

Business Development From Start to Scale
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Week - 01
Business Fundamentals
Lecture - 03
Markets and Marketing



Hi, friends. Welcome to the NPTEL course Business Development from Start to Scale. We are in week 1, discussing Business Fundamentals. In this lecture, the 3rd in the series we discussed the topic of Markets and Marketing.

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Marketing Strategy

Marketing strategy is the planning and execution of how a firm can exchange its products and services with individuals or organizations for a consideration. The consideration can be cash in respect of for-profit companies and goodwill or just a service motive in respect of not-for-profit organizations. Virtually anything can be marketed.

Marketplace is a nebulous concept that is core and central to marketing strategy. Marketplace is part physical and part virtual – and in both cases very real. Marketplaces can be focused (limited) and pervasive (universal).



We have defined marketing as well as business development in our earlier sessions. In this session we will focus on marketing strategy and various ramifications related to that.

Marketing strategy is nothing but the planning and execution of how a firm can exchange its products and services with individuals or organizations for a consideration. When we say consideration, it could be cash or just goodwill. Cash occurs when the consideration is demanded by and is provided by for-profit organizations.

On the other hand, the consideration could be just goodwill in the case of organizations which are having a social purpose as its core. Another important aspect of marketing strategy is that virtually anything and everything can be marketed. Let us look at the various activities or end products that have been considered here. Goods means products, services, events, experiences, persons, places, properties, entities, information and ideas. All of these can be marketed.

And, some of these things themselves can be platforms for marketing. For example, an event conducted in an exhibition can be a marketing tool. Similarly, an exhibition itself could be a marketing tool. The experience you create in the retail showroom is a marketing tool.

Goods can be offered in an event in order to promote the event. Virtually anything can be marketed therefore, and also they can be marketed in combinations in various combinations more so when you want more creativity arising out of the marketing process.

So, when you look at the firm and the customers the marketplace is the platform where the firm and the customers meet with each other and in respect of the intentions, the firm has the intention of supply of products or services and the customers have the capability to create the demand. When supply and demand match with each other satisfying the firm on one hand and the customers on the other hand respectively, fulfilment takes place.

Marketplace is at once physical, but also at once nebulous but it is a concept that is core and central to the marketing strategy. Every firm should understand the marketplace in which it is intended to operate and the way the marketplace is evolving over time. In today's contemporary times marketplace is both physical and also virtual. It is brick and mortar as

well as digital, but in both cases the physicality or the physical nature of the marketplace and the digital nature of the marketplace are very real.

They are tangible in terms of the promotion of the products as well as the considerations that could arise there from. Marketplaces again can be very limited types of marketplaces are very pervasive types of marketplaces. And, you have let us say right bazaar it is a very physical limited marketplace and probably even getting operated only once or twice a week. On the other hand, if you look at digital marketplaces that exist today, they are all pervasive and they are universal.

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Traditional Marketplaces

A marketplace is one in which an interaction or cash-consideration exchange takes place between the sellers and buyers. Along with the evolution of trade-based economy, the marketplaces evolved over the centuries, each of the formats supplementing rather than eliminating the established ones, and all physical.



The marketplaces range from institutional platforms to self-entrepreneurial ones. Each has its intrinsic features and characteristics. Marketing makes the marketplace effective in fulfilling the buyer-seller motivations.



Let us look at the traditional marketplaces. As I said earlier a marketplace is one in which an interaction for cash consideration takes place and it happens between the sellers and the buyers. Along with the evolution of the trade based economy, the marketplaces have also

evolved over centuries and in each case each format supplemented rather than eliminated the other.

The established ones kept on proliferating one after the other and all of these have been physical marketplaces in the traditional frame of reference. You can see various marketplaces that are existing the guys who sell their agricultural produce, vegetables, fruits, they constitute one type of marketplace. The milk vendor who provides milk to you or when you take the milk from the milk vendors place is another type of marketplace.

The banking system, the bank floor where the cash is dispensed against checks is a marketplace. The kirana store is a marketplace; the modern super market is a marketplace; the ATM is a marketplace; the mall is a marketplace; the theatre where all of us enjoy a movie is a marketplace. Therefore, there are number of ways in which the traditional marketplace can be viewed and it is also fascinating to see how the traditional marketplaces have evolved.

There used to be a time when bullock cart used to go around with goods or agriculture produce, and it constituted a mobile marketplace today you have moving trucks which serve as the traditional, but physical marketplaces in a contemporary avatar. The marketplaces range from institutional platforms to self entrepreneurial ones.

And, most of the traditional marketplaces that I have shown here are a combination of individualized self entrepreneurship as well as formal entrepreneurship in terms of kirana stores, supermarkets, theatres, malls, etcetera. Marketing makes the marketplace effective in terms of fulfilling the buyer – seller motivations. It is a device it is a construct for aggregating the sellers and buyers through the demand and supply mechanism in one place.

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Digital Marketplaces

One of the pathbreaking changes that has occurred over the last two decades has been a radical redefinition of the marketplace, thanks to creative business models that are aided by digital technologies.



The marketplace transformations have moved from 'aggregation and disintermediation' model to value-added solution models that bring together multiple processes for greater customer experience. Digital needs Physical.



Now, let us look at the digital marketplaces. Over the last two decades there has been an explosion of the existence of digital marketplaces. Thanks to the telecommunication and the internet technologies. These have radically redefined the marketplace and these also have been accompanied by creative business models that are aided by digital technologies. In the past there was no way other than going to a hospital or a clinic or the general physicians' office to get medical consultation.

But today you can have an app called Apollo 24 7 and have medical consultations through video; you can also upload your diagnostic reports and get near virtually physical consultation through the doctor. Paytm, Pharmeasy, Dunzo, Audible, Spotify, Transport Exchange Group, Carbon Trade X change, Wazirx which is the crypto currency marketplace. These are all

digital marketplaces which have taken deep roots in the Indian economic system as well as the global economic system.


So, these marketplace transformations have moved from aggregation and disintermediation model to value added solution models and in doing so they are bringing together multiple processes for greater customer experience purely digital platforms are adding physical to be able to provide varied experience.

Similarly, physical companies are adding digital marketplaces so that they are able to cater to the millennials requirements as well as instant supply requirements. So, both ways there is a hybrid model that is emerging which will satisfy the requirements of the widest possible section of population.


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Demand Types

A good marketing strategy identifies different types of demand and comes up with matched solutions.



