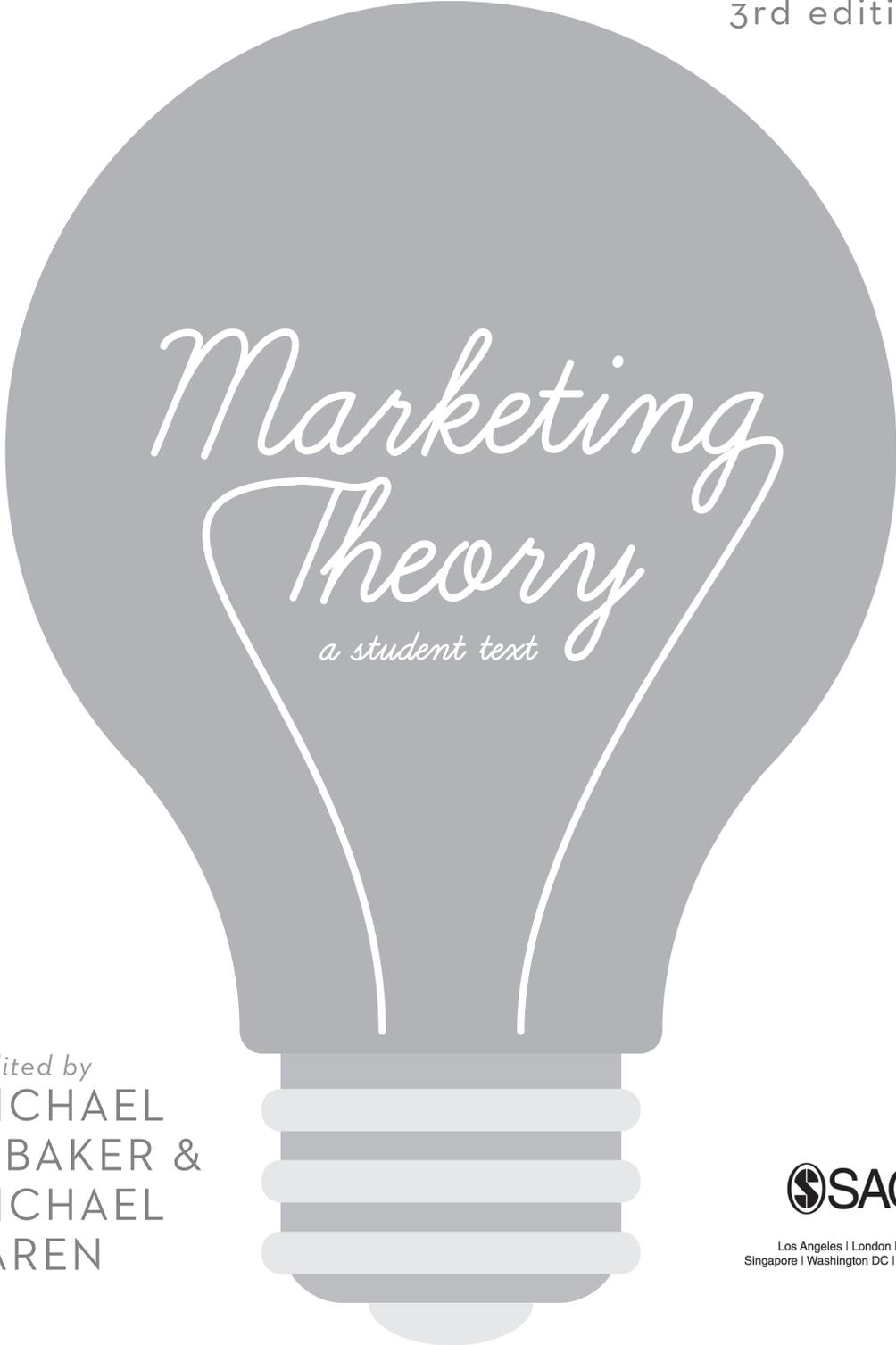




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3rd edition



*Marketing
Theory*
a student text

edited by
MICHAEL
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Marketing: Philosophy or Function?

Michael J. Baker

1

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Overview

This opening chapter seeks to define what might be considered the true essence of marketing: that it is the establishment of mutually satisfying exchange relationships. The modern marketing concept would appear to have undergone at least three major phases of evolution – the

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emergence of the mass market, the articulation of the modern marketing concept, and the transition from an emphasis upon the transaction to the relationship. Also, arising from the stress upon relationships, the interaction between seller and buyer has become prominent as the basis for the co-creation of 'value'. Because of the distinguishing attributes of services – intangibility, etc. – interaction assumes greater importance and has become the focus of what Vargo and Lusch (2004) have defined as the service-dominant logic. In parallel with these changes, the practice of marketing has been seen as having increased relevance in promoting behavioural change in both the commercial and non-commercial context.

