Chapter One

THE MARKETING CULTURE

LEARNING OBJECTIVES *This chapter will help you to:*

- appreciate the scope and meaning of marketing in the contemporary organization;
- understand the distinction and links between marketing as a concept and marketing as a management function;
- understand the development of the marketing concept, the evolution of the marketing-oriented organization and the distinction of marketing from a sales or product-oriented approach;
- assess the implications of marketing orientation and the development of marketing activities within an organization;
- understand the basic tasks and responsibilities of the marketing manager;
- appreciate the changing nature of marketing in the contemporary organization and the factors which underpin these changes.

INTRODUCTION

The marketing way of management is not a particularly complex or original notion; indeed, the saying 'the customer is always right' is as old as business itself. Marketing is really a business orientation based on this principle, which has grown and developed into a management discipline over the years. Marketing is not narrowly confined to a particular office or department: it is an attitude of mind, an approach to business problems that should be adapted by the whole organization, from the chairman and chief executive down to the lowest levels. This company-wide view of marketing has led to the use of the term 'marketing culture' to describe the company-wide orientation which is needed to adopt the marketing philosophy effectively. Because a marketing culture is so important in contemporary marketing we shall examine this concept again later in the chapter, but briefly what is at the core of the marketing concept or culture?

Marketing is based on the concept that the customer is the most important person to the company. In order to prosper or even survive, every company must work hard to retain its existing markets and continually strive to secure new and profitable customers. The marketing concept puts the emphasis on *customers* and the identification and satisfaction of customer requirements. Such an orientation to business consequently results in the customer becoming the focus of the company's activities, and most successful companies in the world owe their prosperity to the adoption and application of this marketing concept.

In starting our discussion of marketing, it must be stated that, although the concept of marketing is relatively straightforward, the term 'marketing' often means different things to different people. This confusion is not restricted to the ordinary person in the street. There are still many business people who have not fully grasped the importance of the marketing concept. The objective of this first chapter is to explain clearly what the marketing concept is all about and to compare and contrast it with less sophisticated approaches to business which, even today, are still practised by many business firms. Of course, like most things to do with organizations, situations develop and change. This is as true for marketing as for any other area of business and indeed it might be argued that in fact the marketing function is subject to even more forces for change than other functional areas of the business. This chapter therefore is also concerned to look at recent trends in both the concept and application of marketing in the modern business. As we shall see, both thinking about what marketing is, and how it is being practised by organizations, is constantly evolving and changing. The successful practitioner of marketing must not only be aware of the key ways in which marketing is evolving and changing but indeed must increasingly be able to anticipate the way that marketing thinking and practice is moving.

A DEFINITION OF MARKETING

It was explained above that the marketing approach to business is really quite straightforward and that the basic principles of marketing have been used to a greater or lesser degree for as long as mankind has engaged in trading activity. In this sense, marketing is a rather old subject, although the name 'marketing' is relatively new.

As far back as 1775, Adam Smith,[1] the father of modern economics, wrote the following passage in his famous work, *The Wealth of Nations*:

> Consumption is the sole end and purpose of all production and the interests of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer.

In the above statement Adam Smith has given the essence of what modern marketing is all about. The very word is *consumer*, as it is the identification and satisfaction of a *consumer's requirements* which forms the basis of modern marketing.

Although the essence of marketing is as old as trade itself, marketing emerged as a serious subject of study and has been accepted as a major management discipline only since the middle of the present century. In this sense, marketing is a very new subject concerned with the analysis of conditions and forces that make for successful commercial exchanges.

In certain commercial subjects, for example accountancy, it is possible to give a reasonably accurate definition of the scope of the subject in a few lines. Such a straightforward, simple definition, however, is more difficult to find in the case of such a wide-ranging subject to marketing. This is not because a definition of marketing does not exist. On the contrary, the problem is choosing the most appropriate one as there are so many definitions.

Because marketing is such a wide-ranging topic, different people often look on the subject from different viewpoints or give the subject a particular emphasis. To some extent such different viewpoints result from the academic background or the area of employment of the person giving the definition. For example, many people often go into marketing after studying economics, and tend to give the subject an economic slant. Others have worked for many years in a specialized area of marketing, e.g. market research or advertising, and hence tend to regard their particular area as the most important facet of marketing.

The following list is a sample of the wide range of definitions given for the subject:

> Marketing is a social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.[2]
>
> Marketing consists of individual and organizational activities that facilitate and expedite satisfying exchange relationships in a dynamic environment through the creation, distribution, promotion and pricing of goods, services and ideas.[3]
>
> Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.[4]
>
> Marketing is selling goods that don't come back to people who do.[5]
>
> Marketing involves the integrated analysis, planning and control of the marketing mix variables (product, price, promotion and distribution) to create exchanges and satisfy both individual and organizational objectives.[6]
>
> Marketing is the identification, establishment, maintenance and enhancement of relationships with customers and other stakeholders, at a profit, so that the objectives of the parties are met.[7]

The generally accepted UK definition is the one given by the *Chartered Institute of Marketing*, which reads as follows:

> Marketing is the management process which identifies, anticipates, and supplies customer requirements efficiently and profitably.

The reader will appreciate that, although there are many generally accepted definitions of marketing, there is no one unified definition. All of the definitions given above are correct while at the same time all are slightly different. Because of the difficulty of incorporating all the facets of marketing into a simple definition, let us instead look at a number of key points which will help clarify the situation:

1. Marketing focuses the firm's or individual's attention towards the *needs* and *wants* of the marketplace.
2. Marketing is concerned with *satisfying* the genuine needs and wants of specifically defined target markets by creating products or services that satisfy customer requirements.
3. Marketing involves analysis, planning and control.
4. The principle of marketing states that all business decisions should be made with a careful and systematic consideration of the *user*.
5. The distinguishing feature of a marketing-oriented organization is the way in which it strives to provide *customer satisfaction* as a way of achieving its own business objectives.

6. Marketing is *dynamic* and operational, requiring action as well as planning.
7. Marketing requires an improved form of business organization in order for it to be able to lead and catalyse the application of the marketing approach.
8. Marketing is both an important functional area of management and an overall *business philosophy* which recognizes that the identification, satisfaction and retention of customers is the key to prosperity.

This last point is particularly important, as much of the problem of definition and misunderstanding over the term 'marketing' stems from the confusion between the *function* of marketing and its *philosophy*. The term 'marketing' is used to describe both the techniques used by the marketing department and the overall marketing orientation of the firm. Marketing is in fact both a functional area of management and a business philosophy or, as we termed it earlier, a company-wide culture

MARKETING AS AN OVERALL BUSINESS PHILOSOPHY: THE MARKETING CULTURE

Many successful companies see marketing as the keystone of their business. Such firms do not see marketing simply as yet another functional area of management but more as an overall business philosophy, a way of thinking about business, and a way of working which runs through *every aspect* of the firm's activities. Hence, marketing is viewed not as a separate function, but rather as a profit-oriented approach to business that permeates not just the marketing department but the *entire business*. Looked at from this point of view, marketing is seen as an attitude of mind or an approach to business rather than a specific discipline.

The holistic view of the role of marketing within the firm has been expressed by a leading authority on management thinking, Peter F. Drucker,[8] who stated:

> Marketing is not only much broader than selling, it is not a specialized activity at all. It encompasses the entire business. It is the whole business seen from the point of view of its final result, that is, from the customer's point of view. Concern and responsibility for marketing must therefore permeate all areas of the enterprise.

This marketing-oriented business philosophy is referred to as the *marketing concept* or *culture*. It is a philosophy that puts the customer at the very centre of the firm's corporate purpose. Marketing cannot exist in a vacuum. To be really effective it must permeate the whole company. What is needed is an integrated approach, not just the creation of a marketing department. It is the company's whole approach to business problems that is the key issue. It is the adoption of a business philosophy that puts customer satisfaction at the centre of management thinking throughout the organization that distinguishes a marketing-oriented firm from other less enlightened companies. Such an approach to business propels the marketing-oriented company into new activities and new opportunities and away from the narrow preoccupation with selling existing products to existing customers. Marketing cannot begin to be effective within a company unless it has the firm support of general management and penetrates every area of an organization. As we shall see later in the chapter, in fact perhaps one of the most significant developments in the concept of marketing and hence the application of marketing practices in organizations, is the increasing recognition of this need to adopt Drucker's holistic view of the role of marketing and for marketing therefore to become the guiding philosophy for the whole organization. Put simply, a marketing 'culture' must pervade every aspect of the organization's operations.

The question we must ask ourselves is why, if the marketing concept is so simple and straightforward, has it been only relatively recently that firms have adopted it as a serious business philosophy? To answer this question, and to see how the marketing concept has evolved over the years into the form accepted today, we need to take a historical perspective and look at the development of trade.

MARKETING IN A HISTORICAL CONTEXT

Marketing is principally concerned with exchange or trade. Trade in its most basic form has existed ever since mankind has been capable of producing a surplus.

In historical terms surplus was usually agricultural produce, which would then be traded for other goods such as pots or cloths. This early process of exchange brought about the existence of the local market and later the village fair to facilitate trading. The emergence of trade allowed people to specialize in producing particular goods and services and to exchange them in markets for other goods they needed.

THE ECONOMIC ROLE OF EXCHANGE

If individuals and organizations within our society were totally self-sufficient and could survive without the need for exchange, there would be no need for marketing. However, in a modern society, virtually everyone depends upon exchange for economic welfare. An organized system of exchange, based on formalized procedures and an explicit legal framework, is fundamental to the working of any modern industrial economy.

Exchange is the act of obtaining something of value, usually a product or service, from another party, an individual or organization, by offering something of value to the other party. The thing of value offered can be another product or service resulting in a simple barter agreement, although in modern exchange transactions money is usually used as a medium of exchange. The act of exchange is an important economic process because it actually *creates value*. The act of production creates wealth, but the value of this wealth is greatly enhanced through the exchange process, which allows an individual or organization a greater range of consumption possibilities, resulting in greater satisfaction and utility all round.

Hence the exchange process is central to the subject of marketing, which, broadly speaking, can be said to be concerned with how, why and when consumers choose to satisfy needs and wants through exchange.

THE INDUSTRIAL REVOLUTION

Before the Industrial Revolution the production and distribution of goods tended to be on a small scale. Producers generally sold their products to a very localized market. The period 1760–1830 saw the British economy transformed from its dependence on agriculture with a dramatic increase in industrial production. With industrialization and the development of machines, production became more geographically concentrated, carried out in purpose-built mills or factories. Enterprises were now on a much larger scale and manufacturers produced relatively large volumes of products, not only for a localized market but for a national and even an international market. Although this period brought many social problems, economic activity and production expanded dramatically, particularly from the end of the eighteenth century. The development of the heavy industries such as iron and coal, the availability of steam power to drive machinery, the greater use of machines in all industries, particularly textiles, and the equally dramatic developments in communications, transport, agriculture and commerce transformed the economy, resulted in the growth of the factory system and saw the migration of the population from the countryside to the new industrial towns.

During this period trade flourished, but because consumption had now become more dispersed over greater geographical distances, producers no longer had immediate contact with their markets. In order for producers to be able to manufacture goods and services that would sell in such markets, it became necessary for them to *analyse* carefully and *interpret* the needs and wants of customers and to manufacture products that would 'fit in' with those needs and wants.

This process of matching the resources of a firm to the needs and wants of customers was termed 'entrepreneurship'. Generally, the entrepreneur was the individual who 'carried' the firm; for example, Josiah Wedgwood epitomizes the traditional entrepreneur. In a sense, the entrepreneurs were practising an early form of marketing although they did not actually call it such.

This period also saw advancements in production techniques based on job specialization and the division of labour. Prior to industrialization, production was carried out by the craft industries. In the craft industries, work was based on specialization in the production of a particular product, with the producer engaged in all the processes of production. The craftsmen would then trade their specialist product in order to obtain goods and services produced by other craftsmen, who of course also specialized in the production of a particular product. A skilled craftsman, e.g. a blacksmith or a cobbler, develops a high degree of skill in carrying out a particular activity. The craft industries were based on an early form of division and specialization of labour, productivity and output.

