

MARKETING ETHICS IN ISLAM

Thesis for M.Phil
Islamic Thought and Civilization



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Abstract

This thesis attempts to explore marketing ethics in the light of Islam. In today's business world, success of a business organization is majorly dependent upon the effectiveness of its marketing campaign and strategy. Marketing is being considered as one of the most crucial factors for the long-term success and survival of a business. Businesses with strong marketing campaigns have proved to be more successful in increasing their profitability and productivity as compared to their competitors in various market segments. That's why local and multinational companies all over the world are inclined towards heavy investments on marketing and advertisement for their products and services. Heavy budgets are being allocated by business organizations on marketing and advertising departments just for boosting sales of products and services. Marketing agencies all over the globe use various marketing and advertising strategies to boost brand awareness of their products and increase their market share. However, several of those marketing and advertisements appeals are considered to be unethical for different religions, cultures etc. Marketing in its roots is based on secularism and materialism with only primary motive of profit maximization. On the other hand, Islam has its own worldview comprising of a considerable number of religious and social values and teaches to synthesize material and spiritual aspects of life in order to assure success not only in this world but also in the hereafter. Islam which is considered to be "a complete way of life" rather than just a "religion" for Muslims has also given complete guidance to its followers in business and marketing which are required to be elaborated further to make it more vivid and practicable in the contemporary world. This thesis aims to present a critical review of today's marketing practices and standards in the light of Islamic teachings. This thesis also throws light on ethics and standards derived from Quran and other Islamic literature for marketing of products and services in the present era and that how those Islamic marketing ethics can be practicable in today's business environment.

I dedicate my M.Phil thesis to my Parents who have always helped and encouraged me during each and every moment of my life and appreciated my academic achievements. What I am today is due to their prayers.....

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BasitRahman

20.02.2014

Student's Declaration

I BasitRahman hereby declare that this thesis "**Marketing Ethics in Islam**" for M.Phil Islamic Thought and Civilization is my own work. It is a record of work carried out by me and has not been submitted in any previous application for a degree in any other educational institute.

Signature.....

Date

Research Completion Certificate

It is certified that Mr. of Islamic Thought and Civilization Department, M. Phil (session.....), has carried out our research work entitled “.....” under my supervision.

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Introduction

The last few decades have witnessed a significant shift in the Muslim world regarding their culture, traditions, values and relation with the religion. Muslims in large number are gradually and steadily inclining towards their religion all over the world. Islamic civilization has appeared as a living reality in the face of the world in the recent years. There are nearly 1.5 Muslims in the world today which constitute about one fifth of the world population. Also, there is no considerable cultural and civilizational diversity among Muslim masses all over the world. Moreover, increasing inclination in the Muslims all over the world towards their religion has posed a serious challenge in attempting to deal with marketing ethics with Islamic perspective. The recent rapid increase in inclination towards Islamic Banking, its success and accelerating growth all over the world is an indication of the increased realization in Muslims to adapt their lives according to the teachings of Islam in each and every walk of life. Thus, it has become inevitable now to create a complete frame of work regarding marketing and advertising .in the light of Islamic teachings which should be thoroughly practicable and applicable in the 21st century and fulfill all the requirements of probably the most critically important area of today's business world; marketing and advertising.

Since the resurgence of Islamic revival in 1970s there is an increased realization in business organizations run by Muslims to conduct their marketing and advertising according to the teachings and ethics derived from Quran and *Sunnah* and those must be practicable in the present era as well. Muslim businessmen and merchants are willing to get a competitive edge over their rivals in the cut-throat competition of today's business environment but on the other side they are also willing to comply their marketing and advertising campaigns with the teachings of Islam. Although there are several scholars within the Islamic world who have stepped forward to

provide guidelines regarding business ethics according to Islamic teachings but there is still much more work required to be done in the field of advertising and marketing. The significance of Islamic marketing ethics has also increased manifold as marketing and advertising is the chunk of success and growth of a business organization and companies with poor marketing campaign cannot even survive in this age of dynamic business environment.

