

1.2 MEANING OF MARKETING

Marketing is a process in a social system by which the demand pattern for product and services can be anticipated, enlarged, created and satisfied through the conception, production, promotion and physical distribution of goods and services in an exchange process,

The American Marketing Association defines marketing as:

“Marketing is an organisational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders.”

Philip Kotler says, “Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.”

Pride and Ferrell’s definition says, “We define marketing as the process of creating, distributing, promoting, and pricing goods, services and ideas to facilitate exchange relationships in a dynamic environment.”

“Marketing is a total system of business activities designed to plan, price, promote, and distribute want-satisfying products to target markets to achieve organisational objectives.”

(William J. Stanton, Michael J. Etzel, and Bruce J. Walker, Fundamentals of Marketing, McGraw-Hill, 1994.)

“It (marketing) is the whole business seen from the point of view of its final result, that is, from the customer’s point of view.” (Peter F. Drucker, Practice of Management (1954).

The essence of all these definitions of marketing is satisfying customer needs and wants. Apparently, these core objectives sounds simple, but it is not. Research shows that in many cases customers either has inhibitions about revealing their real needs or wants by intent or may not really know themselves. It is believed that the subconscious is the real storehouse of deep-rooted motives. To the extent possible, marketers undertake consumer research and try to learn about the target customers’ needs and wants, and design appropriate marketing programmes to satisfy target customers.

Keeping in view the definitions of marketing some important aspects of modern marketing can be distinguished:

1. Marketing is a societal process.
2. Marketing deals with customer needs, wants, products, pricing, distribution, and promotion.
3. Marketing focuses on delivering value and satisfaction to customers through products, services, ideas, etc.
4. Marketing facilitates satisfying exchange relationships.
5. Marketing takes place in a dynamic environment.
6. Marketing is used in both for-profit and not-for-profit organisations.
7. Marketing is extremely important to businesses and the economy of a country,

2.3 FORMULATION OF MARKETING MIX

The marketing mix for the services consists of 4+3 Ps. This is called an extended Marketing mix. The marketing mixes for banking and insurance sector' would include:

1. **Product/Service Offer:** The services offered by a bank and insurance company would be its products. Banking products include Savings Account, Current Account, Term Deposit Account, Cash Credit, Certificates of deposit, and Commercial papers. Non-convertible Debentures (NCDs), housing loans, car loans, personal loans, consumer durable loans, education loans, loans against share, financing against gold, etc. Insurance products include life insurance plans, health insurance plans, child insurance plans, motor insurance, travel insurance etc. All these products are designed accordingly to meet various customer needs.
2. **Price:** The price paid by the customers decides the demand for the service and also the margins and revenues generated by it. Banks have been generating revenue mainly by charging interest on loans. But with changing times, banks also have many other sources of income like annual credit and debit card charges, penalties, commission on cross-selling etc. these pricing policies may be cost based, customer based or competition based. For Insurance products, the players adhere to the norms of IRDA (Insurance Regulatory and Development Authority). A premium has to be paid by the insured to the insurer for the insurance granted under the policy. It may be a single premium, half yearly, quarterly or monthly. Insurance Law in India requires insurance premium to be paid in advance.
3. **Promotion:** Banks and Insurance sector, both are advertising heavily these days to attract customers. Due to heavy competition in both the sectors, even major players like SBI, Punjab National Bank, LIC of India have started extensive promotions. Designing a promotional strategy involves advertising, sales promotion, publicity, public relations, personal selling and direct marketing. Insurance companies mainly resort to personal selling and direct marketing. However, they also run interesting and creative advertisement

to attract customers, HDFCs Life Insurance's campaign 'Sir utha ke jeeyo' is a big hit. These companies also provide various incentives to the customers like free gifts. Banks also provide various schemes to attract customers like lowered interest rates on loans, increased interest rates on fixed deposits, free gifts, customer oriented schemes etc. All these promotional strategies are aimed at increasing the customer base while retaining the old ones.