Industrialization saw the process of specialization and division of labour taken even further. The process of producing a product was broken down into stages or activities. Individuals then specialized in a particular operation. This resulted in a higher level of skill and speed and a greater amount of output than was possible when individuals had to carry out all the operations in the production of a product. The increase in job specialization increased the need for *exchange*. Specialization resulted in greater productivity, which in turn reduced costs and hence the price of products. Larger scale production meant that channels of distribution had to be created to enable the effective demand from a much larger market to be met. The period of the first Industrial Revolution laid the foundations of the modern industrial economy, in which we now have a sophisticated system of institutions and economic organizations carrying out specialized activities in manufacturing, distribution, communication and finance to facilitate modern-day commercial activity, which of course is still based on the fundamental concept of trade or exchange.

THE MID-NINETEENTH CENTURY TO THE PRESENT DAY

From the middle of the nineteenth century to almost the beginning of the twentieth century, Britain was a dominant force in the world's economy. Throughout the nineteenth century both Britain's industrial output and the world's demand for that output had dramatically increased. The main factor underlying this industrial growth was the development of international trade. Britain was still seen as the 'workshop of the world' and held a virtual monopoly in the supply of manufactured goods to the relatively underdeveloped countries of the British Empire.

The latter half of the nineteenth century saw the emergence of other countries as competing industrial powers, most notably the United States of America and Germany. The rapid development of industry in these countries resulted in a significant increase in total output. Although Britain faced fierce competition in the areas of coal, steel and textiles, the period up to the First World War continued to be one of industrial expansion. Although Britain's share of world trade declined, the actual value of her trade increased as the incomes generated in other countries resulted in an increase in total demand.

During the First World War Britain's economy was concerned with the war effort. After the war Britain discovered that many of her previous overseas markets were now trading with her new industrial *competitors*. The financing of the Second World War resulted in Britain selling off many of her overseas investments. As a result, trade was even more important to the country's future. The period since 1945 has seen a decline in the importance of the traditional Empire and Commonwealth countries as overseas markets. Attention is now focused on the United States, Japan, and particularly countries in the European Union.

Despite an overall growth in world demand, the increase in world productivity has resulted in the excess supply of many products, e.g. steel and textiles. The international situation has changed from a sellers' market, where there was once a virtually insatiable demand for everything produced, to a buyers' market. Today we have a large number of producers competing to supply a finite market. Modern industry, as we have seen, is based on the process of mass production which necessitates *mass consumption*. Today, in order for a product to be commercially successful, it must be produced in sufficient volume. In order for producers to achieve a sufficient level of demand, they must produce products that the market *wants to buy*. Simply to produce is no longer enough. To be competitive, firms not only have to take the needs and wants of the market into consideration: they have to *start with them*.

Today's modern organizations have become larger and more complex to manage. Markets too have changed and consumers' tastes have become more sophisticated. In the modern firm the entrepreneurial function is rarely left to one individual, but has developed into a management function and overall business philosophy that we now term marketing.

It can be seen then that marketing has its historical roots in trade and entrepreneurship. Marketing to a greater or lesser degree has always been practised by successful firms, albeit in a rather unsophisticated manner. It is only in modern times that it has developed as a formalized business concept with a codified philosophy and set of techniques. The realization by producers that they needed to take the buyers' points of view into account has slowly developed since the onset of industrialization. However, it has only been over the last 30 years that this growing realization has matured into the ideological breakthrough we now call marketing. Manufacturers eventually realized that, not only must they take the buyers' needs and wants into account, but these were the starting-point in the production of goods and services. This 'marketing maturity' did not happen overnight, but was a gradual process. Even today there are many firms that really only pay 'lip service' to the marketing concept and have still some way to go before they can truly claim to be *marketing-oriented*.

THE PRODUCTION-, SALES- AND MARKETING-ORIENTED FIRM

Many organizations pass through several stages of business orientation before fully adopting the marketing concept. Broadly speaking, even today there are three types of company:

1. Production-oriented
2. Sales-oriented
3. Marketing-oriented

Most marketing-oriented companies have evolved over the years, passing through the first two stages before reaching the third. Let us look at these various stages in a little more detail.

Production orientation

We saw earlier that in the nineteenth century and early part of the twentieth century the fundamental role of business was seen as production. Manufacturers were in a suppliers' market and were faced with a virtually insatiable demand for goods and services. Firms concentrated on production and productive efficiency in order to bring down costs. Product decisions were taken first and foremost with production implications in mind. Firms tended to manufacture and offer products that they were *good at producing*, with customers' requirements and satisfactions of secondary importance. Firms tended to be 'production-oriented', and the production man was the most important person in the organization, as it was thought that he held the key to the firm's prosperity. This production mentality was a workable philosophy as long as a sellers' market existed. However, many firms had to change their attitude as the world economy drifted into recession in the 1920s and 1930s and to produce was no longer enough.

Manufacturers who focus their attention on existing products and pay little or no attention to the changing needs and wants of the marketplace are in danger of one day discovering that they have no customers. Such firms suffer from what is often termed 'marketing myopia'. This is a very shortsighted viewpoint where firms are so busy concentrating on their products that they fail to take customers' requirements into account.

It is strange that even today firms can be found who pay little regard to the needs and wants of their customers and still have the production concept as the guiding philosophy of their businesses. Such firms take the attitude that they produce excellent products and common sense dictates that people will want to buy them.

Naturally, consumers have to be informed and convinced of the superiority of the company's products, and this task is entrusted to the salesforce. If consumers are not buying the firm's products, then as far as the company is concerned there can only be two possible reasons:

1. The customer is ignorant and does not appreciate a good product.
2. The salesforce is inept.

Many firms have, in their own opinions, produced excellent products, but not necessarily of the type customers want to buy. The British motorcycle industry produced fine-quality machines, but consumers preferred the styling and range offered by Japanese manufacturers.

In a production-oriented company senior personnel such as the chairman and managing director are likely to have production backgrounds. Such companies are likely to have a small sales department which handles traditional marketing functions such as advertising. The greatest importance is placed on production. Under the production concept the salesperson's task is a relatively minor one; he or she has to sell what the firm has produced. Such a firm is typically organized as shown in Fig. 1.1. The sales area is viewed as a service function, and so the sales manager is not part of top-level management.

Sales orientation

The world economic recession of the early twentieth century concentrated the minds of business people. Many firms failed and fortunes were lost. Unemployment was high and effective demand slumped. Production capacity was underutilized and there were many unsold goods. Gradually business people began to realize that it was not enough simply to produce goods as efficiently as possible. For profits to materialize, such goods had to be sold.

The guiding business philosophy of many firms switched from production to sales orientation. The salespersons and the sales manager now became the most important people in the organization. The firm could manufacture the goods, but these goods still

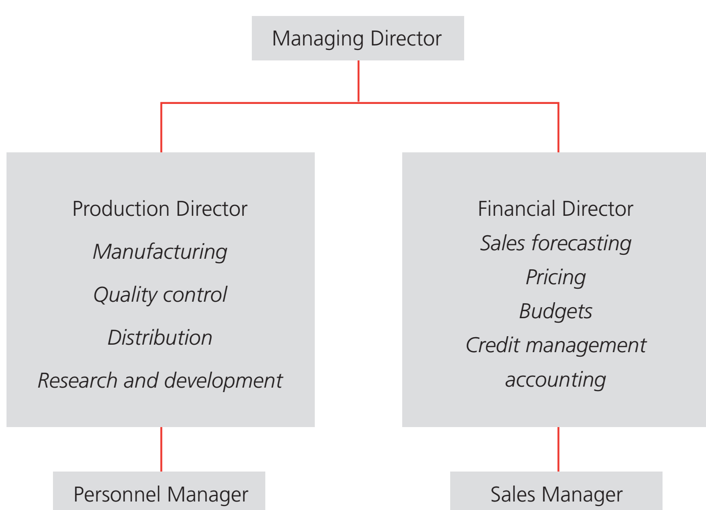

FIGURE 1.1

The organization of a production-oriented firm had to be *sold*. The sales concept stated that effective demand could be created by sales techniques, and it was thought that the sales department held the key to the firm's future prosperity and survival.

In a sense, sales orientation was a conceptual step forward because, although goods and services were still produced with little regard to customer requirements, at least it was realized that products did not sell themselves as a matter of course.

This period saw the development of a number of techniques that are still used today in modern marketing. In order to achieve a competitive advantage, greater importance was attached to product differentiation and branding. Advertising, sales promotions and other sales techniques were increasingly used to achieve a 'sales angle'. These techniques were still used to *sell* the product rather than to communicate and inform or to increase customer satisfaction. Although these methods are still used today, it was the ethos with which they were used that distinguishes the sales approach from modern marketing practices, with the emphasis on the *hard sell*.

Even today many people think of marketing as being synonymous with selling and promotion. In a wide-ranging study of the meaning and practice of marketing in UK business, Hooley *et al*[9] found that nearly 10 per cent of the organizations in their sample still viewed marketing's primary functions as being sales and promotional support. For perhaps obvious reasons they described these types of companies as being '*sales supporters*' with regard to their view of the nature and practice of marketing. Although personal selling forms an important part of a firm's marketing programme, especially in industrial markets where personal contact with customers is of particular importance, it is not necessarily the most important element of marketing. In fact, selling is only one of several functions for which the marketing department is responsible. Personal selling is but one of an array of marketing tools, each of which has a particular part to play in the overall scheme of things. Individually, such tools are only part of the firm's overall 'marketing mix' or set of marketing tools which must be finely tuned to achieve maximum impact in the marketplace.

This is not to say that selling is of no importance: rather that, if the firm has applied the concept and techniques of marketing, i.e. identified consumer needs, produced appropriate products, priced, packaged, promoted and distributed the product correctly, then consumers should *want to buy* the product rather than the firm having to rely on intense selling. At the extreme, Peter Drucker,[10] one of the world's most respected management theorists, has stated:

> There will always, one can assume, be need for some selling. But the aim of marketing is to *make selling superfluous*. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available . . .

In a sales-oriented firm its whole business philosophy is centred around sales. Often these firms believe that with some young, highly motivated salesmen, hungry for success and with a well worked out incentive scheme, they can sell anything. Sales volume is the most important criterion, and planning horizons tend to be relatively short term. The actual customer, and how customers might perceive the value or utility of the goods being 'sold', is of secondary importance. Philip Kotler[11] defines this selling concept as one which holds that:

> Consumers, if left alone, will ordinarily not buy enough of the organization's products. The organization must therefore undertake an aggressive selling and promotion effort.

From the above definition, the implicit premises of the selling concept are as follows:

1. Consumers can always be induced to buy more through various 'sales techniques'.
2. Consumers tend to resist purchasing and it is the salesperson's job to overcome this.
3. The firm's key task is to organize an effective salesforce.

In a sales-oriented company the sales function is given equal seniority with finance and production. Such a firm is likely to be organized as shown in Fig. 1.2.

The basic assumption of firms practising the selling concept is that their goods and services are 'sold' not *bought*. The aim of these firms is to get the sale and not worry about post-purchase satisfaction; customer satisfaction is considered secondary to getting the sale.

Examples of such selling situations are:

1. Certain double-glazing, burglar alarm, loft conversion, cavity wall insulation and other home 'improvement' companies: once they have a 'lead' from an unsuspecting target, they send round a high-pressure salesman with a 'foot in the door' approach.
2. Many insurance companies, which search out potential customers and 'hard sell' them on the benefits of life insurance.
3. Encyclopedia companies, which often disguise their real intention through an 'educational survey' and other devious methods.

A sales approach to business is all very well to those companies that are 'here today and gone tomorrow', but not to firms that want to remain in business and build their business on the basis of trust, respect and genuine *customer satisfaction*. A good high-power salesperson can sell virtually anything to anyone—once! For repeat business over the long term, however, the typical selling mentality of many firms is not enough: a more 'customer-' or market-oriented approach is necessary for long-term success.