Negative Demand	<ul style="list-style-type: none">• Consumers dislike the product or service• Consumers may even pay to avoid the product or service	Irregular Demand	<ul style="list-style-type: none">• Demand is seasonal, cyclical in a predictable manner• Demand is random and quite unpredictable
Non-existent Demand	<ul style="list-style-type: none">• Consumers unaware of the demand• Consumers disbelieve the need or the product	Full Demand	<ul style="list-style-type: none">• Consumers certainly need and consume the product in full• Consumers encourage extensions and variants
Latent Demand	<ul style="list-style-type: none">• Consumers feel the need but cannot express• Consumers think demand cannot be fulfilled	Overfull Demand	<ul style="list-style-type: none">• Consumers keep asking for more than can be provided• Overflowing demand masks megatrends that could arise
Declining Demand	<ul style="list-style-type: none">• Consumers lose interest in the product• The need itself becomes less relevant	Deviant Demand	<ul style="list-style-type: none">• Consumers chase incorrect product prescriptions• Consumers drawn towards 'sin products'



And when we speak about demand, demand is not just one singular word, demand has got many facets many nuances. Therefore, a good marketing strategy needs to identify the different types of demand and it also must come up with appropriate solutions for the appropriate types of demand.

There are eight types of demand that you can envisage in the marketplace. The first is negative demand that is consumers just dislike the product or services. Consumers may even pay to avoid the product or service. A typewriter may have a vintage value, but it is not a product that is in demand. In fact, people may be willing to pay something to move out of the typewriter syndrome.

Similarly, a telex machine if you have and if you want to offer to the customer, customer would not like to have. In fact, not to have a tele printer but to have a fax machine, the customers may be willing to pay a premium which is in a way translating to a negative demand for the established product and the price premium on a new product which includes the negativity for the old type of product.

Secondly, there could be non-existent demand that is there is intrinsic demand, but customers are just unaware of the demand. Consumers do not believe that there can ever be a need or a product of that nature and start-up companies are going to excel in this field that is trying to identify the needs which consumers themselves are unaware of.

And, also position products which customers never thought they would be existing a wireless bank that is portable electricity in a manner of speaking was never a usage by consumers, but once the consumers see the product that non-existent demand becomes existent demand.

The third one is the latent demand – consumers feel the need, but cannot express. Consumers think demand cannot be fulfilled. For example, looking at the operating system we give several instructions in terms of the drop down bars, in terms of the selection of the required instruction and finally, clicking the instruction for the delivery.

And, many times when we do that why cannot my thought be straight away translated through the computer to the required action, but we feel that this is not going to happen at least not in the next few years. But if someone were to get a mechanism of the CPU as well as the keyboard in such a manner that the thought can be translated if not through thought itself by at least by minimal expression then this latent demand can be fulfilled and it could be a breakthrough product.

The fourth one is declining demand. Consumers lose interest in the product the need itself becomes less relevant. In a time when you can send the documents self scanned through a mobile and transmitted through the mobile network consumers do not feel the need for having a separate facsimile machine. So, there is a declining demand for facsimile machines that is why all in one machines are trying to somewhat stabilize the demand for that particular activity.

The fourth type of demand could be irregular demand that is the demand is seasonal, cyclical and it occurs in a predictable manner. Such demand is random and quite unpredictable. There are certain products where the seasonality plays a very big role. Cooking oils have high demand during the festival seasons. Similarly, sweets and snacks have very high demand during the festival seasons; flowers will have certain demand during the wedding seasons.

So, irregular demand is part of the nature for certain types of products and services. Another type of demand is the full stable demand that is these are products and services which are required at all points of time in a year rice other groceries staple items they are required at all times of the year. And, consumers encourage extensions and variations thereof because they would not like to see the same product over and over again.

They need the same product, but they would like to see it in different variants. That is why you can have different types of ready to eat food ready to eat foods coming up, ready to cook foods coming up and so on. Then there is the concept of overfull demand that is consumers keep asking for more than that can be provided and overflowing demand masks megatrends that could arise when the companies offer superior promotions or when the companies

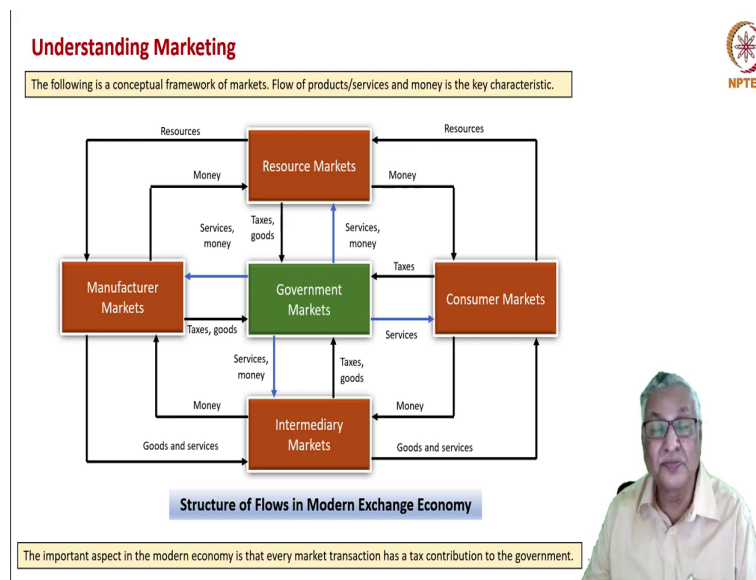
succeed in providing one very interesting feature in a product consumers flock to get that product.

So, there is there tends to be an excess of demand over supply and that gives an impression that an overfull demand is occurring. On the other hand, it could be an extension of the product life cycle in which case the mega trend of this particular product getting replaced by a superior product may not be recognized.

And, there could also be deviant demand that should not be actually there, but exists. Consumers chase incorrect product descriptions in this particular category. Sin products, they constitute an excellent example of deviant demand. They should not be there at all in the marketplace or in the social system. However, they are there and they keep increasing in their demand profiles.

So, there are eight types of demands that we can think of negative demand, non-existent demand, latent demand, declining demand, irregular demand, full demand, over full demand and deviant demand. Each of these demand types requires an appropriate marketing strategy to fulfil.

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But, understanding marketing is not just understanding demand. We also must understand the market in terms of what sustains the market. A supply base is a market, a demand base is also a market, an individual is a market, a society is also a market. So, when you can think of four different types of markets and a fifth dimension of market which is run by the public administration of the government.

So, the four types of markets are resource markets, consumer markets, intermediary markets and manufacturer markets. Now, resource markets are the ones which provide the basic resources for things to happen in the socio-economic system. Consumer markets are the ones which absorb the products and services that are provided, but without a resource market companies will not have the wherewithal to produce the products or offer the services.

So, research market be it the financial system, be it the bank or anything else is the key to establishing the viability and the circularity of the marketing system. Then we have manufacturer markets. The existence of consumer markets is fulfilled only when the manufacturers have the capability through its marketplaces to provide products and services.

In doing so, as I said they utilize the resource markets for financing similarly consumer markets utilize the money factors that come from the resource markets to sustain their ability to buy products. Then we have intermediary markets and those intermediary markets are pass through markets the distributors, the CFA agents, the retailers, the universal marketplaces that the portals are the e-marketplaces – these are all intermediary markets.

