

**Indian Institute of Technology Kanpur**  
**National Programme on Technology Enhanced Learning (NPTEL)**  
**Course Title**  
**Marketing Management – 1**

**Lecture: W1.1.1**  
**Introduction To Marketing**

**by**  
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Dr. Shashi Shekhar Mishra: Hello, and welcome to our course on marketing management 1, this is first session of this course titled introduction to marketing. And I have with me my senior colleague Professor. Jayanta Chatterjee.

Prof. Jayanta Chatterjee: Hello.

Dr. Shashi Shekhar Mishra: So, today he will be taking you through this introduction to marketing. In this session and whenever if required we have Professor Chatterjee with us for useful and very, very interesting insights on the topic. This is going to be the course content of this session.

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Dr. Shashi Shekhar Mishra: We will be talking about marketing, its definition, commonly known myths around about the notions about marketing in our society. And then how we can look at marketing, so there are two dominant perspective on marketing that we will talk about of which we will talk about marketing as a social exchange process, and then we will also talk about marketing as an organizational function.

And then we will go into the concept of value, and then we will talk a little bit about very, very important core concepts in the marketing to understand marketing as a process, and then finally we will talk about strategic marketing process. There are very common myths in our society about marketing what marketing is, when we see someone talking about someone -- some companies promotional campaign and then say the company was marketing its product.

Or when we see a salesperson pushing his product to us selling insurance policy to someone we say he is just marketing it. However these are just a part of marketing as a process which comes at the very end of the marking process if preceding his steps are performed in a more skilful manner probably the requirements for these sales and promotional efforts is lot more limited. So

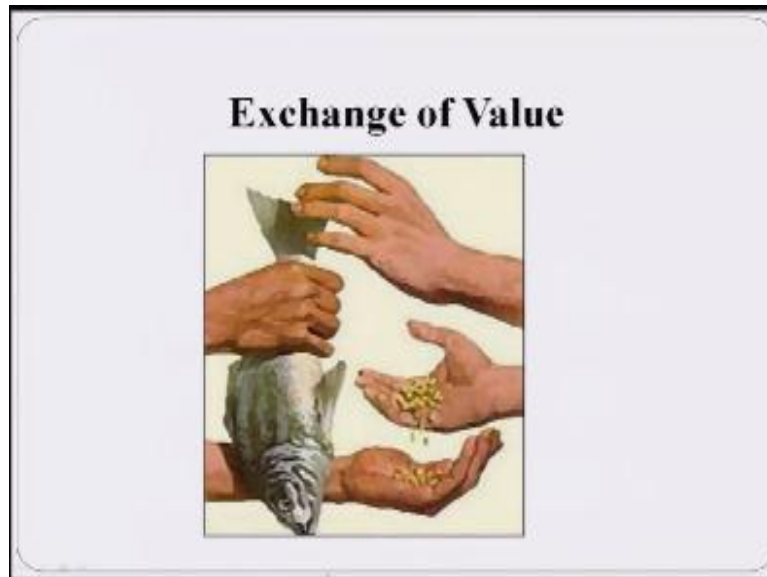
marketing probably is much more than what we commonly understand in our society. There are basically two different perspective in which we can understand the marketing.

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Dr. Shashi Shekhar Mishra: One is looking at marketing as a social process, and the other one is understanding marketing as an organizational function.

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Dr. Shashi Shekhar Mishra: So while going into this, the first perspective which is social process of marketing, basically marketing is an exchange of value, this exchange of value to happen.

