

Nature, scope and importance of marketing

1. Learning Outcome:

After completing this module the students will be able to:

- Understand the concept of marketing.
- Describe the nature of marketing.
- Explain various functions of marketing.
- Understand significance of marketing.

2. Meaning of Marketing

Marketing refers to performance of set of activities essential to direct, regulate and facilitate the flow of goods and services from the manufacturer to ultimate consumer in the process of distribution. These activities include market analysis, market planning, product planning, product development, pricing of product or services, physical distribution, warehousing, financing, risk bearing etc.

As per American Marketing Association, 'marketing is a process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.'

Paul Mazur defined marketing as 'the creation and delivery of standard of living to society.'

3. Nature of Marketing

The follow points describe the nature of marketing:

- Marketing is a process of discovering and translating consumer wants into products and services.
- Marketing is a concept and way of thinking.
- Marketing is a dynamic process.
- Marketing relates with movement of goods and services from producer to ultimate consumer.
- Marketing creates time, place and possession utilities through warehousing, transportation and selling.
- It focuses on satisfaction of customer's wants. Customer is considered as the 'King' of the market. All activities of marketing begin and end with customers.

- Marketing involves various activities such as product planning and development, product pricing, promotion, physical distribution and selling.
- Marketing is wider than selling. It not only aims at physical movement of goods but also focuses on customer satisfaction.
- Marketing involves creative thinking which provides a competitive edge to the organisation.
- Marketing information system as well as integrated marketing is essential to achieve marketing goals.

4. Scope of Marketing

The scope of marketing is very wide. Various functions are performed under it. Different authors have included different functions in marketing. However, the general functions of marketing have been grouped under three major categories. These functions have been described as follows:

4.1 Merchandising Functions

It means those activities which are essential to make possible the availability of goods and services to the market. Various activities that are covered under merchandising functions have been described as follows:

- **Product Planning and Development:** Planning for product, is the first step of marketing programme in a firm. It implies all activities which are associated with the determination of line of products which a firm can offer. It involves extensive marketing research so as to provide a product or service as per customer's needs. It helps in development and commercialization of new product, modification of existing lines and discontinuance of unprofitable product lines.

Product development comprises of technical activities of product engineering and design. Product planning and development involves certain activities as described below:

- (i) Creation of Idea
- (ii) Screening of Idea
- (iii) Assessing technical feasibility
- (iv) Analyzing its business prospects
- (v) Designing the product i.e. giving shape, testing, packaging and labelling etc.
- (vi) Test marketing (offering product as sample or launching it in small segment of market)
- (vii) Analysing the reactions of customers and modifying the product accordingly
- (viii) Pricing the product

(ix) Producing the product for sale in the local, national or international market (commercialization)

- **Standardisation and Grading** : Standardisation refers to the process of setting up standards so as to ensure that goods are produced as per those standards. A standard is a constant physical feature of the product like design, shape, size and colour. Standardisation brings uniformity in quality which further helps in marketing. A buyer can buy goods only by examining the sample rather than inspecting the whole lot. This saves lot of time and botheration of buyers and sellers. Grading means dividing the products into different classes as per their size, quality and other features. Products with similar features are placed in one grade and are distinguishable from other products. Since, all products of the manufacturer may not be of same quality, so they are divided into different groups in accordance with specifications set in standards and are given different grades. e.g. Basmati rice differs in quality, so they are classified according to quality and grades are assigned. Thus grading creates heterogeneity among groups but homogeneity within the group. Grading provides various benefits such as (i) sale of goods by description (ii) raising of loan by giving graded goods as collateral security (iii) smooth trading in commodity exchanges (iv) winning buyer's confidence as he is assured of a particular standard of goods.
- **Product Pricing** : Product pricing is vital function of marketing and involves the determination of adequate price which can achieve pricing objectives. There are various methods of pricing viz. cost- based method, demand based method, competition based method and perceived utility method. Prices of the products are determined by selecting an appropriate method. Correct pricing is necessary for generating long term demand of the product. There is a need to follow proper pricing strategies to survive in this highly competitive market. Prices should be fixed in such a manner that on one hand, customer's preference for product is created and on the other hand, genuine profits are earned.
- **Buying and Assembling**: Buying means procuring goods at right time, at right price, in right quantity and quality and from a right source. It involves transfer of ownership from seller to buyer. Buying is an important function of marketing. Manufacturers have to purchase raw materials and other things. Trading houses buy goods for the purpose of selling them to others. Wholesalers and retailers buy good for resale purpose. Good buying ensures acquiring of such goods which can profitably be sold to customers. Buying decisions can be facilitated by gathering information through marketing research, consumers and salesperson.