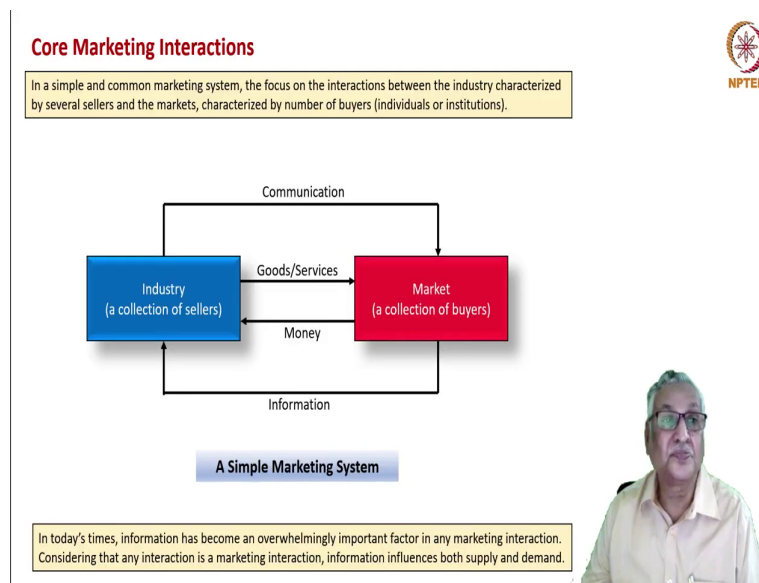
They bring together the customers and suppliers. They list the products and services and take the demand and fulfil the demand. And, governing all of these things are the government markets, the government markets lay down the broad rules and regulations by which these four markets can operate.

And, because these four markets are earning profits, generating wealth and because the governments have to serve the society, they collect the taxes from the various markets. And, while collecting the taxes they also provide services. They collect the tax for the water services, but they also provide the water services.

So, the structure of flows in the modern exchange economy is not simple as a manufacturer producing product and a customer buying it. There are more number of markets that are involved in this market exchange economy of the modern world. The important aspect in the modern economy is that every market transaction has a tax contribution to the government.

In the past, many layers of the markets have been avoiding or evading taxes. But, with the introduction of GST goods and services taxes, we are seeing that lot more companies lot more entities are contributing to the government in terms of the taxes for the products and services they sell and the revenues they earn. This is a welcome development.

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The core marketing interactions are a simple set of interactions. These relate to the industry and the market. The industry is nothing, but a collection of sellers rather a collection of producers and sellers and market is a collection of buyers, rather a collection of consumers and buyers.

Now, the interactions are in terms of the communication, the goods and services provided, the money that is received and the information that is exchanged. Without information being transparent and being in a communicated state the market cannot understand what the industry offers. Similarly, without information an industry cannot understand what the market needs. Communication medium for the information is extremely important.

And, the simple marketing system as I have presented here is at the core of all the marketing activities that takes place. But, over a period of time what has emerged is that with the access

to internet as well as social media the amount of information that is available even for the trivial marketing exchange systems or for the elaborate market exchange systems has grown at an exponential fashion.

Given that any interaction is a marketing introduction information is a very important factor that influences both supply and demand. So, in the design of the marketing strategy due emphasis must be placed on the design of an information system that helps the consumers as well as the industry in the process.

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Core Marketing Concepts

Listed below are the marketing concepts that are an essential part of any marketer's lexicon and practice.

Core Marketing Concepts
Needs, Wants and Demands
Target Markets, Positioning and Segmentation
Offerings and Brands
Marketing Channels
Paid, Owned and Earned Media
Impressions and Engagement
Value and Satisfaction
Supply Chain
Competition
Cooperation and Collaboration
Marketing Environment

Marketing management covers all of the above so that firms can do business with customers who fulfill their needs.



So, what are the core marketing concepts which we need to look at? In every marketers lexicon and practice there are certain core concepts of marketing and they are relevant for marketing as well as for business development. What are the needs, wants and demands; what

are the target markets and how do I position my products and services and what kind of segmentation can I look for.

The actual offerings and brands that the consumer requires and the company is able to offer; the channels through which the products can be offered – an automobile company offers its products through the dealerships. More recently companies such as Ola have started offering the automobile products through the digital channels as well. Edible Oil Company offers its products through the retailers and in some cases through the wholesalers.

So, the marketing channels vary depending upon the nature of the product and the nature of the industry as well as the nature of the consumers. The other core marketing concept is the paid, owned and earned media, that is the media planning is an important aspect of marketing. Impressions and engagements – we talk about footfalls into a mall.

Similarly, in the context of the advertising in terms of the digital marketplace impressions count, the eye sights count, the clicks count the footfalls which are converted into actual engagement which again is converted into actual purchase they are all core marketing concepts. The satisfaction the customer derives from the purchase transaction and the impressions the customer carries these are again important concepts.

The value that gets generated out of a marketing transaction is of paramount importance because satisfaction may be temporary, but the value last through the life of the product last through the entire usage of the product by the customer. Satisfaction is derived when a customer fulfils the requirement for a product or service.

The satisfaction may be enhanced if the customer believes that he has got a good deal. However, the way the product operates the value he derives from the product is the one that is going to stay with the consumer. So, value as well as satisfaction are important. Then marketing depends very much on supply chain to be able to supply the products. The Just in Time supply, the ability to meet the SKU diversity is an important aspect of marketing.

Marketing is not just about the company; marketing is also about competition. You have to judge your competition; you have to imagine what the competitors would do and then have your positioning done. And, even if that is done successfully competition also could reflect similar approach or have a superior approach. Therefore, you should be dynamic and responsive to the competitors.

Cooperation and collaboration – cut-throat competition is never good, at the same time cartelisation is also bad. Cartelisation is actually injurious to consumer interest. But, between cartelisation which is injurious to consumers and cut-throat competition where every player goes to any extent to reduce prices.

And therefore, reduces industry viability there will lie a golden mean where implicit understanding of the markets requirements and the industrious real dynamics are appreciated by the various players. And, they play within the range which ensures some kind of viability for the industry to keep developing new products not to profit, to keep developing new products and also ensure that reasonable competition exists, so that the customers get the best deals possible.

And finally, there is a marketing environment. The marketing environment is dedicated and dictated to the consumer interests and to governmental actions respectively. In the context of the food prices soaring up the government takes certain actions. The export markets are curbed or windfall taxes are imposed or export duties are imposed. Therefore, the marketing environment which was earlier open in terms of the domestic market as well as export markets gets changed.

