



ORIGINAL RESEARCH PAPER

Economics

MICROECONOMICS WITH MARKETING

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Alisha Mahajan*

Student Of Economics, Department Of Economics, University Of Jammu
*Corresponding Author

ABSTRACT

With increasing globalization, local retailers find themselves having to compete with large foreign players. To excel, as a market leader, the organization must form a marketing strategy. Microeconomics is one of the main fields of study in economics. Marketers use microeconomics models of consumer behaviour to measure which product characteristics are desirable, how much consumers will be willing to pay and their response to advertisements. The two fields are quite intimately linked. In many ways, marketing can be thought of as a sub-discipline of economics. Microeconomics has a direct impact on the way marketers push their products to consumers. However, it is useless to produce anything, unless it is going to be consumed. Therefore, one of the aims of microeconomics is to analyze the market mechanism. It is involved in every aspect of business, involving marketing. In other words, Microeconomics is the study of production and consumption of goods and transfer of wealth to produce and obtain those goods that involves marketing.

INTRODUCTION-

Microeconomics is basically a science that deals with the problem of allocation of resources in the field of production consumption and distribution. It is used to analyze the behavior of individual consumers, producers and firms. It can be effectively used by a company for marketing its products. Marketing supports the core principles that shape our nation. Marketing enables smooth functioning of the economy and facilitates the entry of new firms (competition), an essential feature in microeconomics.

Another feature of microeconomics is maximizing consumer's utility. As customer is referred to as the king of the market, his choices makes a difference. Maximizing consumer's utility is a core objective of marketing.

In microeconomics, under study, various alternative routes and marketing channels are analyzed. The one, most effective and efficient, considering the cost and benefit analysis, is chosen, aiming to maximize sales and profit. In the context of marketing, the preferences of consumers are analyzed and products providing maximum satisfaction to the consumers and according to their desires, the required product is made available to them.

A report in 2005, states that in 2003, in the U.S., General Motors spent \$3.43bn to advertise its products (cars, trucks) and Pfizer incurred \$2.84bn marketing expenses for its products (drugs).

A later study, conducted in 2005 by the financial analyses firm 'Global Insight', demonstrated that marketing helps to generate more than \$5.2 trillion in sales and economic activity throughout the U.S. economy annually.

Mainly, economists use a concept called 'Laws of Diminishing Returns' in order to explain how to allocate resources to maximize returns. One may find, over a period of time, the cost of marketing may meet or even exceed the benefits derived from marketing or making the product available to the consumers. From the marketing angle, the firm is able to decide on the best advertising campaign, the best distribution channel and the distributors.

There are several benefits that a firm enjoys using microeconomic concepts in the field of marketing. It enables a firm to achieve economies of scale and specialization and therefore enables a firm to make better and intelligent choices.

However, the main question under consideration is why

people respond to marketing, mainly advertising? And how it affects the people of different age groups?

We all are aware, what impact marketing has on our lives and how it influences our behaviour. Until now, there has been little research into how consumer's mood shapes receptiveness to marketing activities and in turn ultimate effectiveness of advertisements.

According to a recent article published in Adweek, TV ads and marketing expenditure was predicted to decline by half a percent in 2018 to \$69.87bn while digital marketing of products is expected to grow by 18.7% to \$107.3bn. It is the need of the hour for marketers to mend their ways of marketing their products in order to take the advantage microeconomic models and concepts.

The answer to the questions raised above is that we respond to marketing activities, especially the advertisements is essentially because we pay attention to them. The reason that we all accept and react to the efforts of marketers is that we assume, we can tune most out of it. If we do not pay any heed to these efforts, they won't have much impact on our behaviour.

However, the raised question holds utmost significance pertaining to the fact that marketing affects all aspects of a person's life. Marketing governs the buying behaviour of an individual, from toothpaste, soaps, clothes, gadgets, etc. It helps to get more quality and variety. But at the same time, it can be harmful too. It promotes the use of harmful products like cigarettes, pan masalas, alcohol, etc. Marketing is a major player in decision making process of consumers as well as firms. Companies may suffer from bad image as a result of unrealistic marketing. Every age has a different set of needs. Marketers have to decide their targets very precisely for different age groups.

It is, therefore, highly recommendable that marketing (advertising) must be strictly regulated and minimize negative impacts. Understanding the link between Microeconomics and Marketing can help a businessman allocate marketing resources efficiently and can adjust their response to changes taking place.

METHODS: THE SETTINGS OF THE STUDY

Some initial observations have been provided by Marshall (1890-1919). As Marshall states, Marketing can play a constructive role by conveying information to the consumers regarding availability of the product, quality, uses, etc. Marshall also emphasized on the wasteful expenditures of marketing.

According to Chamberlin (1933), the effect of marketing is that it increases the demand of the product in the market. He assumes the responses of the consumers to marketing as given. Along with Marshall and Chamberlin, other contributors to economic analysis of marketing include Meade (1901), Shaw (1912), Pigou (1924).

