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THE MARKETING PARADIGM

PAUL R. MESSINGER



世界财经与管理教材大系



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出版者的话

但凡成事，均缘于势。得势则事成，失势则事不顺。顺势而行，如顺水行舟；借势而动，如假梯登高；造势而为，如太空揽月。治学、从政、经商、置业，均不可一日失势。势者，长处、趋势也。

今日中国，是开放的中国；当今世界，是开放的世界。改革开放，大势所趋，势不可挡。经济开放、文化开放、政治开放，世界需要一个开放的中国，中国更要融入开放的世界。借鉴国际惯例，学习他人之长，已经到了不可不为之时。

借鉴国际惯例，学习他人之长，已属老生常谈，但学什么、如何学、以何为蓝本为众多志士仁人所关注。可喜的是，由赤诚图文信息有限公司精心策划，ITP、McGraw-Hill 及 Simon & Schuster 等国际出版公司特别授权，东北财经大学出版社荣誉出版的“世界财经与管理教材大系”现已隆重面世！她以“紧扣三个面向，精选五大系列，奉献百部名著，造就亿万英才”的博大胸襟和恢弘气势，囊括经济学、管理学、财务与会计学、市场营销学、商务与法律等财经、管理类主干学科，并根据大学教育、研究生教育、工商管理硕士（MBA）和经理人员培训项目（ETP）等不同层次的需要，相应遴选了具有针对性的教材，可谓体系完整，蔚为大观。所选图书多为哈佛、斯坦福、麻省理工、伦敦商学院、埃维商学院等世界一流名校的顶尖教授、权威学者的经典之作，在西方发达国家备受推崇，被广为采用，经久不衰，大有“洛阳纸贵”之势。

借鉴国际惯例，毕竟只是因势而动；推出国粹精品，才是造势而为。在借鉴与学习的同时，更重要的是弘扬民族精神，创建民族文化。“民族的，才是国际的”。我们提倡学他人之长，但更希望立自己之势。

势缘何物，势乃人为。识人、用人、育人、成人，乃人本之真谛。育人才、成能人，则可造大势。育人、成人之根本在教育，教育之要件在教材，教材之基础在出版。换言之，人本之基础在书本。

凡事均需讲效益，所谓成事，亦即有效。高效可造宏基，无效难以为继，此乃事物发展之规律。基于此，我们崇尚出好书、出人才、出效益！

东北财经大学出版社

1998年4月

To Mary and Peter,

this is dedicated to the music we've made, from Paul

Preface

The bottleneck of socialism is production, according to Armand Hammer, past CEO of Occidental Petroleum, and the bottleneck of capitalism is selling. The idea is that goods will be distributed in planned economies only if production can be encouraged, whereas production will occur in free markets only if goods can be sold. This argument puts in perspective the centrality of the marketing function in capitalism. Marketing consists of building and maintaining company sales, in the broadest sense. This requires learning what consumers want, providing it better than competitors, and making sure that the product is known and accessible to consumers. As Hammer suggests, without effective administration of the marketing function, all other business activities in a free market will grind to a halt.

OBJECTIVE

The objective of this short book is to describe an easily remembered framework that can help general managers and business students studying under the case method recognize why certain marketing programs are successful and others are not. The book is designed to highlight the core logic in a way that comprehensive texts, with their encyclopedic coverage of institutional detail, cannot. The chapters contained herein evolved from teaching notes I prepared because existing texts did not present the material in the way I found most natural.

OUTLINE OF THIS BOOK

The basic argument, referred to herein as the “marketing paradigm” and summarized by the diagram on page 3, is presented Chapter 1. Part One of this book describes how to analyze the market facing a businessperson. Part Two gives recommendations, together with underlying rationale, for setting policy in regard to each of the elements of a marketing program.

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Part Three, intended to be studied and applied concurrently with the first two parts, provides background tools concerning financial analysis and market research. To highlight the main argument, section headings are formulated as recommended directives. Data about the current marketing environment are provided in tables, examples, and appendices (including compilations of secondary data sources and advertising media rates). There are also extended historical examples, heeding the philosopher Santayana's warning that "those who do not remember the past are condemned to repeat it."

MARKETING VS. ECONOMICS

I would like to offer two preliminary reflections about the field of marketing. First, the amazing thing about free markets, as long recognized by economists, is that market incentives convert people, who may not be predisposed to philanthropy, to spend their days thinking about what other people want. By exploring the "nuts and bolts" of marketing, one palpably sees at work the economist's "invisible hand."

