

Marketing Management - II
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Lecture – W1-L1
Brief Recap of Basic Concepts from Marketing Management 1

Hello and welcome to our course marketing management part2. This is in continuation to our previous course marketing management part 1. I am Shashi Shekhar Mishra and this course will be jointly offered by me and my senior colleague professor Jayantha Chatterjee. We are from department of Industrial and Management Engineering at IIT Kanpur. So, I am going to start this course marketing management part two.

By just giving you a recap of what we have done in the previous course. I am sure to might have already seen the videos of the previous course. But as a reminder or just a recap of what we have discussed in the previous course, in case you have not seen the previous course, try to understand the course from looking at the videos of the previous course and also have look on the recap of these videos.

So, when we started the course, marketing management part one. We have started with defining marketing first because in our society they are so many myths which are there about marketing as a probably a function that we quite often confuse marketing with sales. So, we started the course by discussing about the various myths about marketing and then we went into the definitional part of this marketing as a domain.

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Marketing and Myths

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Defining Marketing

Social Process

Organizational
Function

Marketing we have try to define from two different perspective. We have discussed these two this different perspective in detail so, the first perspective about mark marketing was social exchange process where marketing is seen as a exchange of value between two parties.

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Exchange of Value



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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).

And the definition has defined by Kotler et al., in 2013 is 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. So, as you can see in this definition, it is defined as a social process, it's a social exchange process where individuals or group of group of group of people obtain what they need and want through creating offering and freely exchanging products.

And services of value with others. Now we have looked into in detail about what are the conditions that needs to facilitate this exchange process.

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Conditions for an Exchange Potential

- There must be at least *two parties*
- Each party has something that might be of *value* to the other party
- Each party is capable of *communication* and *delivery*
- Each party is free to *accept* or *reject* the exchange offer
- Each party believes it is *appropriate* or *desirable* to deal with the other party

As you can see there are five conditions, there has to be at least two parties, it's quite obvious that exchange cannot happen with just one party being there and when there are two parties both the parties should have something with them which is of values to others if other party does not value of what we have, then probably the exchange is not going to happen. The third condition for this exchange to happen was each party is capable of communication.

And delivery so you are able to communicate, and deliver with the potential partners each party is free to accept, or reject the exchange offer. Each party believes it is appropriate or desirable to deal with the other party so, these were the five important conditions for the exchange to happen.

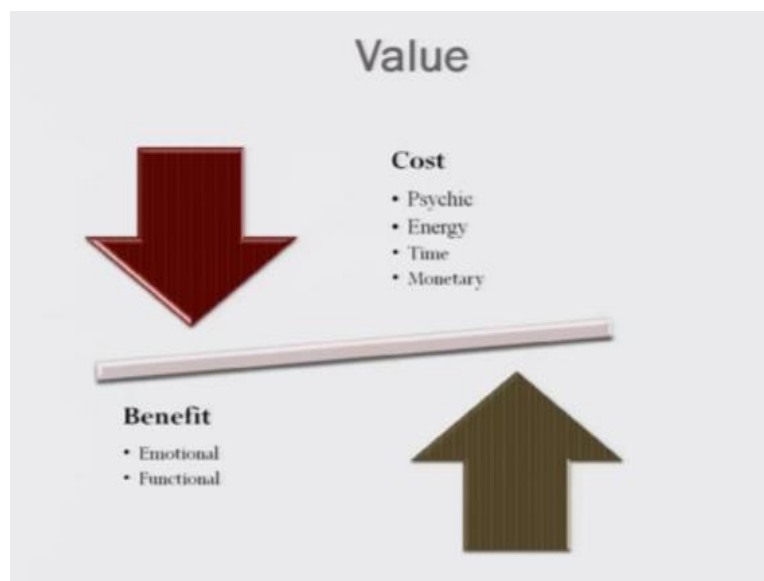
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And then, we have looked into the another concept which is very important from the perspective of understanding marketing, which was value basically. So, value is a concept, which is defined as function of these two things, benefit versus cost. You can say in mathematical terms value is a basically benefit different cost, or the function of benefit difference cost, whichever is higher is value tilts in that direction.

So, in this diagram you can see, the benefits on the superior side then cost and that happens in the real-life situation also, when your benefits are higher than the cost, only then you will get into any exchange process. So, the value if it is greater than zero, will only make sense for any party to go into the exchange process. And then we have looked into this.