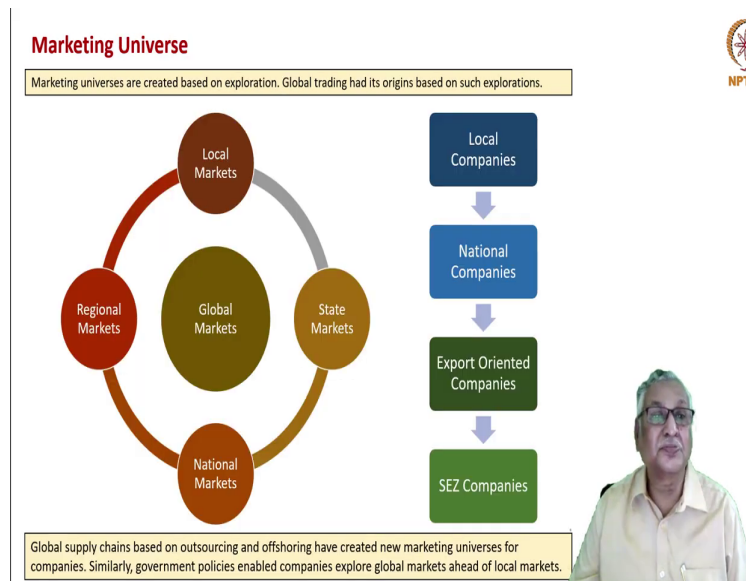
Sugar industry has faced that situation. Export markets were curbed so that sugar can be offered to the domestic markets, that is the difference. Similarly, when the prices of grains shoot up or prices of imported crude oil shoots up, the government makes certain moves which will reduce the ability of the private sector or the suppliers even if they are in the public sector to profited.

Government also has got certain other tools at its behest which can be used for example, windfall tax if the consumers are affected by the high prices, then pricing can be moderated by use of windfall taxes. That is, when the crude oil companies get their crude at very low prices, but they sell at very high prices and if they are profiteering because of the changes in the exchange rates, then there is the potential for governments to step in and say that you are earning above normal profits.

And therefore, we will take this away. In fact, crude oil companies the world over with ONGC here or Shell abroad were always in the established infrastructure and slow and stable kind of mode. But after the Russia – Ukraine war and the upsetting of the overall global oil markets, the crude oil companies the oil exploration companies have started making windfall profits. And, those windfall profits are covered and corrected by the governments through windfall taxes and other mechanisms.

Therefore, the marketing environment which was stable suddenly moved into a very exhilarating situation for the manufacturers and the crude explorers, but again has become more stable because of the governmental interventions. So, marketing environments keep changing. Marketing management covers all of these things so that the firms can do businesses in a proper manner with their customer groups and fulfil their needs.

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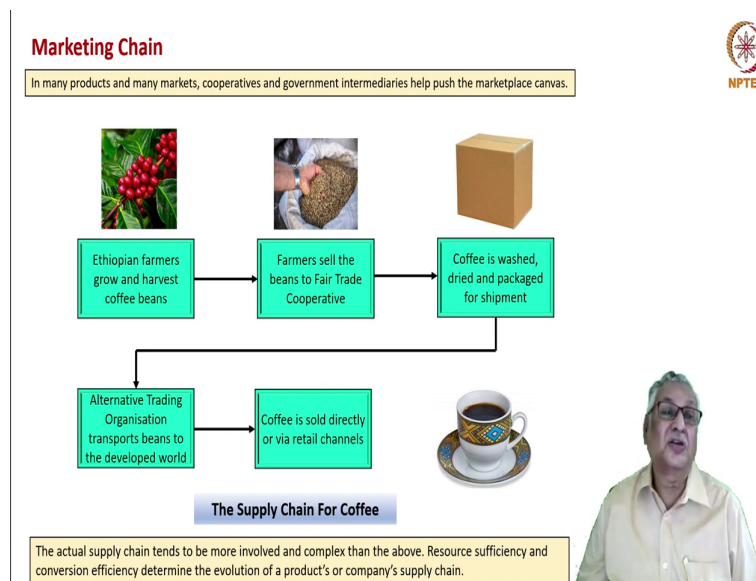
So, we talked about the marketing universality, but there are many universes in the market. Only when you explore your market you will understand what kind of markets exist for your company. At the overall level you have global markets; the entire world is one market for you. But at the same time, you have local markets, even hyper local markets, you have state level markets, you have national markets and you have regional markets.

SAARC is a regional market that is combination of all the South Asian States. India is a national market, Nepal is a national market, Andhra Pradesh is a state market, Tamil Nadu is a state market and local markets are your districts, your community, your neighbourhood etcetera. So, local becomes local companies move into national companies in turn move into export oriented companies and finally, even become special economic zones.

Global supply chains based on outsourcing and offshoring have created new marketing universes for companies. Earlier companies used to produce within the nation, manufacture within the nation and market within the nation. Today, the world is an entirely universalized place accessible for every company for the supply chain, as well as for the marketing value chain.

Governments all over are encouraging outsourcing and offshoring as well as in-sourcing and this has led to a ripple effect in terms of the development of global markets along with local markets.

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To understand this concept of marketing better we should also understand that there is a marketing chain or a supply chain whichever way you look at it which influences the development of market. And, in most of these things cooperatives and government

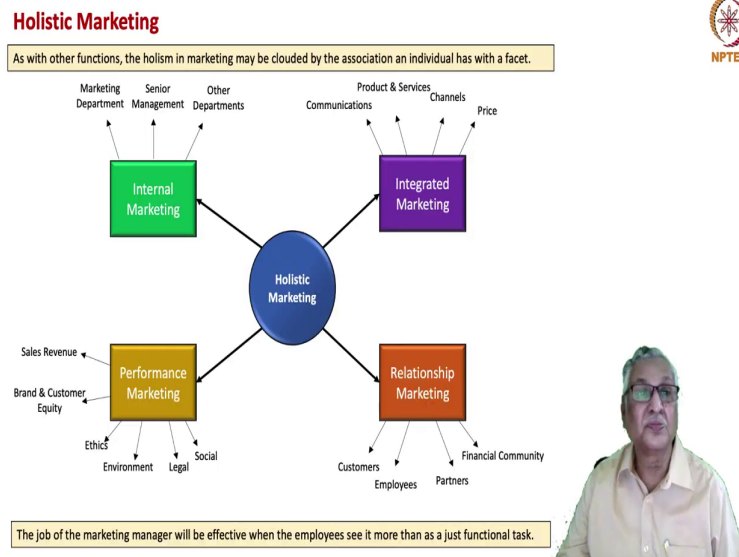
intermediaries operate. Here is the supply chain for coffee which I have presented. Supply chains tend to be marketing chains depending upon how you view the chain.

For someone who is producing coffee beans it is a supply chain, but for a coffee manufacturing company, it is a marketing chain. In many products and many markets cooperatives and government intermediaries help push the marketplace canvas. Now, the coffee seeds or the coffee beans are grown in the farms and the farmers are involved at the ground level. They grow and harvest the coffee beans and typically they cannot sell this straight to Starbucks.

The farmers sell the beans to fair trade cooperative that exists, and then the coffee is washed dried and packaged for shipment. And, there would be alternative trading organization that transport beans to the developed world and then coffee is made through those coffee beans and sold directly or via retail channels and you get your coffee. So, you will find that intermediation through governmental interventions are very much there in any country whenever farm produce happens to be the core input to a value chain.

