulfilled.
- c. Demands:** When there is willingness as well as ability to pay for a product, wants subsequently becomes effective demand. For example, many people can buy a premium range car, but only a few can buy one. In that case, the marketers must see to it how many people are willing and has the ability to buy their products as only wanting a product by a person wouldn't serve their purpose.
- d. Product:** A product is something that satisfies a need or want of a person. It can be an object, service, activity, person, place, experience, organization or idea. The concept of product is therefore more than a physical object or a service. For example a fan, phone, haircut, place such as Delhi, Agra etc. can be product depending upon the producers and consumers.
- e. Exchange:** Marketing takes place when people decide to satisfy needs and wants through exchange. Exchange is, therefore, the act of obtaining a desired object from someone by offering something in return. Exchange is only one of the many ways people can obtain a desired object. Kotler (1984) states that for exchange to take place, they must satisfy five conditions, namely: i. there must be, at least, two parties ii. each party has something that may be of value to the other party iii. each party is capable of communication and delivery iv. each party is free to accept or reject the offer; and v. each party believes it is appropriate or desirable to deal with the other party. These five conditions make exchange possible. Whether exchange actually takes place, however, depends on the parties coming to an agreement. If they agree, it is often concluded that the act of exchange has left both of them better off, or at least not worse off. Hence, exchange creates value, just as production creates value. It gives people more consumption possibilities.

- f. Market:* Traditionally, market was a physical place where buyers and sellers gather to buy and sell goods and services but now, a market is the set of actual and potential buyers. More specifically, an arrangement where customer's needs are fulfilled by the offerings of the organization. The size of a market depends of the number of people who exhibit the need, have resources to engage in exchange and are willing to offer these resources in exchange for what they want. The key customer markets can be: Consumer market, Business Market, Global Market and Non-profit and Government market.
- g. Marketers:* A marketer is someone seeking a resource from someone else, and willing to offer something of value in exchange. A marketer could be a buyer and/or a seller.

STOP TO CONSIDER

- Television Commercials, Billboards, Magazine, Newspaper advertisements, Pop-ups at Social Media- what are they? They are nothing but the marketing instances that we common people come across every day.

1.3.2 Importance of Marketing

Marketing is indispensable in today's business world. It plays a significant role in smooth transfer of goods and services from the place of production to the place of consumption. The following points highlight the importance of marketing:

- ***Facilitates in exchange of goods and services:*** Marketing helps in the possession of goods and transfer of ownership from seller to buyer. Marketing through promotion brings together the buyers and sellers and facilitates sale of goods as per need and wants of the consumers. It creates possession, place and time utilities in goods and services. Through transportation, goods are provided to the consumers who may be scattered throughout the geographical area or region. Warehousing provides time utilities by holding the stock of goods when they are not in demand.
- ***Increases market base:*** Marketing locates the untapped areas, stimulates demand and creates demand for new product and services.

Banking, insurance and financing facilities ensure smooth flow of goods to distant markets. It, thus, widens the market. The manufacturers are able to increase production as well as sale of their products.

- ***Boosts other related activities:*** Marketing increases demand of various related activities like banking, insurance, warehousing and transport. Advertising, sales promotion and direct marketing efforts also get a boost as they are needed more to accelerate sales.
- ***Raises the standard of living of people:*** A society enjoys a better standard of living when necessities, comforts and luxuries are within the reach of a large number of people. Large scale production and availability of wide variety of products have become possible due to marketing. Transportation and warehousing functions have facilitated the transfer of goods to distant places. People living in remote areas or other places are able to use a variety of goods at affordable prices. Thus, people are enjoying a better standard of living.
- ***Provides satisfaction of human wants:*** Marketing informs and guides the people about product availability and its utility. People come to know about variety of products. They are able to select the product which can satisfy their need and wants in best possible manner. Marketing makes possession of goods easier for consumers and thus provides satisfaction.
- ***Creates job opportunities:*** In the highly competitive market, only organized marketing programs can be implemented. It calls for the need of services of people who are specialized in their fields. Marketing of goods has become complex. Therefore, organisation creates a separate department for marketing which is headed by a marketing manager. Other staff is also appointed to assist him. Thus, gainful employment is provided to large number of people. Apart from this, demand for product has been extended to a larger region. During the process of transfer of goods, services of various agencies are required. The increasing volume of trade has increased demand for these specialized services. Many people are now employed in insurance sector, banking sector and advertising companies.
- ***Creates stable economy:*** Marketing creates a link between production and consumption. Goods are easily available at any part of the country or even in other countries due to fast means of transportation,

communication and warehousing facilities. There is no shortage of goods. Goods are produced in abundance and stored to supply as per their demand. Hence, prices of goods do not fluctuate. Marketing creates and maintains demand for product through various promotion tools. Large scale production, higher demand, more employment and minimum price fluctuation create a stable economy.

- ***Helps in optimum use of resources:*** The unused plant capacity increases cost per unit as that portion of plant does not contribute anything but consumes resources in the form of maintenance charges, rent of plant, insurance charges and depreciation. Marketing creates more demand. To meet this demand, plants are used at maximum capacity. Standing charges are justified due to increase in volume of production and as a result cost per unit reduces. Thus, men, machinery, money and plant are optimally utilized and benefit (in the form of less cost) is passed to consumers.
- ***Helps in increasing national income:*** Marketing activities help in more production of goods and services and increase in sales. It also improves earning capacity of people due to employment opportunities. The net effect of marketing efforts is thus increase in per capita income as well as national income.
- ***Provides base for making production decisions:*** Marketing research is an important marketing function. Customer needs and wants are assessed through market surveys. Consumer demands are forecasted on the basis of surveys as well as retailers and wholesalers' estimates. The buying pattern of customers is analyzed. This provides valuable information to producer regarding what to produce, when to produce and how to produce. Thus, decision regarding production becomes more effective.
- ***Serves various sections of society:*** Marketing helps producer in increasing sales. Consumers are benefited as they get products and services to satisfy their wants. Government gets more revenues in the form of taxes. NGO gets more funds to carry on welfare activities. Society at large is benefited in terms of more employment opportunities, optimum utilization of resources, better services, innovations and reasonable cost of products.

Thus, marketing is the driving force of the economy. No economic activity can be imagined without marketing. It provides invaluable

services to various sections of society. It is responsible for the progress of the nation.¹

1.3.3 Functions of Marketing

Marketing is the process that comprises of all the activities involved from the concept of the product all the way till it reaches the final consumer. So there are a lot of activities in this process, which we call the functions of marketing. Let us take a look.

1. **Gathering and Analyzing Market Information:** One of the important functions of a marketer is to gather and analyze market information that is adequate and reliable. This is necessary to determine the needs, priorities and preferences of the customers and then take necessary decisions for the successful marketing of the goods and services. This is important as it will help the marketers to satisfy their customers.
2. **Marketing Planning:** After gathering and analyzing the market information, a marketer is then required to develop appropriate marketing plans so that the marketing objectives of the organization can be achieved. Marketers will have to develop a complete marketing plan to increase the level of production, promotion of the products and include in the marketing planning.
3. **Product Designing and Development:** This is another important function of marketing as the design of a product contributes to make the product attractive to its target customers. A well designed product can improve its performance and provide a competitive advantage to the product in the market. For example, while buying a jeweler, customers not only focus on the product but also its design, shape and structure.
4. **Standardization and Grading:** Standardization refers to producing goods of predetermined specifications ensuring uniformity and consistency in the output. The aim of standardization is to provide the buyers same product that conforms to the predetermined standards of design, quality, packaging and price. Grading is the process of classification of products into different groups, on the basis of some of its important characteristics such as quality, shape and size etc. It is likely applied to products that are not produced according to predetermined specifications or quality, such as in the case of agricultural

products, say wheat, oranges, etc. Grading ensures that goods belong to a particular quality and helps in realising remunerative prices for quality products.

5. **Packaging and Labelling:** Packaging refers to designing and developing the package for the products whereas designing and developing the label to be put on the package is labelling. The label may vary from a simple tag to complex graphics. In modern day marketing these two elements are considered as the pillars of marketing. Packaging is important not only for protection of the products but also serves as a promotional tool. Sometimes, the quality of the product is assessed by the buyers from packaging. The package and the label are the first impressions the product makes on the customer.
6. **Branding:** Another important decision area for marketing of most consumer products is whether to sell the product in its generic name (name of the category of the product), or to sell them in a brand name. Brand name helps in creating product differentiation, i.e., it provides an unique identity to the product of a firm with that of the competitor, which in turn, helps in building customer's loyalty and sales promotion.
7. **Support Services to customers:** The key to a successful of marketing activity is developing customer support services such as after sales services, handling customer complaints and adjustments, procuring credit services, maintenance services, technical services and consumer information for customer satisfaction. These are effective to retain the existing customers and gain more customer loyalty.
8. **Pricing of Product:** Price plays an important role as it affects the success or failure of a product in the market. It is also related to the demand for a product. Generally lower the price, higher would be the demand for the product and vice-versa. The marketers have to properly analyze the factors determining the price of a product and take several crucial decisions in this respect, including setting the pricing objectives, determining the pricing strategies, determining the price and changing the prices.
9. **Promotion:** Promotion of products and services involves informing the customers about the firm's product and its attributes and persuading them to purchase the products. The four important elements of promotion mix- advertising, personal selling, publicity and sales promotion is to be used well for an effective promotion of a product.

- 10. Physical Distribution:** Managing physical distribution is another very important function in the marketing of goods and services. The two major decision areas under this function include (a) decision regarding channels of distribution or the marketing intermediaries (like wholesalers, retailers) to be used and (b) physical movement of the product from where it is produced to a place where it is required by the customers for their consumption or use. The important decision areas under physical distribution include managing inventory (levels of stock of goods), storage and warehousing and transportation of goods from one place to the other.
- 11. Transportation:** The physical movement of goods from one place to the other is transportation. Its main aim is to move the goods from its place of production to the place of consumption through a proper channel. Factors such as nature of the product, its shelf life, location of target market etc. influence the decision of marketers while transporting.
- 12. Storage or Warehousing:** Lastly, this is another important function where goods are to be stored properly for its usage as and when required. There lies a time gap between the production and procurement because of various reasons- irregular demand, lower demand, seasonal requirement, over supply at the market etc. Therefore, a proper storage of the goods becomes need of the hour in such situations. To avoid certain contingencies like delays in delivery, inadequate supply to the market etc, the storage or warehouse plays an integral part. In this regard, the manufacturers, wholesalers, retailers play a vital role in managing the function of storage in the market.

Check Your Progress

1. What do you mean by marketing?
2. Define Marketing.
3. Distinguish between market and marketing.
4. Describe in detail the importance of marketing.
5. What do understand by market? Highlight the functions of marketing.

1.4 Evolution of Marketing

The concept of marketing has undergone a great change over the period. There has been both traditional and modern era of marketing. The philosophy behind those eras has been the guidelines of working for the top level management to the grass root level workers. It has been adopted by whole organization and thus, its implication has varied at every era. Therefore, different concepts have evolved to help the organizations to better their marketing activities.

