

UNIT-III

Fundamentals of Management for Engineers

Syllabus

- Introduction to Marketing,
- Functions of Marketing,
- Types of Marketing,
- Marketing vs. Selling,
- Marketing Mix,
- Product Life Cycle,
- Market Segmentation,
- Supply Chain Management (SCM).

What is the concept of marketing?

Marketing includes those business activities that are designed to satisfy consumer needs and wants through the exchange process.

The marketing concept involves **identifying consumer needs and wants and then producing products** (which can be goods, services, or ideas) that will satisfy them while making a profit.

What is Marketing?

Promotion



Place

Price

Product

Public Relations

Advertising

Personal Selling

What Is Marketing?

A Philosophy

An Attitude

A Perspective

*A Management
Orientation*

plus

*A Set of Activities,
including:*

Products

Pricing

Promotion

Distribution / Place

Definition Of Marketing



American Marketing
Association

AMA : Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.



Dr. Philip Kotler

Kotler : A social and managerial process whereby individuals and groups obtain what they need and want through creating and exchanging products and value with others.

Simply put

Marketing is the delivery of customer satisfaction at a profit.

Goals

Attract new customers by promising superior value and keep and grow current customers by delivering satisfaction.

Other Definitions Of Marketing

- Marketing consists of the performance of business activities that direct the flow of goods and services from producer to user.

(American Marketing Association)

- Marketing is the process of planning and executing the conception, pricing, promotion, & distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.

(American Marketing Association)

- Marketing is that of an individual and organizational activities aimed at facilitating exchanges within a set of dynamic environmental forces.

(Pride & Ferrell)

Functions of Marketing

The marketing functions may be classified into five groups: These are:

(i) Determining Marketing Objective

(Research)

(ii) Developing Marketing Plans

(Product)

(iii) Budgeting Sales, Expenses and profits

(Distribution)

(iv) Co-coordinating Marketing Activities

(Management)

(v) Developing Marketing Executives

(Sales Promotion).

1. Research:

The marketing division under research is mainly concerned with actual and potential buyers. It determines why and when the buyers buy goods or are not interested in buying goods; how and where the market for goods can be expended and at what cost. The time limit for expanding the market, and the probable fluctuations in demand and supply—these, too, must be taken into consideration.

The size of the market, its potentiality, trends and profitability must be determined. The department should examine the effectiveness of the various marketing problems and should consider the effects of competition in the line.

2. Product:

The second function is the task of developing new products. In this connection, the marketing section should pay attention to the existing products. If the existing products are not in demand it should find be made in them. Even if it comes to the conclusion that the existing product has become obsolete or useless, the decision to drop it from the market may also be taken, and altogether new products may be introduced.

The question of identification and appearance must be determined so as to ensure that the sale of the product is on the favourable side. Over and above this, the marketing division should consider the setting of prices and the discounts to be allowed to customers. This must be done periodically, depending upon the demand and competition for the products.

The terms of sale and allowances, too, have to be determined from time to time. Besides all this, packaging, guarantees and service policies are some of the other problems that would call for the attention of the marketing department.

3. Distribution:

This is the third important function pertaining to budgeting sales, expenses and profits. In order to determine these things, the advantages and disadvantages of direct versus indirect sales must be taken into account. Since it is mainly concerned with the distribution of products, details about the type, number, size and location of distributors or dealers must be determined before the product is placed in the market.

The distribution of products further involves contracts and agreements with dealers; and these should be carefully executed. The department should also help and guide resellers in the distribution of products. Last, but not the least, the marketing section should see to it that the products manufactured by the company are properly stored in suitable warehouses and are disposed of through a proper mode of transport.

4. Management:

The next responsibility of the marketing section is to determine the form or organization—whether it should be a sole trading concern, or a partnership firm, or a joint stock company. Having determined the nature of the organization, attention should be concentrated on the staffing of the department. Recruitment, terms of services, fixing of duties and responsibilities—these are some of the problems that will then attract the attention of the management.

Since the business enterprise is dynamic, all the changes and alterations in the tastes of customers are required to be considered, and the necessary change in the technique of production must be introduced. This change in the technique of production demands an immediate change in plant and machinery and the need for training suitable personnel.

All the measures relating to the expansion of the business, re-organisation, compensation, direction and control must be taken as time demands so as to ensure that products are sold on a large scale and benefit both the manufacturer and the consumer.

5. Sales Promotion:

Under this function, the marketing section aims at promoting the sales of the products. This objective can be rightly achieved if marketing executives are properly trained in their respective disciplines. However, in this regard, the advertising department plays an important role’.

It is therefore, the moral duty of the marketing section to work in close co-operation with the various advertising agencies and evaluate the campaigns that should be undertaken. Displays, catalogues, posters, etc., must be studied from the point of view of sales promotion. The department should undertake wide publicity and, if necessary, special promotion measures, such as exhibits, shows, conferences, etc., may be adopted.