In reality the actual supply chain tends to be more involved and more complex than the above. Depending upon the nature of the country's economy, the number of layers between the production and the ultimate consumption of coffee could be many, and that is where cooperatives play a very big role in disintermediation ensuring proper production and supply and also ensuring that proper price discovery takes place for the farmers.

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Another aspect of marketing is that it has to be holistic. You cannot have marketing which looks at only one part of the overall marketing paradigm. You need to have internal marketing capability, an integrated marketing capability, a performance marketing capability and a relationship marketing capability. All of these things act in togetherness.

Everybody focuses on performance marketing saying what is marketing achieving in terms of the sales revenue, brand and customer equity, the ethics, the environment and the socio legal aspects, but for the performance Mac marketing to be effective fundamentally you need to have good internal marketing approach. Not only the marketing department, but also the senior management and other departments must be marketing focused.

In an earlier session we discussed the differences between the production oriented organization and the marketing oriented organization, we concluded that while production is

very important the orientation towards marketing provides the company with a broader canvas and a different way of functioning which provides more sustainability to the organization. So, internal marketing is important.

Similarly, we need to have integrated marketing that is marketing which integrates all the four Ps which we have considered earlier and ensures that the customers are communicated in an appropriate manner. And, similarly, the customer's requirements and experiences are communicated in appropriate manner to the company and how does that happen? It happens when there is a good relationship between the company or its representatives and the buyers or the consumers.

And, in this relationship marketing all of us are involved from the organization side as well as from the customer groups side – customers, employees, channel partners, the financial community all of these entities are involved. When all the four are seen together the company will have holistic marketing happening. The job of the marketing manager will be effective when the employees see it more than just a functional task.

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The 4 Ps of Marketing Mix

Marketing Mix has been one of the earliest foundations of marketing theory and practice. The 4 Ps are still relevant.

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graph TD; MM((Marketing Mix)) --> P[PRODUCT]; MM --> PR[PRICE]; MM --> PRM[PROMOTION]; MM --> PL[PLACE];
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PRODUCT	PRICE	PROMOTION	PLACE
Product Variety	List Price	Sales Promotion	Channels
Quality	Discounts	Advertising	Coverage
Design	Allowances	Sales Force	Assortments
Features	Payment Period	Public Relations	Locations
Brand Name	Credit Terms	Direct Marketing	Inventory
Packaging	Cashbacks	Trade-in	Transport
Sizes		Exchanges	
Services		Loyalty points	
Warranties			
Returns			

Any marketing strategy requires the components of the marketing mix to be fully checked out and finalised.

I spoke about the 4 Ps of marketing mix and this is the fundamental basis for marketing to function – product, price, promotion and place. 4 Ps occupy an important role in marketing theory and practice. Although developed decades ago the 4 Ps construct is still relevant.

When you talk about product it is not just a homogeneous product it is the variety of the products, the quality of the product, the design features of the product, the brand name, the packaging, the sizes in which the products and the packs are offered, the services that come along with the product, the warranties and the returns.

Many times, you will find that the AMC that is the Annual Maintenance Contract is offered for an extended period, many automobile companies have enhanced their warranties to as

high as 3 years or 5 years. Many white goods companies offer 3 year warranties for an additional money.

Similarly, smart phone makers offer protection for display screens at small incremental value. These are all the ways in which products are enhanced in the marketing domain. Then you have the price. Price itself is not one singular factor. There is a list price or MRP, there are discounts, there are allowances, there is a payment period that is provided, there are credits that are provided, there are cash backs and exchange values, trade in values that are provided.

Therefore, the net price can be modified depending upon the various parameters that are offered by the manufacturers as part of the marketing action. Then you also have promotion. The promotion could be in terms of sales promotion at the point of sales; advertising through various media that are available – radio, television, social media; sales force which interacts with the customers and makes the marketing pitch; the public relations that happen at the company level and in some cases at the product level.

Direct marketing that is done that is you get the e-mail addresses and the numbers of the customers and then you keep sending the marketing messages; the trade-in that occurs whenever you introduce a new product you make an attractive offer saying that if you are going to upgrade your product you get much better value in exchange that is trading. In addition to the normal trades that occur all through the products life and then the loyalty points. These are the promotional tools.

Then you have place that where do you sell the product. You may like to sell the product through the channels with you being completely distant or you could be present in the channels, you could own certain space in the retail malls and market your product. You may walk into let us say Reliance Fresh, but certain shelves could be owned by the manufacturers who are displaying their products and there could be a marketing representative selling the products.

It frequently happens in the white goods. Dyson may have its own promotional person; Whirlpool may have its own promotional person. So, channels are one, but who covers those

channels, how the channels are covered is another important aspect. There could be assortments, there could be different locations, where the channels are located where the points of sale are located, how the inventory is stored, do you have only two – three products, whether you have only two – three stock units of the products.

These are all decisions that are made as part of your marketing strategy and the transport logistics depending upon the stocking policy you also need to have a logistics policy. Any marketing strategy should include all the 4 Ps in a comprehensive manner and it should be checked out and finalized before a marketing strategy is rolled out in the marketplace.

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Additional 4 Vs of New Age Marketing

There is a clear rationale for considering the additional 4 Vs as a value addition for the current 4 Ps.

Marketing Mix Four Ps	New Age Marketing Mix Additional Four Vs	Rationale for the Additional Four Vs
Product	Validated experience	Customers need validated experience more than functionality
Place	Velocity	PoS is more widespread than a dealer point
Promotion	Vendor's Responsibility	In the circular economy, production and consumption must be responsible
Price	Value over lifetime	Purchase cost plus lifecycle operating cost minus trade-in price at NPV

The Evolution of Marketing Management

New age marketing requires both the traditional 4 Ps and the 4 Vs suggested above.



In one of the earlier slides, I talked about 4 Ps getting supplemented by the 4 Vs. There is a clear rationale for supplementing the 4 Ps which are product, place, promotion and price with the new age marketing mix. These are the 4 Vs that type purpose one Validated experience. It

is not enough. You have a product that is saleable. You also must have validated experience. This is one of the reasons why user experiences are become extremely important, user reviews are becoming extremely important.

The second is the velocity. It is not enough you have a place you should have dynamism in the place it is not enough you have a shelf there must be velocity of circulation of products in the shelf if you have long dated products, if you have products which are near the expiry life people will not be interested. The velocity of product movement is extremely important in every place.

And, the third aspect is the promotion. What is vendor's responsibility? Is vendor's responsibility ending with the sale to the retailer and expecting that the retailer will do a good job or the vendor should be present in some form or the other and see that the products are displayed properly, the features are explained properly. That is why in many super stores people have promoters from the manufacturers who are guiding the customers in a little more detail than the salesperson of the retail shop is able to do.