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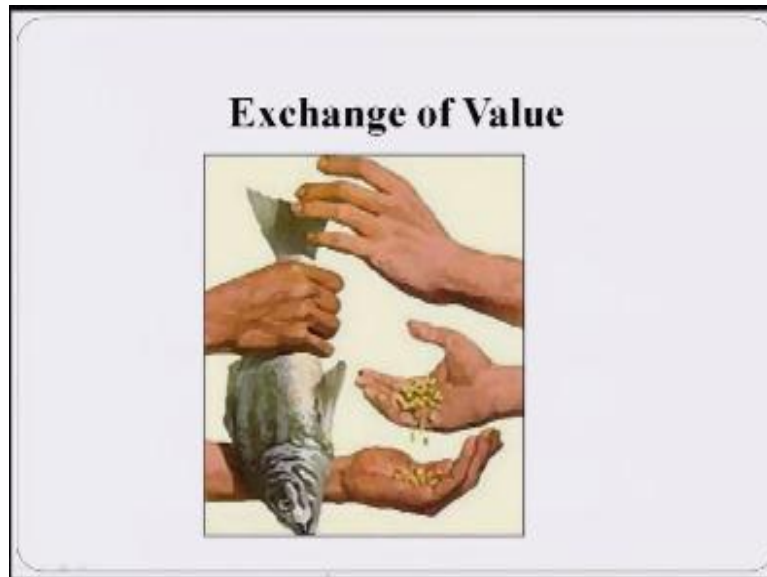
## **Marketing as a Social Process**

A *societal process* by which  
*individuals and groups* obtain what they  
*need and want* through *creating, offering,*  
and *freely exchanging* products and  
services of *value* with others  
(Kotler et al., 2013).

Dr. Shashi Shekhar Mishra: There is a more formal definition by one of the very famous academicians in the marketing area and his co-authors in a book which defines marketing as a social process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others. Now here there are a couple of things which are very important to note, that it is a social process through which individuals and groups fulfill their needs what they want from others.

And in this process people create, offer, and freely exchange product and services which others also value.

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Dr. Shashi Shekhar Mishra: An illustration of what this exchange process is, here you can understand one person who likes the fish probably professor like Professor Chatterjee who is really fond of fish, he is buying a fish in exchange of some monetary returns to the person who is providing the fish.

It is important if this social process, if the exchange potential has to exist there has to be certain conditions fulfilled and as probably you can understand from the previous figure one of the very easily understandable condition for this exchange process to happen is.

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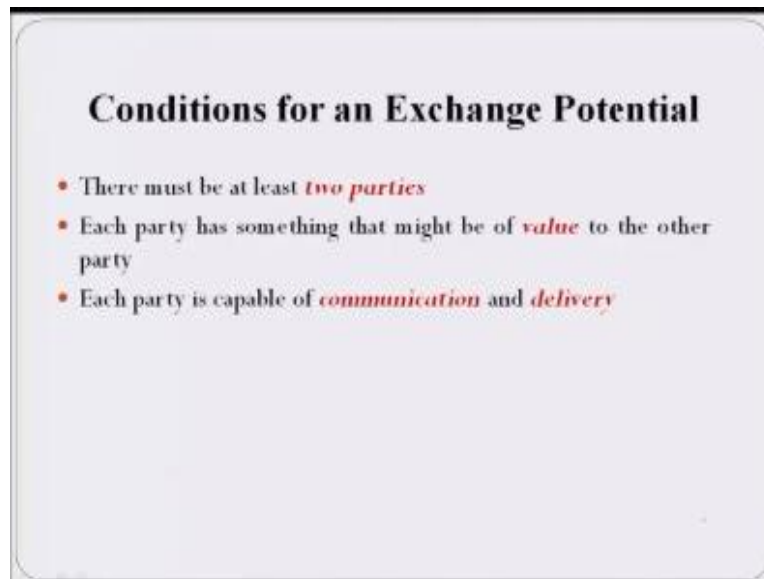
Dr. Shashi Shekhar Mishra: There has to be two parties for the exchange to happen.

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Dr. Shashi Shekhar Mishra: The second condition is both parties should have or should be able to produce or create which has something of value to the other party. I have something, but if other person does not value it, the other party does not value the product or the services which I am offering obviously the exchange is not feasible.