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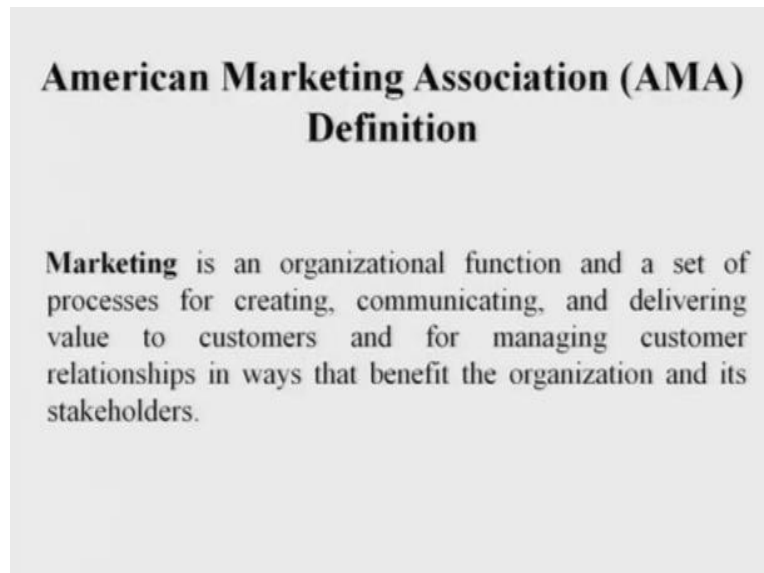
This concept of value further in detail, and then we have said like benefits are can be sub categorized into two category emotional benefit, and functional benefit. So, if some of you can recall, we talked about the example of a car. Wherein, we discussed that a car probably offers as a both functional and emotional benefit. Functional benefit in terms of that it caters to our transportation needs. As well as, it caters to our safety needs. On the other side, car in our society are also attached with the social status of the person.

So, the costlier the car you have probably you have the better social status. So, you can understand the same product offers both type of benefit functional and emotional and most of the product, you will see that different offerings are varying in terms of their extent of functional and emotional benefit. The offering which is higher on the emotional benefit side might be more pricy also. On the other side now when we look into the cost part.

There are four types of cost psychic cost, energy cost, time cost, and the monetary cost. Monetary cost as you can exchange, it's the value that we pay in return as the customer to the seller. The time cost, energy cost and the psychic cost or the other cost attached with the purchase of a product or in the exchange. So, the time is basically the amount of time that we invest to the searching about the product, and into the time that goes into the buying of that product. The energy is the amount of efforts that we put in that goes into the purchase of the product.

And the psychic cost is the mental effort that goes into the purchase process. Now it is important that, from the sellers point of view how he can increase the value for their customers by managing benefit And the cost. Customer will go into the exchange process only when the value is on the higher side and as you can understand that it is not necessarily that someone needs to reduce the monetary cost, he has other three types of cost to play with, so that they can reduce the cost other types of cost and still increase the value for the customer without reducing the monetary cost of the product.

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Then we have looked into the other perspective or the second definition of the marketing which was the definition given by the American Marketing Association which define marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization stakeholders.

So, now in this definition you have to understand couple of points which is like, marketing is an organizational function and this organizational function is executed through a set of activities in the form, with these set of activities can be classified into three categories creation, communication, and delivery., we have discussed lot more in detail in the first course, that how the companies to these days emphasized on this creation part

You will see that lot of famous in a bigger successful firm, they focus so much on creating part that sometimes communication and the delivery is just the secondary, we talked about the case of Apple, we talked about the case of Samsung, we talked about the 3M. So, many other companies which exists in the space and they come out continuously with the new offerings, which are very innovative and they create so superior value to the customers, and then it becomes very easy for the customer to distinguish those offerings from their competitors offering.