Second, although economics provides insight into the market mechanism, it provides far less in the way of guidance for managers. Much of economics focuses on pricing—indeed, University of Chicago and UCLA economists call microeconomics "price theory." Marketing, in contrast, also gives equal weight to (1) the design of products and services, (2) communications, including advertising and promotions, and (3) physical distribution of products and services. Moreover, economics generally describes not what managers should do but what the market outcome will be if managers do what they should. The province of marketing, on the other hand, is to help managers decide what should be done. Thus, while both fields analyze "markets," they do so in very different, and complementary, ways.

ACKNOWLEDGMENTS

Finally I would like to thank those who helped shape both this book and my understanding of marketing. Various teaching assistants provided conscientious and cheerful aid; in particular, Kabir Sen helped edit several early chapters; Scott Moon collected data for the advertising chapter; David Sachs and Gabrielle Sternman collected information for the community, product policy, and market research chapters; Jeffrey M. Petry helped write Appendix 9-2 concerning four retail design considerations; Sam Chun and Lynnette

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The most help, however, has come from my wife Mary, who I thank with a kiss.

Paul R. Messinger

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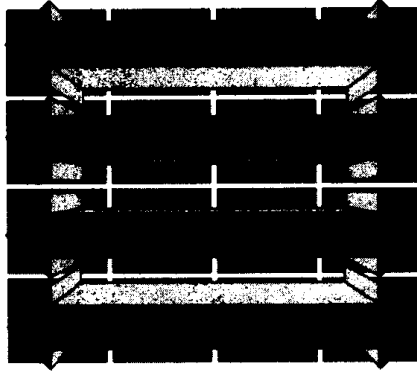
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Chapter 1



Introduction to the Paradigm: Recognizing and Capitalizing on a Market Opportunity

*"When one learns why something occurs,
the remedy suggests itself."*

John M. Olin¹

The purpose of studying marketing is ultimately to sharpen one's ability to respond to business opportunities and problems. One approach to doing so, suggested by John M. Olin's comment, involves two steps. First, analyze the situation. Second, choose a course of action. This chapter outlines a framework, laid out in detail in subsequent chapters, that general managers find helpful for carrying out these two steps.

1.1 ANALYZE THE MARKETING SITUATION

To recognize a potential opportunity or diagnose a problem, one begins by answering a structured series of questions. The key to insightful analysis is asking the "right" questions. Thinking like a general manager involves training oneself systematically to consider a comprehensive set of such questions. When one question provides understanding, the analyst continues probing with more detailed questions. The process continues until the manager is persuaded that he or she understands the situation well enough to predict likely outcomes of taking different actions.

The following framework, which touches on most topic areas relevant for marketing decisions, can be used to help organize one's questions in the analysis phase.

Most marketing programs consist of four elements, commonly referred to as the “marketing mix”:

1. Product,
2. Price,
3. Communications (Promotions), and
4. Distribution (Place).

Communications, referred to herein as promotions, include advertising, sales promotions (such as a two-for-one coupon offer), public relations, and personal selling. Place refers to the channel of distribution, which describes the path the product takes to reach the ultimate consumer (for manufactured goods, the channel often consists of a wholesaler and a retailer).

These four elements arise because in market exchanges (1) the buyer gets something—the product, (2) the seller gets something—the price, (3) communications between buyer and seller are necessary, and (4) the product must change hands. Ineffective management of any one of these four elements can lead to failure of an entire marketing program. This applies to nonprofit organizations and political campaigns as well as to businesses.

The elements of a well-functioning marketing program must address four different constituencies:

1. Consumers,
2. Competition,
3. Company, and
4. Community.

Community refers not only to the locality in which a business is situated, but also to the macroenvironment, including government and society at large.

The particular way in which a successful program must address these constituencies is, respectively, as follows:

Program-Market Fit: The program should appeal to the needs and wants of a particular group of consumers.

Program Positioning: The program should have greater appeal for that particular group of consumers than competitors’ programs.

Program-Company Fit: The skills required to offer the program should match the skills and competencies of the people and organization involved.

Social Responsiveness: The program should recognize current trends and meet the requirements of society at large, including relevant laws and regulations.

These relationships are summarized in the schema shown in Figure 1-1.

CONSTITUENCY	MARKETING MIX			
	PRODUCT	PRICE	PROMOTION	PLACE
CONSUMERS				
COMPETITORS				
COMPANY				
COMMUNITY				

FIGURE 1-1 A Paradigm of Marketing

Most marketing issues fall into one or more of these sixteen cells.

There is a well-known mnemonic approach used to help remember these elements. Since the four elements of the marketing mix (or related synonyms) all begin with the letter "P," they have come to be known as the "four P's." Similarly, the four constituencies discussed above have come to be known as the "four C's."

Implicit in the above schema, the marketing activity provides an interface between consumers and the various other functional areas of the company, as shown in Figure 1-2 on page 4.