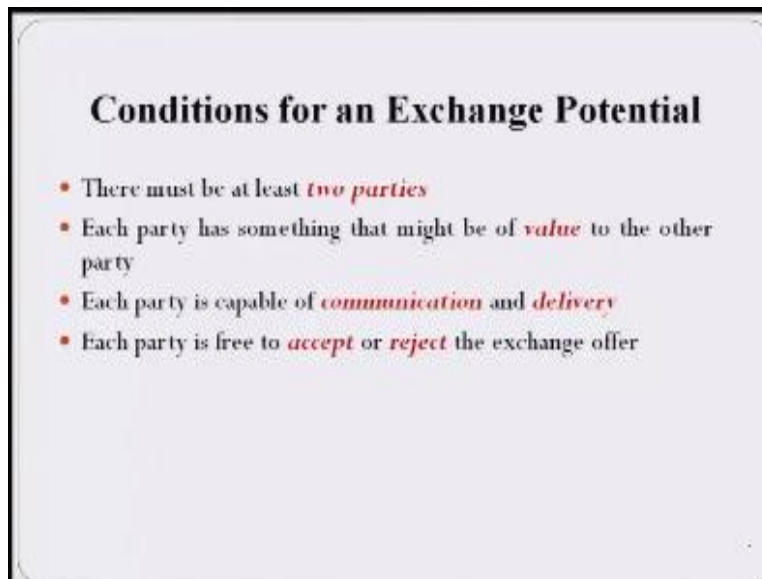
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Dr. Shashi Shekhar Mishra: Third condition is that each party is capable of communication and delivery for the value that they hold with themselves. So it is important that communication and delivery is possible if because of the geographical constraint or because of the other constraint that two parties are unable to communicate and deliver what they have, then probably again this exchange is not going to happen.

So those are some of the barriers that comes, very common barriers that exist for the exchange process in the society.

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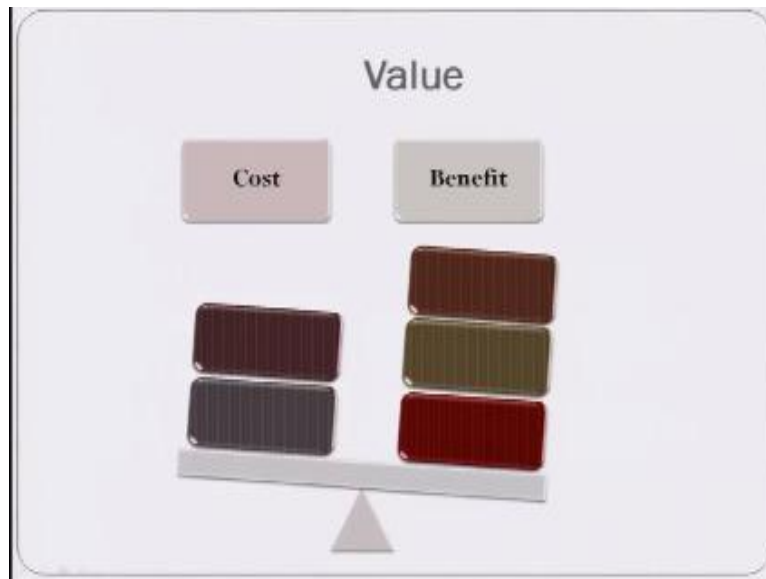
Dr. Shashi Shekhar Mishra: Each party is free to accept or reject the exchange offer, if an exchange is happening forcibly okay, or probably an exchange is happening just because someone is showing gratitude or probably someone is gifting something to other, that process cannot be termed as an exchange.

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Dr. Shashi Shekhar Mishra: The last condition for this exchange process is each party believes that it is appropriate or desirable to deal with the other party, if you do not believe that other party is probably whom you should deal with then again the exchange will not happen. This condition is of significance when probably two groups like two countries have an exchange, supposedly there is a defense system okay which a country develops, obviously it is not going to sell it a company which it does not perceive as a friend, friendly country because it can understand that in certain conditions the same defense system which is it is offering to the other party can be utilized against it.

