READINGS IN MARKETING MANAGEMENT

From the *European Journal of Marketing*

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Preface

This collection was assembled to provide a balanced complement and supplement to the commonly used marketing textbooks. Our objectives in formulating this recent (1980s) mix of articles were twofold.

First, we wanted to include readings which expand the typical textbook treatment of important topics or which approach them in an unconventional but revealing way. Among the contributions in this category are those of Foxall, Arndt, Yorke, and Espey.

Our second objective was to provide, within a single cover, a selection of articles concerned with important marketing topics which considerations of space-economy enable textbook writers to treat only skimpily or not at all. The range of these papers includes those by Avlonitis and James, Holstius, Buttle, Kasulis and Spekman, Piercy, and Carson.

There are twenty-four readings, presented in five parts. The papers in Part 1 are concerned with the underlying concepts, philosophies, and the scope of marketing. Part 2 consists of articles that address vital issues in understanding consumer and industrial customers and relevant modes of market segmentation. Part 3 addresses elements of the marketing mix. In keeping with most textbooks, it is the largest section. Unlike most textbooks, however, it gives considerable space to important topics such as product elimination, credit strategy, attitudes to advertising copy, merchandising, and channel power. Part 4 focuses on a selection of the key issues in the management of marketing: strategic and marketing planning, objectives, organisation and the recently-popularised marketing asset accounting. Finally, Part 5 addresses the selected marketing applications of services, non-profit making, small firms, and exporting.

The book will be of value to undergraduate students of business studies, management or other relevant subjects, and to graduates studying on CAM, Institute of Marketing, MBA and DMS courses. Equally, the book provides interest and instruction for managers, including marketing specialists and others.

We offer our sincere thanks to MCB University Press Ltd, the publishers of the *European Journal of Marketing*, from which this anthology was selected.

We also wish to thank the authors of the articles. Without their generous efforts and talents this collection would not have been possible.

Gordon E. Greenley
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Part 1 Marketing Concepts

1. Marketing's Domain

by *Gordon Foxall*

Introduction

The development and refinement of teaching syllabi and research programmes in mature disciplines is seldom the result of the autonomous selection and decision-making of individual teachers and investigators. In marketing, as is the case in other developing sciences, both the content of educational programmes and the scope of research projects reflects the consensus of opinion within the "scientific community" of the nature of their subject matter, the most appropriate ways of examining it and the canons of judgement which should be applied in the appraisal of empirical findings. Such a consensus is similar to what Kuhn [1] calls a scientific paradigm, a shared network of research priorities, approved methodologies, terminology and perspectives. It resembles also what Thelen and Withal [2] nominate a "frame of reference" by means of which the educator or researcher "perceives and interprets events by means of a conceptual structure of generalisations or contexts, postulates about what is essential, assumptions as to what is valuable, attitudes about what is possible, and ideas about what will work effectively".

Paradigms, perspectives or frames of reference are not static except in the most moribund of disciplines: indeed, scientific progress depends significantly upon the refinement or even replacement of prevailing paradigms by viewpoints and assumptions which more accurately portray the aims and methods of members of the scientific community [3]. As such progress occurs so the consensus upon which teaching and research are established opens up innovative approaches to education and training and makes possible the extension of general research efforts into new areas of concern. The relationship between the formation of this consensus of opinion and the shape of teaching and research programmes tends to corroborate the "trickle-down hypothesis" which postulates that ideas and practices which originate in or are initially adopted by an élite group are passed on over time to less avant-garde, more imitative sections of the population [4]. The outcomes of academic debates reported in leading journals of ten or fifteen years ago frequently find an uncontested place in the syllabi and research horizons of the present. All too often, however, the contentions and arguments upon which those debates were founded are lost as the conclusions reached by their observers are enshrined in contemporary texts and reflected in the prevailing view of what constitutes acceptable, "mainstream" research.