Levitt (1975), who is a proponent of this view, emphasizes the importance of marketing with a consumer orientation when he argues that "an industry is a customer-satisfying process, not a goods-producing process." He goes a step further by suggesting that all general managers, not just marketing managers, should have a customer emphasis.

There are three other questions that are important to consider in most marketing analyses:

1. *Are the four elements of the existing or proposed marketing mix internally consistent?*

The marketing mix should create a coherent and unified image for customers. For example, it would be undesirable to advertise clothes for

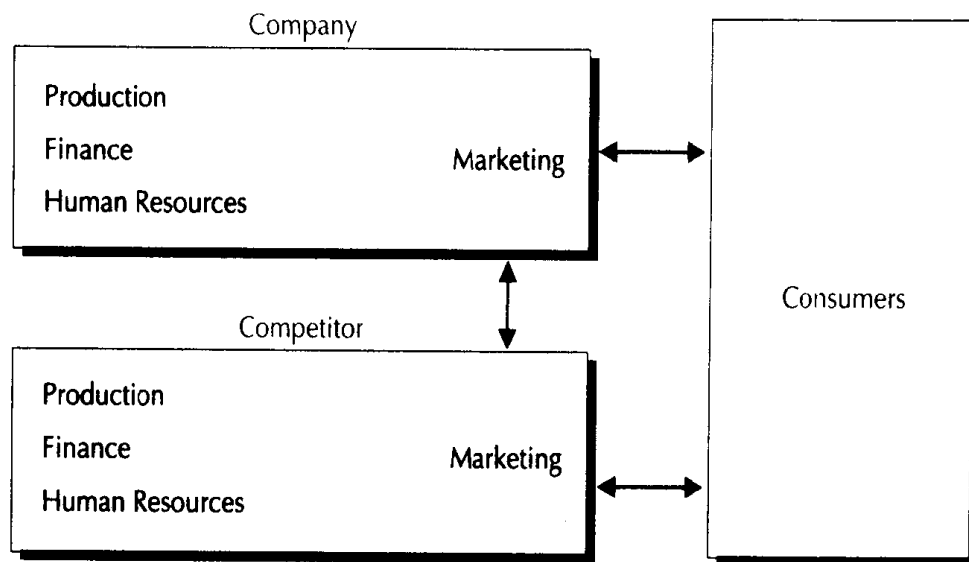


FIGURE 1-2 The Role of Marketing as an Interface

middle-aged men and women on a rock music radio station with a teenage audience. It might also be inconsistent to sell a very high-quality fashion product at an unusually low price.

2. *Is the scale of the program realistic relative to the size of the company?*

It is often desirable to begin an analysis with this question as a frame of reference and to help screen out infeasible proposals before spending too much time with analysis. Projected promotional expenditures are occasionally more than a company can afford, or more than prospective revenues could possibly justify. Other marketing programs are simply too risky for some companies.

3. *Will the program be profitable?*

For complex decisions, careful profit projections are helpful, since the financial attractiveness of an action may otherwise not be immediately obvious.

Many relevant, less general considerations arise in more specialized contexts.

1.2 DESIGN AN ACTION PLAN

Formulating an action plan, the second part of marketing decision making, does not involve closed-form problem solving such as a crossword puzzle. There is rarely a "right" answer, although there may be several good answers and many bad answers.

The following steps can be helpful:

1. Identify critical issues. These are issues that must be adequately addressed because, otherwise, they could lead to severe negative repercussions, such as bankruptcy.
2. Identify secondary issues. These are issues that, while not critical, have a moderate bearing on the outcome. One need not address all the secondary issues adequately.
3. List viable alternatives. All alternatives should adequately address the critical issues and present different trade-offs between the secondary issues.
4. Evaluate the alternatives and choose a general course of action.

After a strategic course of action is selected, one must work out a detailed, tactical plan. It is necessary to select the creative aspects of product design and advertising. It is also necessary to set price and to work out the logistics of distribution.

Finally, a detailed plan of action should assign tasks to the individuals involved and give a timetable for completion of the planned actions. Often it is useful to identify short run and long run actions. The long run actions may be contingent on favorable circumstances.

SUMMARY: A BLUEPRINT FOR THIS BOOK

This book advocates a two-step approach to marketing decision making. First, analyze the situation. Second, choose a course of action.