4. **Place (distribution)/Service Channels:** Banks are almost direct in their approach. But nowadays they also provide alternate channels for banking like, internet banking, telephone banking, ATMs, ALMs, Plastic Cards and Mobile ATMs. Insurance companies mainly run through channels. Insurance companies appoint agents who sell policies to the customers. Apart from these agents, there are specialist firms which sell policies of various insurance companies. Companies like Unicon Investment Solutions, SMC Global, Money Matters etc. are some companies which sell policies of other companies.
5. **People:** are very important aspect of banking and insurance marketing. The human resource plays vital role in deciding the fate of the company. Banks should hire people who have adequate knowledge about the banking products and current scenario. People at bank should be helpful and patient. People who came to bank for opening an account or for loans often don't know the procedures, therefore, it is the responsibility of the assigned person at the bank to deal with them patiently and solve their problems. In insurance companies, they require energetic and smart personnel with excellent convincing and communications skills. Onus is on them to put forward the plan to the customer and convert the meeting into a sale. Both, in banking and insurance sector personnel, specially the front office people play a vital role in making long term relationships with customers.
6. **Process:** It is a tactical tool for service marketer to achieve his goals. People tend to include the service delivery in the service itself'. All the work can be described in from of a process. All the activities, procedures, tasks and mechanisms are part of the service delivery process. In banks, the process stalls right from the reception of customers. It includes processing documents, giving feedback, dispatching necessary documents and all. It also includes policy decisions regarding level of customer involvement and employee discretion, Even the decision making process is a part of service delivery. There has to be a constant co-ordination between marketing and operating personnel. Same goes for the insurance sector, sales- force training, sales meeting, documents filing and processing, premium collection is all part of service delivery, If the process is too complex, then customers might feel annoyed and you may loose that customer. The customer should understand and perceive his participation at all the points of service delivery.
7. **Physical Evidence:** It refers to the service-scape and all the tangibles attached to the service. It includes the facility design, the equipments, signage, employee dress, documents, reports, business cards, slogans, logo, statements etc. They give a tangible feel to the service. In banks, the temperature, air quality, noise level, odor, layout, furniture, furnishings, signage, personnel dress, style of decor etc, matter a lot, People feel good when all these things are taken care of. In insurance, though agents dress code, documents, business card, company documents add tangibility to the service.

Marketing functions

Marketing functions are a series of specialized activities concerned with the marketing of goods and services. These services can be broadly classified as follows:

1. Functions of exchange
2. Functions of physical supply
3. Facilitating functions

These functions of exchange are those activities which are performed in the transfer of ownership from sellers to buyers. The functions of physical supply are concerned with the activities involved in the physical investment of goods. Facilitating functions refer to those activities which are concerned with helping the process of exchange.

1. **Buying and Assembling:** Buying is concerned with the purchase of raw materials for use in production or the purchase of finished goods either for consumption or for the purpose of resale. Efficient buying is essential for successful marketing. Raw materials of right quality and quantity are purchased for use in production. Wholesalers purchase the right type of goods in sufficient quantity for purposes of resale to retailers. Retailers buy a variety of goods for resale to the end users, i.e., the ultimate consumers. Goods can only be sold at a profit if they are of right type, right quality and right quantity.

Assembling differs from buying. It begins after the goods are bought. It implies collection of goods purchased from different sources at a common point, or under a common roof. Assembling of goods entails purchase and gathering together of raw materials in order to produce goods and services. It helps in reduction of transportation expenses since goods can be transported in bulk.

2. **Selling:** The main objective of all marketing activities is to sell the goods and services. Selling enables an organization to achieve its objectives by satisfaction of requirements and the needs of customers. Selling denotes locating the customers and transferring the goods to them for value, i.e., in exchange for money. Selling involves transfer of the ownership of goods from the seller to the buyer. It could be a negotiated sale or an auction sale. The various activities involved in selling include locating buyers, discovering their preferences, sale, the mode of delivery and provision of after-sales services. An organization may decide to sell goods directly or through wholesalers and retailers.
3. **Transportation:** Transportation refers to the physical movement of goods from the places of where they are produced to the places where they are consumed. Modern business organizations produce on a large scale in order to cater to the needs of consumers scattered all over the world. Therefore, transportation is an important part of the marketing process. It implies assembling and dispensing of goods. Transportation brings together the producers and consumers who are not located in the same place. It creates place utility by means of transportation have resulted in removal of the problems of distance, i.e., place utility, as well as in time utility because speedy transport minimizes the time of transit. Transportation plays a significant part in the economic, political and social development of a country.
4. **Storage or Warehousing:** Storage denotes the process of holding and preserving goods for future use. Goods are generally produced in the modern day, in anticipation of demand. There is a time gap between their production and purchase and consumption or the resale of goods. During this period, they should be properly stored in warehouses to protect them from fire, theft, damage, and so on. Storage is an indispensable service. It creates time utility by shortening the gap between the time of production and the time of consumption. It helps an organization to manufacture or purchase goods in anticipation of demand. It makes goods available to buyers as and when they are needed. It also helps in lessening fluctuations in price by adjusting the supply with the demand. Modern warehouses are used for labeling, grading and packaging purposes as well.
5. **Marketing Research:** Marketing research implies use of the intelligence services of a business organization. It is a systematic investigation of facts, pertinent to various aspects of marketing. It is the process of systematically and critically gathering and analyzing facts related to the different aspects of marketing. It involves the

collection, analysis and supply of information to managers to facilitate decision making in the fields of marketing research. It may be conducted in areas of marketing, for example, popularity of the product, level of price, channels of distribution, advertising effectiveness, consumer preferences, buying habits, and so on. It is required to help the marketing manager in understanding and satisfying the needs and wants of customers with the right product, at the right price and place. In marketing research, data is collected both from primary sources, i.e., customers, salesmen and dealers as well as secondary sources, i.e., press reports, trade directories, government publications etc. to provide marketing managers with timely, accurate information for them to take proper decisions.