There is an utmost necessity to conduct some detailed research work to provide business organizations a complete manual with marketing and advertising ethics directly derived from Quran and *Sunnah* covering rulings and guidelines related to all aspects of contemporary advertising and marketing which can enable companies to market their products and services under the golden teachings of Islam. So that business organizations have a vivid and clearly defined perception of Marketing ethics in Islam and get a clarity on how to run their marketing and advertising campaigns according to Islamic teachings. Also it is absolutely true about Muslim individuals living in the East and the West that they prefer to consume those products which are declared by their manufacturing companies to be *Halal* (legitimate) over the products which are doubtful regarding their legitimacy (being *Halal*). Similarly, all those companies and business organizations using only *Halal* means for marketing, advertising and promoting their products and services into their target markets are much more likely to get greater exposure and sales due to the recently changing behaviors in Muslim consumer markets.

This thesis is primarily an attempt to provide a complete set of guidelines covering all aspects of marketing ethics thoroughly according to Quran and *Sunnah*. The research work for this thesis was done on the basis of some previously done works by other Muslim scholars in this field and this is the continuation of their work. The book *Islamic Business Ethics*¹ authored by RafiqIssaBeekun was a great help during this thesis as it primarily addresses Muslims who have to deal with business, sales and marketing transactions on day-to-day basis. The book helped a lot to derive key guidelines of Islamic ethics regarding business and management however; the book lacks the informative material about Islamic ethics for marketing.

¹RafiqIssaBeekun, *Islamic Business Ethics* (Virginia: The International Institute of Islamic Thought, January 1997).

Similarly, *Principles of Islamic Marketing*² by Baker Ahmed Alserhan also provides principles of marketing according to the Quran and *Sunnah*. However, the book does not offer enough information about Quranic verses, *ahadees* (sayings of Prophet Muhammad (S.A.W) and principles of Islamic jurists which directly relate to present day marketing and advertising whereas in this thesis it is emphasized more on elaborating those principles and rulings available in the classical literature of Islam (*Quran, Hadith, Fiqh* and the opinions of scholars) which are directly related to Business, sales and marketing in some more detail.

*Business Ethics in Islam*³ authored by Mushtaq Ahmed provides a great insight into business ethics in the light of Islam and other contemporary systems such as utilitarianism and totalitarianism. However, the book did not provide a comparison of business ethics in the light of Islamic ethical system and other contemporary secular and religious ethical systems whereas in this thesis it is attempted to precisely explain the characteristics of Islamic ethical system which make it distinctive from other contemporary secular and religious ethical systems.

The first chapter of the thesis explains marketing, its components and its types in a bit detail so that a layman can get idea of the present day marketing and its various aspects which are necessary for a business organization to focus so that they can effectively introduce their products and services in their target marketing and create a brand awareness and loyalty for themselves. The second chapter of this thesis throws light on the Islamic ethical system, its key features, the concepts of *Barakah, Infaq, Halal* and *Haram* in Islam and how all these terminologies make Islamic ethical system unique from the rest of the ethical systems in the world introduced so far. The third and final exclusively elaborates Islamic ethics for marketing in the light of verses of the Quran and Sayings (Hadiths) of Prophet Muhammad (S.A.W) incorporating most important marketing components (product, price, place and promotion) as well as advertising and online marketing which are applicable for various practices of present day marketing.

²Baker Ahmad Alserhan, *The Principles of Islamic Marketing* (UAE: Gower, 2011).

³Mushtaq Ahmad, *Business Ethics in Islam* (Delhi: Kitab Bhavan, December 1999).

Chapter 1

Marketing and Its Components

1.1 Introduction to Marketing

1.1.1 Selling

1.1.2 Marketing

1.2 Importance of Marketing

1.3 Marketing Mix

1.4 Marketing Research

1.5 Advertisement

1.6 Types of Marketing

1.1 Introduction to Marketing

In today's world marketing has become backbone of any business organization for getting long term success in a business organization. No business can think of a long term success without formulating and implementing effective marketing strategies. Marketing has been defined in several ways. In simple words, marketing can be defined as the "act of buying and selling in market". The word marketing refers to the activities involving transfer of finished products from producers or sellers to end consumers or buyers. Marketing is the sum of all business processes including shipping of products, business advertisement, sales and storage. Marketing can be defined as,

"Marketing is the process by which companies create value for customer and build strong customer relationships in order to capture value from customers in return".⁴

According to world's leading authority on marketing, Dr. Philip Kotler, marketing can also be defined in the following ways,

"Marketing is the set of human activities directed at facilitating and consummating exchanges".⁵

Marketing can also be explained as,

⁴ Philip Kotler and Gary Armstrong, *Principles of Marketing* 15th ed. (New York: Prentice Hall, 2013), 5.