Buyers follow different buying practices while making purchases such as:

(i) *Hand to mouth buying* : This is also known as conservative buying. Under this system, buyers purchase goods strictly as per their requirement.

(ii) *Concentrated buying* : It is the practice under which buyers make purchases from few suppliers or from a single supplier. They are able to secure certain benefits from the seller being their 'loyal buyers'.

(iii) *Diversified buying* : This is also called as scattered buying. This practice refers to buying from different suppliers. Buyer can get competitive price, better service and wider choice.

(iv) *Reciprocal buying* : This refers to buying on reciprocal basis, i.e. if you buy from me, I will buy from you. Under this, there is assured market for the buyer.

(v) *Speculative buying* : It is practice of making bulk purchases so as to sell them at higher price in near future.

Assembling refers to collecting goods from different production houses and bringing them to a central place for sale. Assembling facilitates in providing goods of different variety at a place and time they are demanded. There are number of intermediaries who are involved in the process of assembling.

- **Selling** : Selling implies the process of transfer of title to goods or services in exchange of money. The buyer gets the ownership of goods but may or may not hold their possession immediately. Selling is considered as the vital function of marketing. In fact, all marketing activities are directed towards effective selling. A firm can earn profit only through successfully selling i.e. disposing of goods at reasonable prices. It is through selling that goods or services reach to ultimate consumer. Selling consists of personal and non-personal activities aimed at creating, maintaining and even developing demand for products or services. A seller has to establish contact with the buyer, create demand, negotiate terms and conditions of exchange, complete all formalities and finally enter into contract of sale i.e. legally transferring ownership of goods from seller to buyer. Selling is a creative and difficult art. A seller should have zeal, imagination and presence of mind. Best selling practices will ensure repeated or more sales. Selling can be personal or impersonal. Personal selling refers to face to face interaction between buyer and seller. It usually includes sales talk, demonstrations, handling prospective buyer's queries, negotiations and transfer of ownership in exchange of money which may be collected immediately or at some future date as happens in case of credit transactions. Impersonal selling means selling the goods or services not through face to face interaction but by making use of courier or postal services. The orders are received over phone, through e-mail

or by post and then goods are dispatched. Money can be collected before transferring ownership i.e. before goods are delivered or at the time of transferring ownership i.e. by V.P.P.

There exists various methods of selling such as :

- (i) Sale by Description
- (ii) Sale by Inspection
- (iii) Sale by Sample
- (iv) Sale on Approval or Return basis
- (vi) Hire purchase selling.

4.2 Physical distribution functions

It involves activities which are essential to move products from the place of production to the place of consumption. Various activities carried out under physical distribution functions are as follows:

- **Warehousing:** Warehousing means storing the goods from the time of their production till they are demanded and it involves certain other functions like sorting, packing in convenient lots, risk- taking etc.

Need for warehousing

Warehousing is primarily needed to adjust demand and supply of goods in the market. Its need has been highlighted in the following points :

- Middlemen have to keep stock of goods to earn profits by supplying goods on time.
- Certain commodities are required to be stored to improve their quality like liquor, curing of tobacco etc.
- Warehousing is needed for goods which are produced regularly but have seasonal consumption.
- There are certain commodities which have consistent consumption throughout the year but they are produced seasonally like wheat. Such commodities are produced in large quantity and then stored.
- Sometimes there is need to break-up lots and repack goods in small lots which can be delivered to retailers. For this, bulk purchases are first stored in warehouses.
- Warehousing aids in widening the market and also in foreign trade

Warehousing provides following benefits / services :

- It creates time utility in goods. Goods which are produced regularly but have seasonal consumption are stored so as to deliver them when they are in demand.