<i>Era</i>	<i>Prevailing attitude and approach</i>
Production	<ul style="list-style-type: none">• Consumers favor products that are available and highly affordable• Improve production and distribution• ‘Availability and affordability is what the customer wants’
Product	<ul style="list-style-type: none">• Consumers favor products that offer the most quality, performance and innovative features• ‘A good product will sell itself’
Sales	<ul style="list-style-type: none">• Consumers will buy products only if the company promotes/ sells these products• ‘Creative advertising and selling will overcome consumers’ resistance and convince them to buy’
Marketing	<ul style="list-style-type: none">• Focuses on needs/ wants of target markets and delivering satisfaction better than competitors• ‘The consumer is king! Find a need and fill it’
Relationship marketing	<ul style="list-style-type: none">• Focuses on needs/ wants of target markets and delivering superior value• ‘Long-term relationships with customers and other partners lead to success’

Source: <https://dde.pondiuni.edu.in/files/StudyMaterials/MBA/MBA2SemesterCommon/3MarketingManagementPartI.pdf>

1.4.1 Marketing Philosophy

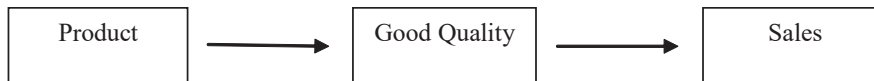
According to Prof. Robert F Hartley, Marketing philosophy is “an integration of marketing activities directed towards customer satisfaction”. This marketing philosophy has undergone a thorough and gradual change since

the Industrial Revolution. This gradual change can be traced under four periods and are explained below:-

- 1) **Production Orientation Philosophy**- This production-oriented marketing concept was built on “Good wine needs no push.” This philosophy states that if the product is really good and the price is reasonable, there is no need for special marketing efforts. The assumptions of this concept are:- Anything that can be produced can be sold. The most important task of management is to keep the cost of production down. A firm should produce only certain basic products.



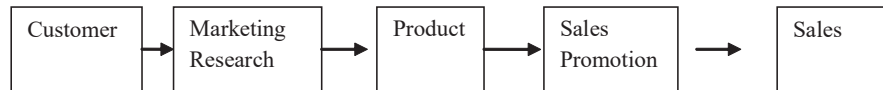
- 2) **Sales Orientation Philosophy**- The essence of this philosophy is “Goods are not bought but sold.” That means mere making available the best product is not enough; marketing becomes fruitful only when they get into aggressive salesmanship. Effective advertisement, sales promotion and public relations etc are top most important for creating demand. The assumptions of this philosophy are:- Producing the best possible product. Finding the buyer for the product. The management’s main task is to convince the buyers through high pressure tactics, if necessary.



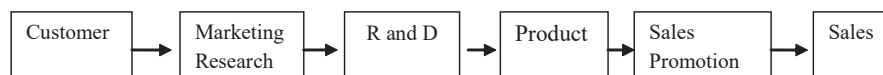
FOR EXAMPLE, goods like automobiles are not readily bought by the consumers and they have to be sold only through promotional effort. Hence, the producers have to develop effective promotional effort. Hence, the producers have to develop effective promotional programmes to sell the products. Even in the case of election, several political parties attempt to project their candidates by using various promotional efforts. While, there is nothing illogical about this approach, yes, producer might have to conceal the flaws in the product and hard sell the product. Hence, more often than not, the consumers regret their decision after purchasing the product. Even if they try to force the producers to compensate the loss, it might not be forthcoming.

- 3) **Customer Orientation Philosophy**- This philosophy study and understand the needs, wants, desires and values of potential consumers and produce the goods in the light of these findings so that consumer

specifications are met totally. Here, the starting point is the customer rather than the product and it also emphasizes the role of marketing research. The assumptions of this philosophy:- The firm should produce only that product as desired by the consumer. The management is to integrate all its activities in order to develop programmes to satisfy the consumer wants. The management is to be guided by 'long-range profit goals' rather than 'quick sales.'



- 4) **Social Orientation Philosophy**- This philosophy cares for not only consumer satisfaction but for consumer welfare or social welfare. Such social welfare speaks of pollution-free environment and quality of human life. For example, an automobile not only fuel efficient but less pollution one. The assumptions of this philosophy are:- The firm is to produce only those products as are wanted by the consumers. The firm is to be guided by long-term profit goals rather than quick sales. The firm should discharge its social responsibilities. The management is to integrate the firm's resources and activities to develop programme to meet these individual consumer and social needs.



For example, excessive use of ground water resources to produce mineral water and earn money will result in faster depletion of water source. Similarly, use of harmful ingredients in product manufacturing/process, would cause irreparable damage to human beings. Further questionable business practices and unethical actions would bring about a severely damaged social fabric. Another important example is the Bhopal gas tragedy. Years have rolled without little efforts to uplift the victims. Profit maximizing efforts have only helped a small segment of the community and caused impoverishment of the community. Hence, in these days, marketing concept emphasizes that every organization should consciously explore the scope for it to contribute to the social-well being. When firms have started adopting this approach, not only they could substantially increase their sales, the society also benefited from this. Social marketing concept therefore aims at enabling consumers to get maximum satisfaction and contribute to their quality of life, designing

product with consumer's interest as an input and ensuring all marketing efforts to have consumer as the focal point.

Check Your Progress

1. Describe the evolution of marketing.
2. What are the different orientations of marketing philosophy?

1.5 The Marketing Mix

The sum of the elements of business activity that can be used by a firm to fulfill its marketing strategy is called a marketing mix. It represents the total marketing programme of a business. The marketing manager's job is to convert customer's needs and wants into a product that he/she specifically demands. As customer they would think in terms of availability of the products. So, if we look at the marketing mix from the consumer's view point, we find that-

<i>CONSUMER'S WANTS</i>	<i>COMPANY RESPONSE</i>
To know about the product	Advertising; Personal Selling; Promotion [Information]; Packaging [Label Copy]
To find product acceptable	Advertising; Pricing; Package; Product and Product images
To find product available	Selling; Distribution and Handling; Promotion [Display]
To derive satisfaction from the product	Product [Benefit]; Pricing; Packaging; Servicing

STOP TO CONSIDER

The focus of marketing has changed from emphasizing the product, price, place, and promotion mix to one that emphasizes creating, communicating, delivering, and exchanging value. Value is a function of the benefits an individual receives and consists of the price the consumer paid and the time and effort the person expended making the purchase.

1.5.1 Elements of Marketing Mix

According to William J. Stanton, 'Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company's marketing system, the product, the price structure, the promotional activities and the distribution system.'

There are certain elements that are referred to as marketing mix whose importance vary with the product but the direction and control of those elements lies under the marketing manager. It was Jerome McCarthy, the well known American Professor of marketing, who first described the marketing mix in terms of the four Ps.

- **Product:** The most basic marketing mix tool and the starting point of all marketing activities is product. It offers the customers certain utilities and also stands for the firm's tangible offer to the market including the product quality, design, variety features, branding, packaging, services, warranties etc. The purpose of this mix is to grow and survive and follow a marketing strategy called product mix.
- **Price:** A critical marketing mix tool is price i.e. the exchange value of a product or service expressed in terms of money. It is one of the crucial and sensitive elements of the marketing mix because any change in price may lead to shift of customer's to competitor's brand. Thus, this mix includes deciding on wholesale and retail prices, discounts, allowances, and credit terms taking into consideration the utility offered by the product.
- **Place:** This marketing mix tool refers to the distribution channels or the route through which a product flows from a producer to a consumer.. It stands for various activities the company undertakes to make the product easily available and accessible to target customers. It includes deciding on identify, recruit, and link various middlemen and marketing facilitators so that products are efficiently supplied to the target market.
- **Promotion:** The fourth marketing mix tool, stands for the various activities the company undertakes to communicate its products' merits and to persuade potential customers to buy them. This has become indispensable in this competitive market. It, therefore, includes setting up communication and promotion programs

consisting of advertising, personal selling, sales promotion, publicity and public relations to promote the products.

Check Your Progress

1. What do you understand by marketing mix?
2. Discuss the elements of marketing mix in detail.
3. Explain why marketing may be thought of as a bridge from producer to consumer.

The significance of elements of the marketing mix will vary from one product to another. It is upto the marketing manager to determine the optimum mix in each specific instance. When a tool is selected for use, a plan must be developed for its implementation. In advertising, for instance, what message is to be delivered through the sell is to be decided first, which media will reach the target market most efficiently, and how much should be spent. All of these variables are under the control of the marketing manager.

1.6 Summing Up

In the wake of rapid industrialization in the past few decades, the study of marketing has held a great importance for a business and industry. Back in the period of Industrial Revolution, where consumer goods were produced inexpensively and in large quantities, a mass market developed and widespread transportation moved the goods from producer to consumer. Today at the present times, it is the marketing manager's responsibility to understand how the internal and external forces of business work, predict their trends, and adjusts the marketing mix elements accordingly. The marketing department of a company, therefore, is required to analyze the recent developments of market place to allow the firm to capitalize on rising markets.

Thus, we can see that the central idea behind marketing is to deliver customer value where a firm or other entity will create something of value to one or more customers who, in turn, are willing to pay enough (or contribute other forms of value) to make the venture worthwhile considering opportunity costs.

1.7 Model Questions

1. Define the term marketing.
2. State any four points of the importance of marketing.
3. Do you think marketing and selling are synonymous terms? Give reason.
4. Explain any three objectives of marketing.
5. Describe any four important functions of marketing.
6. What is grading?
7. Marketing has come a long way from 1880s. Discuss regarding its evolution.
8. Explain the societal concept of marketing.
9. Why is marketing mix important?

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Unit-2

Marketing Challenges in a Liberalizing and Globalizing India

Unit Structure:

- 2.1 Introduction
- 2.2 Objectives
- 2.3 Concept of marketing
 - 2.3.1 Meaning of marketing
 - 2.3.2 Characteristics of marketing in India
- 2.4 Marketing environment
- 2.5 Globalization and Liberalization in India.
 - 2.5.1 Meaning of liberalisation and globalisation
 - 2.5.2 Impact of liberalisation and globalisation on modern marketing
- 2.6 Marketing challenges in liberalizing and globalizing India
- 2.7 Summing up
- 2.8 Model Questions
- 2.9 References and Suggested Readings

2.1 Introduction

Since, liberalization and globalization, Indian marketing sector has undergone remarkable changes. The strategy to operate in the new economy demands a quick anticipation and response over the emerging customer tastes and preferences by the business. In order to compete with the global market, the Indian firms have to equip themselves with core competencies and technological strengths. Due to the rise in globalization, the Indian market has become more and more liberal and hence as a result is facilitating privatization.

Marketing plays a pivotal role in stimulating demand for goods and services. If 'finance' is termed as the life blood of a business, then 'marketing' could be termed as the 'backbone' of the business. But various factors like rapid

changes in customers' needs and expectations, addition of new products and services in a frequent basis, intense competition in both domestic and global markets, rapid changes in technology, etc are having a great impact on the marketing practices and acting as the basic marketing challenges.

As we know that performance reflects the success or failure of a business. The different parameters in marketing performance includes sales volume, market share and customer satisfaction. But the marketing challenges make it difficult for the marketers to achieve the targeted marketing performances. Some of the ways to overcome these marketing challenges are such as, creation of a learning organization, investing in market research, and re-evaluation of the four P's .

2.2 Objectives

After going through this unit, you will be able to:

- understand the meaning and characteristics of marketing in India,
- understand the marketing environment,
- discuss about the impact of liberalization and globalization on modern marketing system,
- analyse the marketing challenges in liberalizing and globalizing India.

2.3 Concept of Marketing

2.3.1 Meaning of Marketing

Marketing could be termed as a management process through which the products and services move from concept to customer.

According to American Marketing Association (A.M.A), "Marketing is the activity, set of institutions, and processes for creating , communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

2.3.2 Some characteristics of Indian marketing system

- 1) In India there is pre-dominance of private distribution system. The goods and services reach to the customers mostly through private agencies, whether to urban areas or rural areas.