MAJOR TYPES OF MARKETING

- Digital Marketing
- Internet Marketing
- Affiliate Marketing
- Multi-Level Marketing
- Global Marketing

DIGITAL MARKETING

- Digital marketing, is a type of marketing in which a business uses purely electronic means to advertise their products and services
- This type of marketing can be implemented through television, the internet, and even electronic billboards



INTERNET MARKETING

- Like its relative digital marketing, internet marketing uses electronic means to advertise to the public
 - The difference between the two is strictly internet driven



AFFILIATE MARKETING

- Affiliate marketing is a type of marketing in which online advertisers and merchants share revenue with online salespeople or website owners through a compensation model that is based on certain performance measures such as Pay per Click(PPC), sales, registrations, or a model that combines any or all of these forms



MULTI-LEVEL MARKETING

- Multi-Level Marketing (MLM) is a marketing strategy in which the sales force is compensated not only for sales they generate, but also for the sales of the other salespeople that they recruit
- This recruited sales force is referred to as the participant's "down line", and can provide multiple levels of compensation



GLOBAL MARKETING

- Global Marketing is a form of marketing in which various international business allies form relationships and develop networks on a global scale



IMPORTANCE OF MARKETING

- Getting Word Out
- Higher Sales
- Company Reputation
- Healthy Competition

GETTING WORD OUT

- For a business to succeed, the product or service it provides must be known to potential buyers
- Without marketing, your potential customers may never be aware of your business offerings and your business may not be given the opportunity to progress and succeed



HIGHER SALES

- As awareness becomes a reality, it is also the point where new customers start to spread the word, telling friends and family about this amazing new product they discovered
- Your sales will steadily increase as the word spreads
- Without employing marketing strategies, these sales may not have ever happened; without sales, a company cannot succeed



COMPANY REPUTATION

- The success of a company often rests on a solid reputation
- Marketing builds brand name recognition or product recall with a company
- As your reputation grows, the business expands and sales increase



HEALTHY COMPETITION

- Without competition, well known companies would continue to sell while lesser known companies or new companies would stand little chance of ever becoming successful
- Marketing facilitates the healthy competition that allows small businesses and new businesses to be successful enter and grow in the marketplace



Marketing vs. Selling

In every business today, we often come across the concept of marketing and selling, a number of times. ***The concept of marketing focuses firstly on the customer's requirements, and then the means to fulfill that need is identified.***

In marketing, the customer creates market demand. On the other hand, ***the concept of selling emphasizes only the requirements of the seller;*** therefore, in this process, the seller rules the market.

Though the terms marketing and selling sound familiar, however, there is a fine line that differentiates between these two concepts, which includes activities, process, outlook, and management etc.

In simple words, selling transforms the goods into money, but marketing is the method of serving and satisfying customer needs.

The marketing process includes the planning of a product's and service's price, *promotion* and distribution. This article will help you understand all the important points that distinguish the two words.

What is Selling?



The selling theory believes that if companies and customers are dropped and detached, then the customers are not going to purchase enough commodities produced by the enterprise.

The notion can be employed argumentatively, in the case of commodities that are not solicited, i.e. the commodities which the consumer doesn't think of buying and when the enterprise is functioning at more than 100% capacity, the company intends at selling what they manufacture, but not what the market requires.

In the sales process, a salesperson sells whatever products the production department has produced. The sales method is aggressive, and customer's genuine needs and satisfaction is taken for granted.

What is Marketing?



The marketing theory is a business plan, which affirms that the enterprise's profit lies in growing more efficient than the opponents, in manufacturing, producing and imparting exceptional consumer value to the target marketplace.

Marketing is a comprehensive and important activity of a company. The task generally comprises recognising consumer needs, meeting that need and ends in customer's feedback.

In between, activities such as production, packaging, pricing, promotion, distribution and then the selling will take place. Consumer needs are of high priority and act as a driving force behind all these actions. Their main focus is a long run of business ending up with profits.

It depends upon 4 elements, i.e. integrated marketing, target market, profitability customer and needs. The idea starts with the particular market, emphasises consumer requirements, regulates activities that impact consumers and draws gain by serving consumers.

Difference Between Selling and Marketing

Selling	Marketing
Definition	
<p>The selling theory believes that if companies and customers are dropped detached, then the customers are not going to purchase enough commodities produced by the enterprise. The notion can be employed argumentatively, in the case of commodities that are not solicited.</p>	<p>The marketing theory is a business plan, which affirms that the enterprise's profit lies in growing more efficient than the opponents, in manufacturing, producing and imparting exceptional consumer value to the target marketplace.</p>

Selling	Marketing
Related to	
Constraining customer's perception of commodities and services.	Leading commodities and services towards the consumer's perception.
Beginning point	
Factory	Marketplace
Concentrates on	
Product	Consumer needs
Perspective	
Inside out	Outside in
Business Planning	
Short term	Long term
Orientation	
Volume	Profit
Cost Price	
Cost of Production	Market ascertained

Marketing Mix

The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - ***Price, Product, Promotion and Place***. Price: refers to the value that is put for a product.