Next, I review a number of specific definitions of marketing to document how these have changed over time and speculate as to the possible nature and direction of future change in addressing the question, what is marketing?

In conclusion, I look briefly at the relationship between theory and practice which is the subject matter of the book as a whole and identify the existence of a 'gap' between the two. Some reasons for this are identified and are touched on in many of the chapters that follow.

Introduction

On first introduction to a subject it is understandable that one should seek a clear and concise definition of it. If nothing else this definition should enable one to distinguish the domain of that subject from others while also giving an indication of its scope and nature. Of course, none of us expect that a short definition will be able to encompass the complexity of a subject as extensive as marketing. That said, it does seem reasonable that persons who profess or claim expertise on the subject should be able to define it.

In this introductory chapter it will become clear that there is no scarcity of definitions of marketing and I will review a number of them. In doing so it will also become clear that views as to the scope of the subject tend to polarize in the manner implied by the title between those who perceive marketing as a philosophy of business, or state of mind, and those who regard it as a managerial function responsible for particular activities in much the same way as production, finance or human resource management.

To throw light on this dichotomy it will be helpful first to review what is seen to be the true essence of marketing – mutually satisfying exchange relationships – and its evolution over time in parallel with stages of economic growth and development. On the basis of this review it will be argued that marketing has always been an intrinsic element of the commercial exchange process but that its importance has waxed and waned with shifts in the balance between supply and demand. Without anticipating unduly Brian Jones's discussion of historical research in marketing it will be suggested that we can detect at least three major phases in the evolution of the modern marketing concept – the emergence of the mass market circa 1850, the articulation of the modern marketing concept circa 1960, and the transition from an emphasis upon the transaction to the relationship circa 1990. In conclusion I review specific definitions of marketing to document how these have changed over time and speculate as to the possible nature and direction of future change in order to answer my opening question, marketing – philosophy or function?

Exchange and economic growth

Since time immemorial humans have had to live with scarcity in one form or another. In its most acute form scarcity threatens the very existence of life itself but, even in the most affluent and advanced post-industrial societies, its existence is still apparent in the plight of the homeless and the poor. Indeed, in some senses it is doubtful whether humankind will ever overcome scarcity, if for no other reason than that there appears to be no upper limit to human wants.

The use of the noun 'wants' is deliberate for early on in any study of marketing it is important to distinguish clearly between 'needs' and 'wants'. Needs have been classified as existing at five levels by Abraham Maslow (1943) and his Hierarchy of Human Needs (Figure 1.1) is a useful starting point for discussion of the nature of marketing. As can be seen in Figure 1.1, Maslow's hierarchy conceives of human needs as resting on a foundation of physiological needs, essential to existence, and ascending through a series of levels – safety, love and esteem – to a state of self-actualization in which the individual's specification of a need is entirely self-determined. According to this conceptualization one can only ascend to a higher level once one has satisfied the needs of a lower level, and the inference may be drawn that scarcity would only cease to exist once every individual has attained the highest level of self-actualization.

From this description it is clear that 'needs' are broadly based and defined and act as a summary statement for a whole cluster of much more precisely defined wants which reflect the exact desires of individuals. In a state of hunger the Westerner may want bread or potatoes but the Easterner is more likely to want rice. Both of these wants are fairly basic. While they have the ability to satisfy the need 'hunger', they offer little by way of variety. The desire for variety, or choice, is another intrinsic element of human nature and much of human development and

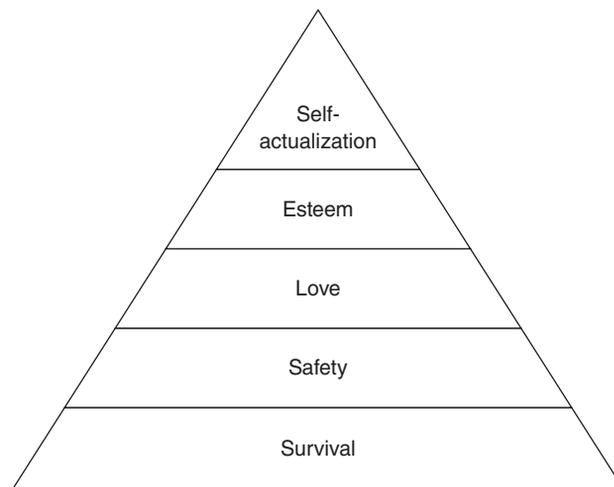


Figure 1.1 Maslow's Hierarchy of Human Needs.