- 2) There is also dominance of middlemen in Indian market. Some of the important channels of distribution are the wholesalers, retailers and different types of agents who plays an important role in the ultimate placement of the goods and services in the hands of the customers.
- 3) In India, there is a flow in the whole marketing system. The data and information required for the study of consumer behavior has still not reached the level of expectations.
- 4) As social responsibility is a trending concept in marketing in today's world, therefore the welfare of the consumers must be given due importance. But the Indian government is lacking behind to meet this requirement.
- 5) It has been recently observed that both the Government and non-government machineries are actively taking part in sales-promotion mechanisms.

2.4 Marketing Environment

Marketing environment consists of the internal and external factors which directly or indirectly affects the organization's decisions related to any kind of marketing activities.

There are two basic components of marketing environment. They are:

- 1) **Internal factors:** The internal factors are also known as the 'controllable factors'. They are as such;
 - a) Firm's mission, vision and objectives
 - b) Firm's culture, image and goodwill
 - c) Marketing strategies
 - d) Managerial skills
 - e) Structure and processes
 - f) Research, production and finance
 - g) Available resources
 - h) Human resource department, Operation department, Accounting and Finance department, research and Development department and so on.

2) **External factors:** The external factors are also known as uncontrollable factors. It can be further classified into two categories. They are as follows;

A) Micro-environment:

- a) Public
- b) Market intermediaries
- c) Financiers
- d) Customers
- e) Suppliers
- f) Competitors

B) Macro-environment:

- a) Demographic factors: Age, sex, location, income, education, occupation, population, etc.
- b) Political factors: Government procedures and policies, government rules and regulations, monetary and fiscal policies, import-export policies, control and state regulations, monopoly and restrictive trade practices, etc.
- c) Economic factors: Economic system, economic stability, nature of trade cycle, gross domestic product, growth in real income, purchasing power, etc
- d) Culture and sub-culture: Values, beliefs and attitudes, traditions, norms, friends, reference groups, peers, etc.
- e) Technological factors: Technical know-how and availability of technology.
- f) Environmental or Natural factors: Climate, availability of raw materials, topography of land, natural resources, etc.

Marketing Environment in India:

In the world, India is termed as one of the largest consumer markets. The nature of Indian consumer market is complex and diverse. The diversity of religion, languages, social customs, regional characteristics act as both boon and bane for the marketers. Though the marketers find tremendous scope for a wide variety of products and services, but they often need to adapt new marketing strategies to suit different tastes and values.

Almost 77 percentage of the population resides in the rural areas in India. But the purchasing power of the rural folks is increasing in an overwhelming way which is highly demanding the marketer's attention. Also, there is a large number of organizational consumers in the country which comprise of large numbers of companies, public sector undertakings, factories and small-scale units, etc. The ability to grab the opportunity and planning a proper marketing strategy can open the doors to the marketers.

2.5 Globalization and Liberalization in India

2.5.1 Meaning of Liberalisation and Globalisation

In Globalization, there is inter-connection of countries, people and businesses around the world as the forces like technology, transportation, media and global finance smoothens the way for goods, services, ideas and people to cross traditional borders and boundaries. It may be described as "the inter-dependence of nations around the globe fostered through free trade."

On the other hand, liberalization of a country means the loosening of government control in a country and when private sector companies start working without or with fewer restrictions and government allows private players to expand for the growth of the country.

Globalization and liberalization have created opportunities for many countries to experience economic growth.

2.5.2 Impact of Globalization and Liberalization in Modern Marketing:

Following are some of the major impacts of globalization in modern marketing:

1) Increase in competition:

Along with the expansion of market, there is also rise in competitions. There are numerous options available for the consumers in today's market which makes it most necessary for the marketer to make his product stand out.

2) Rapid change in technology:

In order to cope up with the present environment, the marketer has to be competent enough to face the rapid technological changes.

Implementation of proper strategy in a cost- effective way by the marketers is acting as a new challenge in the present day environment.

3) Increase in efficiency:

Globalization is also affecting the nature of work. Advanced technologies are replacing the traditional labor which is increasing the efficiency of the work.

Following are some of the major impacts of liberalization in modern marketing:

- 1) E-business: After liberalization, e-business has gained much popularity in the business world. E-business or electronic business is a process that a business organization conducts over computer- mediated network. As everything takes place on the computer screen, therefore there is no requirement of paper flow.
- 2) E-commerce: The scope of e-commerce is broader than e- business. E-commerce encompasses the process of e-purchasing and e-marketing. The four main domain of e-commerce are;
 - a) Business to Consumer
 - b) Business to Business
 - c) Consumer to Consumer
 - d) Consumer to Business
- 3) Communication procedure: As liberalization encourages new entrants so unlike domestic marketing, the marketer has to face unfamiliar people, unfamiliar needs and requirements and unfamiliar buying behavior. Hence, the marketer has to be well prepared for this.
- 4) Influence of FDI: The inflow of FDI has greatly influenced the investment pattern in businesses. As India has a good market size, political stability and regulatory environment therefore many experts feels that India could easily attract foreign investments.
- 5) Dominance of private sector: The reform has resulted into the growth of privatization.
- 6) Rush of entrepreneurs: The freedom of entry has encouraged many new entrepreneurs to enter the market and the existing one has gone for expansion.

2.6 Marketing Opportunities and Challenges in Liberalizing and Globalizing India

There is an immensity of change that has taken place in the marketing environment of India due to liberalization and globalization. These massive changes have thrown up a series of marketing challenges for the marketers operating in India. Following are some of the marketing challenges:

1) Freedom of entrepreneur:

- **Opportunity:**

Due to the entrepreneurial freedom, there is a release in blocked-up growth impulse of Indian business. The entrepreneurs can opt for the business of their choice. Diversification of business has resulted into minimization of risk and maximization of profit opportunities.

- **Challenge:**

The entrepreneurial freedom may help the entrepreneurs to enter industries of their choice easily, but it had a negative impact on the existing players of the market. The freedom on one side lead to destabilization, where the markets, market shares and profit came under pressure.

2) Existing players came under threat:

- **Opportunity:**

Liberalization has given golden opportunities to the new entrants. There is no any licensing barrier for someone who wished to start-up a new business. So, anyone can enter any business without any hurdle.

- **Challenge:**

The firms which entered an industry under the licensing system after acquiring a license enjoyed assured profits. But because of the entrepreneurial freedom, the new entrants acted as a threat for the existing players because they could no longer enjoy an assured market and profits.

3) Cut-throat competition in home:

- **Opportunity:**

Addition of new members in the world of business without any barrier has lead to enormous expansion of capacity. Both the existing players and new players contributed in capacity expansion.

- **Challenge:**

The growth of entrepreneurial freedom leads to capacity expansion by existing as well as new players and hence it gave birth to intense competition inside the home market.

4) Invasion of MNC's:

- **Opportunity:**

The liberalized and globalized Indian economy has gained foreign attention and encouraged foreign direct investments which are a positive aspect in the growth of our economy.

- **Challenge:**

The MNC's establishes or expand their businesses in the country, hence giving a tough competition to the local brands. Therefore, the takeover is also acting as a threat for the local firms.

5) Price competitive:

- **Opportunity:**

There is less interference of government in the pricing policy. The removal of the licensing restrictions has also lead to increase in production by the manufacturers.

- **Challenge:**

It has become compulsory to be price competitive due to the reforms that are taking place. The new buyer's market shall no longer follow the escalations in cost. There is an instant enhancement in supplies in the buyer's market due to liberalization of imports and reduction in import tariffs.

6) New notion on economic size:

- **Opportunity:**

The enactment of Monopolistic and Restrictive Trade Practice (MRTP Act, 1969) has ensured control of monopolies and prohibit monopolistic and restrictive trade practices. It also ensured that the operation of the economic system does not result in the concentration of economic power in the hands of few.

- **Challenge:**

During the licensing policy period, the government determined the economic size for the industry. Licenses were not available for enterprises that had larger capacities, so they had to have smaller capacities. But MRTP provision inhibited setting up of bigger capacities.

7) Rapid changes in technology:

- **Opportunity:**

Change in technology may be taken as both blessing and curse. The digital transformation has resulted into up gradation of business in many ways. It is only due to upgraded technologies for which the marketer finds it easy to survive in the digitally transformed world.

- **Challenge:**

Technology has become a vital factor for the firms with the advent of globalization in India. But along with the advantages, there are certain disadvantages that technology carries. There is a high possibility that the products and the business may suddenly get obsolete due to certain technological change.

8) New Trade Policy:

- **Opportunity:**

Globalization of the economy has also given rise to the New Trade Policy. In the New Trade Policy, the Indian business firms get a chance to earn foreign exchanges. This helps to keep the production lines going.

- **Challenge:**

In the New Trade Policy, the imports have to be financed by foreign exchange bought from the markets at the market rate. Hence, the firms which are not spenders of foreign exchanges had to suffer loss.

9) Increase in bargaining power of buyers:

- **Opportunity:**

With the advent of new comers in the business, there is rise in competition. And as a result the buyer's are getting more opportunity to explore a large market and buy the best of all.

- **Challenge:**

With increase in competition, there will also be increase in available options and as a result there may be frequent product switching by the customers. Hence, there will be increase in the bargaining power of the buyers.

10) Call for more ethics and social responsibility:

- **Opportunity:**

The call for practice of more ethics and social responsibility will help in generating good relation between the firm and its consumers. Growth and development of the society will not only help the society at large but also enable the marketers to establish goodwill.

- **Challenge:**

The present economic environment has demanded the marketers to take greater responsibilities towards both the society and environment. Higher practice of ethics must be adopted by the marketers in order to survive the present environment or else the marketers will be forced to compliance by legislation or face the consumer outcries.

2.7 Summing Up

- Marketing refers to all the activities a firm undertakes to promote and sell products or services to the customers or consumers. It is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.
- Some of the important characteristics of Indian marketing system are pre-dominance of private distribution system, dominance of middlemen, flow in the marketing system, lack of social responsibility by the Indian Government, high involvement of government and non- government machineries in sales promotion mechanism, etc.
- Marketing environment consists of the internal and external factors which directly or indirectly affects the organization's decisions related to any kind of marketing activities.
- Two basic components of marketing environment are the internal or controllable factors and external or un-controllable factors.

- Internal factors comprises of firm's mission, vision and objective, firm's culture, image and goodwill, marketing strategies, managerial skills, structure and processes, research, production and finance, available resources, human resource department, operation department, accounting and finance department, research and development department and so on.
- External factors are further classified into two factors, i.e, micro-environment and macro-environment.
- Micro environment consists of, public, market intermediaries, financiers, customers, suppliers and competitors.
- Macro- environment consists of demographic factors, political factors, economic factors, technological factors, culture and sub-culture and environmental or natural factors.
- India is termed as one of the largest consumer markets. The nature of Indian consumer market is complex and diverse. The diversity of religion, languages, social customs, regional characteristics act as both boon and bane for the marketers. Almost 77 percentage of the population resides in the rural areas in India. But the purchasing power of the rural folks is increasing in an overwhelming way which is highly demanding the marketer's attention.
- Globalization is the inter-connection of countries, people and businesses around the world as the forces like technology, transportation, media and global finance smoothens the way for goods, services, ideas and people to cross traditional borders and boundaries.
- Liberalization of a country means the loosening of government control in a country and when private sector companies start working without or with fewer restrictions and government allows private players to expand for the growth of the country.
- Some of the major impacts of globalization in modern marketing are increase in competition, rapid change in technology, increase in efficiency, etc.
- Some of the major impacts of liberalization in modern marketing are e- business, e- commerce, change in communication procedure, influence of FDI, dominance of private sector, rush of entrepreneurs, etc.

