

Integrated Marketing Management
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Lecture – 02
Marketing Management

Welcome to the next lecture. So, we looked at the different types of markets in the first lecture. So, you will have the human need market, then the relaxation market, then the product type market, then the demographic market, then the geographic market. Now, how can we with all this explain or to give that formal definition for marketing? In marketing; when we are looking at that formal definition of marketing we are adding to the usual Marketing the Management aspect also.

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Marketing management is the process of planning and executing the conception, pricing, Promotion and distribution of ideas, goods and services to create exchange that satisfy Individual and organizational objectives

Marketing management in an organization can occur at any level- VP(personnel), VP (marketing), VP (finance); Formal marketing is done by sales managers, salesmen, Advertising managers, marketing res. Managers, customer-service managers, product Managers, marketing VP.

Product concept -	consumers will respond favorably to good products that are reasonably priced and little marketing effort is required to achieve Satisfactory sales and profits (In contrast to production concept- Bulk volume and lower cost)
Selling concept-	consumers will normally not buy enough of company's products unless they approached with a substantial selling and promotion effort Can be useful for 'unsought goods'- ins., Encyclopedias 'Psyche him out' - American automobile industry

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We are looking at marketing management as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individual and the organizational objectives. Look at these terminologies which are used here. So, I just explained to you how management has got included in their definition of marketing.

Look at it; it is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individual and organizational objectives. Now, look at what is conception, you may look at an

example, a mundane example could be where a few decades back, it may be there even now also you may find your neighbor in a terrific rush in the morning times. He may be, wanting to catch the bus which takes him to the workplace that bus might be coming to the bus stop at around 7 o' clock. So, he might like to leave his house around 6:45 to be in time for the work for this bus stop to reach the bus stop before the bus comes.

Now, when you look at this persons' schedule he would have got up early in the morning maybe around 5 o' clock and goes through his daily course and the last portion of that daily core might be that he might like to have a small breakfast before he packs off with his lunch or goes to the bus stop. Now, this last portion is something which we normally if you look at the individual schedule, normally you find that this is the portion which it cuts into from the time aspect. He does not get the time to go through his breakfast in a leisurely manner. Now, he may be your neighbor, but he does not want to talk to you he is in a rush to reach the bus stop.

The people who have done the breakfast for him maybe it is his wife or a mother they are also gotten up perhaps even earlier than him readied the breakfast they may find that after readying the breakfast taking all the trouble this individual is not having time to have the breakfast and leave for the bus. So, if you are observing all this, some things might strike you, oh this individual normally cuts into his breakfast time the last 10 minutes he wants to have the breakfast, but he does not have that time. he does not get that 10 minutes.

So, what he may do is, he may skip the breakfast instead of that you may think suppose I come with a product which can satisfy his breakfast needs that is it can be in a liquid form or it can be from a tablet form or some other form where he can take his breakfast even standing at the gate. So, if you are able to give him that breakfast in this type of capsule form or a drink form where he does not require that 10 minutes he can finish that breakfast within some few minutes that is 1 or 2 minutes and he is off to his bus stop.

So, this could give you an idea of a product, can a product be manufactured which can take care of the needs of this individual during the rush hours in the morning and still have all the effect of having their breakfast for him that is he does not think that he is starving while going to the breakfast.

You may think that this type of product maybe a good seller for this type of markets that is, the individual who is in a rush in the morning, **place** wants to have a quick breakfast and leave. So, you may come up with a drink which can satisfy his needs that is a breakfast needs, it can be a low calorie or a high calorie, high protein or a low protein whichever it might be the type of thing. This drink can be good for **the what do you call** the person who is going, it can be good for his children also, it can be good for his parents also, when they are retiring for the day this is called conceptualizing an idea.

There was an idea and you conceptualized this idea if you are able to convert this idea into a product what you have done is you have really created a product from this conception of the idea. So, this is where you come to so many of the products which are coming in the present day market and each product which is being exhibited in the marketplace you will many times appreciate the lot of conceptualization which has gone in before it comes over with the product.

After this it can be when you are through with this product the idea of pricing this product how much should it be priced? If a product already is there to satisfy this type of needs in the market and how is it actually priced, then how this new product should be promoted in the marketplace and after promoting this product how should you look at the distribution of this product.