Source: Maslow (1943).

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progress may be attributed to a quest for variety – of new ways of satisfying basic needs. Indeed, the process appears to be self-sustaining, which prompted me to propose that a maxim of marketing is that ‘the act of consumption changes the consumer’ (Baker, 1980). In other words, each new experience increases and extends the consumer’s expectations and creates an opportunity for a new supplier to win their patronage by developing something new and better than existing solutions to the consumer’s need.

Faced with an apparent infinity of wants the challenge to be faced is in determining what selection of goods and services will give the greatest satisfaction to the greatest number at any particular point in time. Indeed, the purpose of economic organization has been defined as ‘maximising satisfaction through the utilisation of scarce resources’ (Baker, 2001: 13). Marketing is a function which facilitates achievement of this goal. To understand how it does this, it will be helpful to review the process of economic development. Rostow’s (1962) Stages of Economic Growth model provides an excellent basis for such a review.

Rostow’s model is shown in Figure 1.2 and proposes that human societies progress from the lowest level of subsistence or survival in a series of clearly identified stages until they achieve the sophistication and affluence of the modern post-industrial state. In grossly simplified terms certain key events appear to be associated with the transition from one stage to the next.

At the lowest level of all is the subsistence economy based upon hunting, gathering and collecting. Such economies are nomadic and entirely dependent upon nature for their survival. While members of such nomadic tribes may share food and shelter, and band together for safety, they are societies which are devoid of any recognizable form of commercial exchange.

With the domestication of animals and the development of primitive agriculture humans begin to exercise a degree of control over their environment. At the same time new activities

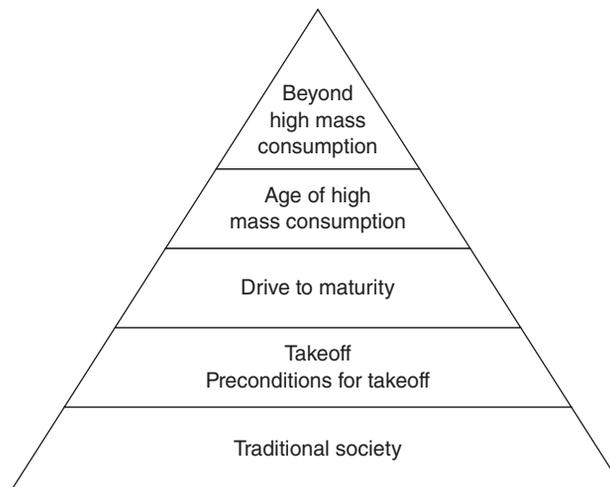


Figure 1.2 Rostow's Stages of Economic Growth model.

Source: Rostow (1962).

create new roles and the potential for the first step towards increased productivity and economic progress – task specialization. Once it becomes recognized that some people are better suited to some tasks than others then the potential for task specialization exists. For it to be realized, however, an agreed system of exchange must be developed. Indeed, it seems likely that the creation of a system of exchange was a necessary prerequisite for task specialization to flourish.

A fundamental law of economics is that beyond a certain point each additional unit of any good or service becomes worth progressively less and less to its owner (the law of diminishing marginal utility). Given a surplus of any specific good the owner will be able to increase their overall satisfaction by exchanging units of their surplus for another good which they want. Thus hunters can exchange meat for vegetables with farmers to their mutual and enhanced satisfaction.

For an exchange to occur there must be at least two persons, each with a surplus of one good which is desired by the other. Once contact has been established between the two persons they can then negotiate an exchange which will increase their overall satisfaction by swapping units until the marginal utility of the two goods is equal (i.e. one would receive less satisfaction by acquiring one additional unit of the other person's surplus than by retaining a unit of one's own output). While this concept is easy to understand in principle, especially when discussing only one exchange, its implementation in practice poses numerous problems. To reduce these problems three additional developments are called for.

First, in order that those with services to exchange can be brought together it will be helpful to set aside a specific place for the purpose – a market. Second, one needs an accepted store of value that will act as a universal medium of exchange – money. Third, because marketing is a separate task from production it will further increase productivity and add value if specialist intermediaries – merchants and retailers – come into existence to perform these functions. Clearly, markets, money and intermediaries have existed since the earliest civilizations. Indeed, it would be no exaggeration to claim that the development of formal commercial exchange relationships was the foundation for civilization as we know it today. It would seem that marketing is perhaps not such a recent phenomenon as many believe it to be!