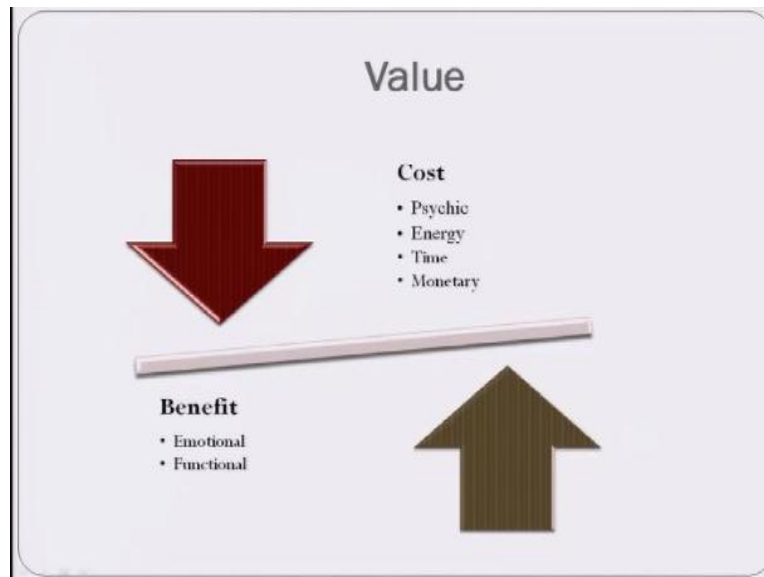
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Dr. Shashi Shekhar Mishra: Now here what you should have noted in this definition of this social exchange process is that what we are talking about is a concept of value that there will be an exchange of value, so what is value basically, value is something which is very central to the marketing as a process and value we can understand it is a function of benefit and the cost. If we want to represent it as a mathematical function we can say that value is, is a basically a function of benefit and cost or to be more precise it is benefit, difference, cost.

However what we talked in marketing or what we understand is more important than value is perceived value, because consumers or the customers make their decision based on their perception of the value rather than what is the actual value. Now here the benefits and the cost can further be subdivided and the benefits could be of two types.

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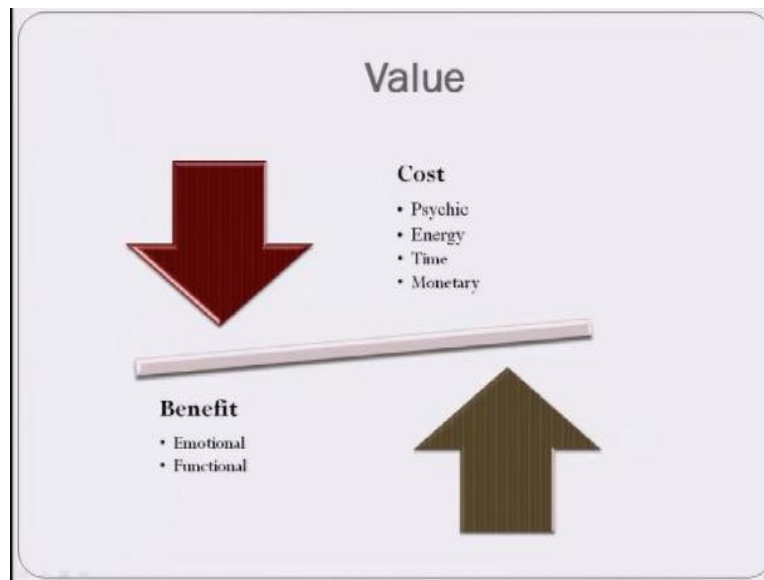
Dr. Shashi Shekhar Mishra: The benefit could be seen as an emotional benefit or to the basic level it could be functional benefits, so let us take an example of a car. When we purchase a car what are the functional benefits? The functional benefit is that a car provides you the transport, fulfills your transportation needs and it also probably fulfills to a certain extent your, I mean it is more safe than probably traveling by a two-wheeler, so those are basically the functional benefit. Along with those functional benefit there are certain emotional benefit which are attached with a purchase of a car.

Which is probably if you have a car you have a better status symbol in the society, so that is what the emotional benefit is. Now it is very important to understand in what kind of markets you are operating and then accordingly probably you have to see where your focus should be whether, whether your customers want more of a functional benefit or probably they prefer, prefer to have emotional benefits.

Now coming onto the cost part, the cost can be divided into four different types of cost, monetary cost which is very probably easily observable that when whenever we get into any

exchange process when we purchase something we generally these days in return we have to provide some money for obtaining a product or the service, then we have time cost.

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Dr. Shashi Shekhar Mishra: Energy cost, and psychic cost. I will explain it to you through an example, supposedly we have to book a railway ticket, so when we go and book the ticket through a ticket counter then probably and compare this ticket booking through a counter in a railway reservation system compare it with the railways online ticket booking facility which is [irctc.co.in](http://irctc.co.in). Now you compare these two options, in case of basically irctc you will find that the ticket booking is very fast provided your infrastructure support of Internet and the computer systems.