- The important marketing opportunities and challenges that the marketer has to face in the liberalized and globalized India are as follows; freedom of entrepreneur, existing players came under threat, cut-throat competition in home, invasion of MNC's, the marketer has to become price competitive, new notion on economic size, compulsory growth in technological field, New Trade Policy, increase in bargaining powers of buyers and call for more ethics and social responsibility.

2.8 Model Questions

A) Short-Answers Questions

- 1) What do you understand by the term marketing?
- 2) State two distinct characteristics of Indian marketing system.
- 3) What do you understand by marketing environment?
- 4) State the components of marketing environment?
- 5) Write few lines about the Indian marketing environment.
- 6) What is globalization?
- 7) What is liberalization?
- 8) State two impacts of globalization in modern marketing.
- 9) State two impacts of liberalization in modern marketing.
- 10) Mention three challenges faced by the marketers in liberalized and globalized India.

B) Long-Answers Questions:

- 1) Define marketing. State the characteristics of Indian marketing system.
- 2) What do you understand by marketing environment? Explain the components of marketing environment.
- 3) Give a brief overview on Indian marketing environment.
- 4) What do you mean by globalization and liberalization? Explain the impacts of globalization and liberalization in modern marketing.
- 5) Discuss about the challenges and opportunities of marketing in liberalized and globalized India.

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Unit-3

Holistic Marketing Concept; The Value Framework

Unit Structure:

- 3.1 Introduction
- 3.2 Objectives
- 3.3 Marketing Concept
 - 3.3.1 Meaning and Factors Influencing Marketing Concept
 - 3.3.2 Evolution of Marketing Concept
 - 3.3.3 Marketing Philosophies
- 3.4 Holistic Marketing Concept
 - 3.4.1 Meaning
 - 3.4.2 Components of Holistic Marketing
 - 3.4.3 Importance of Holistic Marketing in Today's World
- 3.5 The Value Framework
- 3.6 Summing Up
- 3.7 Model Questions
- 3.8 References and Suggested Readings

3.1 Introduction

Marketing is a diverse field. Different marketers prefer different marketing approaches. Some marketers may go for viral marketing, while others may prefer brand marketing; some may opt for celebrity marketing or channel marketing and so on. In such an environment, it becomes challenging for the marketers to choose the right approach. The marketing environment is also changing gradually day by day. The traditional marketing approaches are no longer effective with the advent of issues like hyper-competition, social corporate responsibility, hyper-competition and globalization, etc. Also, producer's producing quality product at cheaper and faster rate is quite prevalent in today's marketing situation. This has become possible due to advancement of technologies. The cut-throat competition in business has forced the marketers to target intangible assets, such as customer relationships, brands, customer service, etc to attract consumers. According to a recent survey, the intangible assets represent 84% of a company's market value today (ipwe.com/intangible-asset).

Hence, the rapidly changing marketing environment has developed the concept of holistic marketing, which is based on the premise that "the whole is greater than sum of its parts." Thus, in a holistic concept, all the aspects

of business must work together as an inter-connected entity with a common goal. And similarly, under the holistic marketing approach all the departments within the organization work together towards the marketing and sale of the organization's products. The only way for a business to remain relevant and profitable in today's world is by treating 'marketing' as an element which needs to be integrated into each and every aspect of the entire business.

3.2 Objectives

After going through this unit, you will be able to:

- understand the concept of 'holistic marketing,
- discuss the importance and need of holistic marketing in today's world,
- discuss about the components of holistic marketing,
- understand the value framework of holistic marketing.

3.3 Marketing Concepts

3.3.1 Meaning of Marketing Concept and Factors Influencing Marketing Concept

A 'concept' is a philosophy, an attitude, a course of thinking, an idea or a notion relating to any aspect of divine and human creations. The philosophy of an organization in the dynamic realm of marketing is referred to as 'marketing concept'.

Marketing concept "is a customer orientation backed by integrated marketing aimed at generating customer satisfaction, as the key to satisfying organizational goals."

The firms practicing the marketing concept receive the detail information regarding the customers' needs, want and desires from the market itself. Some of the factors influencing marketing concept are as follows:

- 1) Population growth: Market means 'people' and their various needs, desires and wants. Therefore, increase in population leads to increase in demand for goods and services.
- 2) Structure of family: In present day world, 'nuclear family' has taken over the concept of 'joint family'. The nuclear families are based

on individual freedom, education, occupational mobility, migration and self-relevance. Hence, there with the increase in family, there is also increase in demand of goods and services.

- 3) Increase in disposable income: With the increasing income avenues, the purchasing power of the buyer's are also gradually increasing. Therefore, increasing power will ultimately lead to buying action.
- 4) More discretionary income: The discretionary income is now meant for comfort and luxuries as the people are left with more surplus even after meeting their needs.
- 5) Technological advancement: The technological advancement has deeply influenced the people with planned obsolescence. It shortens the life of the product that can otherwise last longer.
- 6) Mass- communication media: Mass- communication media has hastened the speed of change and exchange. Information travels too fast due to the onslaught of mass- communication media. The modern ad has revolutionized the entire marketing process.
- 7) Easy availability of credit facilities: The modern credit system and plastic money are converting dreams into reality. Credit is acting as the major weapon that makes people to opt for the product which they cannot easily afford.

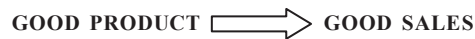
3.3.2 Evolution of Marketing Concept

The origin of marketing management dates back to the pre- historic period when the barter system emerged. The emergence of barter system led to the growth of modern day marketing. During the late 80's in the initial stages of Industrial Revolution, there were no competitions and so producers were able to sell whatever they produced. But with the rise in competition, producers were unable to sell whatever they produced and hence, the product concept emerged, where the firms started to improve their product features. Later, in 1920's selling concept came into being, where producers believed in aggressive selling and promotion of a product or service to create customers. But again with the rise in competition, producers started realizing the value of customers and customer satisfaction, and this led to the emergence of the 'marketing concept'.

3.3.3 Marketing Philosophies

1. Production Orientation Philosophy: Till 1930s, there prevailed a strong feeling that whenever a firm has a good product, it results in automatic consumer response and that needed little or no promotional efforts. The assumptions of this concept are:
 - a) Anything that can be produced can be sold.
 - b) The most important task of management is to keep the cost of production down
 - c) A firm should produce only certain basic products.

This concept can be illustrated as under:



2. Sales Orientation Philosophy: During 1940s, marketers started believing that merely making available the best product is not enough; unless the firms goes for aggressive salesmanship. The assumption of this philosophy are:
 - a) Producing the best possible product
 - b) Finding the buyer for the product
 - c) The management's main task is to convince the buyers through high pressure tactics, if necessary.

This concept can be illustrated as under:



3. Customer Orientation Philosophy:

This philosophy came into existence during 1950's and emphasized that the primary function of a firm is to study and understand the needs, wants, desires and values of potential consumers and produce the goods in the light of these findings so that consumer specifications are met totally. The assumptions are:

- a) The firm should produce only that product that is desired by the consumers.
- b) The management is to integrate all its activities in order to develop programmes to satisfy consumer wants.
- c) The management is to be guided by 'long-range profit goals' rather than 'quick sales'.

This concept can be illustrated as under:



4. Social Orientation Philosophy: During 1970s and 1980s, there has been a further refinement in the marketing concept. This philosophy cares for not only consumer satisfaction but for consumer welfare or social welfare. The assumptions are:
- The firm is to produce only those products as are wanted by the consumers
 - The firm is to be guided by long- term profit goals rather than quick sales.
 - The firm should discharge its social responsibilities.
 - The management is to integrate the firm’s resources and activities to develop programme to meet these individual consumer and social needs.

This concept can be illustrated as under:



3.4 Holistic Marketing

3.4.1 Meaning

Marketers in the 21st century are incrementally recognizing the need for having complete, cohesive and concrete approach that goes beyond the traditional applications of the marketing concept. This gives rise to the need of holistic marketing.

Philip Kotler defines holistic marketing as a concept that is, “based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies. Holistic marketing recognizes that ‘everything matters’ with marketing and that a broad, integrated perspective is necessary to attain the best solution.”

The primary concept of holistic marketing is to connect the different platforms to create a singular campaign that transcends multiple target markets.

3.4.2 Components of Holistic Marketing:



Source: www.evarsity.my

The various components of holistic marketing are as follows:

- 1) Relationship marketing: The fundamental aim of relationship marketing is to build mutually satisfying long-term relationships with key partners namely, customers, suppliers, distributors and other marketing partners with a view to earn and retain their business. It involves in cultivating the right kind of relationships with the right constituent groups. Hence, marketing should focus not only in Customer Relationship Management (CRM) but also in Partner Relationship Marketing (PRM) too. The final outcome of relationship marketing is the building of unique company asset namely “marketing network”.
- 2) Integrated marketing: The very essence of the marketer’s task is to design the marketing activities and assemble fully integrated marketing programme to create, communicate and deliver value for consumers. The integration of different communications channels into a single marketing approach is a unique aspect of holistic marketing that ensures maximum customer satisfaction and process effectiveness.
- 3) Internal marketing: Internal marketing is the task of hiring, training, and motivating the able employees to serve their customers in an

efficient manner. The internal marketing helps in keeping the business process in motion without hassles.

- 4) **Social responsibility marketing:** It is also called as ‘humanistic marketing’, ‘ecological marketing’, ‘green marketing’, ‘corporate social marketing’ and ‘cause related marketing’. The social responsibility marketing calls upon the marketers to build social and ethical considerations in their marketing practices. The holistic marketing is generally performs keeping a broader social framework in mind.

Stop to Consider

Coca-Cola has one of the best example of Holistic Marketing concept. They have recently refresed their entire Global identity to Real Magic. The idea behind this strategy is to showcase the bland’s goal to refresh the world and make a difference (source: www.simplilearn.com)

3.4.3 Importance of Holistic Marketing in Today’s World

Following are some of the importance of holistic marketing in today’s world:

- 1) **Building brand:** The holistic marketing approach focuses on gaining new customers and strengthening the brand value with the existing customers. It also ensures that there is full coordination among the business processes and the marketing process boosts the brand awareness. It allows the consumer to focus on the core values of the business thereby increasing the ability of brand performance.
- 2) **Maintains consistency:** the holistic marketing approach helps to maintain consistency by ensuring that a unified message and brand image is sent out through all channels and to all stakeholders. It also ensures that a seamless experience is provided to the customers by integrating all the touch points through which the customers interact with the business. And as a result, the consistency helps in gaining customers confidence and trust.
- 3) **Increase in efficiency and effectiveness:** Holistic marketing ensures that all the aspects of the business works together in harmony and achieves together the common goal of the business. When there is

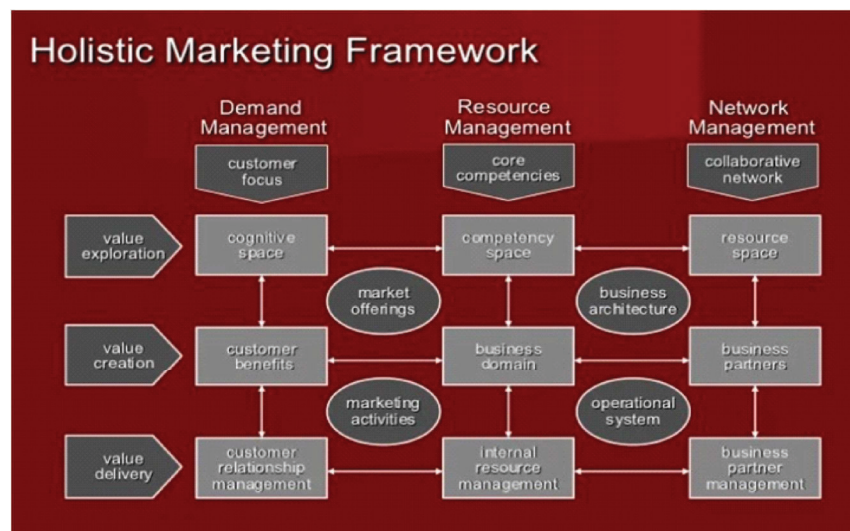
coordination, the level of work efficiency increases and also the resources are deployed where they will be most effective.