Marketing orientation

As discussed earlier, the modern marketing concept is a twentieth-century phenomenon. The concept has evolved from the rather myopic production and sales orientation of earlier times as a direct response to the obvious shortcomings of these less sophisticated business philosophies. The concept started to be seriously put into practice in the United States during the 1950s and has, since that time, been adopted as the central business philosophy by many firms throughout the world.

The marketing concept is sometimes referred to as a 'marketing' or 'customer' orientation. Simply stated, the marketing concept suggests that in order for a firm to survive in the *long term* and make a profit it must ascertain the genuine needs and wants of specifically defined target markets and then produce goods and services that satisfy customer requirements.

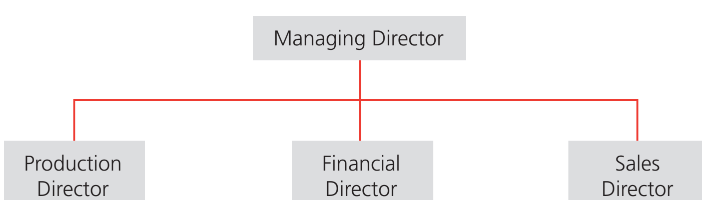

FIGURE 1.2

The organization of a sales-oriented firm

Under the marketing concept, it is the customer who takes the central place on the business stage. It is the satisfaction of customers that is seen as the key to prosperity, growth and survival. A marketing-oriented firm produces goods and services that customers *want to buy* rather than what the firm wants to make. The emphasis is put on the customer buying rather than on the firm selling the goods.

The management of a sales-oriented company tends to be short-run-oriented and preoccupied with achieving current sales. In such a company customer considerations are often limited to the sales department. To progress from this position to a marketing orientation, the firm must be able to cultivate a 'company-wide' approach to customer requirements. Marketing cannot begin to be effective within a company unless it has the full support of general management and penetrates every area of an organization, from the lowest to the highest levels.

Levitt[12] has drawn a sharp contrast between the selling and the marketing concept:

> Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering and finally consuming it.

The contrast is illustrated diagrammatically by Kotler[13] and shown here in Fig. 1.3.

To change from a sales- to a marketing-oriented company, the firm will have to become long-run oriented and preoccupied with planning the right products, the right channels, level of service and marketing strategy to meet the customer's long-run needs. The marketing approach challenges every member of a company, whatever his or her specialist function, to relate his or her work to the needs of the marketplace and to balance it against the firm's own profit needs. Nowhere is this more important than in the area of product design, where customers' views, rather than the views of production, should be the starting-point.

It was shown in Fig. 1.2 that a sales-oriented company is likely to be organized in the form of specialized departments charged with carrying out different company tasks; each department directly or indirectly will have an impact on customer satisfaction through its own activities and decisions. Under the marketing concept, it is desirable to coordinate these activities because the ultimate satisfaction gained by the customer is a function of the *totality* of all company departments acting in *unison*.

Changing from a simple sales to a more sophisticated marketing orientation will mean that marketing will have much more influence and authority over other departments to bring about *integrated* coordinated marketing. The sales department and

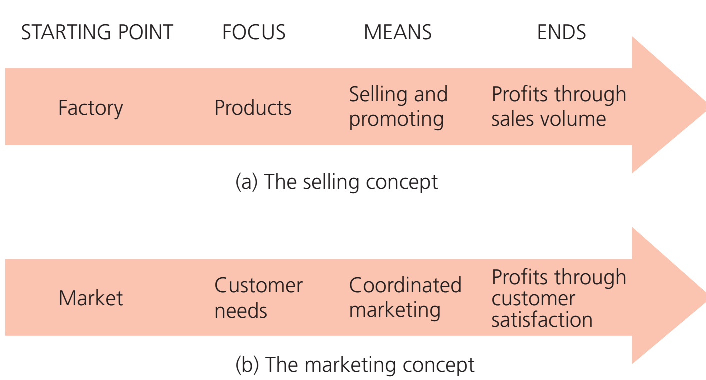

FIGURE 1.3

The selling and marketing concepts contrasted

Source: P. Kotler, *Marketing Management: Analysis, Planning, Implementation and Control*, 8th edn, Prentice-Hall International, Englewood Cliffs, NJ, 1994, p. 19

other functional management departments may resent having to bend their efforts to the will of the marketing department. The major departmental differences or organizational conflicts between marketing and other departments are summarized in Table 1.1.

The Hooley study, referred to earlier, found that the most successful organizations in their study—as measured by return on investment—were those where marketing was seen not only as a function primarily responsible for identifying and meeting consumer needs, but also where marketing was viewed as the guiding philosophy for the whole organization. As you will recall, we have already come across this view regarding marketing in Drucker's holistic notion of the marketing concept. These types of organizations, where marketing represented a guiding philosophy for the whole organization, Hooley understandably referred to as '*marketing philosophers*'.[14] In a similar vein, Gummesson[15] has argued that in his view everybody in the organization must become what he refers to as a '*part-time marketer*', each making their own respective contribution to ensuring customer satisfaction.

The main problem facing the sales-oriented firm in progressing to a marketing orientation is the management of organizational change. Marketing will set the strategies and plans in consultation with the departments concerned, but these departments will retain the authority to execute the agreed programme in the way they think best. The human implications of this organizational change should not be underrated, bearing in mind that it will involve a reallocation of power within the company. Functions previously carried out by other departments will become the responsibility of marketing, and every part of the firm will have to conform to a plan drawn up by marketing in consultation with other departments.

Traditionally, perhaps nowhere in the organization has the potential for conflict from implementing a company-wide marketing orientation been greater than between the marketing and 'technological functions' of the business including, for example, design, research and development and manufacturing functions. But in addition, there is

TABLE 1.1 *Major differences/conflicts between marketing and other departments*

Department	*Emphasis*	*Marketing's emphasis*
Sales	Short-term sales Sales most important One department	Long-term profits Customer satisfaction most important Whole organization
Purchasing	Narrow product line Standard parts	Broad product line Non-standard parts
Finance	Hard-and-fast budgets Price to cover costs	Flexible budgets Market-oriented pricing
Accounting	Standard transactions	Special terms and discounts
Manufacturing	Long runs Few models Standard orders Long production lead times	Short runs Many models Custom orders Short production lead times

also potential for conflict between marketing and the sales department, marketing and purchasing, and marketing and the finance and accountancy functions. Most of these conflicts arise from differences in emphasis between the marketing department and these other functional areas of the business, examples of which are shown in Table 1.1. In a recent study of conflict between marketing personnel and engineers in organizations, Lancaster[16] has argued that in addition to these inherent differences in emphasis, conflict between marketers and engineers in organizations is often compounded by a lack of understanding on the part of many engineering personnel as to what marketing can do for a company. Lancaster argues, however, that developments in markets and competition allied to philosophies such as just-in-time (JIT), total quality, and quality function deployment increase the need for a more company-wide approach to customer orientation but particularly among design and production functions. This in turn requires more coordination and teamwork between marketing and the engineering functions of the business. Furthermore, marketing techniques continue to improve which means that marketers are now in a position to provide better information to the engineering and design functions of a business so that, for example, new product development programmes can be specifically designed around pre-determined customer needs at the outset, hence increasing the chances of successful new product development programmes. Needless to say, often engineers and design personnel can resent such 'interference' from marketers in what they see as their responsibilities in the business. It is therefore important to obtain their support by demonstrating how a customer-oriented approach, backed by the tools and techniques of modern marketing, can help increase their efficiency and effectiveness without detracting from their roles and responsibilities.

In a marketing-oriented firm, the chairman and managing director are likely to come from a marketing background. In addition, there is likely to be a marketing director with a position of equal status to that of the production and financial directors. Such a firm is likely to be organized as shown in Fig. 1.4.

Although the proper organizational structure is an important element in a firm becoming marketing-oriented, such an orientation is not achieved simply by adopting an organizational chart. Management must also adopt and use the marketing concept

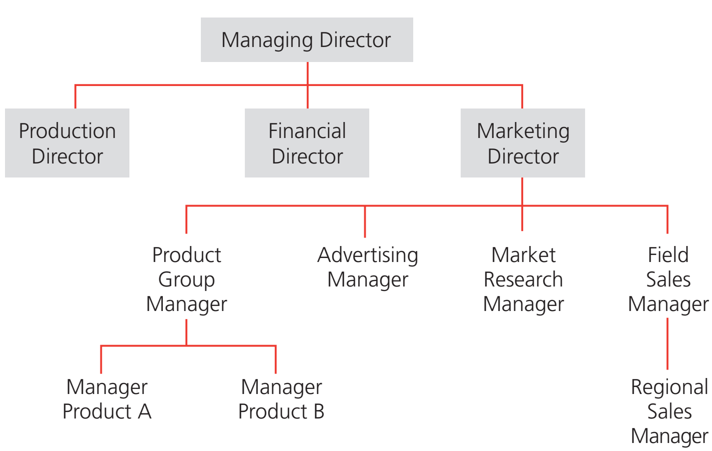

FIGURE 1.4

The organization of a marketing-oriented firm as a business philosophy. Hence in a marketing-oriented firm marketing is not confined to the marketing director and the marketing department. As already suggested, to be really effective, it must permeate the whole company. A change of management labels and titles will not achieve the necessary fundamental change in company attitudes. It is the company's *whole approach* to business problems that is the key issue. It is the adoption of a business philosophy that puts customer satisfaction at the *centre* of management thinking throughout the organization. It is this that distinguishes a marketing-oriented firm from a production- or sales-oriented firm.

IMPLEMENTING THE MARKETING CONCEPT

As we have seen then an essential element of implementing the marketing concept is the need for the marketing function, or rather the managers in it, to develop effective working relationships and systems for ensuring coordination and cooperation between marketing and the different functional areas. In practice, implementing the marketing concept often gives rise to conflict between marketing and other functions. A company needs to understand the sources and issues of such conflict, and also needs to look for ways to convert potentially damaging conflict into more constructive forms of management behaviour. In other words, the marketing manager needs to consider the intra-firm environment in marketing plans.

Perhaps one of the best ways to appreciate the range and nature of the types of problems encountered when translating the marketing concept into practice is to reflect for a moment on the following problems:

1. Suppose that you wanted to gauge the extent to which a company had implemented the marketing concept: how would you assess this; what would you look for in the company; what would be the signs?
2. Alternatively, and now that you know what the marketing concept is, if you were made responsible for turning the production- or sales-oriented company into one that is marketing-oriented, what steps would you take?

How these problems are approached, and indeed the identification of the problems themselves, is not just one more academic exercise. These questions go right to the heart of the very practical issue of moving from what seems to be a statement of fundamental common sense—the marketing concept—to a position where a company can rightly be judged to be 'good' at marketing. After all, for many years now politicians, academics, industry pundits and so on have extolled the virtues, indeed the necessity, for British companies to improve in this respect. Further, and interestingly, not many practising managers, from whatever function, would deny the central importance of the customer and his or her needs. Fewer, but perhaps still not an insignificant number, of these same managers, including those directly involved in marketing management, would be willing to admit that there is still plenty of room for improvement.

It appears, therefore, that for some reason translating the concept into practice poses problems which some companies find insurmountable. To explore this further, let us return to the first of our hypothetical problems—that of gauging the extent of implementation.

A doctoral thesis completed at the University of Bradford as long ago as 1969 remains one of the most thought-provoking and, therefore, useful frameworks for judging the extent to which a company has moved from marketing concept to marketing practice.

In his thesis, Saddik[17] suggested that in order to make this judgement we should look to seven key areas or aspects of a company's operations:

- Company philosophy/managerial attitudes
- Organizational structure
- Planning procedures—particularly as they relate to marketing planning
- New product development activities and decisions
- Intelligence and information-fostering activities and decisions
- Promotional activities and decisions
- Distribution activities and decisions

Using these seven areas of measurement, Saddik investigated the extent to which companies in two of the important local industries in the area—engineering and textiles—had implemented the marketing concept. With so much time now having passed since Saddik completed his findings, there would be little point in detailing them other than to note that at the time he concluded that the marketing concept was far from being fully accepted and implemented in the industries studied. It is perhaps disappointing, therefore, that the Hooley study already referred to still reported a similar situation in many companies in the late 1980s in the UK, though thankfully they also found that marketing has increased in importance in the companies studied.