The creation of markets and the development of exchange provides preconditions for take-off. For takeoff to occur task specialization has to be taken a stage further to what economists call the division of labour. One of the earliest and best known examples of the division of labour is provided by Adam Smith's description of the pin making industry.

To take an example, therefore, from a very trifling manufacture; but one in which the division of labour has been very often taken notice of, the trade of the pin maker; a workman not educated to this business (which the division of labour has rendered a distinct trade), nor acquainted with the use of the machinery employed in it (to the invention of which the same division of labour has probably given occasion), could scarce, perhaps, with his utmost industry, make one pin in a day, and certainly could not make 20. But in the way in which this business is now carried on, not only the whole work is a peculiar trade, but it is divided into a number of branches, of which the greatest part are likewise a peculiar trade. One man draws out the wire, another straightens it, a third cuts it, a fourth points it, the fifth grinds it at the top receiving the head; to make the head requires three distinct operations; to put it on is a peculiar business, to whiten the pins is another; it is even

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a trade by itself to put them into the paper; and the important business of making a pin is, in this manner, divided into about 18 distinct operations, which, in some manufactories, are all performed by distinct hands, though in others the same man will sometimes perform two or three of them. I have seen a small manufactory of this kind where 10 men only were employed and where some of them consequently performed two or three distinct operations. But though they were very poor, and therefore but indifferently accommodated with the necessary machinery, they could, when they exerted themselves, make among them about 12 pounds of pins in the day. There are in a pound upwards of 4000 pins of the middling size. These 10 persons therefore, could make among them upwards of 48,000 pins in the day. Each person, therefore making 1/10 part of 48,000 pins, might be considered as making 4800 pins in a day. But if they had all wrought separately and independently, and without any of them having been educated to this peculiar business, they could certainly not each of them have made 20, perhaps not one pin in a day; that is, certainly, not the 240th, perhaps not the 4800th part of what they are at present capable of performing, in consequence of a proper division and combination of their different operations. (Smith, 1970 [1776]: Book 1, Ch. 1, para 3)

It seems reasonable to assume that under conditions of craft industry, where each craftsman was responsible for all the tasks associated with the production of a particular good, the number of craftsmen in a community would be approximately sufficient to satisfy the demands of that community. Indeed, the medieval craft guilds (and, more recently, trade unions) strictly controlled the number of apprentices that could be trained in a craft to ensure that a satisfactory balance between supply and demand be maintained. Clearly, the enormous increase in productivity associated with the division of labour destroyed this control and flooded the market with the product in question, driving the price down and making many craftsmen redundant. One new pin factory employing 10 pin makers could match the output of 240 craftsmen and so service the needs of 240 times as many customers. As a result, production became concentrated in locations possessing natural advantages associated with the product – sources of power and raw material, labour, good channels of communication – and it became necessary to employ salespersons to help sell the output in a greatly enlarged market.

Because of the enormous increase in output associated with factory production, standards of living improved substantially with a consequential increase in life expectancy and the numbers of children surviving infancy. As the size of the market is determined ultimately by the size of the population, an expanding population represented an expanding market and further fuelled the rapid economic growth associated with takeoff. This growth was to receive an even greater impetus with the spate of scientific and technological innovation of the 18th century, which gave birth to what has become known as the Industrial Revolution and forms the foundation for Rostow's fourth stage of economic growth – the age of high mass consumption.

In his original conceptualization, Rostow (1962) perceived that some of the more advanced and affluent industrialized economies were approaching the limits of mass consumption. While population growth had slowed to a near steady-state further improvements in productivity had created saturated markets and the potential for excess supply. John Kenneth Galbraith (1958) designated this post-industrial society while Rostow merely termed it the age beyond high mass consumption. Eight years later, in 1970, Rostow revised his

model and designated the final stage the search for quality – the inference being that if a static population could not physically consume more then the only way growth could be sustained would be to consume ‘better’.

Elsewhere (Baker, 1994b) I have discussed the way in which the stages in Maslow’s needs hierarchy correspond closely to the stages in Rostow’s economic stages model, e.g. subsistence economies are concerned primarily with physiological needs; the search for quality with self-actualization, etc. Clearly, human needs (demand) motivate supply creation and the matching of supply and demand is achieved through a process of exchange and marketing. It is also clear that these processes have existed for a very long time indeed, so why is marketing often represented as a 20th-century phenomenon? I turn to this question in the next section, but, before doing so, will summarize some of the key points that have emerged from a greatly simplified account of economic development.

