

Questions and Answers on The Marketing Phenomena
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1) What is the difference between the study of marketing and study of marketing management?

Answer:

Marketing, like economics, can be studied as a social science driven by the classic goal of the social scientist. The goal of the social scientist is to explain and predict social processes. The study of Marketing as a social science is the study of the exchange phenomena in society. The consumer is the primary focus of the exchange process and is the most widely studied creature on the planet. The social sciences of Marketing and Economics contain many topics that are relevant to marketing managers. However, Marketing Management is a business discipline and a profession. Marketing managers are professional sellers in a world divided between buyers and sellers. Marketing managers have the goal of maximizing the seller's wealth through the maximization of profitable exchanges with customers.

The perspective of the social scientist is very different from the perspective of the professional practitioner. For example, the economist seeks to understand economic exchange with a view towards society's allocation of scarce resources. The marketing manager as a professional businessperson seeks to understand exchange with a view to creating more profitable exchanges for the seller and sustaining competitive advantage.

Marketing Management is to see the marketing exchange from the seller's point of view with a focus on managing customer demand. Marketing management can be defined as the analysis, planning, implementation, and control of programs designed to create, build, and maintain beneficial exchanges and relationships with target markets for the purpose of achieving organizational goals.

2) What is the marketing concept?

Answer:

The marketing concept is first and foremost a philosophy of competition.

Some people want the marketing concept to be a fundamental statement regarding the type of cooperative relationship that should exist between buyers and sellers. These people fail to appreciate that conflict and not cooperation is at the root of the buyer-seller relationship. Sellers want high prices and buyers want low prices. Some people want the customer orientation of marketing to be a manifesto of consumerism. While it is true that marketers want to know the nature of the buyer's needs and wants, and seek to serve customer's wants, it is done in terms of enlightened self-interest and making profits. The marketing concept can only be understood if it is accepted as a philosophy of competition.

We assume the following:

a) The marketing management has the purpose of establishing and maintaining a competitive advantage in the marketplace. The production concept, the product concept,

the selling concept, the marketing concept, and the societal marketing concept are alternative philosophies to the problem of gaining a sustainable competitive advantage.

b) The long run goal of a firm is survival in a competitive environment. Profits are the means by which survival is achieved. Profits are the result of having a competitive advantage.

The marketing concept is a superior philosophy of competition because the key to achieving organizational goals (i.e., profit through competitive advantage) is, first, to determine the needs and wants of target markets and then to design a product and marketing strategy that delivers the desired satisfactions more effectively and efficiently than competitors.

3) Is the goal of marketing management is to maximize customer satisfaction? Agree or disagree?

Answer:

Many people want to believe that the goal of marketing as a social science is to maximize customer satisfaction. However, the overarching goal of marketing management is to maximize profitable sales. The key to this question is in understanding what we mean by the words management, maximize, customer, and satisfaction when we look at marketing at different levels in the organization and society. For example, a salesperson can be told to maximize customer satisfaction and the objective is to help the customer make the right purchase and feel good about it. It cost the firm nothing to have polite and helpful salespeople. However, the concept of maximizing customer satisfaction is nonsense. To a marketing manager, who selects the price and rest of the marketing mix to make a profit, the goal 'to maximize customer satisfaction' means to give the product away free.

A by-product of competition can be the improvement of deals for the customer and the invisible hand of economics can lead to improvements in the life of consumers. However, the goal of the marketing manager is to maximize profits.

4) Is the aim of marketing to make the persuasive selling process superfluous? Agree or disagree?

Answer:

It is easier to agree, if you see that the implicit definition of selling is the use of high pressure tactics to persuade people to buy things they don't need or don't want. The classic role of the salesperson was to sell the products the company made. The role of marketing was to sell stuff and is part of the 'selling concept' of competition. In modern marketing management, the company is urged to design the products that customers want to buy and if it is obvious to the customer that they have found what they want the classic 'hard sell' is superfluous.

The goal of this question is to ensure the student knows the difference between the selling concept and the marketing concept. If the marketing mix being offered by the customer is obviously superior in the customer's eyes, then there is no need to persuade the customer into buying it. If the net benefits delivered by marketing mix A (Price, Product, Promotion, Place) are better in the customer's eyes than the net benefits in marketing mix

B, then the customer will select offering A. Convincing practical business men that the marketing concept was a superior philosophy to the traditional selling concept was the starting point for the spread of marketing as a business discipline.

5) What are some basic criticisms of the marketing concept?

Answer:

It is not a philosophy of customer satisfaction. It is a philosophy of competition. It is designed to create a monopoly-like situation at least in the minds of customers and to avoid direct competition. In the absence of competition, the marketing concept is designed to maximize monopoly profits. The focus of the marketing concept is the profitable satisfaction of customer's wants, not necessarily society's needs.