Nevertheless, even after all these years, Saddik's framework for measurements is still relevant, particularly if we reclassify some of his seven criteria. This reclassification is shown below:

- Company philosophy/business definition
- Managerial/workforce attitudes
- Organizational structure
- Planning and information gathering
- Processes and procedures for decision-making

We shall examine each of these in turn in order to clarify their significance to the implementation issue.

Company philosophy/business definition

We have already seen that the marketing concept is an idea or rather a philosophy of the essential purpose and conduct of a business. This philosophy is based on the notion of *consumer sovereignty*: that the purpose of a business is to create customers, and unless a business satisfies the needs of its customers it will not, in the long run, and under normal competitive conditions, survive and prosper. In order to begin the process of implementation, it could be argued that the first step is the acceptance of this philosophy. In the context of the measurement problem, which was posed earlier, we could perhaps gauge the extent to which a company had implemented the marketing concept by examining its philosophy. But where in a company would we look to for evidence of its having accepted this philosophy? How could we measure it? Although there is no doubt some difficulty in such measurement—after all, companies as such do not have philosophies: rather, it is the people in them who have—there are a variety of signs which would indicate the extent to which a company had passed this important first test. For example, an indication of company philosophy can often be gleaned from a company's annual report; alternatively, one might look to a company's Articles and Memorandum of Association. Perhaps the clearest, and certainly the most important, indication (and therefore the best measure) would be found in how the organization defined its business.

The importance of business definition in the context of implementing the marketing concept was perhaps most clearly highlighted by Levitt.[18] In his article 'Marketing myopia', Levitt illustrates that failure to define what business a company is currently in is a clear indication of a failure, or an unwillingness, to implement the marketing concept. An incorrect business definition, in Levitt's terms, is one which is too narrow and/or is based on a false premise. For example, how would you define the business of the following companies?

- General Motors
- Max Factor
- IBM

Even with no particular or detailed knowledge of any of these companies, no doubt you could at least guess what business they are in. Certainly you would think that the companies themselves would have little difficulty answering Levitt's question. But would you, or they, be correct? More specifically, would your or the companies' answers indicate that progress had been made towards implementing the marketing concept? Let us take one of the companies mentioned above to explore this further.

IBM represents the initial letters of a company called International Business Machines. Founded in America in the early 1920s, this now large and very successful multinational company currently produces a range of products primarily for use in the business office. IBM is probably best known for its computer products, both hardware and software. In fact this is a market which it has come to dominate. The answer to the question 'what business is it in?', therefore, would appear to be straightforward. After all, the company name itself gives us the answer. Surely this is a company that is in the business of making machines for business; or, alternatively, given the prime focus on computing, this company is in the business computing market.

Perhaps your thoughts were moving along the same lines in terms of defining IBM's business. If so, you may be accused of suffering from Levitt's marketing myopia. If IBM were to define its business in this way, it would be a strong indication that the company had not begun to implement the marketing concept.

The reason for this can be found in Levitt's original article. Here Levitt proposed that a company which defined its business in terms of the products it produces is invariably suffering from what was termed earlier as production or product orientation. In our terms, its company philosophy—as represented by business definition—would imply that it has not begun to implement the marketing concept. Such a company, Levitt argues, would have a shortsighted and blinkered view of its markets and customers and would, therefore, tend to miss both marketing opportunities and marketing threats. Because of this, a business definition based on products or production would in most cases eventually lead to the long-run decline of a business.

In contrast, Levitt suggested that market-/customer-based business definitions should be used to condition company philosophy. Using our earlier example, a customer-/market-based business definition for IBM might be represented by the following:

> IBM is in the business of meeting the needs of businessmen for speedy and economic systems for data production, handling and interpretation.

Remember of course that the definition is only hypothetical; business definition is not easy. Some companies have spent considerable time and effort arriving at a meaningful definition. The purpose of this hypothetical definition for IBM is to demonstrate the difference between a marketing philosophy and a product or production philosophy. Our second IBM business definition is based on customer/market needs rather than being couched in terms of what IBM predominantly produces, i.e. computers. There are many advantages to be gained from such a market-/need-based definition; for example:

- It helps to identify competitors, present and potential.
- It acts as a guide for strategic decision-making.
- It forces the company to consider what the customer is actually purchasing and why. Customers buy benefits not products.

Because of these and other advantages of properly defining the business, we shall return to this aspect again in Chapter 2 when we consider marketing decisions. At this point it should be noted that the redefinition of a business from a product- to a customer-based one represents a fundamental shift in company philosophy and would represent a key signal to the effect that a company had begun to implement the marketing concept. A second key signal would be in managerial and workforce attitudes.

Managerial/workforce attitudes

It has been suggested that one of the difficulties of assessing company philosophy stems from the fact that companies do not have philosophies: rather it is the people in them, and in particular their senior management, who do. A customer-/market-based business definition is thus in itself a reflection of a certain attitude on the part of management. Perhaps, then, in gauging the extent to which a company has begun to implement the marketing concept, we should focus on the pre-disposition of the managers in a company, particularly as they relate to marketing in general and customer needs in particular. In fact, an essential second step in implementing the marketing concept is the recognition and acceptance throughout a company, in every function, and at every level from shopfloor to chairman, of the importance of satisfying customer needs. The point is that redefining the business alone is not sufficient to ensure that a company has become marketing-oriented. After all, such a redefinition may reflect an acceptance of the marketing concept by only the senior management of a company or even by only the marketing team itself. Neither of these is sufficient. Remember, implementing the marketing concept requires that the whole of a company and the people in it be oriented towards the needs of the customer. But what are the practical issues and problems to which this assertion gives rise, and in particular what steps can a company take to instil this attitude?

As we have seen, a critical issue to which this need to change attitudes gives rise is the possibility of conflict between marketing and other functional areas. For example, the production or accountancy departments have their own jobs to do, their own set of specific problems to solve and activities to perform. Their task is not to take account of customer needs—this is the responsibility of the marketing function. Again, few of these other functional managers would deny the importance of customer needs, but they often find it difficult to relate this to their own activities. If not carefully managed, attempting to instil a customer-oriented attitude throughout a company can result in antagonism, and often open hostility, to the ideas of marketing in general and towards the marketing function in particular. A carefully planned, and above all diplomatic, programme of activities is essential in achieving this second step in implementing—instilling the right attitude.

To achieve this, some companies have taken the step of organizing seminars, teach-ins, familiarization programmes, etc., for company personnel designed to acquaint them with customer needs and their own role in meeting these. We have referred to this type of activity as internal marketing. The limited evidence available on the success of such schemes would appear to suggest that they can contribute significantly in turning a concept into a practice. After all, most of us respond well to being kept informed and to being able to see how we can contribute to the achievement of objectives. Some of the best examples of this sort of practice leading to positive attitudes and improved company performance have come from the Japanese companies, many of which hold regular meetings with representatives of the workforce to discuss consumer-related problems. We shall return to some of these ideas in this chapter when we consider the issue of conflict. You should realize by now, however, that in redefining the business—the first step in implementation—we should not expect, as if by some process of osmosis, for this to filter automatically through the different layers of the company. We need to take steps to ensure that it does. In particular, we need to ensure that the organizational structure is appropriate.

Organizational structure

Remember, the development of the marketing concept can be viewed as a series of evolutionary changes, from production to sales orientation, and so on. We saw also that accompanying these different steps of evolution may be changes in the organizational structure of a company. Reorganizing the structure of a company is often seen as being essential to the implementation of the concept. Stanton[19] encapsulates this notion in his two suggestions for translating the philosophy of marketing into action:

> . . . the marketing activities in a firm must be better co-ordinated and managed . . .
> [and]
> the chief marketing executive must be accorded a more important role in company planning . . .

In implementing the marketing concept, various activities that traditionally may have been the province of other management functions, for example sales, product planning and inventory control, should come within the remit and control of the marketing function.

Stanton's ideas about the organizational requirements for implementing marketing are not unique; indeed, they are broadly representative of most marketing authors on this topic. Not surprisingly, then, a frequently used indicator of the extent of marketing commitment in companies has been the organizational chart. After all, can a company be said to have implemented the marketing concept if the marketing function and the managers in it occupy a very lowly position in the company hierarchy? More extreme still, can the company that does not have a marketing department at all be said to have implemented the concept? It may surprise you to learn that the answer to both these questions can be yes! In other words, it is possible for a company to have implemented the concept fully without this being accompanied by changes in its organization chart. More importantly, and again reinforcing what was said earlier, you should understand that it matters little what we call it, or where it appears in the organization chart—if at all—so long as someone is responsible for representing the customer and his or her needs to the rest of the company, and for coordinating those activities necessary to meet those needs.

This should not be interpreted as meaning that organizing for marketing and assessing its overall role or position in company structure is unimportant. We have already acknowledged that implementing the concept will often necessitate changes in company structure. All that is being said is that the organizational chart alone is not sufficient to judge the extent to which a company has implemented the concept. Nor, therefore, are exercises in chartmanship, changing job titles, elevating the status of marketing in the hierarchy, etc., of themselves sufficient to bring about marketing orientation.

If anything, if we want to look to organizational factors in assessing the extent of implementation (and if we want to ensure that our company is taking the right steps in its programme of implementing), we would be better advised to look at *what activities are performed*—by whom; involving what relationships and authority; and to what purpose—than simply looking at the job titles in a box on the organization chart. It is to some of these 'activities' of marketing, in the context of implementing the marketing concept, that we now turn our attention.

Planning and information gathering

There is no doubt that implementing the marketing concept requires that planning, and the gathering of information on which such plans are based, assumes a greater importance in overall company activities. In addition, in the marketing-oriented company the focus for planning and information-gathering activities centres around the hub of company decision-making—customer needs and satisfaction.

These implications of implementing the marketing concept provide yet another basis for gauging the extent to which a company has in fact become marketing-oriented. To return to our earlier measurement problem, if we look at the extent to which a company plans for its future, and in particular the procedures and information on which such plans are based, this will enable us to assess the extent to which the marketing concept has been implemented. In order to appreciate this, consider the following example:

> . . . your company has just completed its annual marketing plan for the forthcoming year. The planning process commenced with the preparation of a sales forecast based on the pattern and trends of the previous five years' sales. On the basis of this forecast, a sales budget has been prepared and translated into production and operating budgets for the company as a whole. The plan includes a detailed schedule of activities and decision-making required to implement the plan including product, pricing, distribution and promotion decisions . . .

The question is, to what extent is your company marketing-oriented?

The answer is that we cannot tell without knowing on what basis the plan was prepared, and in particular with what knowledge of the facts about the market and the customers. To continue our example:

> . . . your company has recently acquired a new managing director who was previously employed in the capacity of marketing director by a fast-moving consumer goods company. Her experience in marketing is substantial. After considering your company's proposed marketing plan, she calls in the marketing manager responsible for preparing it. Specifically, she is worried that the plan contains no details of the information and market facts on which the plan is based . . .

The marketing manager explains again that the plan is based on his sales forecast. When asked what market research has been carried out in recent years, he replies that this expensive luxury has never been considered necessary. After all, both he and most of his staff have worked in the industry for some twenty years.

The newly appointed managing director then proceeds to ask the marketing manager the following questions:

- Who are our customers?
- What do they buy?
- How do they consider value?
- How do they buy?
- When do they buy?

To the marketing manager's consternation, he finds these questions difficult to answer. The simple fact is that he has never before considered them.

The evidence suggests that planning is not customer-based. No attempt has been made to gather the necessary information and facts on which to base effective marketing decisions. In short, the company has a long way to go in implementing the marketing concept.

The example illustrates that an essential step in implementing the marketing concept is the establishment of planning based on an accurate, factual understanding of customer needs. This, in turn, requires that a company has adequate sensing mechanisms for analysing and interpreting these needs. In most companies this sensing mechanism is provided by the marketing research function. However, you should be careful not to interpret this as meaning that implementing the marketing concept will always require the establishment of a marketing research function. The smaller company may not be in a position to afford this. What matters is not how much a company spends on it, nor who does it, and certainly not what we call it, as long as a company is basing its decision-making on an adequate and accurate mechanism for sensing market and customer needs. It is to these decision-making aspects of implementation that we now turn our attention.