- Warehousing creates place utility in goods by making goods available at places of demand. Sometimes transported goods have to be stored before their final disposal. Warehouses located at different places help in it.
- It stabilizes prices by matching demand and supply of goods in the market.
- Warehousing helps in securing loan against security of goods deposited in the warehouses.
- Public warehouses share the risk of loss or damage of goods in storage.
- Sometimes, warehousing creates form utility in goods by improving their quality through storage like tobacco, liquor etc.
- Storage enables accumulation of stock and then transporting in bulk quantity. It saves transportation cost.
- Economies of large scale can be availed by producer or wholesaler. Goods produced in bulk or purchased in bulk, can be stored in warehouses.
- **Transportation** : Consumers are usually scattered geographically. They are made available goods and services at their places through various means of transport like airways, waterways, roadways and railways. Each mode of transport has its own merits and limitations. These modes are selected by considering factors like nature of product, speed, performance, cost, and availability of mode of transport. Goods are also made available to wholesalers and retailers through various means of transport for resale. Transportation creates place utility in goods.
- **Inventory Management** : Inventory management is important function of marketing. It aims at reconciliation of two conflicting goals of management i.e. (i) to offer better customer service by strictly dispatching orders as per scheduled delivery dates and (ii) to minimize capital investment and cost of handling inventory. Inventory acts as a link between customer's orders and company's production activity. There is a need to maintain an adequate inventory level which calls for effective inventory management. The size of inventory is determined by keeping in mind market demand and inventory cost. However, the optimum size is also decided by considering responsiveness of distribution system and desired level of customer service. The firm determines maximum stock level and minimum stock level. Maximum stock level helps in meeting sudden rise in demand whereas minimum stock level points out the need to replenish the stock and avoids in running out of stock position. Hence, inventory control is exercised to avoid (i) out of stock position and (ii) piling up a large undesired stock.

4.3 Auxiliary Functions

These functions facilitate the process of transfer of goods from the manufacturer to the consumers and are described below:

- **Risk bearing** : The process of transfer of goods from the place of production to the ultimate consumer involves many risks and loss during transportation and

warehousing such as theft, damage, pilferage, obsolescence, breakage, fall in demand etc. There is also a risk of loss due to non-payment by buyer. Marketers are confronted with these risks. However, insurance and banking facilities try to mitigate these losses or risks.

- **Financing** : Finance is considered as lubricant of marketing machinery. Production of goods does not mean immediate consumption too. There is time gap between the production of goods and their sale. This results in blockage of working capital. However, funds are required to purchase raw material and for paying warehouse rent and other associated warehousing costs. It is also required to pay for transportation cost. There is further need of finance when sales are made on credit basis. Many financial institutions and banks provide loan facilities to meet financial requirements of firms and middlemen. Many a times, finance is raised against goods which are presented as collateral securities. Thus, banking companies and financial institutions act as facilitators in marketing of goods and services.
- **Packing and packaging**: Goods may get damaged during transportation or they may be damaged in warehouses. Goods are packed in suitable containers so as to protect them from leakage, spoilage or breakage. Packing means to wrap or fill goods with the purpose of their protection and convenient handling. It will also increase their durability. Package means specially designed wrapper, container or case which is used for packing goods. It gives identity to the product. Packaging refers to putting goods in convenient sized lots like bottles, jars, cans, bags etc. It will help in making goods familiar with consumers. Packaging facilitates branding and advertising of goods.
- **Branding** : Branding means giving name or symbol to a product so as to enable consumer to distinguish it from other similar products. Branding helps in popularizing the products. Mass advertising media plays an important role in creating popularity of certain products among consumers. However, to survive in market, producers should provide quality in branded goods. Further it is necessary that brand name should be attractive, suggestive and easy to spell and remember. Branding can be done by giving special names to the product like Dalda Ghee, Dove Shampoo or by using names of manufacturers such as LG refrigerators, Bata Shoes etc.
- **Advertising and Sales Promotion** : These activities are necessary to create, maintain and develop demand for the product. Even best products may fail to attract customer due to lack of proper advertising and sales promotion.
- **Market analysis** : Marketing involves the study of market environment which consists of political, legal, cultural, social, technical and ecological factors. These factors constitute remote environment. There is need to collect information about consumers, competitors and suppliers that constitute operating marketing environment. The analysis of market environment provides information about opportunities and threat prevailing in the external environment. Marketers can make or adjust plans according to the trends prevailing in the market. The marketing information will enable firms to produce products as per customers' needs and wants

and develop a good marketing mix. It will also help in accelerating sales by proper product positioning and pricing.

