CHAPTER 1

The Marketing Concept

The "marketing concept" is the philosophy that firms should analyze the needs of their customers and then make decisions to satisfy those needs, better than the competition. Today most firms have adopted the marketing concept, but this has not always been the case.

In **1776** in **The Wealth of Nations**, **Adam Smith** wrote that the needs of producers should be considered only with regard to meeting the needs of consumers. While this philosophy is consistent with the marketing concept, it would not be adopted widely until nearly 200 years later.

To better understand the marketing concept, it is worthwhile to put it in perspective by reviewing other philosophies that once were predominant. While these alternative concepts prevailed during different historical time frames, they are not restricted to those periods and are still practiced by some firms today.

1.1 The Production Concept:

The "production concept" prevailed from the time of the industrial revolution until the early 1920's. The production concepts was the idea that a firm should focus on those products that it could produce most efficiently and that the creation of a supply of low-cost products would in and of itself create the demand for the products. The key questions that a firm would ask before producing a product were:

- Can we produce the product?
- Can we produce enough of it?

At the time, the production concept worked fairly well because the goods that were produced were largely those of basic necessity and there was a relatively high level of unfulfilled demand. Virtually everything that could be produced was sold easily by a sales team whose job it was simply to execute transactions at a price determined by the cost of production. The production concept prevailed into the late 1920's.

1.2 The Sales Concept:

By the early 1930's however, mass production had become commonplace, competition had increased, and there was little unfulfilled demand. Around this time, firms began to practice the "Sales concept" (or selling concept), under which companies not only would produce the products, but also would try to convince customers to buy them through advertising and personal selling. Before producing a product, the key questions were:

- Can we sell the product?
- Can we charge enough for it?

The sales concept paid little attention to whether the product actually was needed; the goal simply was to beat the competition to the sale with little regard to customer satisfaction. Marketing was a function that was performed after the product was developed and produced, and many people came to associate marketing with hard selling. Even today, many people use the word "marketing" when they really mean sales.

1.3 The Marketing Concept:

After World War II, the variety of products increased and hard selling no longer could be relied upon to generate sales. With increased discretionary income, customers could afford to be selective and buy only those products that precisely met their changing needs, and these needs were not immediately obvious. The key questions became:

1. What do customers want?
2. Can we develop it while they still want it?
3. How can we keep our customers satisfied?

In response to these discerning customers, firms began to adopt the "marketing concept", which involves:

- Focusing on customer needs before developing the product

- Aligning all functions of the company to focus on those needs
- Realizing a profit by successfully satisfying customer needs over the long-term

When firms first began to adopt the marketing concept, they typically set up separate marketing departments whose objective it was to satisfy customer needs. Often these departments were sales departments with expanded responsibilities. While this expanded sales department structure can be found in some companies today, many firms have structured themselves into marketing organizations having a company-wide customer focus. Since the entire organization exists to satisfy customer needs, nobody can neglect a customer issue by declaring it a "marketing problem" - everybody must be concerned with customer satisfaction.

The marketing concept relies upon marketing research to define market segments, their size, and their needs. To satisfy those needs, the marketing team makes decisions about the controllable parameters of the marketing mix.

CHAPTER 2

The Marketing Mix

(The 4 P's of Marketing)

Introduction

Marketing decisions generally fall into the following four controllable categories:

1. **Product**
2. **Price**
3. **Place (distribution)**
4. **Promotion**

The term **"**marketing mix**"** became popularized after **Neil H. Borden** published his **1964** article; **The Concept of the Marketing Mix**.

Borden began using the term in his teaching in the late 1940's after James Culliton had described the marketing manager as a **"**Mixer of ingredients**"**.

The ingredients in Borden's marketing mix included product planning, pricing, branding, distribution channels, personal selling, advertising, promotions, packaging, display, servicing, physical handling, and fact finding and analysis.

E. Jerome McCarthy later grouped these ingredients into the four categories that today are known as the 4 P's of marketing, depicted below:

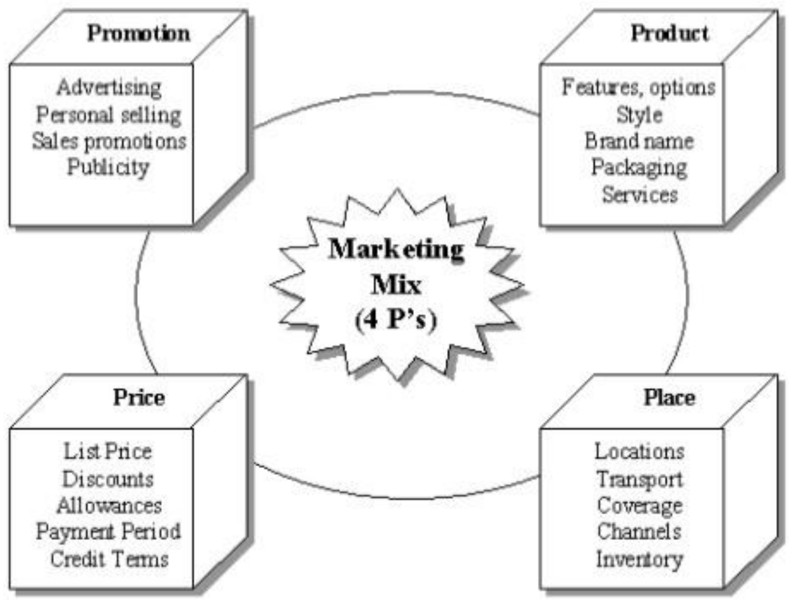

Fig.2.1: MARKET MIX

These four P's are the parameters that the marketing manager can control, subject to the internal and external constraints of the marketing environment. The goal is to make decisions that center the four P's on the customers in the target market in order to create perceived value and generate a positive response.

2.1 Product Decisions:

The term "product" refers to tangible, physical products as well as services. Here are some examples of the product decisions to be made:

- Brand name
- Functionality
- Styling
- Quality
- Safety
- Packaging
- Repairs and Support
- Warranty
- Accessories and services

2.2 Price Decisions:

Some examples of pricing decisions to be made include:

- Pricing strategy (skim, penetration, etc.)
- Suggested retail price
- Volume discounts and wholesale pricing
- Cash and early payment discounts
- Seasonal pricing
- Bundling

- Price flexibility
- Price discrimination

2.3 Distribution (Place) Decisions:

Distribution is about getting the products to the customer. Some examples of distribution decisions include:

- Distribution channels
- Market coverage (inclusive, selective, or exclusive distribution)
- Specific channel members
- Inventory management
- Warehousing
- Distribution centers
- Order processing
- Transportation
- Reverse logistics

2.4 Promotion Decisions:

In the context of the marketing mix, promotion represents the various aspects of marketing communication, that is, the communication of information about the product with the goal of generating a positive customer response. Marketing communication decisions include:

- Promotional strategy (push, pull, etc.)
- Advertising
- Personal selling & sales force
- Sales promotions
- Public relations & publicity
- Marketing communications budget

2.5 Limitations of the Marketing Mix Framework:

The marketing mix framework was particularly useful in the early days of the marketing concept when physical products represented a larger portion of the economy. Today, with marketing more integrated into organizations and with a wider variety of products and markets, some authors have attempted to extend its usefulness by proposing a fifth P, such as packaging, people, process, etc.

Today however, the marketing mix most commonly remains based on the 4 P's. Despite its limitations and perhaps because of its simplicity, the use of this framework remains strong and many marketing textbooks have been organized around it.