First, exchange adds value and increases satisfaction. It also encourages variety and improves choice. Second, the parties to a commercial exchange are free agents so that for an exchange to occur both parties must feel that they are benefiting from that exchange. It is from these observations that we derive our basic definition of marketing as being concerned with mutually satisfying exchange relationships. Third, task specialization and the division of labour greatly increase productivity and increase the volume of goods available for consumption. In turn, this increased supply results in an improved standard of living and an increase in the population thereby increasing demand and stimulating further efforts to increase supply. Fourth, the concentration of production and the growing size and dispersion of the market increase the need for specialized channels of distribution and other intermediaries to service and manage them. Fifth, improved standards of living in the advanced industrialized economies lead to a stabilization of population growth and absolute market size (demand) but accelerating technological innovation continues to enhance our ability to increase supply. It was this which was to lead to the ‘rediscovery’ of marketing.

The rediscovery of marketing

As we have seen, markets and marketing are as old as exchange itself yet many people regard marketing as a phenomenon which emerged in the second half of the 20th century – to be precise about 1960 when Professor Ted Levitt published an article entitled ‘Marketing myopia’ in the *Harvard Business Review* in which he addressed the fundamental question of why do firms, and indeed whole industries, grow to a position of great power and influence and then decline. Taking the American railroad industry as his main example, Levitt showed that this industry displaced other forms of overland transportation during the 19th century because it was more efficient and effective than the alternatives it displaced. By the beginning of the 20th century, however, development of the internal combustion engine, and the building of cars and trucks, had provided an alternative to the railroads for both personal and bulk transportation. In the early years this challenge was limited because of the high cost of the substitute product, its lack of sophistication and reliability and low availability. However, its potential was clear to

see – if you owned a car or truck you had complete personal control over your transportation needs and could travel from door to door at your own convenience. Henry Ford perceived this market opportunity, invented the concept of mass assembly and began to produce a reliable, low-cost motorcar in constantly increasing numbers. From this time on the fortunes of the railroads began to decline so that, by the 1950s, this once great industry appeared to be in terminal decline.

What went wrong? Levitt's thesis is that those responsible for the management of the railroads were too preoccupied with their product to the neglect of the need that it served, which was transportation. Because of their myopia, or 'production orientation', they lost sight of the fact that the railroad product had been a substitute for earlier, less attractive products so that, offered a choice, consumers had switched from the old to the new to increase their personal satisfaction. It should have been obvious, therefore, that if a new, more convenient mode of transportation was developed then consumers would switch to it too. Thus, if the railroad management had concentrated on the need transportation served rather than their product they might have been able to join the infant automobile industry and develop a truly integrated transportation system. In other words, the railroads failed because they were lacking in marketing orientation.

At almost the same time as the appearance of Levitt's seminal paper, Robert Keith (1960) published an article in which he described the evolution of marketing in the Pillsbury Company in which he worked. In Keith's view the company's current marketing approach was a direct descendant of two earlier approaches or eras, which he termed production and sales. This three eras or stages model – production, sales, marketing – was widely adopted by what has come to be known as the marketing management school whose ideas dominated the theory and practice of marketing for 30 years or more.

The essence of the production orientation – a preoccupation with the product and the company – and the marketing orientation – a focus on the consumer's needs and the best way to serve them – have already been touched on in reviewing Levitt's 'Marketing myopia'. Keith's contribution then was to propose an intermediate or transitional phase he termed the sales era. In the sales era firms were still largely production orientated but as demand stabilized supply continued to grow, resulting in fierce competition between suppliers. One aspect of this was that producers committed more effort to selling their products with an emphasis on personal selling, advertising and sales promotion – hence the 'sales orientation'.

Chronologically, the production era was dated from the mid-1850s and lasted until around the late 1920s, which saw the birth of the sales era that lasted to around the mid-1950s, when the marketing era commenced. This conceptualization is now seen to be seriously flawed in terms of its historical accuracy but nonetheless remains a useful pedagogical device for reasons I will return to. First, however, it will be helpful to set the record straight.

As I have noted on several occasions there has been a tendency to date the emergence of marketing to the late 1950s and early 1960s. In an article entitled 'How modern is modern marketing?', Fullerton (1988) provides a rigorous analysis based on historical research.

At the outset it will be helpful to summarize the three key facets of the historical approach. First, there is a 'philosophical belief that historical phenomena such as markets are intrinsically

rich and complex; efforts to simplify or assume away aspects of such phenomena are deeply distrusted' (Fullerton, 1988: 109). Second, the historical research tradition emphasizes 'systematic and critical evaluation of historical evidence of accuracy, bias, implicit messages, and now extinct meanings' (Fullerton, 1988: 109). The third facet of historical research is the process itself through which the researcher seeks to synthesize and recreate what actually happened in the past.