⁵ Philip Kotler and Kevin Lane Keller, *Marketing Management* 14th ed. (New York: Prentice Hall, 2002), 6-7.

- *Marketing is the process by which an organization relates creatively, productively, and profitably to the marketplace.*
- *Marketing is the art of creating and satisfying customers at a profit.*
- *Marketing is getting the right goods and services to the right people at the right places at the right time at the right price with the right communications and promotion.*⁶

The American Marketing Association (AMA) has defined marketing as,

*“The performance of business activities that direct the flow of goods and services from producer to consumer or user”.*⁷

The objective of marketing is to understand customers’ wants and needs and offer products and services which can fully satisfy wants and needs of customers. In general most of the people consider “*marketing*” and “*selling*” anonymous to each other but in reality there is a significant distinction between these two terms. Selling is the simple process of selling your products and getting profit through sales of products. Selling is mostly seller or producer driven in which a seller or producer just focuses on increasing the sales of his product and service for the sole objective of increasing his market share and maximizing profits through sales of the product. On the other hand, marketing is a complex process which includes planning of product or service so that it can fully satisfy needs and want of consumers, setting up price for the product by keeping in view supply, demand and cost of the product, promoting the product to create product awareness and managing distribution channels from producer to end consumers. Selling is producer or seller driven whereas marketing is customer driven and it focuses on identifying, creating and satisfying customer needs. The difference between marketing and selling can be further elaborated with following discrete points.

1.1.1 Selling

- *Product is the main focus in selling.*

⁶ Philip Kotler, *Marketing Management: Analysis, Planning, Implementation and Control*, 7th ed. (Upper Saddle River, NJ: Prentice Hall, 1991), 31.

⁷ Ralph Samuel Alexander, *Marketing Definitions: A Glossary of Marketing Terms*(Chicago: American Marketing Associations, 1960), 11-12.

- *Product is first manufactured by producer or seller.*
- *Management mainly focuses sales volume.*
- *Short-terms plans are made by keeping in view today's market trends and sales - volumes.*
- *Seller mainly emphasizes on reducing production cost as possible to increase the profit margins.*
- *Price of the goods is determined by considering forces of demand and supply.*

1.1.2 Marketing

- *Unlike selling, marketing is mainly focused on satisfying needs and wants of customers instead of product.*
- *In marketing, seller of marketer first determines needs and wants of its customers and then manufactures products so that it can satisfy needs and wants of customers.*
- *Marketing management focuses profits rather than sales volumes.*
- *Marketing includes long-term planning by keeping in view today's market, future markets, customer behavior, technological advancements and several other factors.*
- *Marketing not only focuses on decreasing cost of the product but also strives to use innovative ways and better technology in order to provide customers with better products within cost-effective prices.*
- *In marketing as "consumer is the king" therefore, consumer is the one determines the prices of the product rather than the forces of demand and supply.⁸*

In today's dynamic business environment of global economic backlash, technological advancements and cut-throat competition among business rivals in each and every niche, marketing has become one of the most important aspects of every business as effective marketing is crucial for success of every business. No business, either small or large can risk ignoring the significance of marketing for long-term success. All other important business operations like production, sales and distribution depend largely upon the success or failure of a business. The concept of marketing is not merely confined to business organizations but it

⁸ David Connell, *Improving Business Performance: Selling versus Marketing* (Toronto: Caledon Citizen, 1998), 3.

broadens to all non-business and non-profit organization as well such police, NGOs, schools, mosques. The concepts of marketing cover each and every area of human society as Philip Kotler is of the opinion.

