

**MARKETING:  
A BEHAVIOURAL  
ANALYSIS**

**SECOND EDITION**

Peter M. Chisnall

**THE MCGRAW-HILL MARKETING SERIES**

# Marketing: A Behavioural Analysis

## Second Edition

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*Manchester Business School  
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## PREFACE TO THE SECOND EDITION

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Just 10 years ago I wrote the first edition of this book in the hope of filling a gap in British marketing literature. My book, which was the first comprehensive text to discuss behavioural factors within the context of British marketing experience, has been widely read and adopted in degree and diploma courses.

Because the social and business environment is dynamic, the time has arrived to update some of the material and also to extend discussion of some of the concepts covered in the first edition. Accordingly, I have thoroughly revised and extended my original text and, I hope, have increased its usefulness to tutors and students.

This second edition has been organized in five parts and 15 chapters: together they give a systematic introduction to the nature of behavioural concepts related to the marketing of products and services; separately, each chapter or section could be read to gain insight into a specific marketing variable.

The first part introduces and discusses the nature of marketing, and emphasizes in particular its corporate responsibilities; the second part covers personal psychological factors; the third part relates to group behaviour; the fourth part discusses models of buying behaviour; and the fifth part focuses on specific strategic applications.

At the end of each chapter, a summary is made of the principal topics covered; a comprehensive set of references is also included with each chapter.

As before, I have benefited from consulting many books and articles when writing this text, and it is a pleasure to acknowledge my debt to these authors and their publishers, several of whom have allowed me to include statistical data and diagrams from their publications.

I should like to thank the editorial staff of McGraw-Hill whose valuable help I have enjoyed for some years. It is also a particularly pleasant duty to thank my secretary, Miss Janet Young, who expertly and patiently typed the manuscript.

Finally, and as on other occasions, I dedicate this book to my wife and family.



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PART  
**ONE**

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INTRODUCTION



## THE MARKETING CONCEPT: A REVIEW

Marketing as an activity is not, of course, new; it has been practised in rudimentary fashion by traders for thousands of years. But in advanced industrial economies, where specialization of production, labour, and managerial talents are widely adopted, marketing has developed as a distinct and important area of management activity and responsibility. It has assumed the role of the entrepreneur in identifying market opportunities and relating these to the skills, productive capacity, and other resources of a company. This has included assessing the nature and degree of risk involved in entering specific product markets. The intimate personal knowledge of their customers' needs which craftsmen and small local manufacturers possessed at one time suffered when large-scale production plants generally superseded them. Products were no longer designed and made to suit individual requirements; mass-production techniques demanded uniformity, and at the same time more distant markets had to be developed to take up the vastly increased volume of production. The gap between producer and consumer widened as a result of this industrial and commercial metamorphosis.

Modern economies are developed by individuals acting in their dual roles of producers and consumers. A bewildering variety of goods and services is demanded by those who live and work in countries which have attained economic maturity. Some of these products and services may well be considered to be unattractive or even luxuries by people whose tastes or life-style reflect different cultural and social behaviour. In attempting to satisfy these heterogeneous needs, manufacturers, merchants, builders, bankers, and others organize their resources and apply their skills and energies. All these activities generate the production and availability of goods and services offered for value in exchange, viz. money, to people and organizations in both home and overseas markets. From this manufacturing and trading activity derives the wealth of a nation. The interaction of demand and supply in competitive markets sets the pace of bargaining – a process virtually as old as man himself and one, indeed, which children practise at a very tender age.

About 200 years ago, Adam Smith observed: 'Every man . . . lives by exchanging or becomes in some measure a merchant'.<sup>1</sup> Everyone in some way is involved in the fundamental economic activity of exchange; some are deeply immersed in it, with trading interests spread across the world; others may not be actively in business, but they still require many goods and services for their personal and family consumption. Doctors, lawyers, teachers, shopkeepers, manufacturers, designers, hoteliers, and others are all practising 'marketing' to some extent, because they all form part of the fabric of economic society, to which they contribute by offering specific goods and services for sale. Admittedly, in some cases, like medical expertise available under the British National Health Service, or teaching

## 4 INTRODUCTION

skills exercised in public authority schools, the exchange process does not involve direct financial settlements. But the practitioners in these types of economic activity are unlikely to prosper unless they adhere to acceptable standards of professional behaviour.

The concept of exchange lies at the heart of economic and social life. Without the facility of exchange, many needs could not be satisfied, but the specialization of labour and other resources, and organized distribution and selling, result in people and companies having access to a vast array of goods and services.

Exchange, as Kotler notes, assumes four conditions:<sup>2</sup>

1. There are two parties.
2. Each party has something potentially valuable to the other.
3. Each party can communicate and deliver.
4. Each party is free to accept or reject the offer.