Product refers to what the business offers for sale and may include products or services. Product decisions include the "quality, features, benefits, style, design, branding, packaging, services, warranties, guarantees, life cycles, investments and returns".

Price refers to decisions surrounding "list pricing, discount pricing, special offer pricing, credit payment or credit terms". Price refers to the total cost to customer to acquire the product, and may involve both monetary and psychological costs such as the time and effort spent in acquisition. Distribution channels are taken into consideration that includes retailer, wholesaler, Business to Business OR Business to Customer .

Place is defined as the "direct or indirect channels to market, geographical distribution, territorial coverage, retail outlet, market location, catalogues, inventory, logistics, and order fulfillment". Place refers either to the physical location where a business carries out business or the distribution channels used to reach markets. Place may refer to a retail outlet, but increasingly refers to virtual stores such as "a mail order catalogue, a telephone call centre or a website. Example, firms that produce luxury goods like Louis Vuitton employ an intensive placement strategy by making their products available at only a few exclusive retailers. In contrast, lower priced consumer goods like toothpaste and shampoo, typically employ an extensive placement strategy by making their products available to as many different retailers as possible."

Promotion refers to "the marketing communication used to make the offer known to potential customers and persuade them to investigate it further". Promotion elements include "advertising, public relations, direct selling and sales promotions."

Category	Definition/Explanation/Concept	Typical Marketing Decisions
<p>Product</p>	<p>A product refers to an item that satisfies the consumer's needs or wants.</p> <p>Products may be tangible (goods) or intangible (services, ideas or experiences).</p>	<ul style="list-style-type: none"> • Product design – features, quality • Product assortment – product range, product mix, product lines • Branding • Packaging and labeling • Services (complimentary service, after-sales service, service level) • Guarantees and warranties • Returns • Managing products through the life-cycle
<p>Price</p>	<p>Price refers to the amount a customer pays for a product.</p> <p>Price may also refer to the sacrifice consumers are prepared to make to acquire a product (e.g. time or effort).</p> <p>Price is the only variable that has implications for revenue.</p> <p>Price is the only part of the marketing mix that talks about the value for the firm.</p> <p>Price also includes considerations of customer perceived value.</p>	<ul style="list-style-type: none"> • Price strategy • Price tactics • Price-setting • Allowances – e.g. rebates for distributors • Discounts – for customers • Payment terms – credit, payment methods

Category	Definition/Explanation/Concept	Typical Marketing Decisions
Place	<p>Refers to providing customer access</p> <p>Considers providing convenience for consumer.</p>	<ul style="list-style-type: none"> • Strategies such as intensive distribution, selective distribution, exclusive distribution • Franchising; • Market coverage • Channel member selection and channel member relationships • Assortment • Location decisions • Inventory • Transport, warehousing and logistics
Promotion	<p>Promotion refers to marketing communications</p> <p>May comprise elements such as: advertising, PR, direct marketing and sales promotion.</p>	<ul style="list-style-type: none"> • Promotional mix - appropriate balance of advertising, PR, direct marketing and sales promotion • Message strategy - what is to be communicated • Channel/ media strategy - how to reach the target audience • Message Frequency - how often to communicate

Modified and expanded marketing mix: 7 Ps

People:

People are essential in the marketing of any product or service. Personnel stand for the service. In the professional, financial, or hospitality service industry, people are not producers, but rather the products themselves. When people are the product, they impact public perception of an organization as much as any tangible consumer goods. From a marketing management perspective, it is important to ensure that employees represent the company in alignment with broader messaging strategies. This is easier to ensure when people feel as though they have been treated fairly and earn wages sufficient to support their daily lives.

Process:

Process refers to a "set of activities that results in delivery of the product benefits". A process could be a sequential order of tasks that an employee undertakes as a part of their job. It can represent sequential steps taken by a number of various employees while attempting to complete a task. Some people are responsible for managing multiple processes at once. For example, a restaurant manager should monitor the performance of employees, ensuring that processes are followed. They are also expected to supervise while customers are promptly greeted, seated, fed, and led out so that the next customer can begin this process.

Physical evidence:

Physical evidence refers to the non-human elements of the service encounter, including equipment, furniture and facilities. It may also refer to the more abstract components of the environment in which the service encounter occurs including interior design, colour schemes and layout. Some aspects of physical evidence provide lasting proof that the service has occurred, such as souvenirs, mementos, invoices and other livery of artifacts. According to Booms and Bitner's framework, the physical evidence is "the service delivered and any tangible goods that facilitate the performance and communication of the service". Physical evidence is important to customers because the tangible goods are evidence that the seller has (or has not) provided what the customer was expecting.

Product life cycle

Meaning

All products have certain length of life during which they pass through certain identifiable stages. The PLC is a conceptual representation of product ageing process. Like your life is divided into stages same as life of a product is also divided.

Product start with introduction in the market for the purpose of sale. The demand of that product is gradually increased in the market & it reach to its maximum, from where it start decline. It is effective lifespan of a product.