Check Your Progress

1. Name the factors that influence Marketing Concepts.
2. Give Philip Kotler's definition of Holistic Marketing.
3. What are the components of Holistic Marketing?

3.5 The Value-Framework

The holistic marketing framework is a process that helps organization use the holistic marketing approach and the interactions between the organization's various stakeholders and collaborators to create, renew and maintain customer value. It tries to integrate the value exploration, value creation and value delivery activities with the purpose of building long-term, mutually satisfying relationships and co-prosperity among key stake-holders. The success of holistic marketers depends on managing a superior value chain that delivers a high level of product, quality, service and speed.



Source: www.slideshare.net

The holistic marketing framework is comprised of three value based activities, which are;

- Value exploration: How can a company identify new value opportunities?

- Value creation: How can a company efficiently create more promising new value offerings?
 - Value delivery: How can a company use its capabilities and infrastructure to deliver the new value offerings more efficiently?
- A) **Value exploration:** Value exploration is the process through which organizations identifies new opportunities for value creation. The companies need a well- defined strategy for value exploration because the values flow within and across markets that are dynamic and competitive. So, in order to develop a well designed value exploration strategy the companies need to understand the relationships and interactions among three spaces:
- a) The customer’s cognitive space: The customer’s cognitive space reflects existing and latent needs and includes dimensions such as the need for participation, stability, freedom and change.
 - b) The company’s competence space: It refers to the organization’s capabilities. This can be described in terms of breadth- broad versus focused scope of business; and depth- physical versus knowledge-based capabilities.
 - c) The collaborator’s resource space: this involves horizontal partnerships, where companies choose partners based on their ability to exploit related market opportunities, and vertical partnerships, where companies choose partners based on their ability to serve their value creation.
- B) **Value creation:** The organizations need to develop value creation skills to utilize the opportunity that has been identified during the value exploration stage. The marketers need to:
- a) identify new customer benefits from the customer’s point of view
 - b) utilize core competencies from its business domain
 - c) select and manage business partners from its collaborative networks

There is an emerging need of business realignment in order to maximize core competencies. It involves three steps:

- 1) to redefine the concept of business
- 2) to reshape the scope of business
- 3) to reposition the company’s brand identity.

- C) **Value delivery:** Value creation merely is not sufficient, but the companies have to deliver the value to the customers in real sense. This will require huge amount of investment in both infrastructure and capabilities. The organization must attain competency in managing customer relationships, internal resources and business partnership. Customer relationship management helps the company to discover who its customers are, how they behave and what they need or want. It also enables the company to respond quickly and appropriately to different customer opportunities.

Check Your Progress

1. What is Holistic Marketing Framework?
2. What are the three value based activities of Holistic Marketing Framework?

3.6 Summing Up

1. Marketing concept “is a customer orientation backed by integrated marketing aimed at generating customer satisfaction, as the key to satisfying organizational goals.”
2. Some of the factors influencing marketing concept are population growth, structure of family, increase in disposable income, more discretionary income, technological advancement, mass- communication media and easy availability of credit facilities.
3. Following are the marketing philosophies:
 - a) Production Orientation Philosophy
 - b) Sales Orientation Philosophy
 - c) Customer Orientation Philosophy
 - d) Social Orientation Philosophy
4. The assumptions of production orientation philosophy are:
 - a) Anything that can be produced can be sold.
 - b) The most important task of management is to keep the cost of production down
 - c) A firm should produce only certain basic products.

5. The assumptions of sales orientation philosophy are:
 - a) Producing the best possible product
 - b) Finding the buyer for the product
 - c) The management's main task is to convince the buyers through high pressure tactics, if necessary.
6. The assumptions of customer orientation philosophy are:
 - a) The firm should produce only that product that is desired by the consumers.
 - b) The management is to integrate all its activities in order to develop programmes to satisfy consumer wants.
 - c) The management is to be guided by 'long-range profit goals' rather than 'quick sales'.
7. The assumptions of social- orientation philosophy are:
 - a) The firm is to produce only those products as are wanted by the consumers
 - b) The firm is to be guided by long- term profit goals rather than quick sales.
 - c) The firm should discharge its social responsibilities.
 - d) The management is to integrate the firm's resources and activities to develop programme to meet these individual consumer and social needs.
8. Philip Kotler defines holistic marketing as a concept that is, "based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies. Holistic marketing recognizes that 'everything matters' with marketing and that a broad, integrated perspective is necessary to attain the best solution." The primary concept of holistic marketing is to connect the different platforms to create a singular campaign that transcends multiple target markets.
9. The various components of holistic marketing are as follows:
 - a) Relationship marketing
 - b) Integrated marketing
 - c) Internal marketing
 - d) Social- responsibility marketing

10. Relationship marketing: The fundamental aim of relationship marketing is to build mutually satisfying long-term relationships with key partners namely, customers, suppliers, distributors and other marketing partners with a view to earn and retain their business. It involves in cultivating the right kind of relationships with the right constituent groups.
11. Integrated marketing: The very essence of the marketer's task is to design the marketing activities and assemble fully integrated marketing programme to create, communicate and deliver value for consumers
12. Internal marketing: Internal marketing is the task of hiring, training, and motivating the able employees to serve their customers in an efficient manner.
13. Social responsibility marketing: It is also called as 'humanistic marketing', 'ecological marketing', 'green marketing', 'corporate social marketing' and 'cause related marketing'. The social responsibility marketing calls upon the marketers to build social and ethical considerations in their marketing practices.
14. The importance of holistic marketing in today's world is building of brands, maintaining consistency and increasing the efficiency and effectiveness of a business firm.
15. The holistic marketing framework is a process that helps organization use the holistic marketing approach and the interactions between the organization's various stakeholders and collaborators to create, renew and maintain customer value. It tries to integrate the value exploration, value creation and value delivery activities with the purpose of building long-term, mutually satisfying relationships and co-prosperity among key stake-holders.
16. The holistic marketing framework is comprised of three value based activities, i.e, value exploration, value creation and value delivery activities.
17. Value exploration is the process through which organizations identifies new opportunities for value creation.
18. In order to develop a well designed value exploration strategy the companies need to understand the relationships and interactions among three spaces , i.e, customer's cognitive space, company's competence space, and collaborator's resource space.

19. The organizations need to develop value creation skills to utilize the opportunity that has been identified during the value exploration stage. The marketers need to:
- a) identify new customer benefits from the customer's point of view
 - b) utilize core competencies from its business domain
 - c) select and manage business partners from its collaborative networks
20. Value creation merely is not sufficient, but the companies have to deliver the value to the customers in real sense. This will require huge amount of investment in both infrastructure and capabilities.

3.7 Model Questions

A) Short-Answers Questions

- 1) What do you understand by 'marketing concept'?
- 2) State the marketing philosophies that emerged replacing and supporting one another.
- 3) What is 'production' orientation? State its implications.
- 4) What is 'sales' orientation? State its implications.
- 5) What is 'customer' orientation? State its implications.
- 6) What is 'social' orientation? State its implications.
- 7) What is 'holistic' orientation? State its implications.
- 8) Which marketing concept believes in 'everything matters' in marketing? Why is it important?
- 9) What do you mean by holistic marketing? Give one example.
- 10) What are the components of holistic marketing? State the meaning of each component.
- 11) What do you understand by holistic marketing framework?
- 12) 'The holistic marketing framework is designed to address three key management questions.' What are they?

B) Long-Answers Questions:

- 1) What is a marketing concept? Explain the different marketing philosophies.

- 2) Define 'holistic marketing' with an example. Explain its importance in today's marketing world.
- 3) Compare and contrast the 'holistic marketing concept' with the earlier marketing concepts or philosophies.
- 4) Explain briefly the components of holistic marketing.
- 5) What do you mean by holistic marketing framework? Explain the three value-based activities of the holistic marketing framework with appropriate examples.

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Unit-4

Global Marketing Environment: Measuring Demand and Forecasting

Unit Structure:

- 4.1 Introduction
- 4.2 Objectives
- 4.3 Global Marketing
 - 4.3.1 Importance of Global Marketing
 - 4.3.2 Global Marketing Environment- Internal environment
 - 4.3.3 Global Marketing Environment - External environment
- 4.4 Forecasting and Demand Measurement
 - 4.4.1 Need for demand forecasting
 - 4.4.2 Factors influencing demand forecasting
 - 4.4.3 Methods of demand forecasting
 - 4.4.4 Uncertainties in Demand Forecasting
- 4.5 Summing Up
- 4.6 Model Questions
- 4.7 References and Suggested Readings

4.1 Introduction

Due to liberalization, a business firm has to encounter global competition and as a result it has to improve its competitiveness and scope which views the entire world as a single market so that the business strategy is based on the dynamics of the global business environment. Global marketing is a specialized skill. There is significantly more to global marketing than simply selling products and services in the global market. In order to reach customers in every corner of the globe, one must be able to convince people that the product or service manufactured by the business firm is worth buying. That is where global marketing dominates. Red Bull, the Austrian drinks company is an example of successful global marketing. One of its marketing strategies

is to host sports events across the world which has resulted in many Americans, Germans etc thinking it to be a local brand.

4.2 Objectives

After going through this unit, you will be able to-

- understand the concept and importance of Global Market,
- explain the concept of forecasting and demand analysis,
- analyse the factors and need for demand forecasting.

4.3 Global Marketing

Globalization means integrating the economy of a country with the World Economy. Global Marketing Environment can be defined as “all the factors and forces inside or outside an organization or company which affects the marketing strategy to build and maintain successful relationship with targeted customers”. Global marketing involves the performance of activities designed to plan, price, promote and direct to flow of organizations offerings in more than one country for a profit. In today’s business scenario the core task of marketing is endorsing the A firm has to operate within its environment as it does not have a separate existence from it. Global marketing is one where the entire world is a market place and there is no difference in the products available value philosophy which stresses on value delivery to the consumers. A firm has to operate within its environment as it does not have a separate existence from it. Global marketing is one where the entire world is a market place and there is no difference in the products available globally. For example Apple products can be taken as global marketing products which have uniform phones throughout the world. On the other hand international marketing is country specific and their products are designed to meet local markets only like McDonald customizing its menu to satisfy its local demands.

According to Prof M. V. Kulkarni “Global Marketing involves identifying needs, wants and demand of global customers and making the products and services available to them either through own manufacturing or outsourcing and distributing the product/ service at the places convenient for consuming.”

4.3.1 Importance of Global Marketing

- It provides a new business opportunity for the business. GlobalMarketing allows to target communities anywhere in the world.
- Global marketing provides information about the new market and receive valuable feedback. to adapt and change according to customers demand.
- It helps to create a brand image in international arena. Branding makes it a lot easier to take advantage of future opportunities because of the milestone achieved in the global markets.
- To satisfy the global customers , find new global customers and increase sales and market share.