In ongoing management, the process continues by measuring outcomes

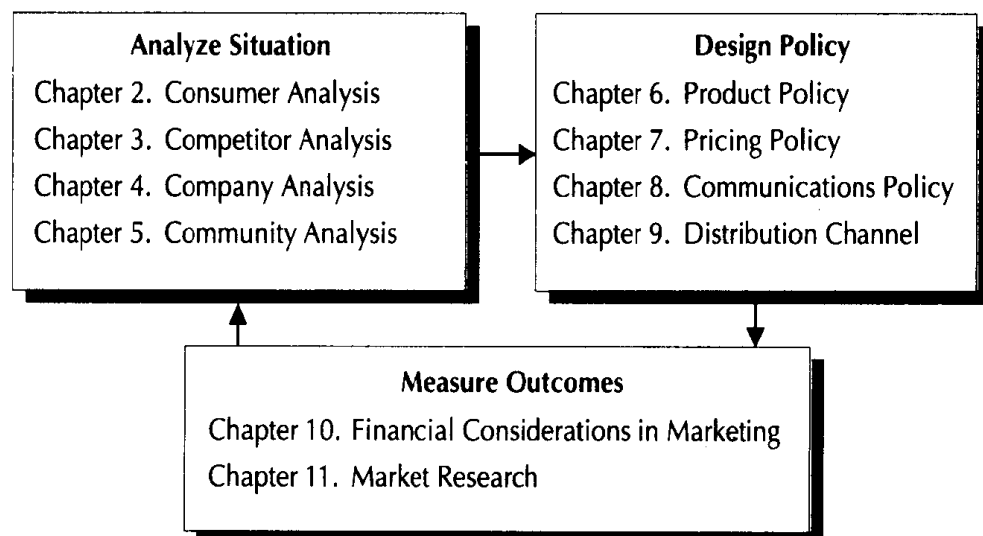


FIGURE 1-3 Organization of this Book

of past actions as the basis for analyzing the situation for new decisions. The organization of this book, shown in Figure 1-3, arises from these considerations.

Market research appears in a separate, final chapter for easy reference, even though it is typically used throughout the process.

To be successful, the four elements of a marketing program should meet the requirements of all relevant constituencies. In particular, the program should (1) appeal to the needs and wants of a group of consumers, (2) be positioned as more appealing for those consumers than competitors' programs, (3) utilize the distinctive competencies of one's own company, and (4) conform to the expectations of society at large. These guidelines constitute the essence of the marketing paradigm.

SUPPLEMENTARY READINGS

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Corey, E. Raymond, "Marketing Strategy—An Overview," Harvard Business School Case 579-054 (1978; revised March 1982).

Levitt, Theodore, "Marketing Myopia," *Harvard Business Review*, vol. 53, No. 5 (September-October 1975), pp. 26-48.

Kotler, Philip, *Marketing Management: Analysis, Planning, Implementation, and Control* (Englewood Cliffs, New Jersey: Prentice Hall, 1991), Chapter 3.

ENDNOTES

- 1 John M. Olin was an entrepreneur and industrialist under whose leadership the family-owned Western Cartridge company evolved into the Olin Corporation, which produces brass, pharmaceuticals, chemicals, paper, cellophane, munitions, sporting goods and home building materials. A chemical engineering graduate, Olin earned 24 patents for scientific inventions. He also founded the John M. Olin Foundation devoted to philanthropy and was a leader in conservation and wildlife preservation.

Chapter 1 Appendix

Translating These Guidelines into Case Analysis

*One must learn by doing the thing, for though you
think you know it—you have no certainty until you try.*

Sophocles

Cases have several features particularly useful for learning marketing management. First, cases provide realistic settings in which to apply marketing concepts. People generally remember a concept better, and can apply it more readily, after seeing an illustrative example. Second, cases expose students to many kinds of industries. This exposure can help managers get a better understanding of the global business environment. It can also give M.B.A. students exposure to several kinds of jobs they might want to pursue. Third, cases expose students to many “Big” decisions critical for survival of a business. Many executives may be involved in only two or three such decisions over the course of a career. Students get to “try their hands” at many such decisions, *and learn the outcome*, before having their own careers at stake. Fourth, cases give students the opportunity to develop an objective, fact-based approach to solving problems. The most common marketing fallacy is for the analyst to assume that all consumers think in the same way that he or she does. Another common tendency is for an analyst to make recommendations based on immediate intuitive reactions to some of the facts. Cases give students practice at making decisions based on objective evaluation of all the relevant facts.

Although there is no single method for analyzing a case, the following guidelines may be helpful:

1. Glance through the case to determine the kind of information contained in it. After a few cases, one becomes sensitive to which information will likely be important to the decision, and consequently require further analysis.
2. Analyze the situation. Initially, it can be helpful to organize one’s analysis according to the outline shown in Table 1-1, which is suggested by the framework of this chapter.
3. Identify the real problem. Often the managers who provide information will recognize the central problem, but not always. Frequently they will