Processes and procedures for decision-making

Perhaps the clearest indication of the extent to which a company has implemented the marketing concept is contained in its activities related to decision-making, and in particular how decisions are made with regard to the elements of the so-called 'marketing mix'. Again, an example will serve to illustrate this:

> . . . your company spends some 2 per cent of its annual turnover on developing new products in its research laboratories. On average, over the past ten years the company has launched four new products every year. Only three of the last 25 products launched have been successful, but these have earned good profits. The research and development team is given a free hand to develop any products which the company is technically and commercially able to produce and market. Once the technical and production problems have been overcome for a new product, it is passed over to marketing for commercial evaluation and possible launch. This year the company has only two products which it feels are worth launching; these products have reached the stage where a decision has to be made with respect to their market price. In fact, the pricing of the company's new products presents few

> problems. All products, including new ones, are priced on a cost-plus basis. The procedure is that the accountancy department calculates the variable costs of producing the product (raw materials and labour costs) and adds to this a proportion of the fixed costs of factory overheads (rent, rates, etc.). To this 'total cost' is added a percentage profit margin according to the estimated life of the product and the investment required to develop and launch the product. This result is the final price of the product . . .

At first glance the company does not appear to be doing too much wrong—certainly, its success rate for new products is low, but this is not unusual as new product development is risky. But to what extent is the company a marketing-oriented company, and what clues are there in the example which would enable us to assess this?

In fact, on the basis of the relatively small amount of information given in the example, it is almost certain that the company has not implemented the marketing concept to any great extent. The evidence for this conclusion lies in the processes and procedures for decision-making. There appears to be little communication between research and development and marketing, at least in the early, and most crucial, stages of new product development. Similarly, the procedure for pricing of products is distinctly non-marketing-oriented. Demand considerations appear to play little part in this decision-making process.

What the example illustrates is the fact that perhaps the most fundamental change that is required to implement marketing in a company is often a subtle, but nevertheless vital, change in how decisions are taken. There are two related aspects to this.

The first change in decision-making required to implement the marketing concept is for every department or function—and not just marketing—in the company to place the customer and his or her needs at the very centre of its decision-making. This is a question not only of what was referred to earlier as education, but also of the establishment of a system of processes and procedures for functional decision-making which is customer-oriented in every department of the company and one which is based on adequate and accurate market facts.

The second aspect of changed decision-making in the company that implements the marketing concept is that the different areas of functional decision-making, however customer-oriented they may be individually, must be effectively *coordinated* to achieve a concerted and consistent, company-wide marketing effort. This is a key function of marketing management, but again, if misunderstood (by other functions) and/or badly

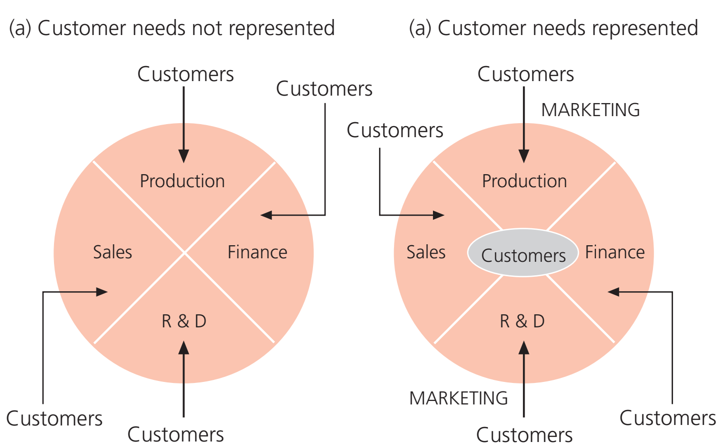

FIGURE 1.5

The boundary-spanning role of marketing

Source: adapted from P. Kotler, *Marketing Management: Analysis, Planning, Implementation and Control*, 7th edn, Prentice-Hall, Englewood Cliffs, NJ, 1991 managed (by marketing or senior management), can give rise to problems and further hostility.

In effect, it is in its decision-making that a company evidences the extent to which it has been successful in all of the previously discussed facets of the implementation issue. But what of marketing's role in this process, and more specifically, what are the functional responsibilities of the marketing department in a company?

THE MARKETING FUNCTION: RESPONSIBILITIES AND ROLES

Our discussion of the requirements of implementing the marketing concept points to a number of key responsibilities and roles for the marketing function in a company. First, the marketing function must act as an intermediary between the company and its customers' needs. In fulfilling this boundary-spanning role, marketing acts as a sort of representative for the customer, interpreting his motives for purchase and ensuring that the company comes closest to satisfying the customer's requirements. This notion is shown in Fig. 1.5.

In addition to this boundary-spanning role for the marketing function, and because of the importance of planning referred to earlier, a further key role for marketing in a company is the formulation of company and marketing plans based on market facts and information. This notion is shown in Fig. 1.6.

Finally, the marketing function must attempt to ensure that decision-making throughout the company adequately reflects both company and marketing plans, and

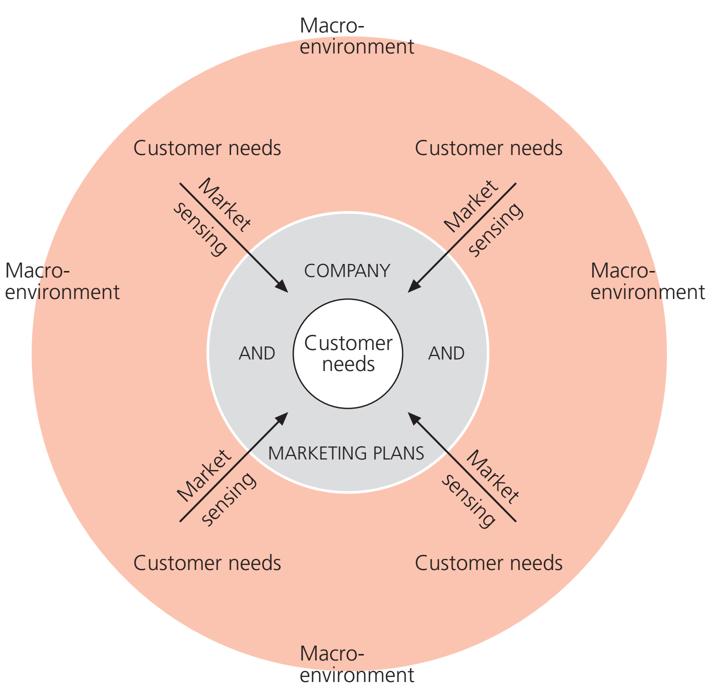

FIGURE 1.6

Planning and information gathering

the assessment of market and customer needs on which these are based. This is shown in Fig. 1.7.

These three broad areas of responsibility for the marketing function must be translated into a specific set of responsibilities and activities for marketing personnel—a job description, in other words. Some marketing textbooks go further than this and list what these are likely to be in the typical company. An example of this approach is that given by Buell.[20] Unfortunately, such 'lists' often do not take account of the fact that there is no such thing as the typical company. All companies are different and we should expect to find that, within the three broad areas of responsibilities for marketing described above, specific responsibilities and activities for marketing will differ between companies. We should also remember that, as in other functional areas of business, marketing may comprise of a hierarchy of management levels, each of which will have its own set of responsibilities and activities. The product or brand manager level of the marketing hierarchy, for example, faces a very different (if interrelated) set of issues from those facing the senior marketing manager in a company.

Marketing relations with other functions

We have seen that becoming more marketing-oriented may entail an enlarged role for marketing in overall company decision-making. Functions and responsibilities that had previously been the province of other functional areas in a company may, under the marketing concept, come within the remit of the marketing department. Although it is not inevitably the case, both enlarged responsibility and increased status are often the outcome of this process. Remember, this can give rise to conflict between marketing and other departments. Some of the possible issues of such conflict were discussed earlier; you will recall, for example, that marketing and production may have very different notions as to what constitutes effective management and decision-making

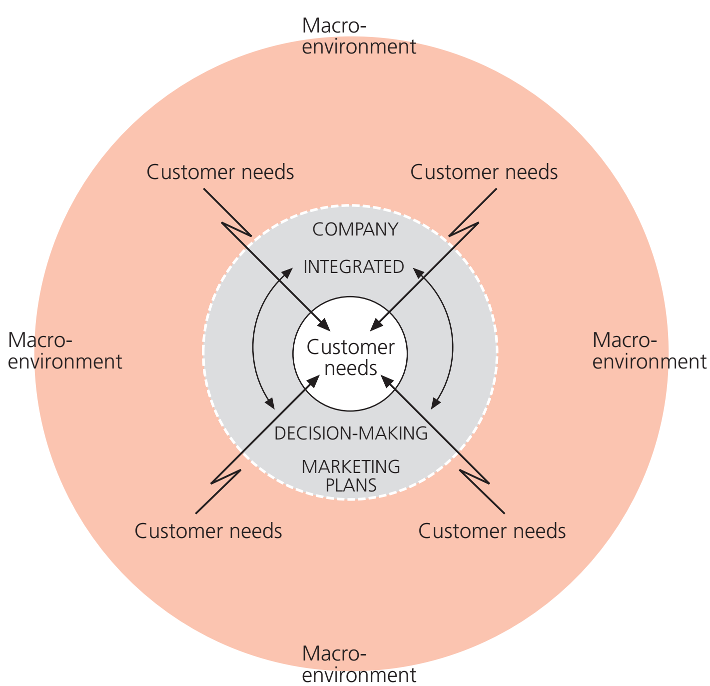

FIGURE 1.7

Marketing's coordinating role

within each of their respective functions. So too may marketing and research and development, and marketing and sales, and marketing and finance. In fact, it would not be an exaggeration to suggest that the potential for inter-functional conflict is at its greatest when we consider the relationship between marketing and virtually every other functional area of a business. Of course, conflict in itself is not always undesirable, as Shapiro points out;[21] not unlike market competition, conflict can ensure effectiveness and efficiency. However, conflict can reach such levels as to be dysfunctional; it can effectively disable the participants and reduce efficiency. Unfortunately, some companies have attempted to minimize the potential for conflict between marketing and others (or, rather, have provided a mechanism for reducing the outcome of such conflict situations) by increasing the power and authority of one of the protagonists—marketing. The usual result of enforcing 'agreement' in this way is more, not less, conflict. The reason for this is that simply increasing the authority of marketing over other functional areas does not remove the basic issues which probably gave rise to the conflict in the first place. On the contrary, the nature of marketing's authority and power relationships will often be at the heart of it.

What is required is a mechanism whereby there are no 'losers'. Handy[22] suggests a number of procedures which a company might use to achieve this, and which may bring about more effective coordination between the various functional groups. Some of these and their relevance to marketing's relationships in a company are as follows:

1. The agreement of common, overriding and realistic goals or objectives. 'Customer satisfaction' is not a meaningful goal if a department is not judged upon it. Nor is it likely to become an accepted goal if one or more of the parties does not contribute to it or is unsure of how precisely they might contribute.
2. The establishment of information and control systems such that the different departments or parties can appreciate and evaluate their contribution to the goal of customer satisfaction. For example, quality control and inspection might be kept informed of the role of their efforts in increasing sales and reducing customer complaints.
3. The stimulation of high interaction and frequent communication between functional groups. Trust, or the lack of it, often lies at the heart of conflict between departments. Regular contact and communication between marketing and other managers can help considerably in building a climate of trust.
4. The establishment of clear *and agreed* terms of reference for marketing and other departments with respect to duties, authority, etc.
5. The establishment of clear and explicit overall company policies within which each functional area will operate. For example, if it is company policy to produce a full product line, both marketing and production know precisely where they each stand and the potential for conflict between these departments is much reduced.

