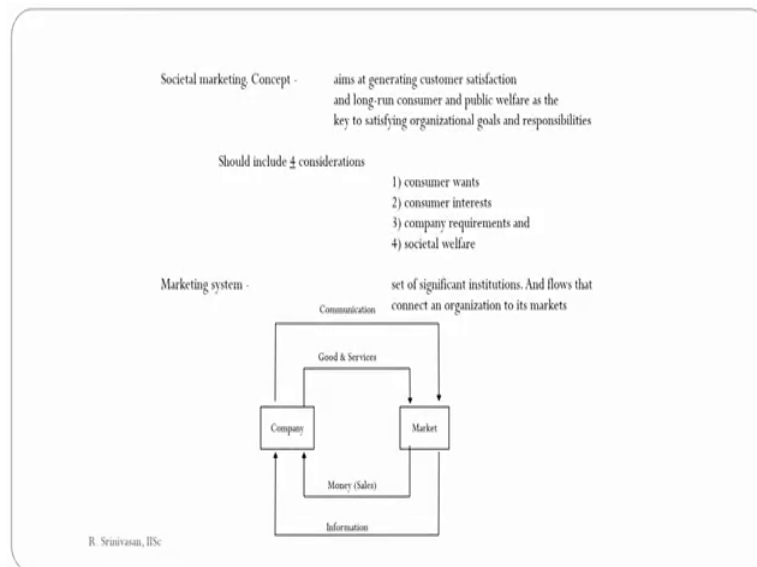


Integrated Marketing Management
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Lecture – 08
Marketing System

Now, let us look at what is this Marketing environment.

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We take a simple Marketing System. How does this system look like? If you see this system this marketing system can be looked upon as a set of significant institutions and flows that connect an organization to its markets. It is a very simple definition which is being projected now. You are looking at a marketing system as a set of significant institutions and flows connecting an organization to its markets. So, you have a company, you have a market kindly note that this is a very simple system. What does the company do? It produces goods and services, it offers it to the market.

Now, what does the market do? Market gives money in return to the company that is the sales are done by this goods and services. It gets back to the company in the form of money. In this whole process this company is communicating with a market.

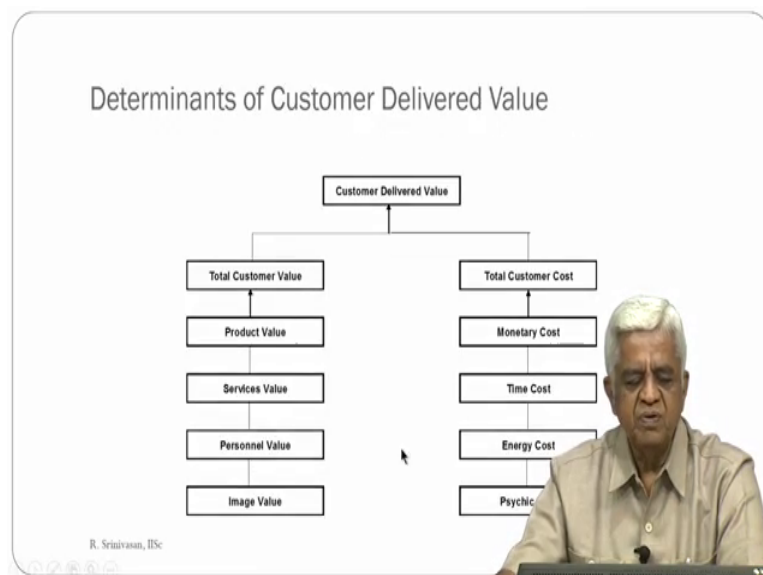
What do you mean by communicating with a market? It is telling the market about its goods and services what all it can do and the market is also communicating with a

company. What is that company, what is that communication? It is providing information to the company on the communication it is receiving from the company. In other words, it is a feedback, which the company gets from the market on its goods and services.

So, in essence what are we having? We are having a company; kindly note again this is a simplistic representation of a marketing system. You have a company you have a market. The company puts goods and services into the market. In return the market gives the company money in terms of sales. In the process company communicates with a market. How does it communicate with a market? It tells the market what does the goods and services which are produced by the company, how good they are for used by the market concerned. And the market in return provides information on this communication which we now call it as market feedback.

So, a simplistic market system just visualizes company and markets and these types of flows this is indicated in this diagram.

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Now, before we go further on this customer delivered value all those types of things we will try to visualize the marketing environment as it exist in the present day.

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So, what was presented was a simple marketing environment system. Now the present day marketing system is not very simple kindly note that. It is quite a complicated system and what is the type of complications that you are seeing in the present day marketing environment. If you look at this particular figure this becomes more clear. If you look at a company for any company you will have competitors and you have the public's that is the people who have to accept your product. Then when you are operating in a business environment, so many economic factors come into play.

Further, the demographics of the market will also come into play, your product might be fit for a particular age group might not be fit for all age groups. Then the physical system how do you actually deliver this product, the logistics side of it, then what is the type of technological changes that might influence the composition of the market environment. So, many changes take place in the on the technological front.