Definitions

- **Acc to Philip kotler:**

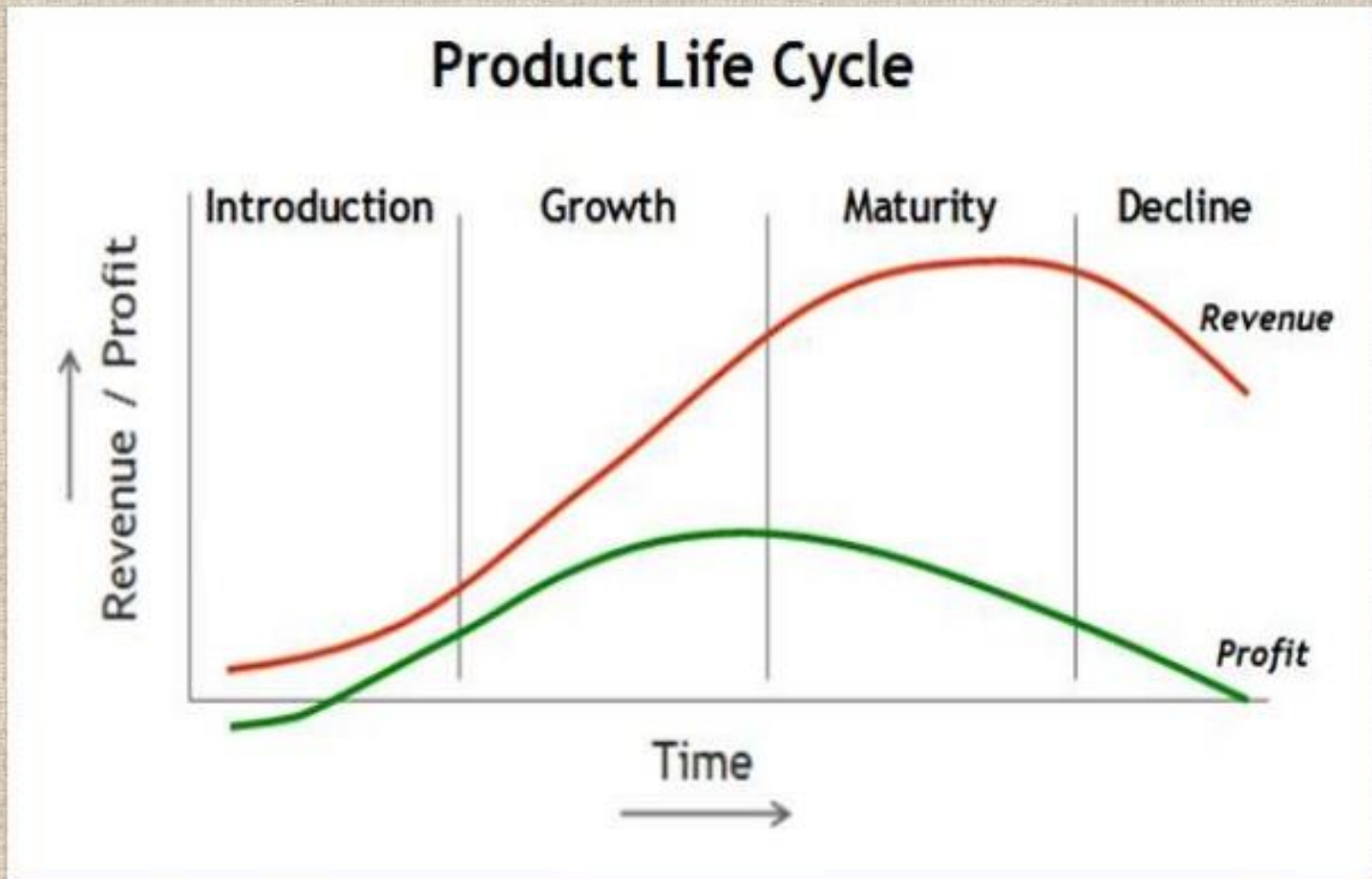
“The PLC is an attempt to recognize the distinct stages in the sales history of the product.”