They are working properly you can book the ticket in, in a very short time as compared to going to a ticket counter and then booking the ticket so the time is, is very less in that case. At the same time when you stand in the queue to book the ticket again you probably have, and while you are traveling to that the place where you are getting the ticket booked you have more energy costs as compared to booking a ticket through irctc while sitting at your home.

The fourth type of the cause is psychic cost, probably in case of booking through irctc when the system when you, when you might have already booked the ticket in the past you will find out that, that the system will automatically will provide you who could be the possible passenger, what are their age, what are their genders, so you see lot of things are being facilitated by the system and then you can book the ticket more easily.

So that also reduces your psychic cost, so in essence what happens is through this online booking system you are able to reduce your time energy and psychic cost, and for that probably some of the sellers can charge you a slightly higher monetary cost which customers do not mind paying.

Prof. Jayanta Chatterjee: So this value which means that actually we can look at value as a ratio also.

Dr. Shashi Shekhar Mishra: Yeah.

Prof. Jayanta Chatterjee: Between benefits and cost.

Dr. Shashi Shekhar Mishra: Cost.

Prof. Jayanta Chatterjee: So in benefits we have a physical benefits or logical benefits or functional benefits as we call it and we will have emotional benefits, or in some book as they have talked about experiential benefit.

Dr. Shashi Shekhar Mishra: Yeah.

Prof. Jayanta Chatterjee: And on the other side for cost we will have monetary cost, non monetary cost, like for example here I would say convenience.

Dr. Shashi Shekhar Mishra: Yeah.

Prof. Jayanta Chatterjee: Or ease.

Dr. Shashi Shekhar Mishra: Yeah.

Prof. Jayanta Chatterjee: Can also be, an absence of ease is a cost.

Dr. Shashi Shekhar Mishra: Yes.

Prof. Jayanta Chatterjee: So or our convenience of getting to a particular market place or a mall is a cost, parking convenience is it is a kind of cost. So and this ratio is therefore what we call value, I think this is what I understand what you are trying to explain.

Dr. Shashi Shekhar Mishra: Yeah and as you can see the customer will get into our, probably that two parties will get into an exchange when they will have this balance shifting towards more in the side of benefit. So value when is when it is perceived as positive the customer will get into the exchange. Now there could be probably many examples where you see that the sellers are probably trying to instead of probably not reducing the cost they might be trying to increase the benefit.

Or they may just simply trying to reduce some of the costs other than the monetary cost. So some of these ecommerce based businesses, they are also probably heavily focused and their business model probably a common sprout probably reducing for some of these cost like time, energy and psychic cost, okay.

Prof. Jayanta Chatterjee: And convenience.

Dr. Shashi Shekhar Mishra: And convenience.

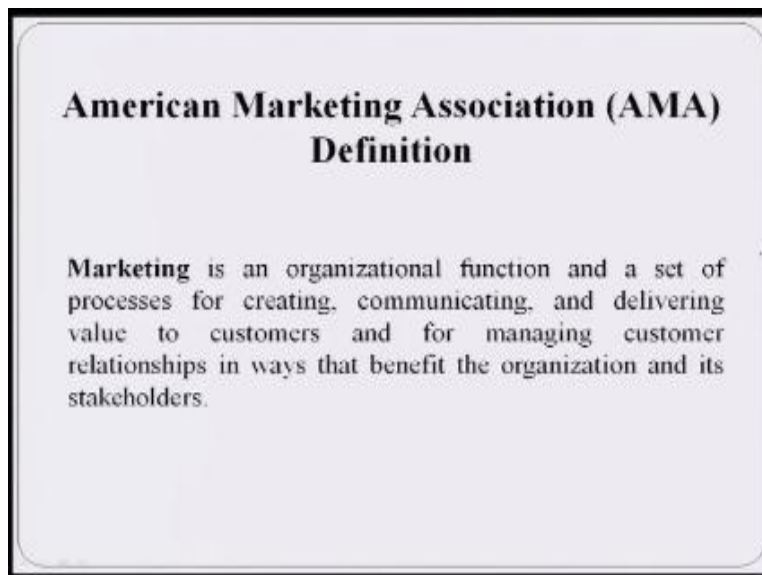
Prof. Jayanta Chatterjee: That is anytime according to the buyers.