Similarly when a company is operating the political environment in which it has to operate, whether it operates in a democracy or whether it operates in a military environment, whether it operates in a free market or whether it operates in a constrained market all these types of things come into play. Added to that the types of legal barriers, which a company has to face in the market, then there is a problem of the society where it operates that is the social factors then there is also the cultural factors. Some of the

products that you may like to introduce in the marketplace may not be acceptable to that culture.

So, that culture may be repugnant to the user of your product, it might not like to use this product. So, broadly looking at it you can look at this whole environment in this diagram, the middle portion of this diagram is rectangular. In that one rectangular you have a smaller rectangular block which you can see and that rectangular block has what is got the suppliers. The suppliers are those people who are supplying the raw materials to the company and what does the company do from the raw materials it converts these raw materials into finished products and when it comes as a finished product the marketing department takes over.

So, it reaches the consumers through what we call the marketing intermediaries, the marketing department many times goes through these marketing intermediaries. What are these marketing intermediaries? These marketing intermediaries can be visualized as agent middlemen or merchant middlemen. So, what is this agent middlemen? This agent middlemen are the people who take your product negotiate contracts, but do not take title to your merchandise kindly note that, they find the consumers or the customers for you they negotiate contracts, but they do not take title to your merchandise.

The other type of middlemen that you can have is what is called the merchant middlemen. What is this merchant middlemen? They are the people who buy take title to your product and resell the merchandise.

So, the your product will not be going in your company's name it may be going in some other company's name ok. So, this is a type of two middlemen's who operate in a market. So, you can visualize the very simple situation, take your fruits and vegetables which are coming into a main market in a city like in Bangalore in the city market. You do not know who is the person who is producing your fruits or vegetables it is picked up from someplace, who picks it up the person who picks it up is a middlemen and the middlemen comes and puts that product this is a fruits and vegetables into the city market and you take these fruits and vegetables from that. Now the change it scenario instead of that city market you are also having.

So, many other retailers one of the retailers you can think of is your big bazaar, go to any big bazaar you can find all these fruits and vegetables. You do not know how these fruits

and vegetables have actually made their way into the big bazaar is it the farmer who is giving it or is it somebody else, know the farmer is not directly giving it to the big bazaar. It is coming to them through the middlemen. So, basically who are the types of this means these middlemen they are basically agent middlemen, who are taking from the farmer bringing it to the big bazaar or the city market and you as customer n customer take this vegetables depending on your requirement of fruits depending on what you require whereas, in the case of the merchant middlemen what happens the merchant middlemen takes the title to your product.

So, the product is no longer marketed in your company's name it is marketed in his company's name. So, who is a good well known merchant middlemen in the Indian market, a well known merchant middlemen in the Indian market is Voltas. Take the many products which are coming from Voltas, many of them are not manufactured by Voltas. Suppose you turn the product upside down you find a small label there product manufactured by this in this particular industrial saber thane or this industrial saber in some other place.

So, these, but the product is going as a product of Voltas. So, Voltas is having a name in the market and the consumer attaches importance to this Voltas name in the marketplace he thinks that being a product coming from Voltas it will always conform to certain standards.

So, here is this particular diagram giving you this role of the marketing intermediaries. This marketing intermediaries there can be two types of marketing intermediaries one is the agent middlemen and the second is the merchant middlemen through this your product that is the company's product reaches the customer. Take the outer rectangle you have competitors for your company you have the public's coming, both of them competitors will also try to imitate your product give a terrific competition to what you want to put out into the marketplace.

The publics are the ones who give a lot of feedback whether this product is good not good word of mouth publicity all those types of things. Now in addition to all this these are the different environments which I listed already you have an economic environment.

You have a demographic environment political factors, legal factors, socio cultural environment technological challenges for your product and the physical aspects the

delivery or the logistics what you are seeing. Now as supply chain, so all this is coming getting incorporated in the present today in different forms, you have a supply chain management you have another several thing is getting linked to the market.

Now suppose when you are operating in this type of a market you are susceptible to threats that is you always face threats in the marketplace. What is this threat? This threat stands for challenges posed by an unfavorable trend or specific disturbance in the environment which would lead in the absence of a purposeful marketing action to the stagnation or demise of a company product.

So, when environmental threat becomes a very important aspect, which the company has to really be very cautious. And when operating in a dynamic marketing environment these threats are also very common you cannot avoid these threats at all and when it comes you must find out how do you really cope with these threats. So, whether it is a challenge posed by a new entrant or an existing market player whatever it is you have to face that. Now here is the role of the market intermediaries. They can help you to cope with this environmental threat they can help you with this market search physical distribution communication negotiation and title transfer much better than you that is a company itself.

So, because they are adept in this system, so they know what are all the intricacies that are involved and they are well equipped to handle all these intricacies much better than the company itself. So, this is the way in environment functions and when this environment functions in this manner. The other important aspect which you have to take into account is from the point of view of the customer.