- **Acc to William J. Stanton:**

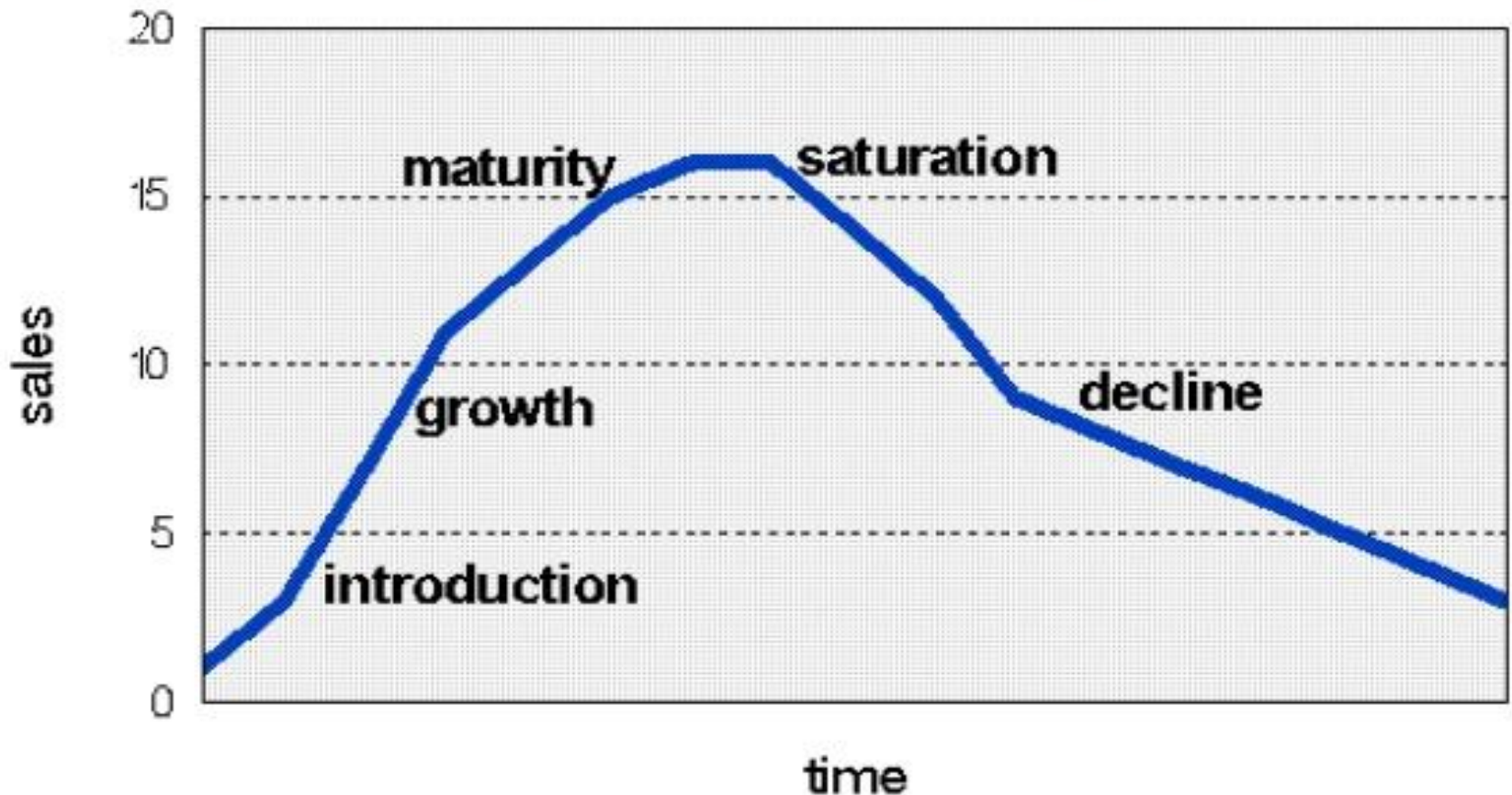
“The Product life cycle concept is the explanation of the *product from its birth to death* as a product exists in different stages & in different competitive environments”

Stages of Product life cycle

STAGES OF PRODUCT LIFE CYCLE



Product Life Cycle



Introduction Stage

- It is the 1st stage, wherein the product is launched in the market with full scale production & marketing programme.
- The product is a new one. It means “ a product that opens up an entirely new market, replaces an existing product or significantly broadens the market for an existing product.”
- In this stage sales grow at a very lower rate because it is not an effective demand.

characteristics

- Low & slow sales.
- High product price.
- Heavy promotional expenses.
- Lack of knowledge.
- Low profits.
- Narrow product lines.

Growth stage

- Once the market has accepted the product, sales begin to rise & product enter its 2nd stage.
- The product achieves considerable & widespread approval in the market. The sales & profits increases at an accelerated rate.
- In this effective distribution, advertising & sales promotion are considered as the key factors.

Characteristics

- Rapid increase in sales.
- Product improvements.
- Increase in competition.
- Increase in profits.
- Reduction in price.
- Strengthening the distribution channel.

Maturity stage

- Market becomes saturated because the household demand is satisfied & distribution channels are full. The product has to face keen competition which brings pressure on prices. Though the sales of the product rises but at a lower rate. Profit margin however decline due to keen competition.

characteristics

- Sales increases at decreasing rate.
- Normal promotional expenses.
- Uniform & lower prices.
- Product modifications.
- Dealer's support.
- Profit margin decreases

Decline stage

- This is the final stage, sooner or later actual sales begin to fall under the impact of new product competition & changing consumer behavior. The sales & profits fall down sharply & the promotional expenditure has to be cut down drastically.

Characteristics

- Rapid decrease in sales.
- Further decrease in prices
- No promotional expenses.
- Suspension of production work.