Provided these basic conditions are fulfilled, the parties can proceed to negotiate acceptable terms of exchange that will be beneficial to them. Motives to buy will, of course, vary considerably, according to influences such as urgency of the need, prestige, safety and security, or aesthetics. Alternative attractive offers may be evaluated; time and other scarce resources will come into the equation of value. Samuelson defined economics, in fact, as . . . 'the study of how men and society choose, with or without the use of money, to employ scarce productive resources, which could have alternative uses, to produce various commodities over time and to distribute them for consumption, now and in the future, among various people and groups in society.'<sup>3</sup>

Marketing, as will be discussed further in this chapter, is a specialized function concerned with the exchange process which underlies the satisfaction of human and organizational needs. As these needs become more sophisticated, production and marketing resources are organized to provide specific types of goods and services. Resources, even of large firms, are limited — at least in the short term — and so management must carefully decide how their corporate resources will be most usefully applied. In markets where there is competitive activity (and virtually all markets today have this common characteristic), firms will need to know a great deal about the nature of demand and the alternative sources of supply related to particular kinds of products and services. The principle of choice is central to a free market economy: buyers demand variety and select according to their criteria of value; suppliers choose to enter certain markets because the prospects of doing business there are more promising than elsewhere. The market mechanism acts as a spur to enterprising manufacturers, merchants, and professional workers to offer attractively designed and priced goods and services in competition not only with home producers but frequently with those from distant lands. The end result, in theory at least, is to add to the economic and other satisfactions enjoyed by individuals and organizations through improved productivity, better standards of living, increased profitability, and higher GNP.

### 1.1 DEVELOPMENT OF THE MARKETING FUNCTION

Marketing as a separate, identifiable function of management has evolved from the business philosophy which recognizes the importance of the customer to the success of the business. This may seem a very commercial viewpoint, but it is at least realistic, because two parties, as already discussed, are involved in the process of exchange: the supplier and the buyer. In some organized activities, such as medical, legal, or accounting professions, users or buyers are customarily referred to as clients. Art galleries have patrons and visitors; teachers have pupils or students; hospitals have patients; charities have donors. But in every case, a mutually satisfactory relationship has to be established if both parties are to continue their exchange. Without clients or customers, no business or other under-

taking can exist for long; as Drucker remarked some 20 years ago: 'The customer is the foundation of a business and keeps it in existence'.<sup>4</sup>

This very basic creed has not always been readily accepted and practised. At one time — in the immediate post-war years in Britain, when there were artificial restrictions on trading, such as furniture and clothing coupons, raw materials licences, etc. — many products were difficult to buy, and a sellers' market operated (when satisfactory sales figures could be achieved fairly easily because people and companies were willing to pay almost any price to obtain goods in short supply). In the early 'fifties, the Conservative government of that period held a 'bonfire of controls' which liberated industry and exposed it once more to the brisk atmosphere of competitive business.

Consumer products were the first to experience the decline of a sellers' market and the strong development of a buyers' market. These conditions were world wide, moreover, and from the early 'fifties, companies became increasingly aware of the need to know more about the preferences, prejudices, and buying habits of those who bought their products or services. The days of easy trading were numbered, and no company could expect to survive for very long if customers' needs were not adequately met.

On the whole, manufacturers of consumer products have successfully answered the challenge of the market place. Some have not survived; others have sought the shelter of larger and more enterprising organizations. Few could prosper in today's harsh economic climate without being aware of the dynamic conditions which operate in most markets and which could significantly affect the demand for their products.

But until comparatively recently, the 'marketing revolution' appeared to have by-passed the industrial and institutional areas of activity. To a considerable degree reluctance to adopt the technique of modern marketing appears to rest on a false premise: that marketing is very suitable, no doubt, for soap, chocolates, and cosmetics, but our products and services are vastly different; 'they don't need all these fancy methods of selling'. Technical cleverness and complexity are thought to be sufficient in themselves: commercial skills, such as marketing, are discounted by such firms.

But economic history has a different story to tell:

The response of the cotton industry to increased competition and tariffs in the sophisticated export markets (of the late Victorian and early Edwardian period) was not so much to change products or improve design or to cut costs by radical innovation and reorganisation. Rather it was to maintain largely traditional-style products and technology, with slowly improving efficiency, and to rely increasingly on traditional-style markets in India, the Far East and the Empire. The great investment in new mills in Lancashire between 1895 and 1914, based upon the renewed expansion of exports, was in largely traditional technology.<sup>5</sup>

This indictment of what was once the major industry in the British economy and its greatest single exporter, reflects, sadly but truly, the pitiful responses of British management over many industries since that time. In October 1970, for example, the Machine Tools Economic Development Committee published the results of a detailed and objective study of the marketing methods of successful firms in the British machine tool industry.<sup>6</sup> Their report, based on a two-year intensive study of manufacturers, merchants, and agents by the P.E. Consulting Group, stated it was 'vitally important' for many companies to improve their marketing techniques.