*“The choice facing those who manage nonbusiness organizations is not whether to market or not to market, for no organization can avoid marketing. The choice is whether to do it well or poorly, and on this necessity the case for organizational marketing is basically founded”:*⁹

1.2 Importance of Marketing

One can doubt the importance of marketing for the success of a business organization. The answer to this question is very simple. Let’s suppose that a producer has manufactured a great product with best features, good quality and eye catching packaging and that product can fully satisfy the wants and needs of targeted customers but what if target customers don’t know about the presence of that product in market. There will be no sales of that product and hence no profit for the business organization and consequently that organization will get closed. Here comes marketing which generates awareness about a product or services and increases the number of loyal customers. Marketing works to educate and convince buyers/customer to purchase products/services and identifies customers’ needs and brings forward customers’ feedback to production teams so that product can be reshaped even better to satisfy needs of the customers.

Marketing creates awareness about,

- *Key features of your product?*
- *How your product/service differentiates from product/service of your competitors?*
- *What is the competitive advantage of your product/service?*
- *Why customer should purchase your product/service only and not your competitors’?*

Marketing is significantly important to create brand awareness, capture market share, increase sales and number of loyal customers. Several people have defined “*Marketing strategy*” by

⁹Philip Kotler and Sidney J. Levy, “Broadening the Concept of Marketing,” *Journal of Marketing*, no. 33 (January 1969): 10-15.

several ways but in simple words marketing strategy is a set of decisions and plans with a purpose of marketing your products/service. Marketing strategy can be defined as,

*“The marketing logic by which a business unit hopes to create customer value and achieve profitable customer relationships”.*¹⁰

A marketing strategy is an integral part of a business strategy that provides broad direction to all functions.¹¹ Marketing strategy is important for every business as a business organization needs to know that what are the long term and short term goals of a business. What type of product it wants to manufacture? What segments of market they want to target? Is there any need or want for the product in market? What are the strengths, weaknesses, opportunities and threats of a business organization? While formulating an effective marketing strategy, there are several important factors and components in marketing which are needed to be considered.

Long term objectives also known as “*Vision*” of the company exactly defines where an organization want to be in the long run. “*Vision*” of a business organization is the most important factor in formulating the overall marketing strategy of a company and an effective marketing strategy should serve the purpose to fulfill “*Vision*” of a company.¹² The “*mission statement*” consists of actions and strategies which are needed to be taken by the company to achieve its goals and objectives in the long run. Every business organization operates to complete those long-term goals and objectives defined clearly and often described in the form of a statement. Thus Mission statement of a company can be defined as,

*“A statement of the organization’s purposes that it wants to accomplish in the larger environment”.*¹³

Once a marketing strategy is formed then the next phase is to follow and implement the marketing strategy in an effective manner. Implementing a marketing strategy is much more

¹⁰Principles of Marketing, 44.

¹¹ Philip Kotler, “The Generic Concept of Marketing,” *Journal of Marketing Research* 1, no. 1 (February 1964): 45.

¹³Principles of Marketing,35.

complex than forming of a marketing strategy. An effective marketing strategy acts as a roadmap towards overall organizational success of a business and it helps marketing management identify that at which phase of marketing strategy they are at a particular time and what steps are needed to be taken at this stage. Also a market consists of several types of customer with different needs and wants. A business organization has to realize that it cannot fully satisfy all the needs and demands of all customers in a market. Therefore it needs to understand that which segment of market it can serve best. Consumers in a market can be divided into several distinct groups based on demographic, geographic, behavioral and psychographic factors. This is known as market segmentation. Market segmentation is a process of dividing a market into distinct groups of buyers who have different needs, characteristics and behaviors and who might require separate products or market programs for satisfying their needs and wants.¹⁴

1.3 Marketing Mix

The idea of “marketing mix” was first introduced by Neil Bordan in his presidential address to AMA (American Marketing Association) in 1953.¹⁵ Marketing mix consists of 4 P’s of marketing, ‘product’, ‘price’, ‘place’ and ‘promotion’ and a recently introduced fifth P, ‘people’. The ‘marketing mix’ is a business tool used in marketing and by marketing professionals. According to marketing industry experts, no successful and effective marketing plan is possible without these basic principles of marketing which are also known as 4P’s of Marketing.

Understanding and implementing these marketing principles is utmost necessary for successfully executing an effective marketing strategy. Marketing mix consists of all those activities through which an organization can influence the demand of a product or service. In other words

¹⁴*Principles of Marketing*, 44.