While there is considerable evidence that supports the existence of a production era there are also strong arguments to support a contrary view. Fullerton summarizes these as follows:

1. It ignores a well-established historical fact about business conditions – competition was intense in most businesses, there was overproduction and demand was frequently uncertain.
2. It totally misses the presence and vital importance of conscious demand stimulation in developing the advanced modern economies. Without such stimulation the revolution in production would have been stillborn.
3. It does not account for the varied and vigorous marketing efforts made by numerous manufacturers and other producers.
4. It ignores the dynamic growth of new marketing institutions outside the manufacturing firm. (Fullerton, 1988: 111)

Each of these arguments is examined in detail and substantial evidence is marshalled to support them. A particularly telling point concerns the need for active demand stimulation and the need for production and marketing to work in tandem.

Some of the famous pioneers of production such as Matthew Boulton and Josiah Wedgwood were also pioneers of modern marketing, cultivating large-scale demand for their revolutionary inexpensive products with techniques usually considered to have been post-1950 American innovations: market segmentation, product differentiation, prestige pricing, style obsolescence, saturation advertising, direct mail campaigns, reference group appeals and testimonials, among others (Fullerton, 1988: 112).

In Fullerton's view, 'demand enhancing marketing' spread from Britain to Germany and the USA. In the USA it was adopted with enthusiasm and Americans came to be seen as 'the supreme masters of aggressive demand stimulation', a fact frequently referred to in contemporary marketing texts of the early 1990s. Numerous examples support Fullerton's contention that producers of the so-called production era made extensive use of marketing tools and techniques as well as integrating forward to ensure their products were brought to the attention of their intended customers in the most effective way. That said, the examples provided (with one or two possible exceptions) do not, in my opinion, invalidate the classification of the period as the 'production era' in the sense that it was the producer who took the initiative and differentiated their product to meet the assumed needs of different consumer groups based on economic as opposed to sociological and psychological factors. In other words, producers inferred the consumer's behaviour but they had not yet developed techniques or procedures which would enable them to define latent wants and design, produce and market products and services to satisfy them.

Similarly, while the period from 1870 to 1930 saw the emergence and development of important marketing institutions in terms of physical distribution, retailing, advertising and marketing education, which are still important today, it does not seem unreasonable to argue that all these institutions were designed to sell more of what was being produced. This is not to deny the ‘rich marketing heritage’ documented by Fullerton but to reinforce the point that the transition to a ‘marketing era’ was marked by a major change in business philosophy from a producer-led interpretation of consumer needs to a consumer-driven approach to production.

As to the existence of a sales era (rejected by Fullerton) this seems as convenient a label as any to give to the transitional period between a production and marketing orientation. In addition to the reality of a depressed world economy in the 1930s, which required large-scale producers to sell more aggressively to maintain economies of scale, the period saw the migration of many behavioural sciences from a politically unstable Europe to the safety of the USA. In retrospect, it appears that it was this migration that led to the more rigorous analysis of consumer behaviour which was to underpin the emergence of a new ‘marketing era’.

Combined with a greater insight into consumer behaviour was a period of great economic growth and prosperity following the Second World War, together with a major increase in the birth rate, which was to result in a new generation of consumers brought up in a period of material affluence (the baby boomers). It was this generation which sought to reassert consumer sovereignty and so initiated the change in the balance of power between producer and consumer which heralded the ‘marketing era’.

Fullerton’s argument that the production–sales–marketing era framework is a ‘catastrophic model’ ‘in which major developments take place suddenly, with few antecedents’ (1988: 121) is not without merit. Certainly, it could and has had the effect of disguising the evolutionary nature of marketing thought and practice. In place of a catastrophic model, or indeed, a continuity model which tends to observe differences over time, Fullerton suggests a ‘complex flux model’. Such a complex flux model has the ability to incorporate dramatic changes but it also ‘stresses that even dramatic change is based on and linked to past phenomena’ (Fullerton, 1988: 121). It is also neutral in the sense that it does not automatically equate development or evolution with ‘improvement’, leaving such judgements for others to make.

Fullerton’s complex flux model embraces four eras:

1. *Setting the stage: the era of antecedents.* A long gestational period beginning around 1500 in Britain and Germany, and the 1600s in North America. This was a period of low levels of consumption in which ‘75–90% of the populace were self-sufficient, rural and viscerally opposed to change’ (1988: 122). Commerce was generally discredited but its standing improved as the benefits of trade became apparent.
2. *Modern marketing begins: the era of origins.* Britain in 1759; Germany and the USA circa 1830. ‘This period marked the beginning of *pervasive* attention to stimulating and meeting demand among *nearly all of society*’ (1988: 122, emphasis in original). Precipitated by the Industrial Revolution, and the mass migration from the countryside to an urban environment, potential markets had to be created through marketing techniques and activities.