Even with these mechanisms, conflict can arise between marketing and other departments. Where the parties themselves cannot settle such conflict in a manner that is conducive to effective company management, procedures for arbitration and conciliation will be required. Above all, both effective implementation of the marketing concept and the establishment of effective working relationships between marketing and other functions require positive commitment and support from the most senior management in a company.

To summarize then, marketing is both a philosophy or, if you like, a particular approach to running a business and a management. As a philosophy marketing stresses the importance of the customer. Not only the marketing department and its personnel, but all the functions and members of the organization need to recognize the importance of the customer. In other words, we need a marketing culture. The extent to which a company has adopted and implemented such a culture can be assessed by looking at, for example, managerial attitudes, organizational structures and procedures for planning and decision-making.

As a management function the marketing department is responsible for representing the needs of the customer to the organization and developing plans to meet these needs while ensuring that all the other functions play their necessary role in this process.

Although these represent the key ideas about what marketing is as both a philosophy and a function, over time both the nature and practice of marketing are evolving. We can now turn our attentions to some of the more important developments in the concept and practice of marketing.

DEVELOPMENTS IN THE CONCEPT AND PRACTICE OF MARKETING

Like most areas of management and business, both the marketing concept itself and, as a result, the practice of marketing management have continued to evolve and develop and no doubt will continue to do so in the future. It is impossible to trace all of these developments and changes in this chapter, but among some of the more important are the following.

Internal marketing: Total customer care and total quality

Conventionally, of course, the role of marketing in the organization has been looked at as being one of focusing externally on the needs of the customer. A recognition of the need for a company-wide marketing orientation and for the development of aspects such as Gummesson's 'part-time marketers' (referred to earlier), has led to the recognition that marketers and the marketing function also need to look inwards to the staff in other functions of the organization and the need to 'market' a customer orientation to these other functions. This is now often referred to as '*internal marketing*'. Although there are several perspectives as to the meaning and application of internal marketing, the following definition from Ballantyre *et al.*[23] reflects what many would consider to be the essence of internal marketing:

> Internal marketing is any form of marketing in an organisation which focuses staff attention on the internal activities that need to be changed in order to enhance external marketplace performance.

Overall, internal marketing is aimed at increasing customer awareness throughout the entire organization, together with the motivation of all employees to play their part in achieving customer satisfaction.

Needless to say, achieving effective internal marketing is often problematical and can require considerable commitment and patience on the part of a company trying to implement internal marketing. Successful internal marketing requires the development of systems, procedures and plans for improving customer consciousness throughout an organization together with the motivation to improve customer satisfaction. In turn, successful internal marketing requires, for example: good internal communication, suitable organizational structures and adequate training and resources. Above all, a total commitment on the part of senior management to improving customer service and satisfaction is required. Lancaster[24] argues that internal marketing is essential in improving company performance and competitiveness but requires the recognition that in addition to outside customers, employees too are in a sense customers of the managers who wish to carry out the company's objectives.

Internal marketing is closely linked to the philosophy and practice of total customer care and total quality. Increasingly, companies are having to give much more attention to the role of quality and customer care. Customer care has become the focus of a new approach for organizations and encompasses every facet of a company's activities which can impinge on customer satisfaction and service. It covers all activities at the pre-, during and post-transaction stages and thereby encompassing all aspects of customer/supplier relationships. The idea is to offer superior value to customers thereby enabling the company to develop a competitive edge and achieve customer retention and loyalty. Customer care is more than just simply customer service and should affect every aspect of corporate policy and strategy. It includes, for example, the way that customers are dealt with over the telephone, the application of the marketing mix elements and obviously customer after-sales and service. Total quality management (TQM) links with customer care with the aim of developing better services to meet customer requirements first time every time. Quality programmes and total quality management involve more than simply product quality. Indeed, TQM encompasses every element which impinges on the customer's perception of quality. Customer care and TQM then are very closely related. They are also related to the recognition of the long-term value of a customer and hence need to be considered with another important development in the concept and practice of marketing, described below, namely relationship marketing. Total customer care, total quality and relationship marketing are in fact so important in contemporary marketing that we have devoted a whole chapter to these areas. Chapter 13 then, considers these aspects in more detail. But let us now examine the concept of relationship marketing.

Relationship marketing

Perhaps one of the most significant developments in recent years has been the growth of the notion of '*relationship marketing*'. It is increasingly argued that the traditional concept of marketing as exemplified in some of the definitions given earlier in this chapter, do not adequately reflect the recognition of the '*long-term value*' of a customer. The argument is that many of the traditional definitions of marketing, although stressing the importance of customer needs and satisfaction, are essentially concerned with maximizing the profitability of each transaction. Buttle[25] argues that this philosophy is no longer appropriate for today's markets and customers, rather, he argues that marketing should instead seek to develop long-term relationships with customers which cannot easily be duplicated by competitors. Building successful long-term relationships with customers, he suggests, provides for a unique and sustained competitive advantage. Similarly, Kotler[26] suggests that relationship marketing attempts to build up long-term, trusting, relationships with valued customers to the benefit of both customer and organization. This trend towards a longer term non-transactional view of marketing is captured in the definitions of marketing as exemplified by Gronroos[27] referred to earlier. Kotler argues that the effective relationship marketer must supply good consistent quality backed up by good consistent service and fair prices. The aim is to develop and maintain strong economic, technical and social ties with valued customers.

In some ways these descriptions of relationship marketing at first glance appear to represent nothing particularly different or special about relationship marketing compared to more conventional marketing. However, in fact, relationship marketing requires a whole new approach to customers and marketing compared to traditional marketing approaches. All aspects of marketing from planning marketing strategy to developing and implementing the marketing mix need to be approached differently using a relationship marketing philosophy. In fact, the relationship marketing concept is so important to the contemporary marketer, and has so many far-reaching implications for marketing practice that we will consider relationship marketing and its implications at several points in later chapters. So, for example, we shall see some of the implications of relationship marketing when we consider areas such as product management, the management of distribution and logistics, planning customer service, and in particular, the management of personal selling. As already mentioned, however, relationship marketing is so important that we consider this area of marketing again in more detail in Chapter 13.

Communications and information technology (IT)

As in many other areas of our daily lives, marketing, too, has been not only affected but some would argue, fundamentally changed through developments in technology and particularly developments which are related to and/or stem from communications and information technology. In particular, the ubiquitous computer continues to change the face of marketing practice. It is impossible to go into detail here but examples of areas of marketing affected by developments in communication and IT range from techniques of marketing research and data collection which are increasingly computer-based, through to developments which stem from database marketing such as the growth in direct marketing techniques. Perhaps one of the most significant developments which has already affected marketing but which will grow in importance in the future is the growth of the use of the Internet. As with relationship marketing, so many facets of marketing technique and practice are affected by developments in communications and information technology, including the growth of the Internet, that we shall highlight the implications and effects of these changes and developments as appropriate throughout the text.

In the context of this chapter, however, it is worth emphasizing that developments in communications and information technology have in very practical ways helped marketers to implement the marketing concept. There are many ways in which this has happened, but overall technology offers the marketer a better ability to understand, anticipate and deliver the needs of customers. For example, information technology has facilitated more sophisticated and insightful marketing research. Both secondary and primary information can now be accessed, analysed and interpreted to increase the speed of response to customers' changing needs. Information and communication technology has also helped in the marketing planning process. For example, new technology is increasingly being used to analyse markets and identify market segments. Customer care, too, has benefited from advances in technology thereby helping the marketer to develop a marketing culture within the organization. Moreover, improved databases have facilitated easier tracking of customer satisfaction and the following up of complaints thereby improving customer service and increasing customer loyalty and retention rates. More effective internal communication, too, via the intranet has also facilitated the development of more marketing-oriented cultures in organizations by improving internal communication regarding customer needs and market developments. All the staff, and not just the marketing department, can be kept informed of, and therefore feel able to play a part in, developments in improved customer relationships.

Ecological/environmental and consumer welfare issues: social marketing

Recent years have witnessed an increased interest in protecting the environment, together with a recognition of the complex and potentially fragile nature of the ecological system of our planet. Coupled with these developments has been an increased emphasis on protecting consumers against marketing malpractice and dangerous or unhealthy products. Effective and aware marketers have responded to these developments by, for example, producing recyclable products and packaging, reducing the pollution that the use of their products causes, and even protecting consumers against their own worst excesses by stopping the selling of certain products. The consumer movement and so-called ‘green’ issues are considered further in Chapter 2, but there is no doubt that these developments have had far-reaching effects on marketing practice. There are some that argue that the marketing concept itself needs to change to reflect this increased concern for consumer and environmental welfare, calling for a societal-based marketing concept. A ‘societal-based’ view of marketing, or as it is often termed ‘social marketing’ involves a widening of both the concept and the application of marketing. The traditional viewpoint of marketing was that the principal responsibility of marketing was simply to provide products that satisfied consumers’ needs efficiently and profitably.

Proponents of social marketing would greatly extend this responsibility. They see marketing as a social force which not only transmits a standard of living, but also serves as a force that reflects and influences cultural values and norms. Thus, the boundaries of social marketing extend far beyond purely economic criteria. The idea is that marketing concepts and techniques should be used to promote the welfare of society as a whole, encompassing such areas as the reduction of poverty, improved education, improved healthcare, etc. So, for example, marketing tools are used in promoting healthier lifestyles through, say, better diet or reduced alcohol or tobacco consumption. In addition, social marketing suggests that a more ethical/social orientation be incorporated into companies’ marketing strategies so that, for example, marketers consider and take account of the wider social implications of their products and services. Obviously there is potential here for a conflict between the interests of society and those of business or even individual consumers. It is certainly not clear where the boundaries of social marketing should be erected and where the marketer’s responsibility to society, other than in purely economic resource usage and profit terms, start and end. However, there is no doubt that more and more marketers are considering the social consequences and implications of their actions. Social marketing does not imply a replacement of the traditional marketing concept, but rather its extension so as to recognize and encompass the wider needs of society. As we shall see later in this chapter many of the criticisms of marketing focus on ethical issues and the extent to which marketing is responsible for various social and environmental problems. In Chapter 2, we shall also consider the growth of consumerism and legislation as responses to some of the more antisocial activities in marketing. Whatever the reasons, voluntarily or otherwise, marketers are having to consider ecological, environmental and consumer welfare issues together with their wider social role more frequently in their marketing plans and activities.

WIDENING THE APPLICATIONS OF MARKETING

In addition to the developments in the concept and practice of marketing, marketing is increasingly being used in new and ever-widening applications. Originally the concept of marketing together with the application of its tools and techniques was not only limited to the profit-making organization, but also primarily to the marketing of consumer products. Gradually, the application of marketing concepts and techniques has widened beyond this initial remit. Marketing is now extensively being used in the applications below:

- Business-to-business markets
- Not-for-profit/non-business marketing
- Services marketing
- Small- and medium-sized enterprises (SMEs)
- International and global markets.

Each of these application areas of marketing involve sometimes subtle but often major changes to the use and application of some of the marketing tools and techniques. In particular, these different applications for marketing have major implications for combining the marketing mix elements. These implications are considered in more depth in Chapter 12, so we shall at this stage simply introduce some of the key areas encompassing a widened use of marketing thinking and practices.

Business-to-business markets

Marketing first spread from consumer markets into business-to-business applications. Although there are different types of business-to-business markets, in the main they are characterized and distinguished from consumer markets by the fact that customers in these markets are purchasing in order to further the objectives of their organizations rather than personal motives and use. Some of the key differences between organizational buyers are considered in more detail in Chapter 3. It has long been recognized, however, that the importance of a marketing culture and the general principles of marketing apply to just the same extent as in consumer goods markets. However, because of the differences in business-to-business markets, primarily it has to be said, because of the different nature of the buyers and the buying process, there are some major implications for the marketer in managing and planning marketing activities. Primarily these differences are seen in the design and use of the elements of the marketing mix. We shall return to these differences in the mix in business-to-business markets in Chapter 12.