You are putting the end product into the marketplace, when you are putting the end product into the marketplace. How does the customer view your product that is what are the types of factors he takes into account before he decides whether he should go in for your product or he should going for somebody else product maybe your competitive. This is represented in this particular diagram as determinants of customer delivered value. What is this customer delivered value.

If you see the left hand side of this diagram you see five values one is the image value personally personal value services value product value becoming the total customer value, these four values adding together giving you that total customer value. Come to

the right side, you have the costs again you are looking at four types of costs one is the psychic cost, second is the energy cost, third is the time cost forth is the monetary cost all this adding the to the total customer cost now the question. When does the customer prefer a particular product, the simple answer would be when his customer value is much more than the customer cost? So, the total customer value should be much more than that total customer cost, that becomes the customer delivered value are you getting this.

So, the customer delivered value is nothing, but the excess of the total customer value or the total customer cost, suppose it does not become excess you the customer may not prefer your product he may prefer the competitors product because it may be giving you excess. So, some of these terms which are used in this diagram much of many of them might be very obvious.

What does the product do for you that is a product value or what are the services do for you that is your services value and what does the what are the personal value suppose your product consumer durable product it requires attention on a regular basis. How good is your company to give that attention and how can your company provide information to the consumer on the usage and the maintenance of the product on a regular basis. So, take whether it is a washing machine or whether it is a micro oven or some other product.

Now, what is now you find that many of the Indian families use dishwashers also. Then what is his image value that is from which company is this product coming in a washing machine which used to come from a company like IFB always used to have edge in the wash in this market a few years back. But what is the present day scenario, the present day scenario is where you have number of company's players in the marketplace it may be an LG or it may be a Samsung or some other companies or it may be a whirlpool.

All these players putting their washing machine into the market and the consumer has a big choice he can pick up his washing machine from any of these products he need not necessarily stick to earlier situations where he used where people used to say this is a washing machine coming from IFB.

So, it is it should be very good the other companies which are putting out the washing machines in the present day market or as good IFB. The IFB says that no we are better than them; it is required for them to prove that they are better than the competitors to

exist in the marketplace. Similarly with respect to this total customer cost look at this diagram, here what is called a psychic cost? What is this psychic Cost? This is the more to do with the psychology of the individual.

So, you do a lot of searching for a particular product and when this lot of searching leads you to a particular manufacture, you invest your time and you have to attribute at cost for this investing of the time. You say you say let us say you searched all these products all these manufacturers of washing machine and you came to the conclusion that IFB is the best. Let us say then there is a certain psychic cost involved coupled with that there is a certain amount of energy that he has spent.

In coming to this conclusion coupled to that you have spent a considerable amount of time in coming to the conclusion that this IFB is the best with respect to this washing machine. Added to all that you have to give the cost of the product as required by the customer as required by the company. So, there is a monetary cost, when you add all these costs you get the total customer cost.

So, it is not just to the price of the product which is put by the company kindly note that also. The price end price of the product which you are paying you have to add these costs also, that is the time cost the energy cost the psychic cost it gives you the total customer cost. So, when your total customer value which is coming out by the purchase of this product is more than the total customer cost, then the customer delivered value will be positive.

Otherwise you have a situation where the customer is not getting the desired value from your product. When he is not getting the desired value from your product there is no reason for him to prefer your product kindly note that. So, this diagram a very well depicted diagram gives you what we call in the marketing terminology.

That determinants of customer delivered value, what are all the determinants. So, on the left hand side you have the value determinants, on the right hand side you have the cost determinants. You find in each of these right hand side and the left hand side four value determinants, the image value the personal value the services value and the product value making up to total customer value on the cost side the psychic costs, the energy cost, the time cost and the monetary cost making up to total customer cost. The end the total customer value and the total customer cost in turn gives what is called the customer

delivered value. So, this is how a market looks at a product, this is how a market normally looks at any product which is put for consumption in the marketplace and more so when it is a consumer durable and more.

So when it is a high value product. Let us say you are looking at an automobile let us say you want to take a car from the market the type of cost that you incur is not just the monetary cost of the product, you incur all these costs you will be consulting with people whom, you know you will be consulting with the users of that particular car. You will in addition to their what the company says in other words you are not making an immediate decision about the car that you are going to purchase.

So, many feeds will come to you this car is not up to the mark do not take it rate think about this taking of the car all those types of things. So, taking all those factors into account only you will decide which one to take.

So, it is not just the monetary cost the other three costs are also involved, that is the time cost energy cost and the psychic cost. Whereas, the value that you are going to get has these four components that is the image value, personal value, services value and the product value. So, this total customer value and the total customer cost giving what we call the customer delivered value. So, these are the different determinants of this customer delivered value and it becomes extremely important in a marketing environment and that too in a competitive marketing environment that you are facing in the Indian market.

Today you any product that you are going to introduce in the marketplace or thinking of introducing in a marketplace has to go through all these compartments kindly note that. So, when it when you are able to really push it through all these compartments successfully, then only you are going to have a successful product in the marketplace. So, we will with this we will stop here we will continue in the next class.

Thank you.