Features of Product life cycle

- Every product has the life cycle as every human being has.
- Every product cycle start from an introduction of the product in the market & it is ceased after passing through the market growth & market stages.
- It denotes that the product passes from different stages at different speed in course of completing the whole cycle.
- The profit of business firm grow rapidly in the stage of growth & starts declining due to competitive conditions at the stage of maturity. However the sales volume go on increasing.

- No two products have identical life cycle.
- The duration of each stage is different for different products. It depends upon factors (nature of products, technological advancement, competition pressure, etc)
- It is not necessary that all products go through all stages, some fail at the initial stage, other may reach maturity stage after a long time.
- It provides a useful framework for developing effective marketing strategies in different stages of the product life cycle.

CONCEPT AND DEFINITION

- ❖ The concept of market segment is based on the fact that the market of commodities are not homogeneous but they are heterogeneous.
- ❖ Market represent a group of customer having common characteristics but two customer are never common in their nature, habits, hobbies income and purchasing techniques.

According to Philip Kotler , “ Market segmentation is sub-dividing a market into distinct and homogeneous subgroups of customers, where any group can conceivably be selected as a target market to be met with distinct marketing mix.”

LEVELS OF MARKET SEGMENTATION

**SEGMENT
MARKETING**

**NICHES
MARKETING**

**LOCAL
MARKETING**

**INDIVIDUALS
MARKETING**

1. SEGMENT MARKETING Identifiable Group with in a Market with Similar

Consists of a group of customers who share a similar set of needs and wants.

Identifiable Group with in a Market with Similar

- Wants
- Purchasing Power
- Geographical Location
- Buying Attitudes



2. NICHE MARKETING

Group of customers seeking a distinctive mix of benefits who are ready to pay extra premium.

Niche = segment sub – segments

Eg. Washing detergents hard & gentle washes . Surf excel for tough stains (hard on clothes) & Ezee from Godrej for delicate clothes.

Astha , Sanskar , – focus on religion & spiritualism.

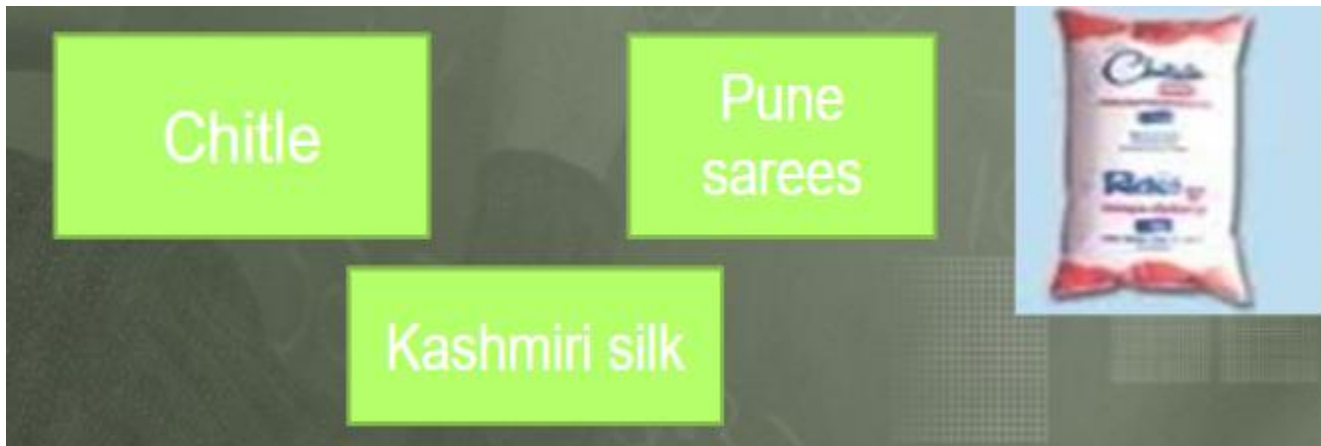
- DISTINCT NEEDS
- PAY PREMIUM
- SPECIALIZATION
- LESS COMPETITION
- POTENTIAL

3. LOCAL MARKETING

Marketing programs tailored to the needs & wants of local customer groups in trading areas, neighborhoods , etc.

This trend is called grass roots marketing.

Ex. – Spiderman 3 was released in 5 different language in India including bhojpuri.



4. INDIVIDUAL MARKETING

Ultimate segmentation – segments of 1 or customized marketing or one to one marketing.

Customization – empower the consumers to design the product or service offering of their choice.

***Ex. Paint companies have started doing this-
Asian Paint , Nerolac , Berger Paints, Dell.***

What is Supply Chain



What is a Supply Chain ?

- All activities associated with the flow and transformation of goods from raw materials to end users.

- The term supply chain refers to the entire network of companies that work together to design, produce, deliver, and service products.