¹⁵ Walter Van Waterschoot and Christopher van den Bulte, “The 4P Classification of Marketing Mix Revisited,” *Journal of Marketing* 56, no. 4 (October 1992): 84.

marketing mix includes all those controllable marketing tools known as product, price, place and promotion that a firm utilizes in order to generate the response it wants in the target market.¹⁶“*Marketing mix*” is probably the most important and frequently used term in marketing. The purpose of this ‘marketing mix’ is to identify needs of customers and how those needs can be satisfied by products/ services being offered by a business organization. Also this ‘marketing mix’ is frequently applied for meeting the organizational goals of a business.

Marketing mix can be categorized in four major components which are,

- *Product*
- *Price*
- *Place*
- *Promotion*
- *People*

All these 4 elements are collectively known as 4P’s of Marketing. In fact these 4 P’s are the basic component for formulating and implementing effective marketing strategy for a business organization. All major marketing decisions are made by keeping these 4 P’s into consideration in order to build value and receive positive feedback from customers.¹⁷4P’s of ‘*marketing mix*’ are as follows,

The term “*Product*” generally refers to anything which is tangible. In marketing, product is meant by a value added stuff offered by producer or seller to customers for satisfying their wants and needs. A product can be good (tangible) and intangible (service).While manufacturing a product, following product decisions are needed to be taken,

- *Nature of Product*
- *Brand Name*
- *Product Packaging*
- *Quality of Product*

¹⁶*Principles of Marketing*, 46.

¹⁷ Shelby D. Hunt, “The Nature and Scope of Marketing,” *Journal of Marketing* 40, no.3 (July 1976): 17-28.

- *Appearance of Product*
- *Functionality of Product*
- *Accessories associated with Product*
- *User-friendliness*
- *Installation and Usage process*
- *After sales services*
- *Warranty and Guarantee*¹⁸

“Pricing” includes setting of price by business organization for its customers. It means that how much customer needs to pay for acquiring a product/service. “Pricing” decision is very much important for effective marketing strategy of a product. Pricing is finalized by taking into consideration several important factors such as quality of product, maintaining profit margin as it affects overall marketing strategy. Pricing helps decide marketing and advertisement channels and also target customers. Low prices are used to gain market share and achieve competitive advantage over competitors. On the other side, high prices of product are perceived as superior quality product. Following decisions are important for “Pricing”.

- *Price strategy*
- *List or retail price*
- *Wholesale price*
- *Various types of Discounts offered*
- *Credit Terms*
- *Flexibility in price*¹⁹

“Promotion” includes all those activities and decisions which cover the various modes of marketing communication about the product in market with an objective to persuade customers to buy the product and acquire more market share. Promotion of product is done by several ways

¹⁸ Neil H Borden, *The Concept of Marketing Mix* (Boston: Harvard Business School, 1984), 9.

¹⁹ Cookham, *How to Achieve an Effective Marketing Mix*, 7th ed. (Berkshire: The Chartered Institute of Marketing, 2009), 3.

depending upon the costs and benefits of various marketing channels and includes calculating the feasibility of a specific marketing channel. Various promotion decisions include,

- *Mode of Advertisement*
- *Selection of appropriate media channels*
- *Type of promotion message*
- *Budgets set of promotion of products*
- *Strength of sales force*
- *Promotional strategy to follow (push or pull)²⁰*

“Place” also known as “*Product placement*” refers to all those processes which ensure the distribution of finished products from producer to wholesaler and end-consumer. Placement includes distribution strategy and channels decision and also that at what time and what quantity products should be available at a required place.

Placement includes taking following decisions,

- *Selection of right distribution channels*
- *Levels of distribution*
- *Inventory management*
- *Inbound and Outbound logistics*
- *Order processing*
- *Location of distribution centers*
- *Reverse logistics²¹*

Marketing experts have now introduced another “P” in marketing mix, which is “*People*”. It means that any good marketing strategy must be developed by keeping in view the demands and needs of its target customers. It is very crucial for a company to know that who are their potential

²⁰*The Concept of Marketing Mix*, 11.

²¹*How to Achieve an Effective Marketing Mix*, 7.

customers and what are their needs and demands. Customer satisfaction is the best key to gain long term success in any market segment.²²

²² Chai Lee Goi, "A Review of Marketing Mix: 4Ps or More?," *International Journal of Marketing Studies* 1, no.1(May 2009): 4.