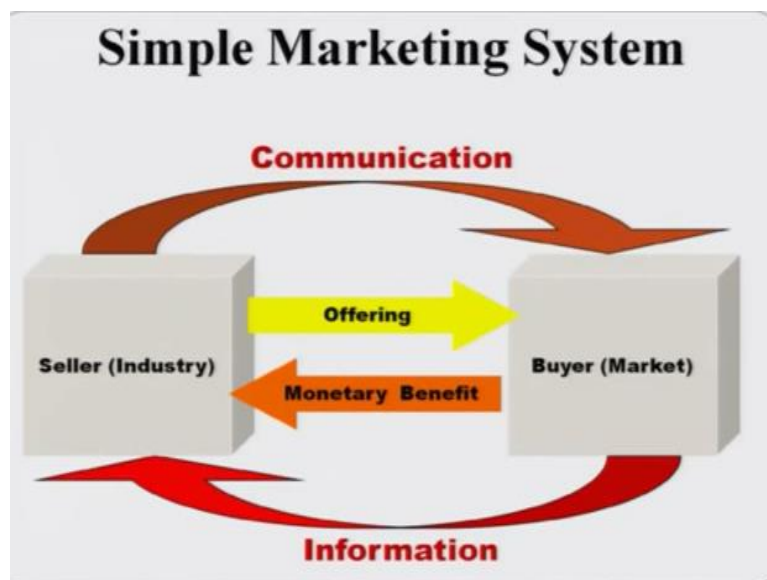
So, the creation is important and then you have communication, where you communicate to the customer about the you are offering and taking the product or the offering from your place where you create to the customers place. Where they buy it, is basically the delivery process, and this has to be done in a way. So, that you are able to manage the customer relationship for as an organization it should remain the profitable to its all your stakeholders.

If it is not profitable or its not benefit, it does not take care of all the stakeholder benefit, it will probably not be the sustainable thing. These are the things we have shown the about this organizational function it has been depicted through this graphical representation through a picture that what are all the three these three important activities creating, communicating, and delivering

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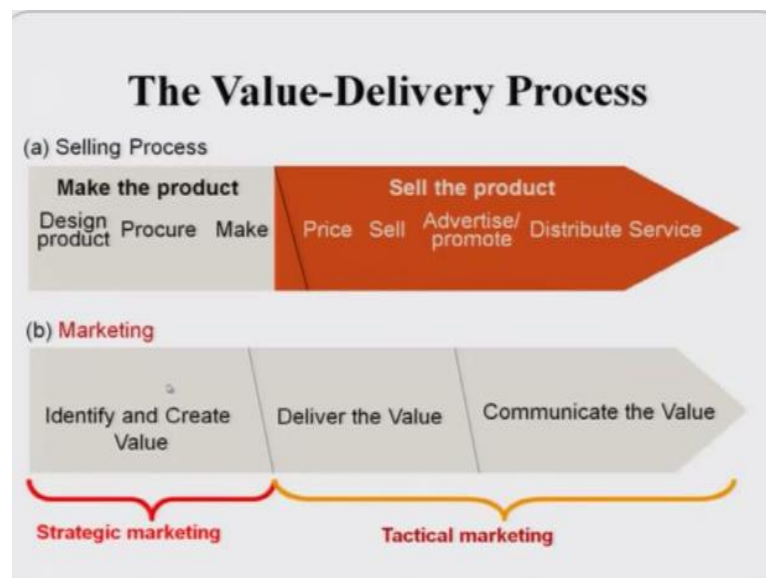
And then we have try to explain, what is a simple marketing system, what exists in the market is that, you have a group of seller called industry, you have group of buyer called market and what happens there is exchange between the buyer and the seller. or you can say seller and buyer, the flow, there are a different flow which have been shown in this graphical representation about this simple marketing system.

That the seller offers, they are offering to the customer, to the buyer and in return they get the monetary benefit, they get the money from the customers On other side, you can also see that sellers also communicate to the customer about the product and the related information and what comes back to complete the loop is from the buyer side, the seller gets the information about the market, about the buyer, about the nature of the buyer, their buying habits that

basically help them in reshaping, or redefining, or evaluating, their offerings and modifying them.

And from the perspective of a marketing system, it is very important to understand that this communication and information is extremely important like the offering and the monetary benefit exchange also.

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Then we have discussed about the difference in the selling process and the marketing process. As you can see from the this slide, it is clear that in the selling process the focus is on making the product and selling it to the customer. So, you do not have that creation part are identifying the value what is of the value to the customer.

On the other side, the marketing process to start much before the production of the product, it start with the identification and creation of the value which is unique, and which is valuable to the customer, and then accordingly, you create the product and deliver and communicate it

to the customers. So, the selling and the marketing difference one should always be very clear about it from the slide.

