3 Marketing and Consumer Behaviour

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Exercise 1: Before reading this chapter take a few minutes to write down some notes detailing your existing understanding of what marketing is and why it is important for management: What does marketing do and how? What processes are involved? How important is it to business or organisational success?

In today's highly complex market economy an understanding of marketing is essential for businesses to succeed. Long-term business success is dependent on meeting consumer wants and needs using the company's resources through offerings which create value for customers. Those businesses which do not create value for their customers cannot expect to achieve long-term success. Such is the scale of the topic several introductory management textbooks avoid engaging with it and there are a vast number of large textbooks devoted to the discipline alone. This chapter will attempt to briefly explain why marketing is important and how its core features have developed, before outlining the central relationship between producer and consumer and the importance of the exchange of value that occurs between them. It is this exchange that marketers aim to deliver and enhance in their work.

What is 'marketing'?

Trying to define marketing simply is a difficult task. Despite this, introductory chapters or text-books on marketing often begin from such a definition and aim to build up an explanation of this vast field from there. Wide debates have taken place in the marketing field over attempts to create an accepted definition for scholarly use (Mick, 2007; Sheth & Uslay, 2007; Zinkhan & Williams, 2007).

Three such definitions are provided below to highlight the inconsistencies in attempts to define marketing.

- The action or business of promoting and selling products or services, including market research and advertising. (Oxford Dictionaries, 2015).
- The process by which companies create value for customers and build strong customer relationships to capture value from customers in return. (Kotler, Armstrong, Harris, & Piercy, 2013, p. 5)
- Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. (American Marketing Association, 2013).

As the three definitions above highlight there is no accepted definition of marketing; rather definitions found across dictionaries, scholarly publications and marketing association materials are vague, contradictory, and sometimes both. To compound this problem, people not involved in studying or practicing marketing often characterise it merely by the elements which are most commonly encountered in public: sales and advertising (Kotler et al., 2013). It is important at the outset of this introductory chapter then, to try and better understand what it is we are referring to when we discuss marketing and its related concepts. Actually, trying to attempt to offer a concise yet informative definition is not overly helpful; rather we ought to consider how and why marketing develops.

Where did marketing come from?

Clearly marketing is related to trade and therefore we can safely assume that, though the term marketing is likely a relatively new label, it has a long history. Scholars have attempted to trace its starting-point with some arguing that marketing is as old as trade itself and has important roots in ancient civilisations such as Mesopotamia (Demirdjian, 2005) and others suggesting the development of a systematic model of activities common within contemporary marketing began in Greek and Roman antiquity (Shaw, 2015). It is clear however that the activities now understood under the rubric of marketing have developed over a long period of time. The practice of marketing is best understood as an effort to increase the efficiency of trade, and as accompanying the lengthy development of the socio-economic conditions in which we now live.

For example, Shaw (1995) argued that much of the debate across marketing, economics and sociology surrounding the integration of the economy into society can be found in the work of Plato, for whom states came into existence in order to fulfil the varied needs of citizens: food, shelter, clothing and so forth. Though he obviously did not use the modern marketing vernacular, Plato outlined the foundations of a market system. At one point each person would have laboured to produce what was required to fulfil each of these needs and produced food, shelter and clothing. Plato observes however, that in time it becomes clear that some are suited to one role more than another and can produce much more by focussing on this area, for example producing food, whereas someone else is more skilled in building structures to provide shelter. Due to the comparative advantages between people a division of labour occurs in which people commit all their time and effort to one trade. In such a system each person produces a surplus (efficiency in production) of one or a small number of outputs and must trade their surplus with other types of producers in order to satisfy all of their needs. So, for example a farmer trades his surplus food with a carpenter in order to attain shelter and with a cloth maker to attain clothing. In this scenario all traders are required to meet other traders in order to satisfy all their needs but the division of labour separates them and makes trade onerous. If all traders are able to meet in the same location at the same time these exchanges are made much more efficient (market exchange) though they must still cease production in order to sell reducing efficiency (opportunity cost). In time a system, which allows for producers to continue producing whilst their products are sold, exists through the development of specialist sellers, further increasing efficiency in exchange.

> In summary, Plato has shown that *comparative advantage* leads to a *division of labour* resulting in *efficiency in production*. But the division of labour also results in a separation of producers and consumer. To bridge this gap *market exchange* is required. The exchange process requires work, work takes time, and time has an *opportunity cost*. Hence, marketing institutions emerge because of increased *efficiency in exchange*. (Shaw, 1983, p. 147)

Shaw (2015) argues that during antiquity trade underwent its greatest development in its long history – from the Stone Age to modernity – as a result of the introduction of three factors which underpin the earliest marketing systems: centralised marketplaces, sedentary retailing, and coined money. Marketplaces matched supply with demand, sedentary retailers allowed for efficient exchange for buyers and sellers, and coined money provided a commonly accepted store of value and means of payment. Though this development is of such importance, it was largely taken for granted until the turn of the twentieth century when it became a field of academic study. Now marketing is a central part of both business education and research (with most business or management schools containing marketing courses or departments), and of business practice (with most companies devoting considerable time and resources to the practice). In the short review above of how the basic market systems developed we can see a central theme, the exchange between buyer and seller. Though this is traditionally viewed in terms of a business transaction – the processes that allow for exchange of goods and services for payment – there are also arguments that favour consideration of marketing in broader terms as the processes which allow for any exchange of value between two parties, be they business exchanges or social exchanges. This debate was at its height in the 1960s and 1970s with those that favoured the 'broadening' side seemingly having been more successful (Kotler, 1972, 2005). It is along the lines of the broadened conception of marketing that most marketing education is delivered and in which this chapter will now proceed. This jump ignores a huge period in the development of trade which has seen the world become extremely interconnected, and seen the development of mass production and consumption, to cite only two developments. This is not only a huge jump in the history of trade but also in the history of marketing, the entirety of which can of course not be covered in this chapter, though both marketing history and the history of marketing thought have received considerable scholarly attention in recent years (see Jones & Tadajewski, 2016; Shaw & Jones, 2005).

Understanding marketing

The section above highlights that although marketing systems developed over several millennia, interest in marketing as a discipline really only took hold in the twentieth century. As a result it is often argued that marketing developed over this short period, with particular emphasis on periods in which marketing focussed on production, followed by a focus on sales, before evolving into a focus on marketing itself (Keith, 1960), though this periodization has been widely questioned (Fullerton, 1988; Hollander, Rassuli, Jones, & Dix, 2005). Others argue that this evolution continued into the development of a relationship marketing era more focussed on developing long-term relationships with customers and continuing business (Dibb, Simkin, Pride, & Ferrell, 2001) and onto the development of a *marketing orientation*. A marketing orientation is defined as a business model that focuses on delivering products designed according to customer desires, needs, and requirements, in addition to product functionality and production efficiency (Kohli & Jaworski, 1990).

This shift from marketing which looked to create the 'correct" products in an efficient manner allowing for profitable exchange, to a system in which a holistic orientation based around providing value, is perhaps best illustrated through the evolution of the 'marketing mix' concept which is often used to introduce new students to marketing. This has evolved to embrace the more service-based elements of a business organisation, following arguments that all companies are service-based regardless of their product(s) (Kotler et al., 2009).