3. *Building a superstructure: the era of institutional development.* Britain in 1850; Germany and the USA circa 1870 until 1919. 'During this period most of the major institutions and many of the practices of modern marketing first appeared' (1988: 122).
4. *Testing, turbulence, and growth: era of refinement and formalization.* From 1930 to the present day. 'The era's most distinguishing characteristic, however, has been a further development, refinement, and formalisation of institutions and practices that were developed earlier' (1988: 122).

Fullerton's analysis reflects a growing interest in the history of marketing thought and confirms that 'modern marketing has a rich heritage worthy of our attention' (1988: 123). Whether one should substitute his conceptualization as contained in his complex flux model for the widely accepted production–sales–marketing eras model is not seen as an either/or choice. Indeed, Fullerton's emphasis on the origins and evolution of marketing thought and practice reflects the historical research approach and merits attention in its own right. By contrast the 'eras model' is seen, at least by this author, as serving a different purpose in that it seeks to distinguish between marketing as a practice clearly present in both the production and sales eras, and marketing as a philosophy of business which shifts the emphasis from the producer's pursuit of profit as the primary objective to the achievement of customer satisfaction, which, in the long run, is likely to achieve the same financial reward.

In other words the three eras model provides a convenient framework for summarizing changes in the dominant orientation of business management. Thus it is a useful, albeit oversimplified model of the evolution of modern marketing or what I prefer to designate 'the rediscovery of marketing' (Baker, 1976). In truth, marketing has been around since the very first commercial exchange but there can be little doubt that until comparatively recently it has been of secondary or even tertiary importance to other more pressing imperatives in terms of increasing supply to meet the needs and wants of a rapidly expanding population. The objective of authors and teachers in using the three-stage evolutionary model has been to highlight the major changes in the dominant orientation of business rather than to analyse in detail the much more complex processes which underlay and resulted in these changes. What is beyond doubt is the fact that from around 1960 onwards marketing thinking and practice have been dominated by the marketing management school of thought.

The marketing management school

The marketing management school which evolved in the late 1950s and early 1960s is inextricably linked with the concept of the marketing mix and an analytical approach to marketing management following the positivist sequence of analysis, planning, control. As with most major paradigm shifts, no single author/researcher can claim sole credit for the new phenomenon. Among those who contributed significantly to the new school of thought were Joel Dean, Peter Drucker, Ted Levitt, E. Jerome McCarthy, Neil Borden and Philip Kotler. Dean and Drucker writing in the early 1950s pave the way but it was McCarthy's *Basic Marketing* (1960)

which first promoted what came to be known as the 4 Ps of marketing – the idea that the marketing manager’s task was to develop unique solutions to competitive marketing problems by manipulating the four major marketing factors – product, price, place and promotion. This idea of a ‘marketing mix’ (4 Ps) was elaborated by Neil Borden (1965) building on an earlier idea of James Culliton (1948), and confirmed by the appearance in 1967 of the first edition of Philip Kotler’s bestselling *Marketing Management: Analysis, Planning and Control*. Levitt’s contribution in distinguishing the essence of the marketing orientation/concept – a focus on customer needs – has already been referred to.

An authoritative view of the marketing management school is to be found in Frederick E. Webster Junior’s 1992 article in the *Journal of Marketing* (‘The changing role of marketing in the corporation’). In his own words, ‘the purpose of this article is to outline both the intellectual and the pragmatic roots of changes that are occurring in marketing, especially marketing management, as a body of knowledge, theory, and practice and to suggest the need for a new paradigm of the marketing function within the firm’ (Webster, 1992: 1).

While Webster’s article recognized the need for ‘a new paradigm of the marketing function within the firm’, in the opinion of many European scholars a much more radical reappraisal was called for which challenged the very roots of the marketing management school.

The European perspective

One of the leading critics of the marketing management school was French professor Giles Marion. Marion’s views are contained in a paper ‘The marketing management discourse: what’s new since the 1960s?’ (1993), which is ‘an attempt to describe the formalisation of ideas which make up marketing management as a school of thought’ (1993: 143), based upon the content of the most popular marketing textbooks (American and European).