5. Importance of Marketing

Marketing is indispensable in today's business world. It plays a significant role in smooth transfer of goods and services from the place of production to the place of consumption. The following points highlight the importance of marketing:

- **Marketing facilitates exchange of goods:** Marketing helps in the possession of goods and transfer of ownership from seller to buyer. Marketing through promotion brings together the buyers and sellers and facilitates sale of goods as per need and wants of the consumers. It creates possession, place and time utilities in goods and services. Through transportation, goods are provided to the consumers who may be scattered throughout the geographical area or region. Warehousing provides time utilities by holding the stock of goods when they are not in demand.
- **Marketing increases market base:** Marketing locates the untapped areas, stimulates demand and creates demand for new product and services. Banking, insurance and financing facilities ensure smooth flow of goods to distant markets. It, thus, widens the market. The manufacturers are able to increase production as well as sale of their products.
- **Marketing gives boost to other activities:** Marketing increases demand of various related activities like banking, insurance, warehousing and transport. Advertising, sales promotion and direct marketing efforts also get a boost as they are needed more to accelerate sales.
- **Marketing raises standard of living of people:** A society enjoys a better standard of living when necessities, comforts and luxuries are within the reach of a large number of people. Large scale production and availability of wide variety of products have become possible due to marketing. Transportation and warehousing functions have facilitated the transfer of goods to distant places. People living in remote areas or other places are able to use a variety of goods at affordable prices. Thus, people are enjoying a better standard of living.
- **Marketing provides satisfaction of human wants:** Marketing informs and guides the people about product availability and its utility. People come to know about variety of products. They are able to select the product which can satisfy their need and wants in best possible manner. Marketing makes possession of goods easier for consumers and thus provides satisfaction.
- **Marketing creates job opportunities:** In the highly competitive market, only organized marketing programs can be implemented. It calls for the need of services of people who are specialized in their fields. Marketing of goods has become complex. Therefore, organisation creates a separate department for marketing which is headed

by a marketing manager. Other staff is also appointed to assist him. Thus, gainful employment is provided to large number of people. Apart from this, demand for product has been extended to a larger region. During the process of transfer of goods, services of various agencies are required. The increasing volume of trade has increased demand for these specialized services. Many people are now employed in insurance sector, banking sector and advertising companies.

- **Marketing creates stable economy:** Marketing creates a link between production and consumption. Goods are easily available at any part of the country or even in other countries due to fast means of transportation, communication and warehousing facilities. There is no shortage of goods. Goods are produced in abundance and stored to supply as per their demand. Hence, prices of goods do not fluctuate. Marketing creates and maintains demand for product through various promotion tools. Large scale production, higher demand, more employment and minimum price fluctuation create a stable economy.
- **Marketing helps in optimum use of resources:** The unused plant capacity increases cost per unit as that portion of plant does not contribute anything but consumes resources in the form of maintenance charges, rent of plant, insurance charges and depreciation. Marketing creates more demand. To meet this demand, plants are used at maximum capacity. Standing charges are justified due to increase in volume of production and as a result cost per unit reduces. Thus, men, machinery, money and plant are optimally utilized and benefit (in the form of less cost) is passed to consumers.
- **Marketing helps in increasing national income:** Marketing activities help in more production of goods and services and increase in sales. It also improves earning capacity of people due to employment opportunities. The net effect of marketing efforts is thus increase in per capita income as well as national income.
- **Marketing provides base for making production decisions:** Marketing research is an important marketing function. Customer needs and wants are assessed through market surveys. Consumer demands are forecasted on the basis of surveys as well as retailers and wholesalers' estimates. The buying pattern of customers is analyzed. This provides valuable information to producer regarding what to produce, when to produce and how to produce. Thus, decision regarding production becomes more effective.
- **Marketing serves various sections of society:** Marketing helps producer in increasing sales. Consumers are benefited as they get products and services to satisfy their wants. Government gets more revenues in the form of taxes. NGO gets more funds to carry on welfare activities. Society at large is benefited in terms of more employment opportunities, optimum utilization of resources, better services, innovations and reasonable cost of products.