And, the fourth one as I explained earlier it is not just the price value over lifetime. As I said each of these 4 Vs have requirements. Customers need validated experience more than mere functionality. Point of sale is now more widespread than a dealer point in the circular economy production and consumption must be responsible. Purchase cost plus lifecycle operating cost minus trade in price when computed at a present value is going to determine the value over lifetime.

Therefore, there is complex arithmetic involved, there is also perceptive judgment involved in the 4 Vs construct that I have proposed. And, this is the new evolution of marketing management I would suggest that in the formulation of marketing strategy you must not only confine yourself to the 4 Ps but you must extend yourself into the 4 Vs without losing track of the 4 Ps.

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We talked about the internal marketing environment, what is that internal marketing environment? It is actually a network of divisions, a network of functions, a network of individuals that constitutes the firm's internal environment. Why do we call certain external stakeholders as part of the internal environment? That is because without them the process of selling, marketing, production will not take place.

So, the firm which is the one seeking growth is the marketing environment for the firm. But the overall larger marketing environment occurs when the suppliers are taken into account, the distributors are taken into account, the dealers are integrated, the customers are kind of listed and calendarized and when financiers are made part of the overall marketing environment system.

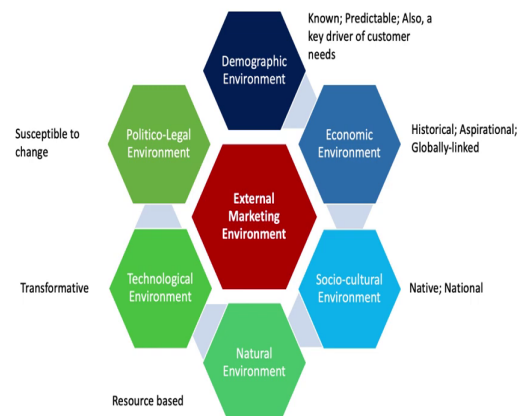
So, the firm definitely seeks growth it is driven by the infrastructure, but suppliers are required for mutual business benefit. Distributors could occur in terms of different channels of distribution. Dealers could exist based on alliances. Customers generally are need driven, but they are also influenced by the demographics that occur from time to time.

Then you have financiers who seek returns on the investments made. The study of the internal and external environment is very much in the scope of the structural analysis of the industry which we will cover at a later stage.

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External Marketing Environment

External marketing environment is a key driver of marketing opportunity and change. It drives marketing strategy.



Strategic marketing requires a thorough understanding of how the external environment will shape and how the internal environment can be shaped to respond to the external environment.



The external marketing environment is little more complex. It is a key driver of marketing opportunity and change. Many of the external constituents I mentioned in the earlier slide may be seen in the first go as external, but no they are all internal to the in firms ecosystem.

When we talk about today's marketing context, we do not talk about just the firm and the customer.

We talk about an entire ecosystem that is helping the firm develop better products and services and helping the customers achieve better customers fulfilment. And, in that all of those entities I have mentioned from vendors to financiers are important. But the real external marketing environment is something to do with factors which are totally beyond the control of the firm's ecosystem.

The demographics, the population, the economic levels, the recession rate trends or the inflationary trends or the buoyant trends – these all constitute the demographic environment. Then you have the economic environment, whether we are going to be a 5 trillion dollar economy in 2030 or 2028 is going to have a significant impact on how we are going to develop our products and services.

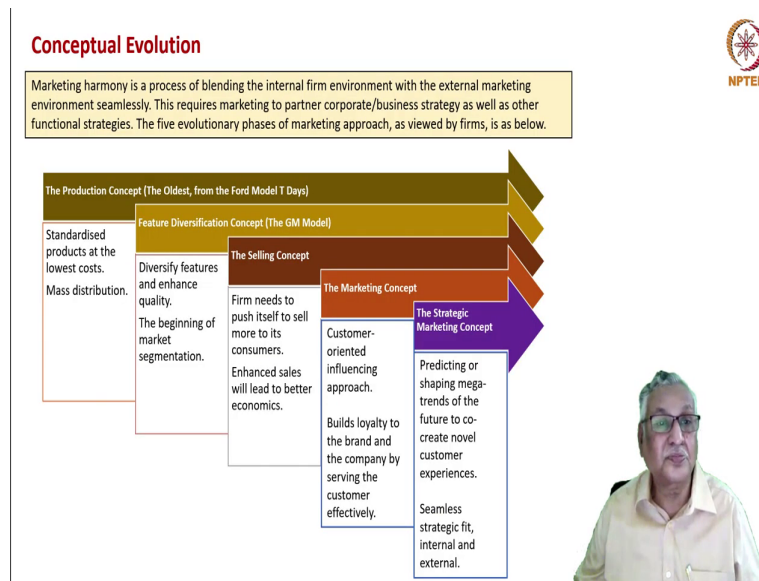
The socio-cultural environment which is the basic bedrock of a nation which is native and ethnic that is important external marketing input. The natural environment which that is the resource based nature of the nation, the consumption patterns, the supply patterns, the basic fundamental factor resources that exist in a country.

These constitute the natural environment. The capability of the country the capability of the country in terms of the technology that is another important external environment and it could be transformative. While technology is internal to the company within the overall industry and within the overall country there could be technological capability that is external which must be accessed by the company to be able to make itself better.

Then you also have the political legal environment which is susceptible to change from time to time and that could be very important. The levels of disclosures that are required, the levels of debt that the company can take, the levels of debt that a customer entity can take they all constitute a political legal environment which could be susceptible to change.

So, strategic marketing requires a thorough understanding of how the external environment will shape itself and how the internal environment can be shaped accordingly, so that there is a good match between the external environment and the internal environment.

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So, the conceptual evolution of strategic marketing or business development has been as follows. The production concept has been the oldest and it has been in existence from the Ford Model T days. That is, the company will subsidize that is the company will manufacture and supply standardized products at the lowest cost possible and it will also undertake mass distribution to be able to fulfil the concept in an effective manner.

Then, came the feature diversification concept. It was the General Motors' model. Diversify the features, enhance the quality. You segment the markets and make customers more fulfilled and also have greater competitiveness vis-a-vis the standardized production.

Then came the selling concept that is even if you produce more, the goods will not be automatically sold. You need to push the company and yourself to sell more to its customers and the logic here is that enhanced sales will lead to better economics. Then came the marketing concept which says that the needs probably are not discovered by the customer so well.

So, we need to have an influencing approach to market development. Customer oriented influencing approach. Implicit in that is an interest in building a lasting relationship between the company and the consumer, between the product and the requirement so that there is loyalty to the product, loyalty to the brand. So, brand building came as an important constituent of the marketing concept.

Now, we have the strategic marketing concept which is a very important adjective business development that is predicting or shaping mega trends of the future to co-create novel customer experiences. When you had computers desktop computers all in one computers pre-COVID we had screen sizes at best of 24 inches, but when work from home started we needed to accommodate more virtual sites within the computer frame.