So, it can be an idea, it can be a good or it can be a service and **all this or** what is the end objective, you are looking at the end objective of satisfying the individual, through the satisfaction of the individual you are also achieving the organizational objectives. That is you wanted to market this product and marketing of this product by satisfying the individual that is his needs is what you are looking at in marketing management. It is the formal process of marketing management where you look at planning, executing, the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfied individual and organizational objectives ok.

Now, the next question is in an organization at what level are you going to have marketing? If you look at any organization, **an organization can how** marketing management at any level, be it personnel, be it marketing, be it finance. What is the whole underlying objective here?

The underlying objective of this statement is that marketing need not actually occur only in the marketing department of an organization, when you are recruiting personnel also you are doing marketing, when you are looking at finance decisions also you are looking at marketing. So, you want to buy a product at a lower price, how do you convince the supplier to offer you the discounts.

So, formal marketing if you look at in an organization it is done by sales managers, salesman, advertising managers, marketing research managers or customer service managers or product managers or it can be your marketing vice president. Now, having looked at the formal definition of marketing let us now look at some concepts which are there in the in marketing management.

The first concept that you have to look at when you are looking at marketing is what is called the product concept. What is this product concept? The product concept states that consumers will respond favorably to good products that are reasonably priced and little marketing effort is required to achieve satisfactory sales and profits. What does that mean? It means that you are having a good product when you are having a good product the organization or the producer of the product thinks that marketing is not required in that sense to sell this product it will sell on its own that is a product concept.

So, because the consumer knows about your product and when the consumer knows a lot about your product and he knows that it is a good product he will respond favorably to it. Contrast this with the production concept. What is the production concept? You produce a mass of this particular product that is a large number of this product, that is you are producing in bulk volume. When you are producing in bulk volume what is likely to happen. The result is the cost per unit of this product is likely to come down.

So, there is a product concept where the organization thinks that the consumers will respond favorably to good products that are reasonably priced and little marketing effort is required to achieve satisfactory sales and profits. In contrast to this the production concept looks at bulk volume and lower cost you produce in a mass cycle the cost will come down when its costs will come down. So, it is likely to attract the customer this is what the organization might think ok.

Compared to that what is the selling concept? The selling concept says that consumers will normally not buy enough of company's products unless they are approached with a

substantial selling and promotion effort. So this can be appreciated by taking a few examples, it is especially true for many unsought goods that is the consumer does not require this good in the real sense. It can be in the present day circumstance look at the encyclopedias the how many of the individuals go through an encyclopedia.

Suppose you are given the unenviable task of selling these encyclopedias it is quite a hard task. So, nobody wants to buy these encyclopedias and they are priced fairly high. So, what could be your potential market place for these encyclopedias? It can be the libraries of well known institutions and they are also when you approach this well known institutions to stock you encyclopedia again you have to sell these encyclopedia there may be one another person who is selling the same encyclopedias in a different form.

So, even these unsought goods you have to do a lot of selling before your product moves. The very good example for this is selling of this life insurance policy. So, you will find many of these life insurance policy agents finding it very hard to sell those insurance policies to customers. So, they have to keep on telling this prospective customers that look you may be healthy now, you have got that family to support, suppose something goes wrong, then what will you do?

Make an insurance policy for that during that time when your family requires it so badly this insurance policy is going to come handy and useful for which the consumer or the prospective consumer may say this insurance policy is giving me very low returns, why should I make this insurance policy. If I am going for the different options which is available in the marketplace I will get better returns for which the insurance agent should have a satisfactory answer which can convince this individual.

Now, take the example of the American automobile industry. So, you can walk into an automobile showroom you can pick a car of your choice you can walk out with a car. The car is yours and the sale is done very fast. Now, in order to make this sale you go to a well known company showroom in any of the cities in the United States you will find there is no one in that showroom you are entering that showroom it looks as though you are the only person in that showroom with so many cars around.

So, you see the different cars which are exhibited and when you see the different cars one product or one exhibited product model, one exhibited product model might catch your attention. You may try to spend a few more minutes looking at this model saying

what does this model have to offer me, what are the types of features which it is going to offer. So, yes you spend 3 to 4 minutes looking at this car saying what a beautiful car.