Thus, marketing is the driving force of the economy. No economic activity can be imagined without marketing. It provides invaluable services to various sections of society. It is responsible for the progress of the nation.

6. Summary

Marketing refers to performance of set of activities essential to direct, regulate and facilitate the flow of goods and services from the manufacturer to ultimate consumer in the process of distribution. Marketing creates time, place and possession utilities through warehousing, transportation and selling. It focuses on satisfaction of customer's wants. Customer is considered as the 'King' of the market. All activities of marketing begin and end with customers. Marketing is wider than selling. Marketing information system as well as integrated marketing are essential to achieve marketing goals. The scope of marketing is very wide. Various functions are performed under it. The general functions of marketing have been grouped under three major categories i.e. Merchandising functions, Physical distribution functions and Auxiliary functions.

Merchandising functions means those activities which are essential to make possible the availability of goods and services to the market. It includes product planning and development, standardization and grading, product pricing, buying, assembling and selling. Product planning implies all activities which are associated with the determination of line of products which a firm can offer. Product development comprises of technical activities of product engineering and design. Standardisation refers to the process of setting up standards so as to ensure that goods are produced as per those standards. Grading means dividing the products into different classes as per their size, quality and other features. Product Pricing involves the determination of adequate price which can achieve pricing objectives. There are various methods of pricing viz. cost-based, demand based, competition based and perceived utility method. Prices of the products are determined by selecting an appropriate method. Buying means procuring goods at right time, at right price, in right quantity and quality and from a right source. It involves transfer of ownership from seller to buyer. Buyers follow different buying practices while making purchases such as hand to mouth buying, concentrated buying, diversified buying, reciprocal buying and speculative buying. Assembling refers to collecting goods from different production houses and bringing them to a central place for sale. Selling implies the process of transfer of title to goods or services in exchange of money. Selling consists of personal and non-personal activities aimed at creating, maintaining and even developing demand for products or services.

Physical distribution functions refer to activities which are essential to move products from the place of production to the place of consumption. It involves

warehousing, transportation and inventory management. Warehousing means storing the goods from the time of their production till they are demanded and it involves certain other functions like sorting, packing in convenient lots, risk-taking etc. Transportation involves making available goods and services to customers at their places through various means of transport like airways, waterways, roadways and railways. Transportation creates place utility in goods. Inventory Management aims at reconciliation of two conflicting goals of the management i.e. (i) to offer better customer service by strictly dispatching orders as per scheduled delivery dates and (ii) to minimize capital investment and cost of handling inventory. Inventory control is exercised to avoid (i) out of stock position and (ii) piling up a large undesired stock.

Auxiliary functions facilitate the process of transfer of goods from the manufacturer to consumers. These functions include risk bearing, financing, packing and packaging, advertising, sales promotion and market analysis.

Marketing is indispensable in today's business world. It facilitates exchange of goods and services, increases market base, gives boost to other activities, raises standard of living of people, provides satisfaction of human wants and increases national income. It provides invaluable services to various sections of society. It is responsible for the progress of nation.

Learn More

Few important sources to learn more about nature, scope and importance of Marketing:

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Points to Ponder

1. Marketing refers to performance of set of activities essential to facilitate the flow of goods and services from the manufacturer to ultimate consumer in the process of distribution.
2. Marketing involves various activities such as product planning and development, product pricing, promotion, physical distribution and selling.
3. Marketing creates time, place and possession utilities through warehousing, transportation and selling.
4. Marketing not only aims at physical movement of goods but also focuses on customer satisfaction.