Business is increasingly becoming international or global in its competitive environment content According to Philip Kotler, “A company’s marketing environment consists of the internal factors and forces, which affect the company’s ability to develop and maintain successful transaction relationships with the company’s target customers”.

Stop to Consider

The practice of marketing today needs new knowledge and skills. Specifically the international exchange of people and products, the rapid development of information technology, the opening of the markets, are some of the factors that has led to globalization of marketing. Global companies operate in an environment that is complex as well as uncertain.

4.3.2 Global Marketing Environment- Internal Environment

Business decisions are conditioned by two sets of factors,viz the internal environment(factors internal to the firm) and the external environment(factors external to the firm). The internal factors are regarded as controllable factors as the company have control over these factors such as mission, objectives, human resource ,physical facilities product development etc. The external factors on the other hand are beyond the control of a company such as economic factors, demographic factors, legal factors etc.

So for a business firm, there are two types of marketing environment affecting marketing strategies and overall business decision making :

- The internal environmental actors which have an influence on the strategy and other decisions of the firm includes:

Culture/ value system The corporate culture represents the organization's value system. Culture is often reflected in company's HR policies. The value system of TATA group reflects its social and moral responsibilities towards its consumers, employees, shareholders society and others. Dofasco, one of the world's largest steel producers has the motto "Our product is steel, our strength is people".

Organisational structure: The organizational structure, the composition of board of directors, are important factors influencing decisions. With the advancement of technology, organizational structure have become flatter and flatter which results in smaller management hierarchy. In order to become more effective in terms of quality and price, companies have carried out decentralization of the decision making process and downsizing .

Human Resource: Human resource management is influenced not only by domestic external environment but also by international environment. the characteristics of the human resource in terms of skill, quality, morale etc can contribute to the success or failure of an organisation. For example When NAFTA was created in 1994, the nature of work relationship between USA, Canada, Mexico changed. Corporate were forced to become more competitive in respect to HR policies.

Marketing Intermediaries: Marketing Intermediaries are the link between the manufacturer and the ultimate consumers. They include wholesalers, retailers, marketing agencies., distribution companies. A wrong selection of the marketing link may lead to disastrous results.

Check Your Progress

1. Discuss the significance of Global Marketing ?
2. What is Global marketing?
3. What is marketing environment?
4. What forces determine the internal marketing environment?
5. Do you think that the internal environment of a business firm has a role to play in becoming a global brand? Discuss.

4.3.3 Global Marketing Environment-External Environment

External environment consists of micro environment and macro environment

The **micro environment** consists of very close factors of a company that affects companies ability to serve customers-

- **Consumers** : Prosperity of any business depends on tapping the opportunities in the environment. The opportunities represents the requirement of the customers. It is essential that the business determines -Who the customers are and the reasons for buying the product, will play a large role in ascertaining the marketing strategy for the products and services. A business must be able to design a successful business strategy resulting in marketing policies ,which provides value to the customers as per their perception.
- **Competitors**: Competitors plays a significant role in the success of a business enterprise. A firm has to adjust its strategic plans according to the behavior of its competitors. They should analyze how their competitors are responding to market changes, kind of tactics employed by them in order to redesign their marketing policies.For example Pantene and sunsilk shampoo are direct competitors.
- **Suppliers**: Suppliers are one of the important component specific to the business. Suppliers have their own bargaining power which can influence the cost of raw materials and other inputs , thereby affecting the profits of the firm. It is also important to maintain a reliable and uninterrupted source of supply of inputs ensuring smooth production process. Marketing managers must have control on availability of supplies and cost. For example shortage or delay of products in time natural disaster may decrease sales in the short run resulting in consumers dissatisfaction .

Macro environment have a significant impact on the success of marketing activities . Therefore, it is essential that such factors are considered in depth, in course of devising a strategic marketing plan.

The macro environment consists of six different forces. These are Demographic, Economic, Political, Ecological, Socio-cultural and Technological forces. This can be remembered as DESTEP which refer to Demographic, Economic, Sociocultural, Technological Ecological and Political.

Another, slightly different analysis of the macro environment is referred to as the PESTLE analysis. A PESTLE analysis studies the key external factors which are political, Economic, Sociological, Technological, Legal and Environmental factors that influence an organisation.

Demographic Environment: Demographic forces relate to people. And business depends on people/consumers. Different factors relating to population such as density, age gender, occupation, religious composition, literacy levels, growth rate etc are studied. Consumer/people are the reason for businesses to exist and consumer are the driving force for the development of the business and the market. Due to rapid growth of population, there occurs changes in overall demographic environment. Apart from the factors mentioned above other aspects such as household patterns, regional characteristics, population shifts etc, also need to be studied as they are important components of the demographic environment.

Economic Environment: All business firms heavily depend on the economic environment in which they operate. Economic components are general monetary value, investment rates, exchange rates, inflation rates, fiscal strategies, balance of payments, import duty etc. The financial environment influences a customer's behavior either by expanding his disposable income or by decreasing it.

Political Environment: Political environment has several aspects. Form of Government adopted by the country is one of the aspects. Further, Political stability is essential for economic growth. Nature and strength of religion, cultural and social organisation, role of media, public policies, influence of pressure groups etc are part of the political environment.

Natural/ Ecological Environment: The very existence of business depends on natural resources. The extent to which a country or a region is endowed with natural resources will have an impact on the functioning of the firm. With the growing shortage of raw materials and the need for renewable resources, along with increasing population and increased involvement of society in ecological issues, companies are now more than ever before need to implement environmental sustainability. Pressures on companies are intensifying all round to formulate environment friendly strategies. Concepts like green marketing, green economy, sustainable resource utilization, conservation of natural resources have to be considered so as to ensure environmental sustainability.

Social Cultural Environment- the socio-cultural environment of a society consists of the influence of culture, social class, beliefs, values, family, traditions, social systems in the marketing system. Business who intend to market their products overseas may be very sensitive to foreign cultures and ignoring such differences may result in failure in implementing overseas marketing policies. Socio-cultural environment has three main parts:

Socio Cultural Environment consists of three main parts

- (i) Culture
- (ii) Sub culture
- (iii) Social Class

Culture/Sub Culture: Culture is the combined result of factors like language, education, religion and upbringing are core cultural values which do not change easily and are known as core cultural values. Values, practices, consumption habit, lifestyles and buying behavior are some of the secondary cultural values that can be manipulated or amenable to changes. Cultural shifts carry opportunities as well as threats, so it is necessary that close monitoring of cultural environment is done regularly.

Social Class: Any society is comprised of different social class. Each class has its own standards with regard to behavior, lifestyle etc which are called the class norms. These norms have a strong impact on the consumption and buying behavior of the class which do change over time. Hence such changes should be closely observed in light of socio cultural aspect.

Technological Environment: Technological forces are perhaps the most rapidly changing factor in business environment. In the field of business technology is not only leading to many new products, the production process, logistics information processing etc all have been revolutionized by technology. Some of the technological factors are automation, security in terms of cryptography, internet connectivity, cyber security etc.

Legal Environment: Every business has to operate within the legal framework of the prevailing law. The marketing strategies should always take into account the laws prevailing and implications of the legal provisions in their business. Business legislation can be classified into various categories such as corporate affairs, consumer protection, labour legislation, environmental protection, regulations on distribution and trade practices, regulation on products packaging and prices etc. Legal and regulatory environment acts as a determinant of competitiveness of countries as well as individual business firms.

Stop to Consider

Food Consumer product Kellogg company ventured into Indian market in 1994 with cornflakes, wheat flakes at the initial stage. Its products failed because the concept of eating cornflakes as breakfast cereal was an unimaginative idea for the Indian consumers who are used to breakfast palate of being hot and savory.. This made Kellogg's to rethink and innovate with new product appealing to Indian local cultural habits. Kelloggs launched Chocos wheat scoops coated with chocolate which was accepted by Indians which highlighted the concept of adapting , modifying business strategies according to global demand. The external environment factors are by and large beyond the control of the business firm and are generally regarded as uncontrollable factors. External environment are divided into two categories: Micro Environment- Customers, Suppliers, Competitors, Marketing Intermediaries. Macro Environment- Economic Factors, Social factors, Demographic factors, Natural factors, Technological factors, Legal factors.

Check Your Progress:

1. Discuss the external business environment.
2. Discuss the role of Demographic environment in global business.
3. Discuss the impact of legal environment in global marketing

4.4 Forecasting and Demand Measurement

Forecasting and demand measurement (in relation to marketing) is a tool required to forecast the future of product life. Forecasting and demand measurement assist a business to anticipate product life span of a product, how long the product can run in the market. In the process of measuring demand and forecasting, a business studies the market behavior, does research based on the market environment so as to exclude survival opportunities for the product.

Demand forecasting is the process of understanding and predicting customer demand in order to make smart decisions regarding profit margins, supply chains operations, profit margins capital expenditure etc. Demand forecasting helps businesses to estimate the total sales and revenue for a future period

of time based on historical data. Demand forecasting helps a business to devise their operational strategies based on real/historical data. With the help of historical data such as sales data, the business can ascertain a clear picture of their future demand.

According to Evan J. Douglas, “ Demand estimation (forecasting) may be defined as a process of finding values for demand in future time periods”.

In the words of Cundiff and Still. “Demand forecasting is an estimate of sales during a specified future period based on proposed marketing plan and a set of particular uncontrollable and competitive forces.”

According to Prof. Kotler” the company (sales) forecast is the expected level of a company sales based on a chosen marketing plan and assumed marketing environment.”

Proper demand forecasting gives businesses valuable information about their potential with regard to current market as well as other market ,so that managers can make informed decisions about pricing, growth strategies and market potential. In absence of demand forecasting, there is a risk of poor decisions ,which may result in negative effects on supply chain management, customer satisfaction and profitability.

Underestimating demand can be at times bring devastating results. When a company introduces a new product, it launches marketing and sales campaigns to create demand for it. However if the company is not in a position to deliver the products as per the market demand , the competitors can capture the sales. For example Sony’s inability to deliver the e-Reader in sufficient numbers made Amazon’s Kindle more readily accepted in the market.

4.4.1 Need for Demand Forecasting

Demand forecasting is an important process for businesses It helps to reduce risk in business activities. Some of the reasons for the need of demand forecasting include:-

- Every Business have predetermined goals to ensures its long time success. With the help of demand forecasting, company’s can act proactively thereby adjusting their long term strategy with regard to prospective changes in the business environment.
- Sales forecasting helps for business planning, budgeting and goal setting. If a business can have an idea regarding its potential future

sales, it can effectively formulate effective procurement strategy to match supply with customer's demand.

- It provides an insight into upcoming cash flow, resulting in accurate budgeting of suppliers and other operational expenses as well as growth and expansion of the business.
- Anticipating demand means knowing to maintain adequate supply of all resources, to keep operations of the business running efficiently and smoothly during peak periods.
- Demand forecasting also helps the company's to design their staffing and training plans so as to ensure securing key skills for its human resource which may be required for future product iterations.
- With the help of sales forecasting one can identify and rectify any changes in the sales pipeline and also ensure that the performance of the business remains robust throughout the period.