Marketing is in the middle of such a process. During the last fifteen years, the academic journals have ceased to define marketing simply in terms of a business function which is the concern of corporate managers and to represent its scope in terms of a much wider domain of applicability. In particular, marketing management has been actively projected as relevant and applicable to non-business organisations such as churches and private colleges and to social programmes such as anti-smoking campaigns. The new thinking developed by exponents of this view has, moreover, found a place in basic and advanced marketing texts; the journal papers authored by advocates of the extended concept of marketing have appeared in anthologies; and research projects and programmes have been conceptualised and undertaken firmly within the context of the much more comprehensive domain of applicability now widely attributed to marketing [5]. In the last five years, many undergraduates and postgraduate students of marketing have begun to be taught within a much wider framework of conceptualisation and analysis than existed in the early 1970s. Such terms as "metamarketing", "social marketing", "non-business marketing" have found a place within the language of academic marketing, reflecting the new scope attributed to marketing by members of its educational and research communities.

The purpose of this article is to examine critically the extension of marketing thought suggested by these phenomena. While the so-called extended concept of marketing has impinged upon the consciousness of marketing educators and researchers, the other side of the debate has generally been ignored. Papers by those who have not embraced the broader view of marketing's domain have been published by the academic journals but have tended not to be reproduced in the anthologies aimed at the majority of teachers and students; nor has their content been reflected in the majority of texts. Furthermore, while the trend towards the broader application of marketing thought and practice has not been strongly and effectively challenged, many marketing researchers, teachers and managers confess themselves perplexed at the attempt to make marketing universally relevant by equating it with "human exchange relationships" at large. This article challenges the emerging exchange paradigm of marketing and concludes that the concept of marketing as a process of *matching*— of aligning the relationships between organisations and/or individuals — may provide a more coherent framework for any extended concept of the marketing function and marketing oriented management.

The Broadened Concept of Marketing

If critical self-assessment and a desire to contribute more effectively to the solution of human problems are evidence of a maturing discipline, then marketing shows signs of coming of age. For many people engaged in marketing education, research and management, their discipline's current phase of maturity began with the publication of the paper, "Broadening the Concept of Marketing" by Kotler and Levy [6] in 1969. Since then, the belief that perspectives and techniques which once were thought to apply only to the commercial sphere actually have much wider significance has gained ground. So pervasive are the extensions of marketing's domain based upon this broadened concept — to "social marketing" and "non-business marketing", for example — that some advocates of the reconceptualised

marketing claim that its scope and relevance now include such themes as political administration, law enforcement and birth control programmes. So acceptable has the extended concept proved in the academic context of marketing (and so ineffectual the attempts of critics to re-establish marketing's traditional, narrower concerns as the legitimate domain of their subject) that social and non-business marketing are now covered by several texts and evaluative status reports and have found a place in the marketing curriculum. Administrators of social programmes, health campaigns and other non-business projects have also shown a clear willingness to conceptualise their objectives and endeavours in terms derived from the marketing philosophy and to use its derivative techniques [7]. The extended concept of marketing has clearly emerged over the last 15 years as an idea whose time has come.

The Basis of the Extended Concept

The broadening of an academic discipline which was, until recently, generally understood to be exclusively concerned with the advancement of corporate objectives, to include such activities and causes as furthering the arts in society, encouraging abstinence from tobacco and the elimination of refined sugar from the national diet, requires sound redefinition of the nature and scope of that discipline. Parallel with the development of social and non-business marketing, there has been an attempt by some marketing academics to rationalise the extension of marketing's domain by offering a "generic" account of the marketing perspective. In particular, this intellectual process has resulted in the belief that marketing is concerned essentially with human exchange relationships, that its subject matter is found wherever such exchanges occur, in short that "marketing=exchange" and "exchange=marketing" [8]. A measure of their success in establishing this definition of the nature and scope of marketing lies in its acceptance by many authors of standard, managerially-oriented textbooks of marketing. Kotler [9] writes, for instance, that "marketing is human activity directed at satisfying needs and wants through exchange processes". Two other American authors, Kerin and Peterson [10] also exemplify this trend by opening their text/case-book with the observation that: "It is generally accepted that marketing is the process of facilitating mutually-beneficial exchange relationships between entities". In a recent British text, Oliver [11] states that: "Marketing concerns market exchange processes, and organisations' marketing efforts are designed to facilitate these exchanges". Finally, Baker [12], writes that, in essence "the marketing concept is concerned with exchange relationships" and states that in his opinion, "this is the essence of marketing — a mutually-satisfying exchange relationship ... Marketing is a process of exchange between individuals and/or organisations which is concluded to the mutual benefit and satisfaction of the parties".