6. **Product Planning and Development:** Products are the foundation of a marketing programme. Therefore, this aspect relates to development of new products and improvement of the existing products so as to meet the anticipated needs and preferences of customers. Product planning and development denotes several important decisions pertaining to the size, design, colour, quality, package and other characteristic features of a product. Every product has a limited life. Therefore, it becomes necessary that the existing products are improved and new products are developed. Product planning and development has assumed increasing importance in modern times owing to the every changing expectation of customers, growing competition and technological progress.

7. **Standardisation and Grading:** Standardization is concerned with the process of setting certain standards or specifications for a product on the basis of its desired qualities. Standards denote the desirable qualities like durability, safety, utility etc which should be present in a product. It ensures conformity with the required specific qualities of a product. It facilitates purchasing by description. Buyers need not go to the extent of verifying the quality of standardized products. For example, those products bearing the ISI mark carry the guarantee of the Indian Standards Institution as regards their quality.

Grading is concerned with the division and sorting of products into classes made up of units which possess similar features. It is the process of dividing the products into batches or lots in accordance with certain specifications depending upon predetermined standards of quality. Grading is applicable in the case of agricultural products like food grains, vegetables, cotton, tobacco etc. It is helpful in commanding remunerative prices for different products.

8. **Packaging:** It is the process of designing and producing suitable packages for a product to protect it from damages in transit. A package may be a wrapper or a container in which a product is enclosed, encased or sealed. Packaging protects the product when it is stored and transported. It may reduce the risks of spoilage, breakage, leakage and so on. It provides an opportunity to the manufacturer to present useful information to the customers. A well-packaged good acts like a silent salesman in self-service stores like shopping malls, super bazars and super markets.
9. **Branding:** It is the procedure of giving a separate identity to a product with the help of special brand names. A brand can also be a sign, symbol, design or a combination of all these, which is necessary to differentiate the product of one business enterprise from another. Tata Tea, Nescafe Coffee, LG Refrigerators, Britannia Cakes, Nike Shoes, and so on, is examples of a few brand names. Branding helps to build the reputation of a manufacturer. It enables the producer to create a separate, distinct image in the market as well as ensures repeated sales. Brands like Hallmark, Archies, Pepsi, HP and IBM have become popular in India and customers have begun to associate them with the products.
10. **Pricing:** It is concerned with the procedure of fixation of the price for a product or service. Determination of the correct price is an important managerial function. The term 'price' denotes the exchange value of a product or service expressed in terms of money. Pricing assumes importance in an enterprise due to the fact that customers will not purchase a product unless the price is reasonable and acceptable to them. Price determines the volume of sales and profit of a business enterprise. Thus, the price of a product or service must be carefully fixed. An enterprise must decide upon a price which will attract different types of customers if it has to survive in a competitive market. Price is generally fixed depending upon three factors, i.e., the total cost of production, the demand for a product and degree of competition in the market.
11. **Promotion:** Promotion includes all the activities targeted to influence the behavior of buyers. It consists of informing and persuading customers to make the product and services known and acceptable to them. Promotion is essential for creation, maintenance and increase in the demand for a good or service. The importance of promotion has increased with increased in competition in the market. The techniques are used for promotion include advertising, personal selling, publicity and sales promotion.

12. **Financing:** In marketing finance is necessary for purchasing, storing and transporting the goods as well as for selling the goods on credit. Finance and credit are lubricants that facilitate the working of the marketing function. Finance is concerned with the provision of money and credit required by manufactures and sellers to make goods available to the consumers. It may be obtained from various sources like owners, bankers, trade creditors, financial institutions, and so on.
13. **Insurance:** It entails management of the risks inherent in the ownership and possession of goods. Marketing involves various risks like deterioration of goods in warehouses on account of rodents, dust and moisture. Fire, flood, earthquake, cyclone and so on may damage the goods. Strikes and lockouts could results in loss of production and sales. Negligence, dishonesty and theft on the part of employees or customers could lead to loss of goods and cash. The sale of goods could go down due to change in fashion, competition and the tastes and preferences of the people. Loss can also result from fluctuations in price, bad debts or a political crisis. Insurance is a protection against such risks. These risks are covered by paying a small premium so as to recover any losses due to the occurrence of the risk.

Therefore, marketing is the craft of linking the producers (or potential producers) of a product or service with customers, both existing and potential. Some form of marketing arises naturally in all capitalist societies but is not limited to capitalist societies. Marketing techniques are applied in politics, religion, personal affairs as well as in many other aspects of life.