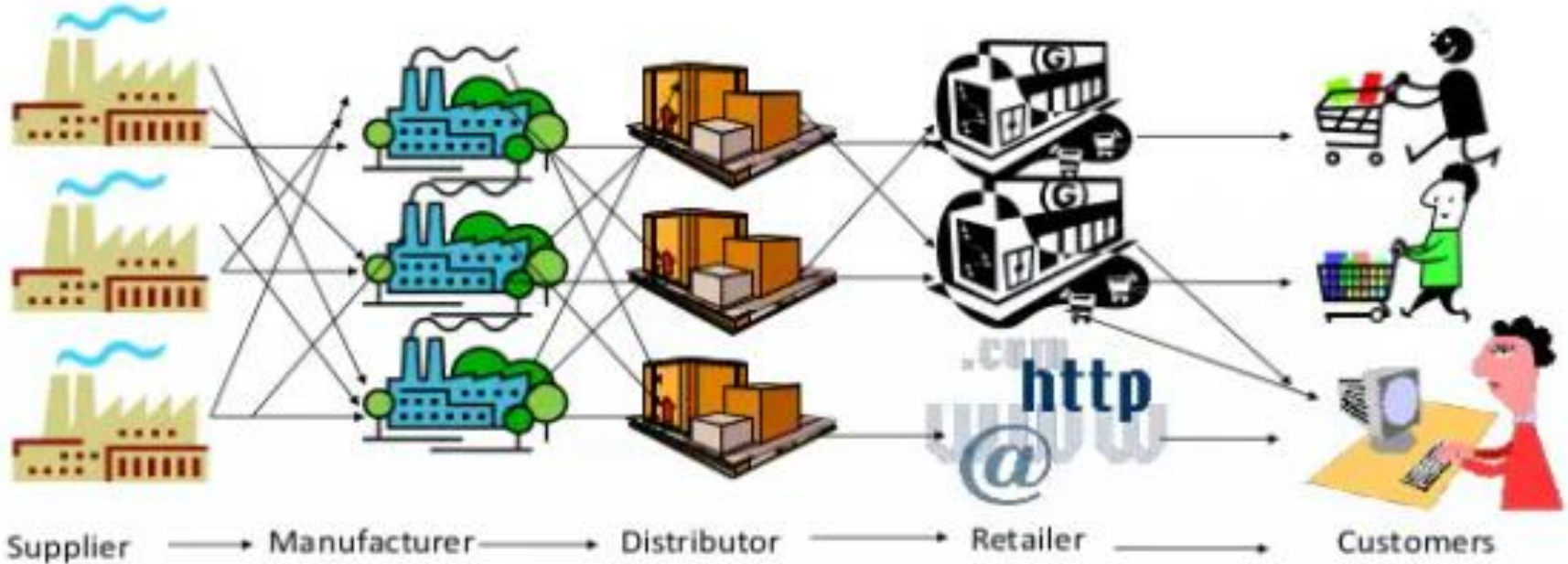
- A network of facilities including:
 - ✓ Material flow from suppliers and their “ upstream ” suppliers at all levels,
 - ✓ Transformation of materials into semi-finished and finished products (internal process)
 - ✓ Distribution of products to customers and their “ downstream ” customers at all levels .

MEANING & DEFINATION

A supply chain is a network of supplier, manufacturing, assembly, distribution, and logistics facilities that perform a functions of procurement of materials, transportation of these materials into intermediate and finished products, and distribution of these products to customers.

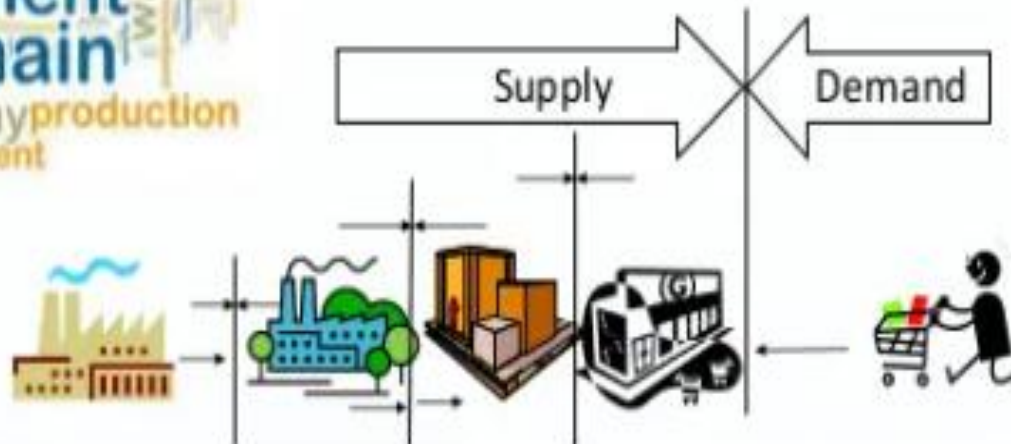
Supply chain management (SCM) is the management of the flow of goods. It includes the movement and storage of raw materials, work-in-process inventory, and finished goods from point of origin to point of consumption.

SUPPLY CHAIN



SUPPLY CHAIN MANAGEMENT

Supply Chain Management is the design and management of processes across organizational boundaries with the goal of matching supply and demand in the most cost effective way.