Successful firms were characterized by their whole-hearted commitment to serving the needs of their customers. Every executive in these companies — from top management down through the entire management structure — was personally oriented towards the customer. Marketing attitudes generated the specific motivation of these successful companies.

After carefully noting the valuable role played by systematic marketing research and product planning, the report emphasized the responsibility of the selling function. It was felt that many companies could improve their selling methods considerably. Selling effort should be planned carefully and directed at all levels of customers' staff likely to be concerned in the buying decision.



This may involve salesmen in patiently analysing and identifying those who are 'key' influences, particularly where complex negotiations are involved.

The findings of the machine tools 'Little Noddy' indicate that the decision-making processes of modern industry should not be considered in isolation, for they are inextricably linked with human factors which are fundamental in organizational behaviour.

Complacency, therefore is ill founded in industrial markets. The skills of modern marketing can usefully be applied to *all* types of products or services, wherever they may be offered for sale. The actual techniques used in industrial marketing are not, of course, simply transferred from consumer product markets: they are adapted for effective use in a vastly different environment. But the fundamental concepts and practices of marketing remain the same, and over 20 years ago these were cogently expressed by PEP, the independent research organization which investigated 47 British industrial firms' attitudes to marketing:

Productive efficiency is not the sole criterion of an efficient economy. It is also necessary that the goods produced should be what the consumer requires. Such a simple proposition would need no emphasis, were it not for the fact that in many British firms production is still carried out with small regard for marketing.

The essence of marketing is that a firm will make what it can sell rather than sell what it can make. Marketing therefore required an assessment of consumer needs through market research and the orientation of all the firm's activities towards the satisfaction of those needs.<sup>7</sup>

Further enthusiastic support for the role of marketing in industrial and technical fields appeared in an article in a leading engineering journal:

... Among the old school of businessmen there used to be a saying that 'excellence always tells'; which may have been true once-upon-a-time, but certainly is no longer. In these highly competitive days the marketing man has to *tell* the world about the excellence. He has, also, to tell the engineers what the world wants. Otherwise the engineer's product, however beautifully engineered and however well finished, will gather dust in storage, eating up expensive space, while a flood of inferior products captures all the custom ...

Far too many firms are still production oriented instead of market oriented. For historical reasons this is more particularly a vice of engineering. The tradition dies hard that British is necessarily the best and that the world is averse to have it. The disease can strike any firm ... Sometimes managements fall so much in love with their own product that they convince themselves it must always remain supreme. A case in point on the large scale was that of steam locomotive manufacturers, quite sure that steam would always hold its own, who suddenly found it displaced by diesel electric engines.<sup>8</sup>

The resistance to accepting marketing as having a purpose in industrial and technical organizations is by no means confined to the UK. In the USA, for example, a director of McKinsey and Co. reported in the *Harvard Business Review* that a capital goods company's management policy was always to sell the largest, highest-powered, most maintenance-free units possible because this suited their manufacturing facilities.<sup>9</sup> However, customers began to prefer smaller, less costly units 'without the rugged engineering characteristics required for maintenance-free operation'. The firm's marketing executives recommended a major redesign of the product line, but they were strongly opposed by the manufacturing and technical experts, who argued strongly that the current product design and cost structure were superior to any competition. All that was needed, they said, was a better selling effort; this was demanded by top management who accepted the technical experts' views. Only after the company had lost a substantial share of its market was the president willing to reject the opinions of the engineering and manufacturing executives and order the whole range to be redesigned. 'Now that he has, things are looking up. In a situation like this, it is unrealistic, of course, to expect a dramatic turnaround.'

## 1.2 CHARACTERISTICS OF MARKETING

The gradual evolution of marketing as a specific function of management has just been discussed; it originates from the basic concept of value exchange. Sensitivity to the perceived needs of the customer or client is the first step towards marketing effectiveness. In Drucker's vivid phrasing: 'Marketing . . . is the whole business seen from the point of view of its final result, that is, from the customer's point of view.'<sup>10</sup>

Marketing has two particular characteristics or qualities: it is a philosophy based on customer orientation and satisfaction: a way of thinking about the business in terms of customer satisfaction. But, as Kotler says: 'It is one thing to exhort a customer orientation and another to implement it. Several steps must be taken by the firm wishing truly to practise a customer orientation'.<sup>2</sup>

Concepts, if they are to be fruitful, have to be applied, so marketing has to be implemented through effective management.

Hence, marketing is an activity which, inspired by its basic philosophy, and working closely with other specialist functions of management, helps to stimulate demand for those products and services that can be supplied, profitably, within corporate resources.