Not-for-profit/non-business marketing

Our first important development in marketing practice has been the increasing use of marketing tools and techniques in not-for-profit and non-business organizations. Traditionally, marketing was conceived as a means of generating and sustaining profits. However, many organizations have objectives other than profits, and many are not business organizations in the conventional sense. Examples of such organizations include churches, charities, political parties and 'public' organizations such as local authorities, police and fire services and government departments. Once spurned by such organizations, or at the very least thought of as not being relevant, marketing is increasingly being used as part of their plans. Remember, we shall consider the special issues of marketing approach and application in these types of organizations in more detail in Chapter 13.

Services marketing

Unlike not-for-profit and non-business marketing, many providers of services have long recognized the value and importance of marketing and of being marketing-oriented. As mentioned earlier, the marketing concept applies just as much to service products as to physical products; however, probably because of the growth in importance of services in the economies of many developed countries, more and more attention has focused on the special issues and problems of applying marketing in this area. As we shall see in Chapter 6, the characteristics of services compared with tangible physical products gives rise to additional considerations in their marketing. The marketing mix for services marketing is also considered further in Chapter 13.

Marketing in small- and medium-sized enterprises (SMEs)

Although never exclusively intended only for the larger organization, it is fair to say that many small- to medium-sized enterprises have been reluctant, or felt unable, to implement and use many of the marketing tools and techniques. There are many reasons for this, not the least of which is the attitude of many managers in such organizations who have, at least in the past, thought of marketing as an expensive luxury. Such organizations are increasingly recognizing, however, that effective marketing and a marketing culture are necessities rather than luxuries. Having said this, the small- to medium-sized enterprise does face different issues and problems in the application of marketing concepts and techniques, not the least because of limitations in access to resources and expertise. This therefore means that sometimes the marketing approach of the larger organization is inappropriate or at least has to be modified. Again, this often presents itself as differences or modifications to the elements of the marketing mix. We shall consider the applications of marketing in SMEs in more detail in Chapter 12.

Global marketing

Finally, in terms of widening applications of marketing, business and trade, and hence marketing, have become more and more global in nature in recent years. As with services, the application of marketing—in this case by companies trading across international frontiers—is not new, but again, the growth in activity in this area, and particularly the spread of the global marketing organization, has focused more and more attention on this aspect of marketing. International and global aspects of marketing are considered in more detail in Chapter 14. Of particular significance for European marketers, of course, are the developments concerning the activities of the members of the European Union (EU). These are discussed in more detail, therefore, in the next chapter when we consider the marketing environment.

CRITICISMS AND LIMITATIONS OF MARKETING

Lest we begin to believe that marketing offers a perfect solution to all the problems, not only of business, but potentially of society in general, it is important to balance this possible perspective with the fact that marketing is not without, and often quite rightly, its critics. There are also limitations as to what marketing can achieve for a company in pursuing its objectives. As consumer markets have become more complex, marketing more sophisticated and its applications wider, its practice has increasingly become the subject of increasing controversy and criticism. This is due, to some extent, to media and sometimes consumer misuse and misunderstanding of the word 'marketing' itself. Unfortunately, the term 'marketing' as used in some of the media and by some consumers often becomes the generic term which describes a multitude of malpractices ranging from actual dishonest trading to over-exaggerated advertising claims. A company that describes itself as 'marketing-oriented' can run the risk of being grouped with those firms that do not practise marketing at all in the real sense. This is one explanation for the poor image which marketing has in the minds of many consumers and media controllers.

However, it must be recognized that, even among those companies that adhere to the marketing concept, some criticism as to its functions is justified. Typical criticisms are outlined in the following list:

- Many products are at least wasteful of resources and in some cases dangerous to health.
- Much packaging and labelling is unnecessary or deceptive.
- Advertising is misleading.
- Advertising exploits children and makes people dissatisfied.
- Delivery is unreliable.
- After-sales service is inefficient.
- Market research invades privacy.

There are no excuses for such (valid) criticisms, and there is obviously much room for improvement. It must be remembered that in a competitive environment firms do not set out to antagonize customers if they wish to remain in business. Moreover, consumers usually have the sanction of spending their money where levels of service are more acceptable. The onus here is on marketing practitioners to recognize and remedy their areas of weakness and to promote themselves and their activities so as to be distinguished from the less savoury and often purely sales-oriented approaches that some companies employ.

There is a more intellectual and more fundamental basis from which marketing can be criticized. This concerns marketing's economic and ethical role in the way in which needs are satisfied and resources are allocated. The fundamental debate as to the validity of respective political systems and their approach to resource allocation is beyond the scope of this text; the intention is to consider the problem within the context of 'market' economies. Within such a framework, it is perhaps inevitable that the marketing manager has, in his or her professional role, typically viewed the problems of society from a different viewpoint from that of the external or public observer. The former has tended to emphasize the success and contribution which business in general has made to society, while the latter looks beyond the individual firm and highlights the negative aspects of marketing in society. This section deals with criticisms that call into question marketing's impact on society and are, therefore, 'macro' in nature.

Although it is difficult to classify such criticisms conveniently because of their wide variety, they can be roughly divided into 'economic' and 'ethical' sub-groups. Economic criticism centres around the theme that marketing is inefficient and chiefly concerns the following proposals.

Marketing creates monopoly and limits consumer choice

The possibility of a company becoming so powerful that it will decide what the consumer will buy and at what price, is a denial of the marketing concept and one of the chief fears of the consumer movement. In the private sectors of the developed world, although the development of even larger and more powerful companies is recognized, true monopolies rarely exist. As well as government regulation (in the form of the Monopolies and Mergers Commission in the UK and Anti-trust Legislation in the USA) the buying public is rarely sufficiently homogeneous to permit exclusive control by a monopolistic power.

Part of the opposition to monopoly is rooted in the economist's notion that perfect competition among sellers is the fairest way in which business can serve society and that a state of monopoly will allow the worst fears of marketing critics to materialize. It is true that monopoly is the antithesis of perfect competition, but these represent extremes of economic theory: the reality lies somewhat between the two. Marketing is in fact characterized by many economic business conditions. Some markets are supplied by numerous small- to medium-sized companies, while others are represented by the state of oligopoly.

We should remember that good marketing strategy should centre around a distinctive competence of the firm.[28] In this way the most successful companies become something like monopolists in their fields. For the consumer, the most important factor is that such a firm's competitors will continually strive to emulate this success. Thus, the current leader has little room for complacency. Such competition acknowledges the idea of consumer sovereignty and is the best safeguard that consumers have against exploitation by powerful companies.

The reality that increased market share leads to a disproportionate increase in market advantages, profits and thus power has led many markets to a state of oligopoly.[29] The existence of such power has caused marketing's critics to prophesy that such firms will eventually dictate what, where and when consumers will buy. Certainly there are instances of the abuse of power, and such activities must be deplored. In Western markets such power is tempered by competition as well as the ability of the consumer to remove his or her custom. In the UK in the early 1970s, genuine fears were expressed about the power of large bakeries and breweries to 'impose' white sliced bread and gas-filled beer upon the nation. Although these markets were in fact oligopolistic, it seemed that they were in possession of monopoly-like powers, supplying only what was profitable and convenient for them to produce. The resurgence of more traditional products was testimony to consumer power and a timely reminder to those firms that had neglected the marketing concept. Britain's largest bankers have had to shake off any complacency that they may have had in the 1970s. Not only has competition increased between them, but also they are realizing that they have no 'divine right' to exclusivity in the marketing of their services, as evidenced by the ending of their power through legislation which has opened up their traditional market to other financial institutions like building societies.

Similar examples are not difficult to find; they usually reveal that successful companies gain power so long as they efficiently satisfy demand, while at the same time, the standards of other companies are raised in their efforts to emulate the leader. Such a leader is constantly under threat from potential competition, differentiated and substitute products, and changes in the nature of consumer demand. Critics of marketing play a valuable social role—it would be naive to bestow complete altruism on all the business world, or indeed to overlook genuine mistakes. It is proposed that the nature of markets themselves will militate against monopoly, and that if situations approaching monopoly exist, these will remain only so long as they efficiently satisfy consumer needs and wants.

Marketing involves too much competitive promotion

The major criticisms of competitive promotion are directed at the advertising industry. Indeed, advertising is criticized by business itself because of the notorious difficulties involved in evaluating its effectiveness. Our main concern is with external critics who contend that purely competitive advertising is wasteful and that the consumers' real need is for advertising to be informative. If advertising were reduced or did not exist (so the argument runs) manufacturers' overheads would decrease and this would result in cheaper goods. The argument is extended to question the need for the multiplicity of apparently similar products which advertising is engaged in promoting.

The desire of consumers to have brand choice is well known, but marketers should not reject such criticism out of hand. When the US government banned cigarette advertising, it was interesting to note that sales did not fall significantly and that the relative market share of the cigarette manufacturers (all of whom were heavy advertising spenders) did not change. Cigarettes may, of course, present a special case, but the event certainly caused large spenders of advertising money to stop and think.

More usually, marketers are able to provide economic justification for their promotional expenditure. So as to maintain profitability, manufacturers place great reliance on their ability to achieve an optimum production–overhead ratio. Advertising can help to achieve and maintain such a position, but it must be remembered that, if sales that exceed the optimum are induced, such effort may become counterproductive.

Marketing is wasteful

The 'middleman' is often the butt of marketing criticism. A long and complicated channel system is seen as wasteful and unnecessary. Students of channel structure should be able to present cogent reasons justifying the need for middlemen—that is, from the manufacturer's point of view. There is no doubt that some channel systems are less than efficient. In the macro sense, critics bemoan the transportation around the country of apparently identical goods which are produced by different manufacturers. Frequently these goods are in fact highly differentiated with respect to style, design and brand name. There is, moreover, an important movement towards the simplification of channel systems which is discernible in the rise of discount stores and hypermarkets.

Despite the inefficiencies of marketing, it is logical to assume that companies will endeavour to reduce costs whenever possible. Efficiency is, of course, necessary for profit, and profit is essential for survival, but the implication for the consumer is that it allows the company to increase competitiveness and so reduce prices or improve service.

From the social perspective, critics question social values which it is claimed marketing is largely responsible for creating.

Marketing promotes materialism and creates artificial needs and values

The economist and social philosopher J. K. Galbraith described, as early as 1952, the creation of wants as the 'dependence effect'. He criticized the process of production and marketing for satisfying wants that were not 'original' within the consumer, but which were actually created by marketing in the first place.[30] Much of the blame for so-called stimulation of wants is laid at the door of advertising. Whether the source of our desire to acquire products and life styles which we could physically live without is inherent in ourselves, or is imposed upon us by phenomena such as advertising, is the subject of major philosophical debate. Some psychologists maintain that our wants are not really concerned with the acquisition of, say, an expensive hi-fi system, but rather that such an act realizes an inner psychological need. If this is the case, then marketing plays the valuable social role of want fulfilment, satisfying wants that otherwise, it could be argued, the consumer would search to fulfil in some other way. To this extent, if blame is to be attached, it must be shared by the buyer and the seller.

Questions as to the power of marketing and advertising to distort values and create artificial wants cannot be easily resolved. Is marketing to be blamed for the general rise in living standards which has facilitated the style of spending, which is itself the source of so much criticism? It may be that some critics underestimate the ability of consumers to discriminate and choose for themselves. The existence of social inequality has led to the comment that advertising dissatisfies the poor by portraying a world that is beyond their means. This is a socio-political comment as much as a direct criticism of marketing.

Advertising is offensive and deceptive

Fraudulent and deliberately deceptive advertising is infrequent as it is controlled by legislation. It is relatively rare because it is the advertiser's job to gain confidence among the target market and not to destroy it.

Much of the advertising deemed 'questionable' involves sins of omission as well as commission. The existence of advertising control is testimony to the fact that some advertising has presented half truths which, although not necessarily making blatantly false claims, have in reality set out to deceive. The socially responsible advertiser aims to communicate genuine product features to the public, and, while the need for regulatory bodies to control the less ethical is reprehensible, its existence appears to have raised the standards of advertising in general. In the United States, the Federal Trade Commission now reports that 97 per cent of advertisements checked each year satisfactorily adhere to its code of conduct.[31]

Marketing is unethical

Often the individual marketer's own personal standards may be compromised in the business situation. This problem of ethics is aggravated by the confusion that exists as to what the ethical obligations of marketing are. In recent years we have witnessed numerous examples of 'leaks' and revelations from individual employees of large organizations. If, for example, in detriment of his or her own career and financial security, an executive publicly discloses that the company has deceived or endangered its customers, the employee's corporate allegiance has then been overruled by his or her personal ethical code. For the average individual, the dilemma is unlikely to reach such critical proportions, but an ethical problem nevertheless remains.