Today's standard premium is at the level of 34 inches or 37 inches of screen size, so that there could be greater clarity in seeing more sites. So, this is a mega trend that happened during the COVID time which some companies could utilize and some companies could not utilize.

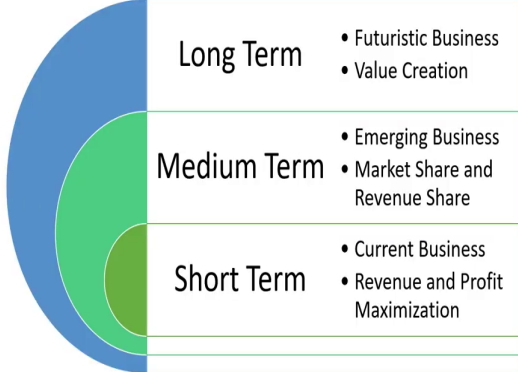
So, whichever company forecast the mega trend and geared up its capabilities succeeded. Tesla was able to understand the importance of semiconductors and created hardware and software that could last through the demand requirement for semiconductors.

Many other automobile companies could not predict the mega trend of semiconductors and let the automobiles be somewhat dated in terms of the experience. So, seamless strategic fit and internal external are required for understanding these mega trends and undertaking strategic market development – that is the conceptual evolution.

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Strategic Marketing

Strategic marketing is the process of aligning the marketing function of an organization with the long term vision and mission of the organization such that the firm secures competitive advantage in the short, medium and long term.



Long Term	<ul style="list-style-type: none">• Futuristic Business• Value Creation
Medium Term	<ul style="list-style-type: none">• Emerging Business• Market Share and Revenue Share
Short Term	<ul style="list-style-type: none">• Current Business• Revenue and Profit Maximization

Strategic Marketing has to work alongside Strategic Planning to lead the company on long term sustainable growth.



So, what is this strategic marketing which is an important adjunct of business development. It is a process of aligning the marketing function of an organization with the long term vision and mission of the organization so that the firm secures competitive advantage in the short medium and long term.

And, how does this occur? In the short term lot of importance on regular sales and marketing to be able to secure the current business, maximize revenue and profits. In the medium term,

you understand how this business can evolve into a different kind of business or how a new kind of business could become your future co business.

In that term you have a number of emerging businesses that are going to seed themselves and grow along with your core business, and there will also be much greater influence and importance of market share and revenue share as the metrics along with revenue share profit share also will come.

But, in the long term strategic marketing and strategic business development we look at futuristic businesses and value creation. To be successful strategic marketing has to work alongside strategic planning to lead the company on long term sustainable growth.

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Customer-Centricity

An inverted organisation pyramid with customers on the top and the frontline people being next to them, with customer interface across all the organisational levels reflects the new customer-centric organisation.

Traditional Organisation Pyramid

- Top Management
- Middle Management
- Frontline People
- CUSTOMERS



Customer-Oriented Organisation Pyramid

- CUSTOMERS
- Frontline People
- Middle Management
- Top Management

CUSTOMERS (written vertically on the left side of the inverted pyramid)

EMPLOYEES (written vertically on the right side of the inverted pyramid)

In fact, customer centricity must percolate and permeate all organisational levels and roles. It is a cultural anchor.



And, in this customer centricity plays very important role. As we are aware every organization is a pyramid, we have the employees in large numbers at the bottom and the senior executive at the top. The concept of organizational pyramid in a traditional pyramidal organization can be viewed in terms of customer centricity as follows. It is expected that the frontline officers, the front line sales executives are the ones who will deal with the customers.

The top management remains in a directorial position through the middle management and through other frontline people. So, the customer contact or the customer centricity occurs at the bottom of the pyramid level that is the traditional organizational pyramid which is applied to customer centricity. But, in a true customer oriented organization pyramid the pyramid is inverted that is top management takes the lead in meeting the customers, in understanding the customer preferences.

The middle management, the frontline people and the customers themselves get included in this process. The customers are considered as an extended part of the company's ecosystem which is why in one of my other courses I have disputed Michael Porter's theory that customers constitute a competitive force. I propose that customers are the collaborative force for an organization.

Top management must be taking the lead to interact with the customers and the customers themselves must be included in the organizational pyramid, if not in a formal sense, but in an informal sense. So, the customer centricity envelopes the organization at all levels.

We had a classic example of Azim Premji when he was in the executive chairman role for Wipro, he was taking time to visit every company which was a Wipro customer or in some cases which were not Wipro customers, but had IT hardware and software of important dimension. So, that is customer centricity.

When my previous organization had a new CEO who took over that CEO made it a point to first make a world tour, understand the customer feedback from whatever part of the globe


the product is positioned and come up with a strategy so that the customers can be responded to and their needs fulfilled in a much better fashion.

So, when you have customer centricity percolating and permeating all organization roles as per the inverted pyramid model it is a it becomes a cultural anchor. It is not just couple of words which are mentioned, but it becomes a cultural anchor.

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Culture of Customer Centricity – 1

The culture of customer centricity requires that every department and individual of the firm must be customer-centric.



Assessing Which Company Departments Are Customer-Minded
R&D
<ul style="list-style-type: none">• They spend time meeting customers and listening to their problems• They welcome the involvement of marketing, manufacturing and other departments to each new project• They benchmark competitor's products and seek "best of class" solutions• They solicit customer reactions and suggestions as the project progresses• They continuously improve and refine the product on the basis of market feedback
Purchasing
<ul style="list-style-type: none">• They proactively search for the best suppliers• They build long-term relationships with fewer but more reliable, high-quality suppliers• They don't compromise quality for price savings
Manufacturing
<ul style="list-style-type: none">• They invite customers to visit and tour their plants• They visit customer plants and working spaces• They willingly work over-time to meet promised delivery schedules• They continuously search for ways to produce goods faster and/or at lower cost• They continuously improve product quality, aiming for zero defects• They meet customer requirements for "customization" where possible
Marketing
<ul style="list-style-type: none">• They study customer needs and wants in well-defined market segments• They allocate marketing effort in relation to the long-run profit potential of the targeted segments• They develop winning offers for each target segment• They measure company image and customer satisfaction on a continuous basis• They continuously gather and evaluate ideas for new products, product improvements, and services• They urge all company departments and employees to be customer-centered

While Marketing is the department of direct interface, various other functions can learn a lot with customer-centricity.



So, when you have the culture of customer centricity what should the each department do? Let us look at R and D, they spend time meeting customers and listening to their products. Typically, an R and D engineer believes that his time has to be spent in the laboratory. He would think about involving the marketing and other functions at best, but not the customers.

The design thinking process as an example says that the R and D engineer along with the various other functionalities must spend time with the customer to identify and find out the problems and provide best of the class solutions. So, the constant customer interaction is an important input to R and D developing better products and services.