So, marketing is not just a message — it is also a mission. Like management, it entails thinking and doing. Successful management is not achieved haphazardly; it demands clear, conceptual thought, an analytical approach, and the ability to implement soundly based decisions.

Definitions of marketing are many and often turgid. The British Institute of Marketing definition is as good as most of them: 'Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably'.

From this definition, the first emphasis is on the fact that marketing is a *management* function which, like other specialist managerial functions, has its particular expertise and responsibilities. These responsibilities involve the vital tasks of identifying market needs, of anticipating trends in demand, and of planning to supply, at a profit, acceptable products and services. As an entrepreneur, the marketing manager must be seeking new market opportunities; he will be concerned with objective assessment of both present and future market behaviour. Anticipating what may be needed by people and by organizations is, indeed, one of the most difficult tasks facing marketing management. (The subject of innovation is discussed at some length in Chapter 11.)

Satisfying customers or clients must be the guiding principle of all businesses; this is only possible if these conditions are satisfied.

1. Prior research has established the kinds of benefits that were being sought from the purchase or use of a specific product or services.
2. The goods or services provided were designed to give those particular satisfactions. These benefits, as later discussion will show, can be complex and dynamic.

Markets seldom experience static conditions, especially today, when technological change and planned innovation have speeded up the pace of competition. Even successful products have a shorter expectancy of life than a few years ago. The costs of developing new products grow remorselessly each year, while the risk of failure haunts the dreams of entrepreneurs. Lack of success with a new product range may involve a company in substantial financial loss, apart from the social costs resulting from short-time working or closure of manufacturing plants.

Marketing management has therefore the responsibility of identifying customers, of evaluating their present needs, and also of predicting their likely future requirements: management has to live in both the present and the future. Future opportunities must be examined, realistically, and critically surveyed in the light of the present state of the organization. The enterprise must be kept healthy to ensure that it will live to enjoy the future successes which are planned. Marketing management should aim, therefore, to retain the initiative in their product markets by carefully planning inno-

vative products in collaboration with technical experts. Perhaps the Institute of Marketing's definition would be acceptable and applied more widely if 'profitably' were replaced by 'efficiently' or 'according to the objectives of the organization'. This would then allow the function of marketing to be seen as relevant to non-profit-motivated organizations, such as the public sector services, charities, sports and recreational clubs, etc. To function well, these organizations should certainly be responsive to the needs of their clients, patients, and members.

Private sector businesses and public welfare organisations have different, prime motivations, but they share a common objective: to provide acceptable benefits to members of society . . . The optimum allocation of scarce resources concerns not only commercial firms but should also be the direct interest of those who formulate policies in the public service.<sup>11</sup>

### 1.3 SERVICE ECONOMY

Britain, in common with the other advanced countries, has an economy which is increasingly dependent for employment opportunities and national wealth on the service industries. Traditionally, three main sectors of economic activity have been defined: primary, secondary, and tertiary. The first refers to agriculture, mining, forestry, and fishing, which are significant occupations in less developed economies; the second relates to the manufacturing and construction industries which gradually supplant the primary sector as the major source of national wealth; the third concerns the service and distributive trades – sometimes termed 'incorporeal production' – which, as noted, are now the largest generators of economic activity in the UK.

An advanced economy depends heavily on the efficiency of its service industries. These cover vital economic and social contributions, such as health and social welfare, education, banking, law, insurance, technical and professional assistance, transport, energy, electronic communications, etc. Everyone in an economy is affected to some degree or other by the services provided by the public and private sectors. In many cases, the impact of these services is particularly personal; in other instances, the efficiency of technical and professional services is crucial to the productivity of the manufacturing sector. As is well known, Britain's balance of payments has been given invaluable assistance from 'invisible' exports derived from the insurance, banking, brokerage, and similar services.

Marketing techniques can and should be applied to the service sector industries. Market research, for example, can be most valuable in designing and developing banking, insurance, and other professional services. It has been used effectively in the areas of health and social welfare to identify specific populations and to organize special types of care; for example, for older people or for the disabled. (More detailed discussion occurs in another text.)<sup>11</sup>

In Britain, the service economy has evolved into what is often described as a *mixed economy*, in which the public sector and private sector activities have become largely interdependent. As noted earlier, the public services of health, welfare, and education play a crucial part in economic and social life. In addition the public corporations responsible for energy generation and distribution, postal and telecommunications, and rail transport add very significantly to the national economic effort.

These public sector undertakings consume vast resources and affect the lives of millions, as well as the overall efficiency of businesses. They too should be market oriented.

### 1.4 MARKETING IS A TEAM EFFORT

Several management specializations contribute to corporate success: production, design, research and development, purchasing, finance, personnel, and marketing: all have distinctive roles to play