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Then, we discuss about some of the core concepts in the marketing like need, want and demand. Need is basically, the basic physiological requirement of a customer, and want is basically something, that needs which are shaved by the social cultural environment, and the demand is something which backed by the purchasing power of the customer.

So, from a marketing perspective, a marketing manager will be interested in the demand, not only on the want because there might be many customers who might want to have a particular product but, if they are not having sufficient buying part then they of little value to a marketing manager.

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Then, we have looked into this strategic marketing process, how the marketing function is executed, and in this process, we have talked about three phases, or three stages that first marketing strategic marketing process is starts with business analysis where, we analyze through 3c formula of a customer, company, and competitor. We analyze our customer; we analyze our organization, company, its strength, and weakness, its opportunity, and threads. These frameworks have been discussed by Prof. Chatterjee in the previous course, you can go back and have a look on those sessions.

Then, we have looked into the competitor analysis there were different competitor analysis frameworks were discussed and then based on this business analysis we strategize. So, that marketing strategic part is the next thing after business analysis which happens, there you classify the customer which is called as segmentation.

Then, based on the important characteristics you evaluate the different segments, and you look into the different variables to decide which customer segment to target and then the third thing is the positioning like, how you should position your offering in the mind of the customer. So, that it is clearly distinguish, clearly differentiated offering from your competitors.

And then the third thing, which comes under strategic marketing process is this, marketing mix. How this strategy is being executed in the market, in the field, it is primarily through this marketing mix. In the case of product, you will see that there are four-piece product price place and promotion in the case of services we have discussed about the seven piece.

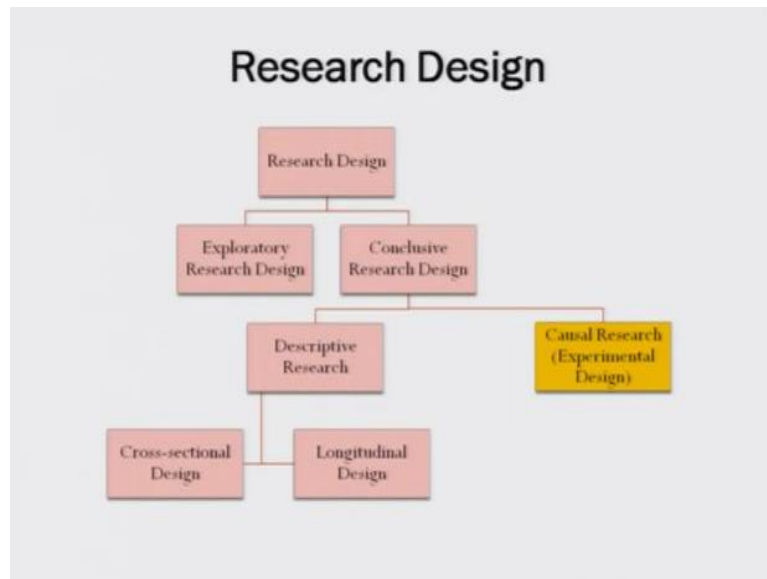
And then we have started discussing about, in the course, the different stages of marketing research process, how basically you research about the customers have to analyze the customers. The marketing research process was explained through these steps it is starts with the management decision problem.

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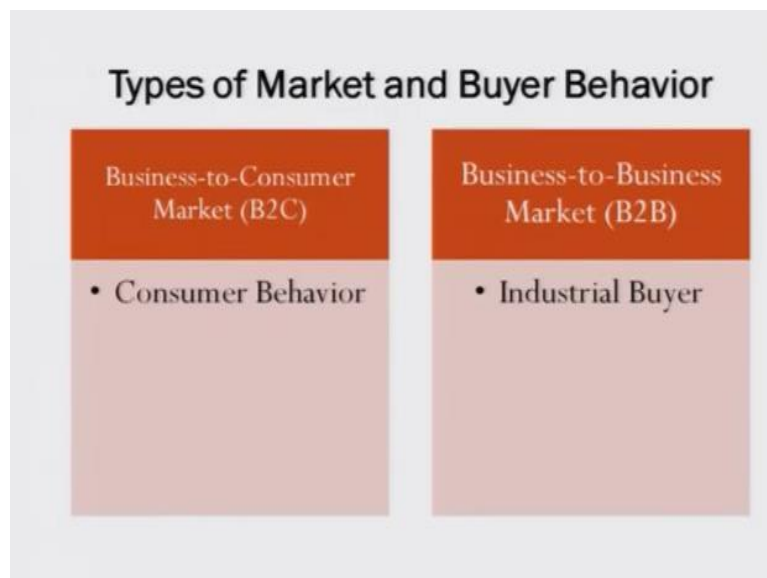
And that management decision problem is converted into a marketing research problem. You can recall that, there is a cause and effect relationship between management is not problem and marketing research problem. Based on our marketing research problem and the objective of the research, we develop the research plan and collect the information, the collected information is analyzed, and the report, and the findings are reported. These are the input to the marketing manager to make decisions.