There can be no argument with the proposition that marketing involves exchange: its traditional and undisputed domain certainly includes mutually-acceptable exchanges which are effected by means of pecuniary markets. A problem may arise, however, in response to the assertion that marketing is not concerned with pecuniary exchange alone but embraces a whole range of human exchange relationships which are unrelated to marketing's traditional concerns. Yet the thinking upon which the extended concept is based and by which it has been justified in the marketing

literature leads one to the conclusion that exchange, whenever it occurs, is marketing and is, therefore, part of the subject matter of a discipline whose domain has been conventionally limited to the concerns of business managers and the consumers of their economic products and services.

Universal Application

This conclusion has, moreover, been explicitly drawn by advocates of the broadened concept of marketing. Kotler and Levy's seminal definition of the marketing function transcends corporate concerns by suggesting that marketing management is a central requirement of publicly-exposed organisations generally: marketing, they write, "is that part of the organisation that can keep in constant touch with the organisation's consumers, read their needs, develop 'products' that meet these needs, and build a programme of communication to express the organisation's purposes" [13]. In his "generic concept of Marketing" Kotler [14] casts marketing as "specifically concerned with how transactions are created, stimulated, facilitated and valued" and defines a transaction as an "exchange of values between two parties". So crucial is this idea of transaction that he refers to it as marketing's "core concept". This generic understanding of marketing's domain does much more than simply free marketing studies from an exclusive preoccupation with the world of business management: it broadens its scope well beyond the corporate sphere to include virtually all facets of human activity within their remit. Bagozzi [15] refers to marketing in this vein as "a general function of universal applicability. It is the discipline of exchange behaviour, and it deals with problems related to this behaviour." This sentiment is echoed and reinforced by Levy [16] who goes to some lengths to stress that limited definitions of marketing cannot do justice to its natural relevance and capacity.

> "It seems important to insist on the issue of universal applicability, mainly because there seems no adequately consistent way to define marketing that limits it short of universality. What is a marketing exchange as different from any other exchange? Some try to restrict marketing to the exchange of money for products, a distinction which fails immediately with consideration of markets in which money is exchanged for money, products for products, and money or products are exchanged for services. Then is there any way to limit which moneys, products or services will be considered elements of marketing exchange, and which will not? . . . In a world in which there is no truly free air . . . in which all exchanges are economic choices and all are exchanges of satisfactions, there can be no nonmarketing exchanges. What is being exchanged may sometimes be hard to analyse, but marketing cannot be limited to being the science of *simple* exchanges."

There is need to appraise the quality of the argument which has been advanced in favour of the universally-applicable concept of marketing and to judge its alleged justification as the basis of marketing education, research and managerial practice. If this novel concept is of broader relevance than to corporate marketing alone, then its intellectual underpinnings must be well-established, for the teaching, investigation and practice based upon it will founder should it prove unreliable. If marketing is genuinely of universal application, failure to appreciate its true domain represents

a new and dangerous form of marketing myopia. In any case, it is important that marketing academics and practitioners in general take part in the debate which is underway rather than allow any new thinking merely to enter the consensus of marketing opinion unquestioned and unevaluated. Later sections of this article examine in some detail (i) the case for including the furtherance of ideas and causes ("social marketing") and the client-oriented management of non-business organisations as components of marketing's domain, and (ii) whether *exchange* comprises a logical conceptual foundation for the definition of marketing. Before these themes are addressed, however, the nature of the marketing function and of marketing-oriented management require clarification.