Mission impossible: Matching Supply and Demand

TYPES OF SUPPLY CHAIN

1. Raw Supply Chain
2. Ripe Supply Chain
3. Internal Supply Chain
4. Extended Supply Chain
5. Self-monitored Supply Chain
6. Outsourced Supply Chain
7. Production-Oriented Supply Chain
8. Financial-Oriented Supply Chain
9. Market-Oriented Supply Chain

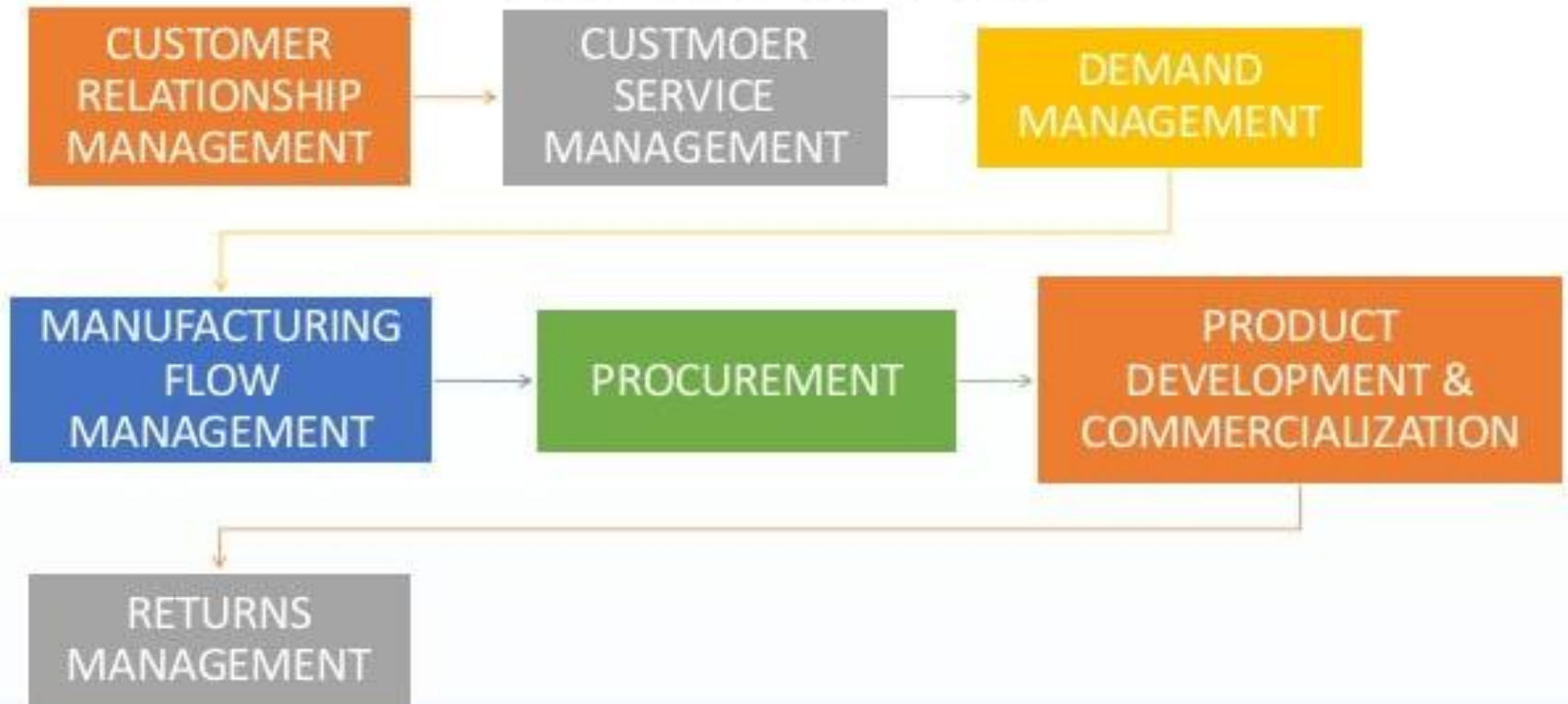


OBJECTIVE OF SUPPLY CHAIN MANAGEMENT

- Service Oriented
- System Oriented
- Competitiveness and Efficiency
- Minimizing the time
- Minimizing Work-In-Progress
- Improving visibility of Demand
- Improving Quality
- Reduces Transportation
- Reduces Warehousing



PROCESS OF SCM



FACTOR INFLUENCING SCM

- Customer demand
- Globalization
- Competition
- Information and communication
- Government regulation
- Environment

IMPORTATNCE

- ❖ Reduce inventory cost
- ❖ Provide better medium for information sharing among the partners.
- ❖ Improves customer satisfaction as well as service.
- ❖ Maintains better trust between partner.
- ❖ Provide efficient manufacturing strategy.
- ❖ Improve process integration.
- ❖ Improves quality and gives higher profit margin.

Thanks