4.4.2 Factors Influencing Demand Forecasting

Demand forecasting is referred as a proactive process that helps in ascertaining what products are needed, where, when and in what quantities. There exists several factors which have an influence on demand which need to be taken into account before forecasting. Some of the common factors that have an influence on demand and forecasting management includes:-

- **Competition Level:** The level of competition determines the process of demand forecasting. In case of a highly competitive market, the existence of number of competitors have an effect on the demand for products. For example ,if a new competitor enters t he market and starts increasing his market share ,the existing business may suffer, whereas if an existing business start losing his customers due to various reasons, other competitors will be in better demand as consumers will make a shift for a better purchase.
- **Types of goods** -different types of goods and services have different demand forecasting. Goods can be producers goods, consumers goods or services. Again goods can be new goods or already established goods. It is very difficult to forecast demand in case of new goods as compared to established goods, whose demand, substitutes and level of competition can be easily ascertained.

- **Types of Demand:-** Types of demand also helps a business in demand forecasting of the product . It helps the firm to estimate the total amount of sales required to be done in a particular period when the goods are brought into the market for sale. There are eight types of demand in marketing i.e. Negative Demand, Non-existing demand, Latent Demand, Declining demand, Unwholesome demand, Irregular demand , Full demand and Over full demand. Each type of demand is unique in its challenges and effects and hence the business has to make accurate decisions for demand forecasting and managing each of the demand types in the right manner so that the business can scale new heights.
- **Economic Conditions:-** Economic conditions can have a huge impact on demand forecasting. If an economy is witnessing recession, the demand for luxury goods is likely to fall, whereas demand for low priced goods is likely to increase. Further if there is positive development taking place in an economy such as high level of foreign investment, etc the demand forecast of the firms would be definitely encouraging.
- **Level of Technology:** Various technological innovations has powered most of the products of the businesses in the IT sector. Due to rapid change in technology, the existing technology or products becomes obsolete, making the demand forecasting extremely difficult.
- **Price of Goods:** Price act as a major factor that influences demand forecasting process. Usually the demand forecasts of a business is highly affected by change in their pricing policy. Even a slight change in the pricing policy can influence the process of demand forecasting.

Check Your Progress

1. What do you mean by demand forecasting?
2. What is the need for demand forecasting?
3. What are the various factors influencing demand forecasting?

4.4.3 Methods of Demand Forecasting

Demand forecasting helps to identify the needs of both current and future customers thereby facilitating the manufacturers to decide what they should actually produce and deciding the right quantity of products to be produced. Demand forecasting allows firms to gain insight into diverse consumer needs through different forecasting method. There are two methods used in demand forecasting, qualitative and quantitative. Qualitative methods are used in traditional forecasting and it involves a lot of experience, intuition and subjectivity. Quantitative methods use data and analytical tools for prediction

Some of the qualitative methods used for forecasting demand includes:-

- a) **Surveys of Buyer's choice**- When the company needs to forecast the demand of the consumer for a short period i.e. for a year, then the most appropriate method is to ask the customers directly about what they intend to buy in the forthcoming period. Hence the potential customers are directly interviewed which provides first hand information to the company regarding the choice of the customers. Such buyers choice can be collected by way of
 - b) **Complete enumeration**- This method takes into consideration all the potential buyers who are asked about their future purchasing plans.
 - c) **Sample Survey**- this method provides for selection of sample from potential buyers scientifically and only those who are chosen are interviewed for the same.
 - d) **End use method**- This method is especially used for forecasting the demand of the inputs. Under this method, the final users are identified, the required norms of consumption of the product are fixed, the target levels are estimated to forecast the future demand of the inputs.
1. **Jury Method/ Executive Opinion Method** : This method is very popular in practice, involves soliciting the opinions of a group of managers on expected future sales and combining them into a sales estimate. It is a judgment method. This method gives due weightage to the experience and judgment of people who are aware of the firm and the market. The advantage of this method are (i) It is an easy, simple and expeditious method for developing a demand forecast..(ii)It permits consideration of variety of factors like economic climate,

consumer preferences, technological developments etc which can be included in the subjective estimates provided by the experts.(iii) this is the most preferable method when the firm lacks the expertise required for using sophisticated analytical methods or when past records on sales and market are not available.The disadvantages are (i)The estimates or forecast are arrived at by this method are based on “opinions” and not on “ facts”. Hence it is questionable.(ii)Forecasts worked out by this method are not readily amenable for breaking down into territory wise, month wise forecasts.

2. **Delphi Method**-This method is used for eliciting the opinions of a group of experts with the help of a mail survey. This method is used for working out a broad based, futuristic estimates.The panel members are asked to react to a checklist of questions, which are significant to the forecast. Their opinions are analysed , and if there exists any sharp differences on an issues, interchanges are permitted and the final forecasts are prepared. The advantages of this method are (i)It is intelligible to users..(ii)It is more accurate and less expensive than the traditional face to face group meetings.(iii) This technique eliminates the “bandwagon”effect of majority opinion(tendency for people to adopt certain behavior, styles or attitudes because others are doing so).The disadvantage of this method are (i)technique is based on opinion hence consensus does not mean it’s the correct answer as compared to other techniques.(II)It is time consuming process because sending questionnaires ,waiting for responses and coming to consensus takes long time.
3. **Sales Force Composite Method** : Under this method, the sales forecast is done by the sales force. Each salesman develops the forecast for his respective territory, the territory wise forecasts are consolidated at branch/area /region level and the aggregate of all the forecasts is considered as the corporate forecast.The advantages of this method are (i) The intimate knowledge and experience of the sales force in their respective territories can be used effectively.(ii)As the sales agents are responsible for the sales forecast, they will be putting more efforts to achieve the same.(iii)As the responsibility to forecast rest on the shoulders of the sales agent ,they could be held liable if anything goes wrong. The disadvantages of this method are (i)As the sales agents are not experts in forecasting, they are not in a position to employ the sophisticated forecasting technique effectively and neither they have a

complete data to have a fact-based forecasting. (ii) At times, the sales agent may intentionally give fewer sales forecasts, so that they can fetch more incentives from the management on exceeding the target.

4. Market Survey Method This method involves direct interview of the potential consumers. Its purpose is collecting specific data concerning the market that cannot be gathered from the company's internal records or from external published data. When primary data becomes essential for forecasting, market survey assumes great significance. The main advantage of this method is that it facilitates gathering of original data which is specific to the problem on hand. The disadvantages of this method are (i) that it is time-consuming and expensive. (ii) The reliability of the information generated is dependent on the statistical accuracy of the survey procedure.

Quantitative methods of demand forecasting include the following:-

- 1. Econometrics Model:** This method involves using mathematics to develop equations that help to explain the relationship between different economic agents. The primary objective of econometric analysis is to forecast the future behavior of the economic variables incorporated in this model. Information obtained from this method can show the connection between variables such as inflation, exchange rates, GNP, and how changes in such factors affect the performance of the business. The advantages of the econometric model are (i) It provides a basis for testing assumptions and also for judging how sensitive the results are to change in assumptions. (ii) This analysis helps in understanding of complex cause-effect relationships. The disadvantages of this method are (i) It is an expensive and data-demanding method. (ii) In order to forecast the behavior of the dependent variable, one has to project the values of independent variables.
- 2. Regression analysis method** – this method helps to analyze the relationship between two different variables (independent and dependent). With the help of this method a relationship is established between the dependent variable (quantity demanded) and the independent variable (income of the consumer, price of related goods etc).
- 3. Trend or time series analysis**- this method is based on extensive use of historical data as it assumes past trends will continue and repeat in the future. This method involves (a) determining the trend of consumption by analyzing past consumption statistics and (b) projecting future consumption by extrapolating the trend. There are four main

components of time series analysis which an organisation must take into account viz, trend component, cyclical component, seasonal component and irregular component.

4. **Smoothing Techniques:** smoothing techniques are used to eliminate random variation due to historical demand. This technique helps in identifying demand levels that can be used to estimate future demand. The most common method used in smoothing are simple moving average method which is used to calculate the mean of average prices over a period of time and plot these mean prices on a graph which acts as a scale, whereas the weighted average method uses a predetermined number of time periods to calculate the average, which has the same level of importance.
5. **Barometric Methods :** Barometric methods are used to speculate the future trends based on present developments. The basic approach followed in this method preparation of an index of relevant economic indicators and forecast future trends based on the movements shown by the index. The barometric methods makes the use of following indicators viz, leading indicators that which has already occurred and is considered to predict the future event, coincident indicators which moves simultaneously with the current event and lagging indicators which includes events that follow a change.

4.4.4 Uncertainties in Demand Forecasting

All though there exist different methods for demand forecasting, these are subject to certain limitations:

- **Unrealistic Assumptions-** Each of the forecasting methods are based on certain assumptions. The trend projection method is based upon the “mutually compensating effects. The assumptions at times may be not realistic and suffer from errors which may result in faulty analysis.
- **Unquantifiable data-** It has been noticed that most of the forecasting methods that are quantitative cannot handle unquantifiable factors which may be of great significance for analysis.
- **Technological changes-** Due to technological changes that has been taking place so frequently, it has been a very unpredictable factor which greatly influences the future prospect of every business.

- **Shift in government policy:** Changes in government policy with regard to granting of license to foreign companies, relaxation of price controls etc may at times have a serious impact on the market situation, which may be difficult to anticipate .

Check Your Progress

1. Discuss the various methods of Demand Forecasting?
2. Which is the best method of Demand Forecasting? Explain.

4.5 Summing Up

- Global marketing involves the activities designed to plan, price, promote and direct the product and services offered to more than one country for a profit.
- A business firm has to operate within its environment as it does not have a separate existence from it. Global marketing is one where the entire world is a market place and there is no difference in the products offered.
- Business decisions are conditioned by two sets of factors, viz the internal environment (factors internal to the firm) and the external environment (factors external to the firm).
- External environment consists of micro environment and macro environment
- The micro environment consists of factors that affect company ability to serve customers.
- The macro environment consists of external forces which influence the marketing strategy of a business to a great extent.
- Demand forecasting is the process of understanding and predicting customer demand in order to make smart decisions for future sales strategies and earning increased revenue.
- There exist two methods for measuring Demand and Forecasting, viz, Qualitative and Quantitative method.
- Although different methods of measuring demand and forecasting provide proactive support in devising the various marketing policies,

yet such methods are not free from limitations like unrealistic assumptions, unquantifiable data, change in technology etc.

4.6 Model Questions

1. What do you mean by business environment? What factors constitute the internal marketing environment?
2. What factors we need to analyse under the firm specific environment?
3. What is macro business environment?
4. What is micro business environment?
5. What are “uncontrollable” environmental factors. Can you control them?
6. Discuss the role of business environment in strategic decisions in global marketing.
7. Differences in economic conditions between markets may call for differences in business strategies. Comment.
8. What is Demand forecasting? Discuss the various factors influencing Demand Forecasting.
9. What are the various methods of demand forecasting?
10. Mention any two qualitative methods of demand forecasting?
11. What is Econometrics method of demand forecasting.

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Unit-5

Relationship of Marketing with Other Functional Areas

Unit Structure:

- 5.1 Introduction
- 5.2 Objectives
- 5.3 Relationship of marketing with different functional areas an organisation
 - 5.3.1 Research and development
 - 5.3.2 Production/operations/logistics
 - 5.3.3 Human resources
 - 5.3.4 IT (websites, intranets and extranets)
 - 5.3.5 Customer service provision
 - 5.3.6 Finance department
- 5.4 Summing Up
- 5.5 Model Questions
- 5.6 References and Suggested Readings

5.1 Introduction

The marketing functions of any organization cannot be separated from other relevant areas relating to the organisation as well as its environment. It is important to see how marketing connects with other functions like research and development, production/ operations/logistics, human resources, IT and customer service within the organization. Obviously all functions within the organization should point towards the customer i.e. they are customer oriented from the warehouseman that packs the order to the customer service team member who answers any queries customer might have.