Dr. Shashi Shekhar Mishra: Yeah.

Prof. Jayanta Chatterjee: Convenience.

Dr. Shashi Shekhar Mishra: Yeah, so while you can purchase the any product instantaneously through those online website at the same time if I talk about the functional benefit you can see a huge assortment of the products. So if, if you have to take timeout for going to market and purchase those product probably you have to spend a lot more time then probably just going on your mobile phones or probably laptops. Looking at marketing as a social process then there is a leading body of academicians named as American Marketing Association.

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Dr. Shashi Shekhar Mishra: Some of the most accomplished scholars in the area which give the definition of marketing as, as an organizational function and a set of process for creating, communicating, and delivering value to customers and for managing customer relationship in ways that benefit the organization and its stakeholders. Now again it is very important to understand that this definition also talks about that concept of value, however it also talks about the activities or the set of process which are involved that marketing as an organizational function performs, and these set of activities can be broadly categorized in three categories which is creating, communicating, and delivering of value to the customers.

So that is what I when I have initiated this session I said that with many a times we probably misunderstood marketing only just by communication or some of the activities which are related with delivery, like ad campaigns or the sales process we just refer them to as marketing. On the other side marketing involves creating communication and delivery, all three of these things. So probably marketing starts much before the product probably is produced which is probably this part of this creation.

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Dr. Shashi Shekhar Mishra: If I have this, you can see in the picture of the creation the where the product is basically being created. Now in this creation, creation is only not about probably manufacturing or having the production process, it is it is much beyond that, it is understanding first what customers want, understanding their needs in their context of consumption and then probably defining their needs in the specification of the product, accordingly designing the products, and then probably thinking about the ways how to produce that design in the product to give a physical form to those products. So that is what this creation part is, then once you have the product you need to communicate to your customers, that is what this communicating the second set of activities is being depicted in this figure is.

That you tell your customers what you have and what probably that product or the offering has inside it. Then the third thing is taking the product to the nearest possible or the point of convenience of the customers. So you see the flow of the value start from the point of creation, communication and the delivery.

Prof. Jayanta Chatterjee: And I think today in these two blocks, that means communicating and delivering, earlier emphasis of marketing was on these two sides. But today perhaps there is not much opportunity left to distinguish in these two areas. So new research in marketing or new strategies in marketing are shifting more and more towards this, side that means involving the customer.

Involving the intended buyer, prospective buyer as early in the cycle as possible and as a result you will often hear this new term which is getting a prominence in marketing literature of today which is we call co-creation, that means you bring the customer right at the concept stage and work together, as a result when the product or service is produced the customer already likes it. Because the customer feels a sense of ownership and that in many ways changes the dynamics and takes us more towards relationship which we will of course discuss in much greater detail later on.

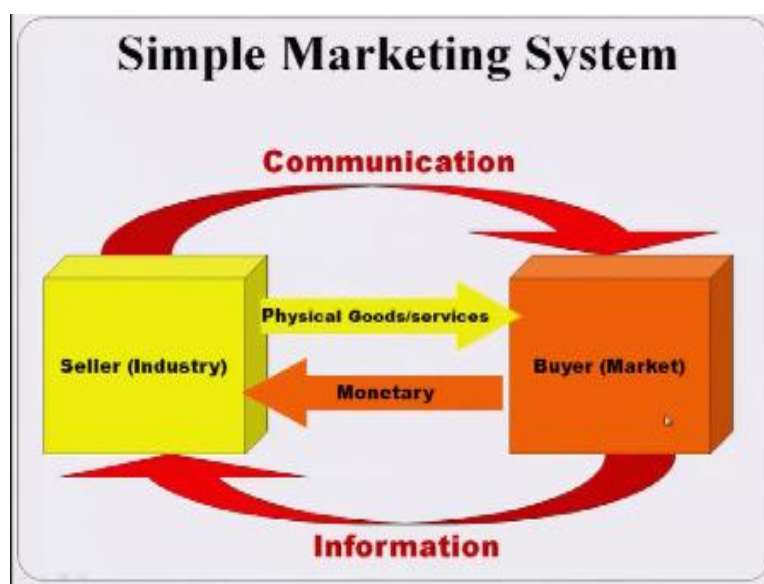
Dr. Shashi Shekhar Mishra: Yeah, so just probably building on what Professor Jayanta Chatterjee is saying that the probably focus is shifting more towards creation, and if we look at some of the probably more successful companies of the last decade we will find out that those companies have excelled probably more on the creating side. Some of the technology firms if you see they have either understood and created products which have really surprised and delighted the customers or they have gone even beyond the stated need of the customers and they have addressed the latent need of the customers and come out have, come out with the very innovative products.