According to Meade, marketing activities, especially advertising, plays a very positive role rather is a positive force that educate consumers by bringing new products to their attention.

The views regarding microeconomics and marketing were further advanced by Kaldor (1950). He drew a distinction between direct and indirect relation between the two. He regarded marketing as a product jointly sold with the product under consideration.

The empirical analysis of the relation between microeconomics and marketing was at a centre stage from 1950's. Over this period, many literatures investigated empirical relationship between marketing (advertising) and various microeconomic variables like price, consumer behaviour, profit, etc. There were debates on the results of empirical findings and views of different economists. The evidences strongly suggested that there is no single definition that clearly defines the relationship between the two.

Later, based on the limitations of the empirical studies that donot clearly define the relationship that exists between the two. Comanor and Wilson were encouraged to perform multivariate regression analysis. Seeking 41 industries, they allowed for a variety of explanatory variables. As their main findings, they reported a positive and significant relationship. Their findings were consistent with the hypothesis that marketing and microeconomics are interrelated. These studies play a valuable descriptive role. However, several studies were reviewed, some attempt to estimate the structural parameters using simultaneous equations method, while other studies seek exogenous variables in marketing activities through experiments affecting microeconomic analysis,

The key initial writings offer conceptual framework with which to identify the main considerations that govern the social values relating to marketing. Some initial evidences are presented as well. At the same time, the arguments have important flaws that were noted by me during the study. There is need of more to be done in the respective field. Further, I have discussed the scope of progress with a description of empirical research conducted for further evaluation.

OTHER TOPICS:

Marketing is a huge research area with key contributions from various disciplines like Economics, Psychology, Political Science, Neurology, etc. Clearly, it is not possible to summarize all of this work in one survey. Here, I simply mention a few topics and suggestions – firstly, I largely ignore the literature that considers marketing as a descriptive concept. Pitofsky (1978) considers marketing activities that often describe the consumer's choice. Further, Leffler (1990), provides an empirical assessment of the implications of the regulations.

In a recent survey (2002), Barigozzi shows the laws of concerning comparative advertisements enhance the potential of marketing accompanied with the concepts of microeconomics. Finally, the success marketing efforts depends on the behaviour of consumers and how it triggers their minds and psychology.

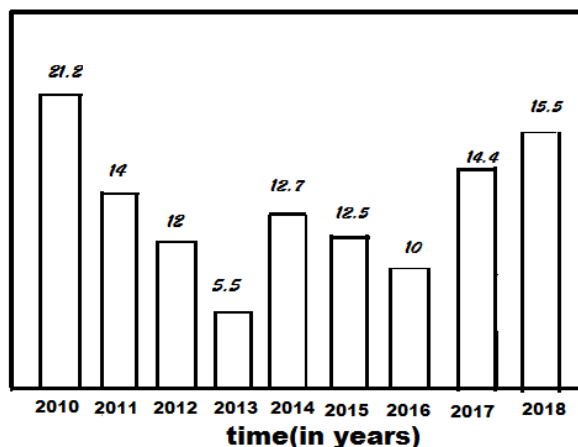
RESULTS:

Considering the topic under study, the data has been collected through various literature reviews and involves

results of already conducted research by renowned researchers and economists.

India's marketing and advertising industry has grown at a faster pace of 33% after 2010 while the expenditure has also increased by 15-20%, since then. The marketing and advertising industry in India is projected to be one of the fastest growing markets in Asia and therefore increasingly influencing the lives of the people.

growth(in percentage)



Advertising, being an important tool of marketing, **few facts about advertising industry in India-**

Projected TV ads spending in India	\$2.37bn
Projected Radio ads spending in India	\$16.6bn
Newspapers spending	\$2.92bn

In terms of Digital marketing and advertising, the ads are seen the most through social networking and mobiles. In fact 76-86% people click and view it. 78% of the consumers like personalized marketing techniques but only 28% think they are tailored correctly. Therefore, there is a need for modern marketing practices in the dynamic world and with the everchanging needs of the consumers.

DISCUSSION AND CONCLUSIONS:

I have discussed in this paper the interrelated role of marketing and microeconomics in influencing the consumers mind and behaviour. This paper is written with the main objective in mind that is summarizing the economics analysis of marketing. The question, why do consumers respond to marketing? Does marketing lead to negative impacts on the lives of the people?

With every improvement in the field, the economists have turned to various such questions. But has progress been achieved?

In the survey, it has been pointed out that marketing industry has progressed and influenced the people's behaviour to a great extent, positive as well as negative, depending how the innovation are interpreted by the society, especially the youth.

Finally, with the development and advancement in marketing techniques and increased awareness, substantial progress is evident. At the same time, one must not get carried away. While much has been learned, the economic implications of marketing are subtle and controversial and there are many important questions that are still unsolved.

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