“Marketing is not only much broader than selling, it is not a specialized activity at all. It encompasses the entire business. It is the whole business seen from the point of view of the final result, that is, from the customer’s point of view. Concern and responsibility for marketing must therefore permeate all areas of the enterprise.” Peter F. Drucker.

To simplify Peter Drucker’s saying marketing can be viewed as a *business philosophy*. Success of any business mostly depends on satisfying customer

needs and wants, which cannot be the sole responsibility of the marketing department.

5.2 Objectives

After going through this unit you will be able-

- to identify the different functional areas,
- to understand the relationship of marketing with various functional areas of an organization.

5.3 Relationship of Marketing with Different Functional Areas an Organization

Let us understand the relationship of marketing with various other functional areas of an organisation.

(Diagram depicting the relationship of different functional areas)



5.3.1 Research and Development:

Research and development is the most important function within an organization which generate new ideas, innovations and creativity to develop new products and services. It is a continuous process for any organisation. Through research and development organisation not only create new product and services but also improve existing products and services continuously. Research and development is such a segment which looks after every

department of the organisation to make the organisation more competitive. The primary objectives of research and development are to secure a competitive edge and increase bottom line profitability. Research and development is not generally undertaken in order to generate quick profit but instead for long term benefits. The new information that research development generates can enhance employee commitment and confidence levels. Instead of working on the same procedures, processes, and methods, research and development challenges employees to constantly learn and grow. Research and development is also important for market research and identifying customer needs and wants. Applied research is invaluable for developing new products and services and improving existing one in accordance with customer needs and wants from the above analysis it can be understand that research and development department provide valuable insights to the marketing department and by incorporating those insights marketing department can make their strategies more interesting and significant. In an increasingly competitive global marketplace, competition cannot be overlooked or undervalued. Though research and development activity require a significant cost, still a good research and development team can gain and maintain a competitive edge by boosting sales, increase in profitability, open new and untapped markets, enhance brand and gain in reputation, attract best employees, attract more investors, finding new business partners, access new supply chains etc.

Stop to Consider

Research and development is basically innovating new products and services and also improving existing one through which an organisation can gain competitive edge.

5.3.2 Production/Operations/Logistics:

The operations, production and logistics functions within business need to work in cooperation with the marketing department. Operations include many other activities such as warehousing, packaging and distribution. Operations also include production and manufacturing, as well as logistics. Production and marketing department should have proper coordination and work closely with each other. Creation of demand is the task of marketing department where fulfilling that demand depends on the timely production of those demand. So there is a possibility of conflict between these departments. But, in order to increase the organization's performance and progress, the marketing and production functions must communicate with each

other. Each function has their different roles. The production function focuses on creating new products, managing the quality and quantity of the products, and arranging deliveries. Marketing function concentrates on satisfying customers and meeting their needs. Therefore, in order to increase profits and fulfill consumers' needs, the organization must collaborate between marketing and production functions and limit the conflicts that might arise between them.

Logistics and marketing might seem to be diametrically opposed to each other. Logistics deal with the handling and delivering of raw material to finished products. Marketing, on the other hand, is a combination of creative activities and the detailed analysis that backs them up. However, these both the departments within any organisation have a symbiotic relationship. As clients, for example, routinely expect production and shipping to be fast and efficient, logistics is an increasingly important component of marketing. Logistics is concerned with getting the product from production to warehousing, to retail and to the ultimate consumer in the most effective and efficient way. Through marketing demand is created in the market and it is the duty of the production and logistic department to timely fulfill the demand. In this competitive era fast movement of goods from one place to another is very much crucial for the success of the organisation. An efficient logistics department can become a marketing instrument. Some companies have logistics systems that are so fast and efficient that they're able to charge lower prices from consumer as compared to the competitor which in turn work as leverage for the organisation. Logistics and marketing are complementary business operations that enable a company to ensure that it can offer the right products to the right customers in the right place. Place is one of the five P's of marketing. Through proper coordination between logistics and marketing, companies can build the highest levels of customer satisfaction by improving customer experience, enhancing customer benefits.

5.3.3 Human Resources

Organisations are managed and run by people, so its utmost important to look after efficient people and this particular task is performed by HR department. Human Resource Management (HRM) is the function within the organization which looks after recruitment and selection, training, development and other concerning areas of professional development of

employees. Other related functional responsibilities include well-being, employee motivation, health and safety, performance management system and the knowledge regarding the legal aspects of human resources. So the marketing department must have the association with the HR department for smooth implementation of strategies. The HR department help marketing department with scoping out the job, a person profile, a job description, and advertising the job. The HR departments help to find right marketing personnel through assisting an interview to offering job. HR personnel organise an induction programme for other departments so that new employee can understand their role easily and also become familiar with the organisation. HR department also show the mirror to the employees through performance appraisal to the employees which in turn help in taking corrective measures for the betterment of the organisation. HR professionals also look after various legal aspects of the organisation which help in maintain good industrial relation within and outside of the organisation. Registration of trade mark, brand name, patent etc. requires legal expertise where HR can play a very significant role. These are the different operational functions of HR department which ensure and enhance quality of the organisation.

5.3.4 IT (Websites, Intranets and Extranets)

Information technology broadly consist of elements such as computer software, information systems, computer hardware (such as the screen you are looking at), and programming languages. In this modern era marketing activities extensively use all the IT elements to transmit information i.e. how to get information, how to process it, how to store the information, and then how to disseminate it again by voice, image or graphics. IT has changed the overall marketing strategies for organisation. Without adopting information technology no organisation can progress in the modern business world. Information Technology plays a vital role in building customer relationship management (CRM). Obviously IT is a huge field but we need to recognise the importance of websites, intranets and extranets to the marketer. So a website is an electronic object which is placed onto the Internet. Often websites are used by businesses for a number of reasons such as to provide information to customers so that customers can interact, compare and buy a product, more significantly customers start to build a long-term relationship with the marketing company. Likewise organisations are trying to explore different technologies like mobile marketing, social media marketing to attract more and more customers. Information technology is making the life and

processes easy and simple for both marketing organisation and customers. But at the same time it has posing challenges also for marketing organisation because customers are becoming more demanding and want quick solution. Hence, companies need to deploy competitive IT professionals and also funds to make the system effective. The IT department and marketing department need to understand each other's merits and limitations before finalizing any strategy. Retaining and making customer loyal towards organisation is tougher than attracting a customer. In this regard a proper coordination is utmost important to achieve the goal of the organisation.

5.3.5 Customer Service Provision

Customer service provision is part of the customer relationship management (CRM) which refers to the principles, practices, and guidelines that an organisation follows when interacting with its customers. From the organisations point of view, this entire relationship encompasses direct interactions with customers, such as sales and service-related processes, forecasting, and the analysis of customer trends and behaviours. Ultimately, CRM serves to enhance the customer's overall experience.

Marketing spend money in the market and drive customers into their places of business. Attracting a customer through marketing is one function and retaining the customer is another aspect of the business. Since the evolution of social media customer relationship has become a continuous and round the clock activity for any organisation. Retaining a customer and making that customer loyal towards the brands of the company is very much important and crucial for organisation to attain competitive edge. To achieve this particular objective organisation need to understand customers' expectation and accordingly should provide training to their customer service team. Positive customer experiences improve customers' likelihood to return to a specific brand and increase the probability they will spend more. A positive experience improves the customer's overall satisfaction with the brand in question . Customer service provision is very much integrated into marketing. Customer service takes into consideration the needs of the customer as the central driver. So customer service function revolves around a series of activities which are designed to facilitate the exchange process by making sure that customers are satisfied. The first step in ensuring your customers satisfaction is to have a positive end-to-end experience with the brand and to shift internal structures to enable marketing and customer service teams to communicate

and collaborate more effectively . Marketing and customer service may work together to achieve mutual goals and solve problem for the customers through following steps-

- Social media customer support.
- Creating content for customers.
- Understanding customer expectation.
- Unified messaging.
- Customer loyalty programme.
- Sharing customer stories.
- Shared goals.
- Product marketing.

Stop to Consider

Relationship encompasses direct interactions with customers, such as sales and service-related processes, forecasting, and the analysis of customer trends and behaviours. Customer service takes into consideration the needs of the customer as the central driver. So customer service function revolves around a series of activities which are designed to facilitate the exchange process by making sure that customers are satisfied.

5.3.6 Finance Department

The marketing department will need to work closely with the finance department to ensure that, there is an adequate budget to meet the needs for research, promotion and distribution and advertising its products and services. For promotion, advertising etc. marketing department requires huge funds to create a strong appeal among customers. On the other hand finance department need to ensure that all the business operates within its financial capabilities. They will want all departments to work within their allocated budgets and must have knowledge about companies' financial capabilities. While a business must be able to market its product, it must also be able to manage the related costs. This is the foundation of the relationship between marketing and finance.

Like all departments, marketing may wish to overspend if profitable marketing opportunities emerge over the year. The marketing department is likely to concentrate on sales volume and building market share, while the finance

department may be more focused on cash flow, covering costs and paying back investment as quickly as possible.

To make this relationship work, the marketing department takes the responsibility of managing and developing the growth of a business while the finance department works closely with marketing to monitor trends in the business as well as manage the efficiency of marketing initiatives. In this competitive era marketing activities require finance more than ever. From a marketing perspective, by adopting following three ways relationship with the finance department can be improved for overall improvement of the organisation:

Communication is the key: The perception is that marketing is always going to ask for more funds to improve its performance and finance is always considering financial health of the organisation before allocating more funds. Hence, it is desirable to conduct regular meetings between the two departments to negotiate and discuss expenses and budgets in alignment to company goals.

Share the success: When Finance sees a large expense, without significant reason and knowing such requirements, they want to curtail the budget. That's their job. Those in marketing must take the time to discuss the reason for such requirements and explain the issue, why the funds are needed and how it will benefit the business. Both departments need to adopt collective bargaining to arrive at a meaningful solution.

Think alike: Marketing department, need to go through a proper research before finalising and presenting the project cost to the finance department. At the same time finance department also need to look at the project from the benefit point of view before deducting the project cost. This will make the negotiation process a lot faster and easier.

Check Your Progress

1. Identify the different functional areas of an organisation.
2. Discuss the role of Research and development in marketing.
3. Highlight the role of Human Resource department in marketing.
4. Why is it important for the marketing department to work closely with Finance department?

5.4 Summing Up

Marketing department requires assistance from all other departments in an organisation. Active cooperation with all departments make marketing department successful. From the above discussions it is clear that departments like research and development, production and logistic, information technology, human resources, finances are indispensable parts for the smooth functioning of marketing department. Marketing progressively work to attract and acquire customer where research and development helps with creativity and innovativeness. Production and logistic provide right product at right place at right time. Human resources can help by providing competitive manpower and information technology guarantees new age technologies to serve customers. Customer service or customer relationship builds long term relationship with customers and last but not least finance is known as life blood of all business activities. For successful implementation of all strategies finance department must sanction the budgeted projects. Hence, a comprehensive inter departmental communication is must be in place for attaining the overall goal of the organisation.

5.5 Model Questions

1. Define relationship of marketing with other functional areas?
2. What are the objectives of relationship of marketing with other functional areas?
3. How research and development helps an organisation?
4. Why coordination is necessary between marketing and production and logistic department?
5. Can marketing operate without the help of information and technology? Discuss in detail.
6. Discuss the relationship of marketing with HR department of an organisation?
7. What way marketing and customer relationship can benefit each other?
8. Discuss in detail the role of finance department in enhancing marketing capabilities of an organisation?

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