Purchasing: purchasing people proactively search for the best suppliers possible and they develop relationships with more reliable and high quality suppliers and they do not compromise quality for price savings because they understand that quality is an extremely important or the value equation that we are aiming at as a high class marketing organization.

Then you have manufacturing. Manufacturing people invite customers to visit their plants so that they go with a good impression of the technological capability of the company and in that process, they may even get some ideas from the customers in terms of the customization of the products. And, for marketing of course, it is a 100 percent day job. They need to study consumer needs and wants in well defined market segments.

Field visits are a must; customer visits are a must. They must do brand audits they must not be happy with just the metrics but they must understand the brand loyalty that is below the metrics that are getting achieved and they must also interact with the rest of the departments and ask them to be customer centric, request them to be customer centric.

So, while R and D purchasing manufacturing and various other departments have their day jobs, they cannot forget about the customer centricity and the need to be physically involved with the customers in one way or the other. And, of course, for the marketing people customer centricity is 100 percent a day job.

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Culture of Customer Centricity – 2

Sales is one department that has direct and perpetual interface with customers. Typically, in the short term, sales executes what marketing conceptualises and develops.

Sales
<ul style="list-style-type: none">• They have direct experience of fulfilling the customer needs• They understand and execute on customer contracts• They are responsible for meeting the company's sales targets• They act as the transactional and transitional arm of Marketing• They serve the same customers for a long period of time
Logistics
<ul style="list-style-type: none">• They set a high standard for service delivery time and meet this standard consistency• They operate a knowledgeable and friendly customer service department that can answer questions, handle complaints, and resolve problems in a satisfactory and timely manner
Accounting
<ul style="list-style-type: none">• They prepare periodic "profitability" reports by product, market segment, geographic areas (regions, sales, territories), order sizes, channels and individual customers• They prepare invoices tailored to customer needs and answer customer queries courteously and quickly
Finance
<ul style="list-style-type: none">• They understand and support marketing expenditures (e.g., image advertising) that produce long-term customer preference and loyalty• They tailor the financial package to the customer's financial requirements• They make quick decisions on customer creditworthiness
Public Relations
<ul style="list-style-type: none">• They send out favorable news about the company and "damage control" unfavorable news• They act as an internal customer and public advocate for better company policies and practices

Source: Philip Kotler, *Kotler on Marketing* (New York: Free Press, 1999), pp 21-22. Reprinted with permission of The Free Press, a Division of Simon & Schuster Adult Publishing Group

A firm benefits when even staff and service functions consider the customers and their needs in their operations.



Similarly for sales – it has the direct and perpetual interface with customers and in the short term they must have customer centricity driving every operation. At the sales point they have direct experience of fulfilling the customer needs. They will see the customer response to the actual purchase process and they should not see it as 1 rupee into the company, rather they should see it as one more opportunity to serve the customer.

Therefore, the customer feedback on the selling transaction is extremely important. Similarly, logistics they have got lot of importance. In many organizations supplying the small lot excuse is the challenge. People would say that I will not service the order even if it comes with cash.

Because I do not have the capability to send small lots into an interior place and they would prefer to aggregate the demand. In this process, they would lose the customer loyalty and

customer may even switch at the next available opportunity to another supplier who has better logistics.

So, logistics may look at an hub and spoke model to be able to meet the customer demands all across the nation in a helpful manner. Similarly, accounting product line wise profitability statements, market segment wise profitability statements help the management understand how the products can be costed and priced.

Similarly, activity based costing can help understand how idle times and efficient times influence the product costing and therefore, they will be able to make the necessary corrections in the costing. And, pricing parameters finance should understand the marketing requirements. In every environment it is not that products get sold automatically.

Today, when the inflation is high customers need additional financing support. Similarly, employees who are not well off require financing support. There is always a requirement for people to upgrade their cost of life in an environment where the newer products are introduced with higher prices. But that needs to be cushioned by providing appropriate financial arrangements.

In India the mortgages for houses are of 10 years or 12 years period whereas, in the West mortgages are of 30 years, 40 years. This has enabled those economies experience housing booms from time to time, at least provide universal housing for all the employed people the moment they enter into the organizations and the moment they start earning salaries. It is not so in India. So, finance is an aspect of customer centricity for many organization.

Similarly, public relations – selling the product is important, marketing the product is important but marketing the company and also bringing out the good things that the company does is important. So, if the company is doing great things in terms of the corporate social responsibility, the public relations arm or the corporate communications arm of the company should bring out those things into the open.

Similarly, frequent interactions between social groups and the company are important. When typical events occur such as a diabetes day or a heart day or any other day which relates to health, companies can step in and promote public awareness of the disease state and the wellness requirements to avoid the disease state. These are all the contributions towards the customers that reflect customer centricity on the part of the companies.

A firm will certainly benefit when the staff and service functions also work hand in hand, shoulder to shoulder with the line functions of R and D production and manufacturing to display high level of customer centricity, then only the products and services will be of very high order and they generate great value to the customers. And, when great value is generated for the customers, the company also benefits a lot.

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Strategic Marketing Options

Strategic marketing has several options to accomplish its mission which may look strikingly similar to marketing as is usually carried out. The difference lies in strategic marketing looking beyond the current to capture the future.

- Product:** Features, Specs, Utility, Novelty, Quality etc., 
- Market:** Customers, Segments, Needs and Wants etc., 
- Pricing:** Gross price, net price etc., 
- Promotion:** Information, Communication, Influencing etc., 
- People:** Founders, Management, Salesforce 
- Place:** The distribution, delivery and service network etc., 

All the above are great examples of Marketing establishing a brand or growing a company and its business. However, the companies are also vulnerable to similar marketing strategies deployed by competition.



So, the options the company has in terms of strategic business development and strategic marketing are the following. One – the product in terms of the features, specifications, utility, novelty and quality. Second – the marketplace that needs to be addressed in terms of customers, segments, needs, wants and even desires. Pricing, whether it should be gross price, net price, the promotions, the discounts, the tradings, exchanges and so on.

Promotion – the time effort and money spent by the company to communicate about the product, to understand the customer requirements and align the product and the customer requirement through information, communication, influencing etcetera. The people that are deployed by the company in this process of customer connectivity be it the founders, the management or the sales force.

And, the places at which we find connectivity with the customers through the distribution, through the delivery, through the service network, through the point of sale etcetera. And, all of these channels are nothing, but representatives of the company. Therefore, they also must be integrated with the company's value system, so that when somebody goes to a retail shop for the purchase of a particular product, they do not see the retailer, but they see the company and that is the extent to which strategic marketing must go.

These are all great examples of marketing establishing a brand or growing a company and its business. But companies must understand and be cognizant of the fact that competitors also can do it. So, elevating the game every now and then to higher levels with better products better marketing, better pricing, better promotion, enhanced peoples skills and more customized places are required from time to time.

So, with this we come to the end of this lecture. I will be meeting you in the next lecture. Thank you very much for your attention.