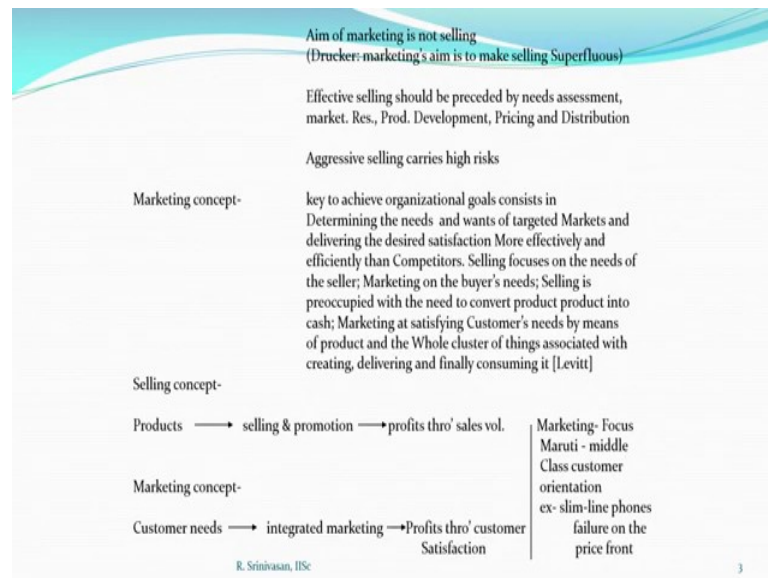
So when you are spending this time you find that one person he is approaching you, from where he approaches you are yourself not sure hey where did this person come, but the person has come and he is standing by your side he tells you sir this car can accelerate from 0 to a 100 within a few seconds and it can provide you all these types of facilities.

It can zoom it has so many gears, **it can it can** it has an auto function it has this that all those types of things. When he gives you this type of product features you may be taken in by this seller **that is** who is selling this product for you and then you may just wonder the last thing that you may normally do is look at the price tag. For all these features what is a price? That price may look a little beyond your reach, but this seller is well prepared for this situation.

He may ask you sir can you give your credit card, we will tell you what could we the best EMI options available for you. So, in a different in a typical market situation in the United States that credit card gives the seller **what are all the**, what is the salary packet of the individual, what are all the types of EMI options which he has already exercised and what could be a reasonable EMI option for this particular product. So, you may find that this person the salary is coming out with an EMI option saying sir you can afford to give this much of EMI for this particular car.

So you are all in all most psyched out by this individual and you wanted this car and this seller has given you all these types of options which is more or less making you to go for the car and you will find that this deal is done. I am walking away with the car. So, with all that you can choose your name plate also in the car. So, this is not just giving the **numbers** registration numbers, but it can do additional features also. This is normally referring to in the American parlance that is the automobile industry parlance as psych him out. So, but this is not the method of marketing that you should be really doing.

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The aim of marketing is not selling. So, if you look at what Drucker says; Drucker says that the marketing's aim should be to make selling superfluous, that is effective selling should be preceded by needs assessment, market research product development, pricing and distribution.

In other words you should not be selling a product just because you are manufactured it even though it does not satisfy the needs of the consumer. So, you should assess his needs first. How do you assess his needs? In other words you assess his needs through a sustained or systematic market research process. So, this is the importance of having market research in the present day markets.

Before you come out with a product you go into market research find out whether this product is required for the individual, when you are able to a conclusion that this product is required for the individual, then you can go through your market research study, then you can going for your product development and it is likely that this product may be able to sell or capture the market in a good measure. So, this is what is called effective selling.

The psyche him out type of thing which I just mentioned that is the American automobile industries many times the psyching him out is referred to in the present day circumstance as aggressive selling. This aggressive selling carries high risks you should not go in for aggressive selling because suppose you mentioned so many features in the product.

Suppose that are 10 features which you have mentioned suppose it is 1 or 2 which is not there in the product, then the consumer might excuse you in inverted commas may think say just 1 or 2 features he has added the remaining 8 are there I am reasonably happy.