So obviously the shift is going from communication and delivery part to the probably understanding and involving the customers from the very beginning of the process.

Prof. Jayanta Chatterjee: So it is very important to understand that in regular everyday parlance we often think about advertising a TV strip or a newspaper ad as that is this part, it is a part of marketing but it is not the whole of marketing and much more exciting very interesting areas are coming out from this, this delivery part also that is the distribution, the logistics, the delivery chain management, these are also exciting new areas for research in the marketing domain. But really very interesting behavioral aspects, psychological aspects, and this is what you often hear these days, huge applications of big data and analytics are all coming in, in these ugly blocks.

Dr. Shashi Shekhar Mishra: Just to add, some of the changes which are occurring in these three different activities, we will see that the way of delivering the product is changing because of the interventions of the technology and at the same time the way is probably the, the way in probably couple of decades back are probably, in the last decade the companies you used to communicate with their customers now probably that is changing, here probably the user-generated probably communication is becoming more prominent than company originated communication programs. So these are some of the prominent changes we which we will probably talk about in some of the later sessions also, so I will take further.

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Dr. Shashi Shekhar Mishra: If I just want to represent a simple marketing system, here you can see you have a seller or probably if you have a group of seller which, which is commonly referred as industry, and on the other side you have a buyer which, and if you have a set of buyers or a number of buyers the population of buyer commonly referred as market. Now what, what probably is being exchanged in this process is repeated in this figure, you will see that a seller probably offers physical goods in the services to the buyer and in return gets the monetary things.

On the other side if you look at there are some, something which is also very important in this thing is that beyond probably the exchange of physical goods and the services and the monetary rewards that is basically seller gets, there is a communication and probably there is a return or probably the backflow of the information from the buyers side which is coming back to the seller, and that makes probably this marketing system as a whole, and very interesting things are happening across it.

Prof. Jayanta Chatterjee: So I think we can take a pause at this point and just sort of recap all the issues that we have discussed which is very well captured in this diagram. So fundamentally we are saying marketing is a process which is exchange of value between the seller and the buyer.

Dr. Shashi Shekhar Mishra: Yes.

Prof. Jayanta Chatterjee: Sometimes the seller and the buyer, the place where they come together is also called the market. So the market place can be a physical market place like a mall or it can be a website.

Dr. Shashi Shekhar Mishra: Which is commonly called as market space?

Prof. Jayanta Chatterjee: Yes, and as we see that the buyer is always looking for some value, what the buyer has to part with is this, this part is a kind of a cost, perception of cost, and fundamentally when the buyer feels that the benefits, and we have discussed the different kinds

of benefits. When the benefits are more than the different kinds of costs, so the summation of benefits when it is more than the summation of costs the exchange will take place and the happy exchange will take place.

Dr. Shashi Shekhar Mishra: Yes, so the outcome should be at the end of an exchange process is, at least two parties are better off than their previous state or probably not worse than what they were previously.

Prof. Jayanta Chatterjee: Okay.

Dr. Shashi Shekhar Mishra: I was just saying this exchange process is probably in the modern times we see the monetary value, but marketing it was even existing in the time previous to this money, when the probably this instead of monetary things probably there used to be the barter system.

Prof. Jayanta Chatterjee: So physical goods and service in exchange another set of physical goods and service, very good point, yes that is it. So I think we will take a pause here and we will meet again next tomorrow with the next set of topics.

Dr. Shashi Shekhar Mishra: Thank you.

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