Marketing: Function and Orientation

While it is difficult to formulate an accurate definition of marketing which is both complete and concise, it clearly has to do with relationships between producers and consumers. Members of a subsistence economy hardly need such relationships but economic and social systems based on exchange develop, of necessity, formal arrangements for the transfer of information among buyers and suppliers and for the geographical distribution of goods and services. The more complex the relationships involved in such exchange, the greater is the need for formal arrangements for physical distribution, marketing communications, pricing and product development. Exchange based on simple barter may require only very basic formalisation of marketing relationships but, with the complexities introduced by increasing numbers of participants and products, even this system requires the establishment of a commonly-accepted medium of exchange; and further complexity facilitates the development of exchange relationships based on pecuniary markets. Societies in which the division of labour is thoroughly developed, be they characterised by centralised or decentralised decision-making, tend to rely extensively on the exchanges made possible by such markets.

The impetus for the systematic study of the functional, marketing relationships derives also from their tendency towards complexity in advanced economies and societies. In order that the network of market-based inter-relationships, expectations, provisions, reactions and valuations which is a feature of marketing exchange may be made more effective, its contents and mode of functioning must be more accurately perceived and understood. Analysis of the marketing functions which link producers and consumers — i.e., of the creation and operation of the marketing mix and buyers' reactions to it — has thriven in all types of economic system. Despite their obvious differences of form and intent, even the most contrasting "capitalist" and "socialised" societies possess a large stake in encouraging the precise and valid comprehension of the marketing functions which derive from the four Ps: product, price, promotion and place.

Within more decentralised systems, however, the analysis of marketing behaviour has an additional dimension which stems from the greater frequency of marketing-oriented management encountered in such economies. Marketing-oriented management is not only the dominant approach to corporate management in decentralised economies, it is clearly the approach which is prescribed by the majority of marketing thinkers and practitioners. But, while marketing-orientation may be the

predominant philosophy underlying the fulfilment of basic marketing functions in such economies, it is to be distinguished from the management of the marketing *functions* themselves. The history of marketing thought and practice, as elucidated by such writers as Bartels [17] and King [18], lend support to this distinction between *marketing*, which embraces a set of managerial functions which are in all but the most primitive economic systems, and *marketing-oriented management* which is the way in which these functions are discharged in many societies where economic decision-making is decentralised, notably Western industrial societies. Many definitions of marketing and of the concept of marketing-oriented management bring out this distinction. For example, Converse, *et al.*[19] speak of *marketing* as "the performance of business activities that direct the flow of goods and services from producer to consumer... Marketing moves goods from place to place, stores them, and effects changes in ownership by buying and selling them ... Marketing consists of the activities of buying, selling, transporting and storing goods." Bartels [20] writes that: "Marketing is the process whereby society, to supply its consumption needs, evolves distributive systems composed of participants, who ... create the transactions or flows which resolve market separations and result in exchange and consumption."

While centralised and decentralised economies must both make arrangements for the fulfilment of these functions, the latter tend to employ a style of marketing management founded upon consumer-orientation. The marketing concept which guides this managerial style assumes an approach which is quite distinct from the fulfilment of marketing functions in most centralised societies. The marketing concept is that "managerial philosophy is concerned with the mobilisation, utilisation, and control of total corporate effort for the purpose of helping consumers solve selected problems in a way compatible with planned enhancement of the profit position of the firm" [21]. Marketing and marketing-orientation are so intertwined in the managerial thought and action of Western industrial economies that their marketing authors often make the prescribed managerial style implicit in their definitons of marketing itself. The Institute of Marketing [22] defines marketing as "the management process which identifies, anticipates and supplies customer requirements efficiently, and profitably", a statement which presupposes customer-orientation in the fulfilment of marketing functions. Chisnall [23] notes that "marketing as a separate, identifiable function of management has evolved from the business philosophy which recognises the importance of the customer to the success of the business". However, the author who most closely integrates marketing and consumer-oriented management is Drucker [24] who writes that:

> "*True* marketing starts ... with the customers, their demographics, realities, needs and values. It does not ask, 'What do we want to sell?' It asks, 'What does the customer want to buy?' It does not say, 'This is what our product or service does.' It says, 'These are the satisfactions the customer looks for.' "

Marketing-Oriented Management

That definitions of marketing are culture-bound is hardly surprising but the distinc-

tion between *marketing* as a common, human, economic activity and *marketing-oriented management* as an approach to marketing under particular circumstances is important to the correct identification of marketing's domain. Marketing-orientation is the latest in a series of business perspectives: production-orientation, sales-management-orientation and marketing-orientation have provided a sequence of managerial styles, each suited to, and appropriate for, a given set of environmental conditions. Thus, *production-orientation* is a valid and predictable response to conditions of scarcity, where demand exceeds supply either throughout an economy or in a discrete product-market; consumers' discretionary income is likely, under such circumstances, to be small. Although it is common to find that production-orientation is strongly criticised in the marketing literature, it *may* be a legitimate response to prevailing conditions. While it deserves censure when it represents no more than the marketing myopia described by Levitt [25], it is a predictable response among those companies which are temporarily sheltered from the vicissitudes of the marketplace by, for example, patent rights, monopoly positions or similarly myopic competitors. As Baker [26] points out, "the much-despised production orientation with its emphasis upon manufacturing and volume of output may be the most appropriate to conditions of chronic under-supply" or, it may be added to *any* conditions which do not compel a more customer-oriented marketing outlook.

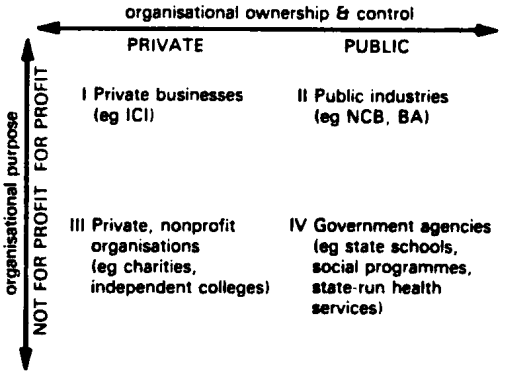
Similarly, *sales-oriented management* is the requisite response to rather more affluent circumstances, in which there are fewer constraints on production and an understanding that high levels of sales volume are likely to contribute effectively to the attainment of corporate financial objectives. *Marketing-orientation* is itself no more than an appropriate response to a given market structure: high levels of intra-industrial competition, the capacity for supply to exceed demand and consumer affluence as manifested in a large measure of discretionary spending. The adoption and implementation of the marketing concept are by no means the altruistic acts implied by some marketing textbooks: they derive from the recognition that, under appropriate conditions, a particular form of attention to customer requirements is essential if the goals of the producer are to be achieved. Decentralised economies evince marketing-orientation as their characteristic managerial mode simply because they provide the structural conditions which compel this managerial mode. Such conditions do not characterise centralised economic systems and nor does customer-oriented marketing. But, even within privatised, decentralised economies, the conditions which make marketing-orientation an appropriate response are far from universally encountered. This observation, fundamental as it is to the study of marketing, raises a number of issues in connection with delineation of the legitimate domain of marketing-oriented management.

Business and Non-Business Marketing

Figure 1 presents a typology of organisations, all of which are assumed by Kotler [27] to be capable of adopting a marketing-oriented approach to their management and thus of implementing fully integrated marketing mix strategies. The dimensions on which institutions are categorised are:

(1) ownership and control, which may be private or public; and
(2) organisational purpose, which may be for profit or not-for-profit.