Suppose you gave him 10 features and the consumer finds that it is only 4 or 5 which are there in the product. So, 5 are not there in the product then it will have a deleterious effect on your selling process, it will not be effective selling. In other words what you are looking at as aggressive selling may actually backfire. It may backfire through this word of mouth marketing the consumer might tell others the prospective buyers that 10 features were offered to me only 4 or 5 are there you better be careful when going in for this product.

So this marketing concept becomes very essential where you are giving more or less a true picture of what the product is capable of offering to the individual. So, the formal definition of the marketing concept which we look at is where you can say it is key to achieving organizational goals. It consists in determining the needs and wants of targeted markets and delivering the desired satisfaction more effectively and efficiently than competitors. Kindly note that there may be a lot of competitors for your product they may also be satisfying the needs of the same market segment only, suppose your product is offered in the same market segment it has to offer something extra than what is already an offer.

Selling focuses on the needs of the seller marketing and the buyers needs. Kindly note this selling always on the needs of the seller that is he wants his product to be pushed at any cost, but whereas, marketing looks at the buyers needs, it is preoccupied with the need to convert product into cash. Marketing at satisfying consumer's needs by means of product and the whole cluster of things associated with creating delivering and finally, consuming it this is a statement which is attributed to Levitt.

And this is given to you in a wonderful manner in his article called marketing myopia, which he gave in the year 1960 this was published by Harvard business review in the year 1960 and this is considered to be a classic article even to this day this statement is attributed to him. So, you look at the selling concept, you are looking at products, selling and promotion, you make profits through sales volume, you look at the marketing concept. What are you looking at marketing, you are looking at customer needs, you are

looking at integrated marketing, you are looking at profits through customer satisfaction. So, you are looking at profits through customer satisfaction which is always very desirable.

I have given a few examples here one of the examples is that the Maruti car in the Indian market when it was introduced in the 80s what are the type of marketing focus the Maruti car had? The marketing focus which the marketing Maruti had was the middle class customer orientation. So, in the 80s what is the type of Indian market which was there? If you had a car, then you are from the upper class of society or the upper economic state of society. As a middle class individual you could never have a car or you could never buy a car.

So, the Maruti car when it came out into the market it wanted to offer to the individual the Indian the Indian consumer. A compact car; at an affordable price **a compact car at an affordable price** with an Indian tag, the Indian tag was it was called Maruti car and the Maruti 800 which came in the 80s it was priced at about 54000 rupees. So, and it was looking sleek with good painting and all those types of things.

Naturally the middle class Indian he was attracted to the Maruti car, but he was also concerned during that time when he looked at the ambassador car or the premier Padmini that is a Fiat car. He used to think that this Fiat and the ambassador they are more rugged or compared to the Maruti that is a safety aspect of this in the whether it is being compromised? This was one of the questions which were coming to his mind right in the 80s only and which has us more or less proved by many of the types of accidents which occurred where this Maruti car could not sustain those accidents.

So, if you hit an ambassador car there used to be a small thing suppose you even if a Dharwad bison where to hit a ambassador car it is not the ambassador car which would be hurt it would be the bison which will be hurt [Laughter] your car will be standing still in the road, but the bison will be moving the [Laughter] other way, this was how they used to look at the ambassador car. Now, suppose you are many times this is **a is** Maruti cars. So, I have taken on more example, this example is from the telephone industry.

What is the type of phone which we had in the 80s? We had a mechanical phone coming out from the Indian telephone industries incidentally Indian telephone industries is the first public sector to be started in the independent Indian sovereign Indian state. So, in