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We have discussed about the different types of research design, primarily they are used to be two research design, exploratory research design and the conclusive research design. In the conclusive research design, they have been further sub categorized into two categories, descriptive research which is further sub categorized in two categories: cross-sectional design, and longitudinal design, and the other type of conclusive design was causal research design.

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As far as goes about the customer, so we have looked into the two different types of customer behavior: one was B2C consumer market, we have looked into the business to consumer market and then we have looked into the business to business market and correspondingly we have learnt about consumer behavior in the B2C market and the industrial buyer behavior.

which is corresponding to B2B market and then when we were discussing about the consumer behavior we have looked into this five stage buying process.

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In the case of consumer buying process, the consumer buying process starts with the need recognition which is followed by information search and then comes evaluation of alternatives purchase decision, post purchase behavior this was the five-stage simple process, in case of consumer decision making. As you can recall the need recognition, is stage is the stage, where consumer identifies that, he needs something.

So, this is the basically problem definition. or what you say, problem recognition stage, where a consumer understand that he wanted something, he has need basically and that need has to be satisfied by some offering and then once a consumer understand that he needs something then he starts looking for the information on how the need can be basically satisfied. What are all the different alternatives and what are the important criteria to evaluate those different offerings or different alternatives.

Then the third stage is about evaluation of alternatives, where a consumer based on the information collected, decides which alternative is more suitable to his or her conditions. So, this is stage basically evaluation of alternative. Then the fourth stage is basically once a consumer decide which offering is good for them, they go for purchase of that product or the offering. And in the last stage is, of this consumer the buying process was, post purchase behavior.

In the post purchase behavior, it is very something which is very important from the long run just ability of the company that, if a consumer finds that, he is not satisfied with the product or the offering supplied by a company or the seller, they might not be a very satisfied customer and they will not come back to you and also, they might spread negative word-of-mouth that may hurt the company - prospective in the long run so this was a consumer buying process.

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Then we have also looked into this, business buying process, it gets slightly modified from the consumer buying process, there are, this, consumer, compared to consumer buying process the business buying process is far more complex, one of the reasons why this complexity is added that, instead having a one consumer or at max a family buying of the product, here you have a concept of buying center as you can recall.

We have discussed in that course, that a group of or a very set role defined for professionals they become the part of the purchasing. So, a group of professional basically form buying center and these professionals have a different roles in this buying centers and they basically performs those different roles and depending on their t roles and objectives and there contextual conditions, they exert a different kind of influences in the buying process.

And that makes the business buying process far more complex than a consumer buying process. You can also recall that, B2B buying process, as we commonly abbreviate it as B2B buying process is, more time consuming and it requires more steps. So, it starts with the need

recognition which is similar to B2C buying process, then that need recognition is converted into the description of that need and then you create the product specification.

Then supplier search start, then use solicited, or you seek the proposals from the suppliers and based on their proposals you decide which supplier to select and then once you select the supplier, then order specifications are created and at the end of this business buying process is you can understand that, there is a performance review because unlike B2C in B2B does this performance review of the different supplier is an important activity for the purchasing department of an organization.

t They continuously try to evaluate their supplier's whichever supplier is not doing good, they are either informed that, they are not doing good to the expectation of the form or the contract is the terminated. So, with this I will stop this session here, and when we will meet in the next session. We will try to wrap up what we have discussed in the marketing management part1. And then we will start talking about the 4 P's and we will go into in depth of each of these four P's are the different components of the marketing mix. Thank you very much.