Figure 1. The Scope of Marketing (after Kotler)



Marketing management has traditionally been a concern of type I organisations, namely private businesses, and of certain type II bodies such as nationalised industries. Organisations of types III and IV may be involved in straightforward, business marketing in so far as they operate within pecuniary markets and within the structural constraints which correspond to a marketing-oriented style of administration. Independent colleges which are in competition with other education institutions for scarce students are capable of implementing fully-consumer-oriented management modes, for instance, as are state-run hospitals which also cater for private patients who might choose other independent medical facilities.

But the advocates of the "exchange = marketing" paradigm go further than this. Non-business organisations, they argue, are capable of planning and implementing a comprehensively marketing-oriented approach to the primary sphere of their activities: police departments, private universities, charities and public hospitals are organisations which are commonly cited as able to pursue marketing-oriented management in spite of being non-business and in spite of not operating through pecuniary markets. The first question which those who would broaden the marketing concept to make it relevant to non-business activities must face is: *Can non-business organisations be predicted to show consistent marketing-oriented management in the absence of the structural conditions which, in the business sphere, compel and legitimise long-term consumer-orientation?*

For many organisations of type II a large degree of marketing-orientation is both possible and predictable. Nationalised undertakings, public utilities, and the like are often subject to severe competition in the markets they serve; their customers frequently enjoy the opportunity to select other suppliers; and their political supervisors usually impose upon them economic constraints. They do not differ from

type I organisations in that both face the structural economic conditions with which a marketing-oriented approach is associated. Their consumer-centred outlook stems not from managerial philanthropy or political fashion but from the need to react to the nature of the markets in which they operate by emphasising consumer-oriented management. Even in the case of type II organisations, however, the capacity to implement this philosophy to the full may be questioned. Nationalised industries do not face the rigours of the marketplace to the same extent as many private firms and their ability to allow the business they are in to be determined by buyers rather than by politicians is often severely constrained. Marketing-orientation is far less predictable in the case of organisations of types III and IV, however. The analysis presented earlier in this article leads to the conclusion that genuine and lasting marketing-orientation is unlikely in these cases simply because such organisations rarely encounter the conditions which normally compel it. Naturally, the officers of such organisations may display consumer-orientation for many reasons — altruism, the pleasure of being of service, and so on. But sustained consumer-orientation is not at all predictable in these circumstances as it is in the case of competitive businesses.

Social Marketing

Nor is consistent consumer-orientation the logical expectation suggested by the structural environment in which much so-called social marketing occurs. Social marketing — "the design, implementation, and control of programmes seeking to increase the acceptability of a social idea, cause, or practice in a target group" [28] — may be undertaken by any of the four types of organisations depicted in Figure 1: private airlines may encourage flying as a mode of transportation, a nationalised coal industry may exhort householders to use open fires in their homes, public hospitals may support anti-smoking campaigns and private colleges may disseminate the value of higher education. Generic advertising is a well-known means by which commercial organisations, often acting collectively, attempt to increase the demand for their product class or, in terms derived from the theory of social marketing, for the general service offered by that product class.

Most social marketing projects discussed and documented in the marketing literature in the years since the emergence of the broadened concept concern organisations of types III and IV, however; typically they invoke state-run health or family planning campaigns, educational programmes and environmental preservation projects. Social marketing emerges from the accounts provided by this literature as an activity which is more likely than not to be undertaken by organisations which face radically different market conditions from those usually encountered by type I and type II organisations. Notably, almost all social marketing agencies (and many organisations which are described as engaging in non-business marketing) face either unlimited demand for their services (e.g., social work agencies) or a considerable excess of demand over supply (e.g., anti-smoking campaigns). They are not usually in competition with one another and their clients are thus prevented from exercising sovereignty by turning to alternative sources of supply. Such organisations are unlikely to pursue the integrative, co-ordinated style