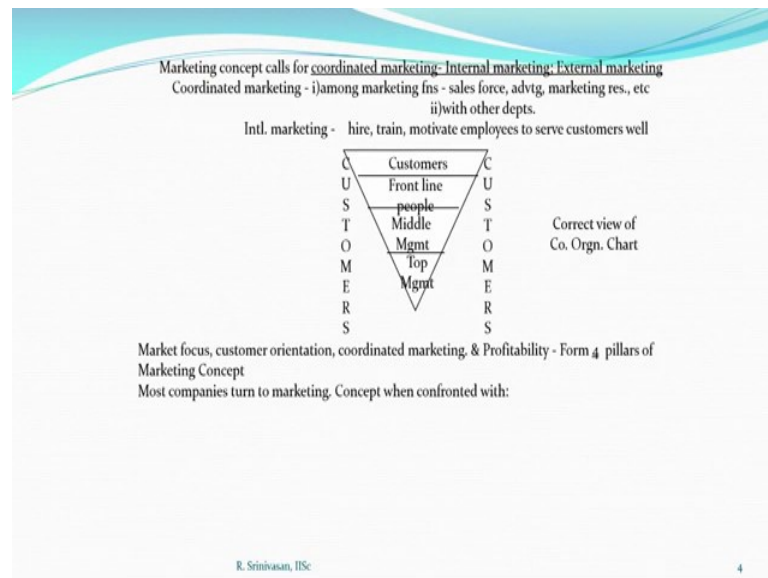
the 1948, what was the objective of this ITI? It was to fulfill the telecommunication needs of the country. It came out with a mechanical phone and this mechanical phone was weighing about 10 kgs ok.

In other words it is a heavy phone and you have to ring these different numbers mechanically 1 2 3 4 like that. So, many times you used to wonder why this phone is so heavy, second can we not come out with a phone which is slim where it can be a push button type, where you can get these types of all the features of a phone, but not having to go through all this mechanical circles and the weight of the phone will also be substantially reduced.

The result of that was in 1988 or 87 the same Indian telephone industry came out with an electronic phone which was a slim line phone, that slim line phone was particularly attractive because it was very cute, it had all the push button types of features which are where are available. So, the consumer said what a phone to have from ITI. So, in other words some market was very happy with this, but when it came to the pricing of this particular product they found that this product is priced very high. Then there was this gray market which was available in a place like Bangalore only in the 80s and when they went to this gray market that is this is an art and authentic market.

What do you mean by not an authentic market? It is not going to give guarantee for the product or whatever which ITI used to say this is a product which is guaranteed, but this gray market the same product was available in the gray market at a much lesser price. The result of that was the slim line phone which came out from ITI could not really penetrate the market and had in a way it was a failure big on the price front this is what characterized the market.

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So, what we have done in this whole lecture is we have looked at the different concepts, we have looked at why the marketing concept is more important and before we end this lecture we will look at what does a marketing concept call for it. It calls for what is called the coordinated marketing. What does this coordinated marketing? That is you have to do internal marketing as well as external marketing. So, the internal marketing is among the different functions within the organization.

It can be sales force, advertising, marketing research or with other departments, they must really get enthused to sell the product by the organization suppose you are not able to convince your own people about the product your manufacturing then it is a different scenario altogether. So, this internal marketing is required it can be with respect to hiring, training and motivating the employees took us to serving the customers well.

So, when you look at an organization a marketing organization you should look at the marketing organization like an inverted pyramid. What is this inverted pyramid? It is if you see the company organization chart from a marketing this inverted pyramid has customers at the top. Then the next one is what is called the front line people maybe your general managers or whatever, then in the middle management maybe your managers and below, then the left front line people can the you are all your supervisors or whatever it is, the middle management can be your managers, the top management can be your

general manager or the deputy general managers and above or whatever it is. So, these are the people.

So, in other words that top management it says should be in contact with your customers. So, it is not just customers in contact with the front line people, it is also the top management of the organization which should always be in because constant touch with your customer suppose this is what you are seeing in the present Indian market take a mutual funds market. There are many mutual fund players so, in the market and they address you from the top management, he can be the chief general manager of that particular mutual fund. He wants to give the features of that fund and say these are the features which this fund is offering kindly going for this fund.

So, in other words you are seeing a different situation altogether in the Indian market where you looked at the top management in contact with the prospective customers, it can be through different channels whether it is visual media or print media or directly addressing letters to the prospective customers. So, this is where you look at a correct view of the company organization chart from the marketing perspective. So, this is what we look at.

So, these 4 things, that is the market focus, customer orientation, coordinated marketing and profitability they form what is called the 4 pillars of the marketing concept. So, the market focus, customer orientation, coordinated marketing and profitability form what is called the 4 pillars of the marketing concept. We will stop here, we will continue in the next class.

Thank you.