Clearly, the solution lies with higher management, who could obviate the causes of ethical conflict. The power of the media and of consumerism has developed to such an extent that management is in any case under considerable pressure to adopt an increasingly responsible stance. Major initiatives have indeed been taken by enlightened companies that see valid marketing opportunities in such an approach. The question of social responsibility in marketing will be dealt with in a later section of this chapter. When we are discussing marketing ethics, though, we should be careful to note that the term 'ethics', and in particular what constitutes 'ethical' versus 'unethical' behaviour in the context of marketing, is very difficult to define. Dibb[32] suggests that ethics may be one of the most misunderstood and controversial concepts in marketing.

We can see then that marketing is not without its problems and certainly its critics, justified or not. In all honesty, there is little doubt that some marketing practices have been in the past, and will no doubt continue to be, offensive, deceptive, unethical and so on. Similarly, there will always be those who genuinely believe that marketing is wasteful and creates artificial needs and values. We shall see in Chapter 2 that such criticisms are responsible for the development of regulations and legislation to deter at least the worst potential excesses of the marketer. Another outcome of these criticisms of marketing has been the rise of the so-called consumer movement or as it is often called 'consumerism'.

Marketing proponents and practitioners must be careful not to claim too much for what marketing can achieve. Marketing on its own cannot make up for weak organizational structures or poor managerial expertise. Furthermore, marketing is not the answer to all the ills of society in general. Indeed, as we have seen, some believe that it is a major cause of these problems. Overall, however, with all its limitations, effective marketing probably offers one of the most powerful ways of generating corporate success and overall economic wellbeing.

CHAPTER SUMMARY

This chapter has traced the development of the modern marketing concept, and compared it with less sophisticated approaches to business. These approaches tended to put the product or product sales, rather than customer requirements, at the centre of business thinking. Even today the marketing concept is still often misunderstood by practising business people and, as a result, is often criticized as a management 'fad' or nothing more than rhetoric. If modern marketing principles are to gain acceptance by the senior managers who must put them into effect, the need is not for more elaborate marketing techniques, but for better communications between the marketing specialist and the general manager.

Unless the marketing way of thinking and caring about the business is practised at a level where effective action can be guaranteed, then the most up-to-date

and sophisticated marketing techniques in the world will not succeed. Marketing can provide policies for profitable action, but top management must give the authority to form these policies into action.

Marketing is not narrowly confined to a particular office or department: it is an attitude of mind, an approach to business problems that should be adopted by the whole organization, from the chief executive downwards.

Every person working in an organization should realize that without customers there is no business and hence no jobs. If a company cannot attract and retain customers' business, it will eventually be forced into liquidation or merger. All departments within the organization should be *working together* as an integrated unit with a common purpose—the satisfaction of customers' needs and wants. They should strive to carry this out more effectively and efficiently than competitors and, in the case of profit-making organizations, to make a profit out of the whole operation.

The marketing concept acknowledges that a business geared to serve the needs and requirements of customers will achieve better results over a longer period of time than a company whose orientation is along different lines. When a company is said to be 'marketing-oriented' it puts the customer at the very centre of its corporate thinking. It sees its mission in life and its very purpose for existence as being the identification, satisfaction and retention of customers.

The marketing concept, together with the practice of marketing is itself evolving and changing. Marketers in particular are recognizing the importance of internal marketing and the link between this and total customer care and total quality. Relationship marketing is fundamentally altering many of the basic premises of marketing recognizing as it does the long-term value of a customer and the importance of building relationships. Like most areas of business, marketing is being strongly affected by developments in communications and information technology. In some cases this is revolutionizing marketing practices, but in the context of this chapter we have seen that developments in this area are helping the marketer develop a marketing culture. Ecological/environmental and consumer welfare issues, too, have increasingly affected marketing ideas and practice and in part have led to the development of the notion of social marketing.

In terms of the applications of marketing the philosophy and practice of marketing was once viewed as being most relevant to the profit-seeking organization selling consumer products. Increasingly, however, the marketing concept and tools of marketing are being used in an increasingly diverse range of situations and organizations. Spreading first into the business-to-business marketing arena, marketing is increasingly being used in not-for-profit organizations, services marketing, small- and medium-sized enterprises, and in the increasingly important arena of international and global marketing.

Finally, we have seen that there are many critics and criticisms of marketing. Marketers must not ignore these, and indeed have often responded positively to criticism. However, the growth of the consumer movement and the need for increased legislation to curb some of the worst potential excesses of marketing underline the fact that marketers do not always respond quickly or positively enough to such criticisms.

CHAPTER REVIEW QUESTIONS

1. How does marketing differ from selling?
2. Identify an organization which in your opinion has not adopted a marketing concept. What evidence have you found to support your view?
3. What are the key steps in introducing a marketing-oriented culture within an organization, and what might be the main problems in achieving this?
4. Outline and discuss what you feel are some of the key developments in the concept and practice of marketing in the contemporary organization.
5. How can communications and information technology help in the development of a marketing culture?
6. What are some of the major criticisms of marketing and how should marketers respond to these criticisms?

References

1. A. Smith, *The Wealth of Nations*, Random House, New York, [1775] 1937.
2. P. Kotler, G. Armstrong, J. Saunders, and V. Wong, *Principles of Marketing*, European 2nd edn, Prentice-Hall, London, 1998, p. 12.
3. S. Dibb, L. Simkin, W. M. Pride and O. C. Ferrell, *Marketing Concepts and Strategies*, European 3rd edn, Houghton Mifflin, Boston, MA, 1997, p. 5.
4. O. C. Ferrell and G. H. Lucas, 'An evaluation of progress in the development of a definition of marketing', *Journal of Marketing Management*, **3** (1), 1987, pp. 73–82.
5. M. J. Baker, *MacMillan Dictionary of Marketing and Advertising*, Macmillan Press, London, 1984.
6. 'AMA Board approves new marketing definition', *Marketing News,* 1 March 1985, p. 1.
7. C. Gronroos, 'The rebirth of modern marketing: six propositions about relationship marketing', Swedish School of Economics and Business Administration, Working Paper 307, Helsinki, 1995.
8. P. F. Drucker, *The Practice of Management*, Harper & Row, New York, 1954, p. 56.
9. G. J. Hooley, J. E. Lynch and J. Shepherd, 'The marketing concept: putting the theory into practice', *The European Journal of Marketing*, **24** (9), pp. 7–24.
10. P. F. Drucker, *Management: Tasks, Responsibilities, Practices*, Harper & Row, New York, 1973, pp. 64–5.
11. P. Kotler, *Marketing Management: Analysis, Planning, Implementation and Control*, 8th edn, Prentice-Hall, Englewood Cliffs, NJ, 1994, p. 17.
12. T. Levitt, 'Marketing myopia', *Harvard Business Review,* July–August 1960, pp. 45–6.
13. P. Kotler, op. cit., p. 19.
14. G. J. Hooley *et al.*, op. cit., p. 5.
15. E. Gummesson, 'Marketing orientation revisited: the crucial role of the part-time marketer', *European Journal of Marketing*, **25**, 1990, pp. 60–75.

16. G. A. Lancaster, ‘Marketing and engineering: can there ever be synergy?’, *Journal of Marketing Management*, **9**, 1993, pp. 141–53.
17. S. M. A. Saddik, ‘Marketing in the wool textile, textile machinery, and clothing industries’, Ph.D thesis, University of Bradford Management Centre, 1969.
18. T. Levitt, op. cit.
19. W. J. Stanton, *Fundamentals of Marketing*, 5th edn, McGraw-Hill, Tokyo, 1978, pp. 11–15.
20. V. P. Buell, *Marketing Management in Action*, McGraw-Hill, New York, 1966, pp. 22–7.
21. B. P. Shapiro, ‘Can marketing and manufacturing co-exist’, *Harvard Business Review*, September–October 1977, pp. 104–14.
22. C. B. Handy, *Understanding Organizations*, Penguin, Harmondsworth, 1976, p. 236.
23. D. Ballantyre, M. Christopher and A. Payne, ‘Improving the quality of services marketing: service (re) design is the critical link’, *Journal of Marketing Management*, **2**, 1995, pp. 7–24.
24. G. A. Lancaster, ‘Marketing and engineering revisited’, *Journal of Business and Industrial Marketing*, **10** (1), 1995, pp. 6–15.
25. F. Buttle (ed.), *Relationship Marketing: Theory and Practice*, Paul Chapman, London, 1996, pp. 1–16.
26. P. Kotler, op. cit., p. 11.
27. C. Gronroos, op. cit.
28. C. W. Hofer and D. Schendel, *Strategy Formulation, Analytical Concepts*, South West American Publishing, Edmond, OK, 1978, p. 151.
29. R. D. Buzzel *et al.*, ‘Marketing share: a key to profitability’, *Harvard Business Review*, January–February 1975, pp. 34–58.
30. J. K. Galbraith, *The Affluent Society*, Houghton Mifflin, Boston, MA, 1952, pp. 124–5.
31. S. W. Dunn and A. W. Barban, *Advertising: Its Role in Modern Marketing*, Dryden Press, Hindsdale, IL, 1978.
32. S. Dibb, L. Simkin, W. M. Pride and O. C. Ferrell, op. cit., p. 740.

CASE STUDY

Bruddersford Leisure Centre

Leisure, sports and recreation centres have, in recent years, been one of the fastest growing markets in the UK where there are now over 2000 such centres. Some of these are privately run but many of them are provided by local authorities.

With regard to the privately run centres, most of them are very sophisticated in their approach to their marketing and the degree of marketing orientation which they exhibit. They make sophisticated use of marketing research and understand the importance of identifying and satisfying customer needs. In short, they are very marketing-oriented.

In the case of centres run by local authorities, however, the opposite is the case. Many of these centres are run on product-oriented lines. Many of them are ill-equipped, have non-customer friendly opening times, and are often dirty and poorly maintained.

Bruddersford, a northern local authority, operates several sports and recreation centres. The largest of these was built only six years ago and is attached to the local football ground. Initially extremely successful, more recently this newest centre has faced intense competition from a recently opened private leisure centre. Despite much higher prices than the local authority centre the private one has taken an estimated 30 per cent of customers who were previously users of Bruddersford's council run facilities.

Partly as a result of this, Bruddersford Council advertised for, and have appointed, a marketing manager. The remit of this new manager is to recapture the customers lost to the private centre.

The new marketing manager believes that at the heart of the problem is the fact that traditionally local authority leisure, sports and recreation centres have not been sufficiently marketing-oriented. There are, however, perhaps good reasons for this. For example, the provision and use of such centres are not necessarily based upon profits, although obviously they have to contribute adequately towards their running costs. Furthermore, unlike privately owned centres, local authority centres have a responsibility towards the council tax payer and perhaps to the public in general. They therefore tend to provide, for example, minority sports facilities which can be grossly underutilized.

Having only been in the post for a month, the new marketing manager has already spoken to various staff at the centre to solicit their views about how lost customers could be recaptured. Below are some of the comments he has received.

> 'The facilities are for the local public and should be free': pool supervisor.
>
> 'The people who have gone to the new private centre aren't interested in sport and fitness at all—they are simply posers who want to be seen in the right places': assistant manager.
>
> 'I know we only open between 9.00 a.m. and 7 p.m. but surely if they wanted to people could get to use our facilities at some time during these hours': publicity assistant.

Questions

1. If you were the new marketing manager for Bruddersford's leisure centre explain why you might be concerned about the comments you have received back from some of the centre's staff.
2. Write a report for the members of Bruddersford Council outlining your recommendations for using the ideas and tools and techniques of marketing to recapture some of the centre's lost customers.