Marketing management does not serve the broader needs of society. If a target market, such as the elderly or the poor, has sufficient purchasing power, then the business discipline of marketing will seek to deliver solutions and benefits to that target market. If a market segment does not have the purchasing power, then the commercial sector of a society will ignore that segment.

6) The marketing concept sidesteps the basic conflict between buyer and seller. Buyers want lower prices. Sellers want higher prices. Discuss.

Answer:

The marketing concept does not provide a solution to the classic bargaining problem. Concepts such as "relationship marketing" and "fair" prices sound great! What do they mean? It is relatively easy to construct situations where the marketing concept fails to provide operational guidance to marketing managers. Consider the following scenario: A marketing analyst, after doing a complete study of a seller's customers, competitors, and environment, makes the following report to the seller. "Mr. Seller, you have done such an excellent job of designing your marketing mix in terms of satisfying customers more efficiently and effectively than your competitors that you are making above average profits. I am completely confident that if you raised your price by one more dollar per unit, then your profits would increase and you would not lose a single sale or a single customer now or into the foreseeable future. Your customers would, of course, be slightly more dissatisfied with the higher price, but all of them would continue to buy from you."

If the seller increases the price, are his actions consistent with the marketing concept?

The seller's adoption of the marketing concept has given him a competitive advantage almost as strong as an official monopoly. As an unofficial monopolist, should he exploit the situation? The customer orientation that is embedded in the marketing concept suggests that customers should be satisfied. Does the customer orientation imply that customer satisfaction should be maximized in the absence of competition? What price should be charged in a monopoly situation? The marketing concept as it is currently articulated is simply inadequate to resolve these issues.

The fundamental weakness of the marketing concept is that it does not provide any guidance for strategy selection in situations where there is an absence of any competitive threat. Consider the following scenario:

In search of greater profits, the owner of a small clothing store has developed a marketing mix and product assortment which has given him a virtual monopoly in the "fashion conscious, young, professional" market. This store owner is in the process of helping a prospective customer choose a suit. The selection has been narrowed down to two very different suits in terms of style, fabric, and color: a light blue suit and a dark blue suit. Either the dark suit or the light suit will leave the customer very satisfied and certainly more satisfied than any suit available from competitive stores. Both suits have advantages and disadvantages and direct comparison is difficult. The customer would like to buy both suits, but can only afford one and is unable to choose between the two. The buyer is completely open to any persuasion that will help him decide which suit is better. The store owner, an expert in color matching to skin tones and the durability of different fabrics, knows that this customer would get greater satisfaction from wearing the light blue suit rather than the dark blue suit. The store owner, however, will make a net profit of \$100 selling the dark blue suit and a net profit of \$50 selling the light blue suit. Regardless of which suit is sold, the customer will be perfectly satisfied. There is no chance, in the long run or the short run, that the customer will ever know or have any way of knowing that the light blue suit gives, or would have given him, greater satisfaction than the dark blue suit.

The storeowner has some basic choices:

- a) Make a \$50 profit by persuading the customer to buy the light blue suit.
- b) Make a \$100 profit by persuading the customer to buy the dark blue suit.
- c) Let the customer discover some way of making his own choice.

Which choice (or choices, if any) is consistent with the marketing concept? Why or Why not?

7) Do you think that all companies need to practice the marketing concept to some extent? Could you cite companies which do not particularly need this orientation? Which companies need it most?

Answer:

Not all companies would benefit equally from reorienting their operations toward the marketing concept. Examples of companies that would benefit less from a thorough-going market orientation are:

- a) Firms that have a captive market because of a monopoly or near monopoly on the supply of the particular product.
- b) Firms bidding for government contracts where their first concern is cost efficiency and research capability.
- c) Firms with long-term contracts to supply private brands.
- d) Firms that supply standardized commodities (e.g., gold, wheat, pork bellies, etc.) that are traded on active markets.
- e) Firms that are operating in a long-term seller's market.

The greatest benefits of a market orientation accrue to firms and/or industries with some or all of the following features:

- a) Industry capacity exceeds sales.
- b) Customers differ in their preference and susceptibilities.
- c) Competition is vigorous.

- d) Where firms are generating continuous product improvement and new-product development
- e) Brands are similar and/or brand innovations are rapidly imitated.
- f) Promotion is able to influence brand preferences.

The above characteristics suggest why the market orientation first took roots among companies producing consumer nondurables (soaps, cigarettes, gasoline, beer) and consumer appliances (toasters, radios, refrigerators). The spread of the marketing concept as a philosophy of competition has been slower in business to business (B2B) situations than in business to consumer (B2C) situations. The marketing concept is a philosophy of achieving profits in competition situations. The goal of marketing is to avoid competition through product and service differentiation based on customer needs and wants. The goal of the marketing manager is to sell products that don't come back and sell the products to customers who do.