Marion argues that ‘marketing as a discipline, should show greater humility by presenting its prescriptions in a more prudent manner, and by describing more systematically the interaction between supply and demand and the organisational consequences that follow’ (1993: 166). In conclusion he expresses the view that, while the normative theory of marketing management may well have had a useful impact on managerial thinking and practice, ‘there has been nothing new since the 1960s or even well before’ (1993: 166).

While Marion’s critique struck at the very heart of the marketing management school promoted by Americans it was comparatively mild compared with the trenchant criticism expressed by Evert Gummesson, a leading member of the Scandinavian School. In Gummesson’s view, ‘the traditional textbooks do not satisfactorily reflect reality’ and he proposed six objections to support his thesis (1993):

1. Textbook presentations of marketing are based on limited real-world data – specifically, they are largely concerned with mass marketed, packaged consumer goods.
2. Goods account for a minor part of all marketing, but the textbook presentations are focused on goods; services are treated as a special case.

3. Marketing to consumers dominates textbooks, while industrial/business marketing is treated as a special case.
4. The textbook presentations are a patchwork; new knowledge is piled on top of existing knowledge, but not integrated with it.
5. The textbooks have a clever pedagogical design; the form is better than the content.
6. The Europeans surrendered to the USA and its marketing gurus and do not adequately promote their own original contributions.

In sum, Gummesson argues that US textbooks represent the colonization of thought and that this thought excludes or ignores much of the development in marketing thinking which had occurred in the fields of industrial and services marketing in Europe during the 1970s and 1980s and even before. To some extent the blame must rest with the Europeans for failing to promote their ideas in the USA, but the dismissive, not invented here attitudes of American academics who act as gatekeepers to US-based publications must also bear some of the blame.

Many of the views expressed by Marion and Gummesson are echoed in the works of Christian Grönroos (another leading member of the Scandinavian School). In Grönroos's view (1994) the majority of marketing academics and textbooks treat marketing as a subject which emerged in the 1960s and is founded upon the concept of the marketing mix and the 4 Ps of product, price, place and promotion (McCarthy, 1960) which comprised it. As a consequence, 'empirical studies of what the key marketing variables are, and how they are perceived in use by marketing managers have been neglected. Moreover structure has been vastly favoured over process considerations' (Kent, 1986: 347–8).

While McCarthy's simplification of Borden's original conceptualization of the marketing mix has obvious pedagogical attractions, its application appears best suited to mass markets for consumer packaged goods underpinned by sophisticated distribution channels and commercial mass media. Indeed, this is the context or setting of many marketing courses and texts, but it is clearly representative of a limited aspect of the domain and process of marketing.

However, the concept of the marketing mix is more seriously flawed. To begin with the paradigm is a production-oriented definition in the sense that its approach is that customers are persons to whom something is done rather than persons for whom something is done (see Dixon and Blois, 1983; Grönroos, 1989, 1990). A second deficiency is that while McCarthy recognizes the interactive nature of the 4 Ps 'the model itself does not explicitly include any interactive elements. Furthermore, it does not indicate the nature and scope of such interactions' (Grönroos, 1994: 351).

However, perhaps the major deficiency of the 4 Ps approach is that it defines marketing as a functional activity in its own right and so creates the potential for conflict with other functional areas, discourages persons from becoming involved in marketing because it is the preserve of the marketing department and, as a result, can frustrate or compromise the adoption of the marketing concept.

Grönroos sees the 4 Ps as a direct development from the microeconomic theory of imperfect competition developed by Robinson and Chamberlin in the 1930s, but argues that the

separation of the 4 Ps model from its theoretical foundations left it without roots. Indeed, Grönroos goes even further and argues that ‘the introduction of the four Ps of the marketing mix with their simplistic view of reality can be characterised as a step back to the level of, in a sense equally simplistic, microeconomic theory of the 1930s’ (1994: 351). This observation is largely prompted by the apparent failure of marketing academics in the USA to detect the evolution of the Copenhagen School’s parameter theory. Building upon the work of Frisch (1933), von Stackelberg (1939), Kjaer-Hansen (1945) and Rasmussen (1955), Gösta Mickwitz observed:

When empirically based works on marketing mechanisms show that the enterprise uses a number of different parameters markedly distinct from each other, the theory of the behaviour of the enterprise in the market will be very unrealistic if it is content to deal only with ... [few] ... of them. We have therefore tried throughout to pay attention to the presence of a number of different methods which firms employ to increase their sales. (Mickwitz, 1959: 217)

Grönroos (1994: 351) explains further: ‘The interactive nature of the marketing variables was explicitly recognised and accounted for in parameter theory by means of varying market elasticities of the parameters over the life of the product life cycle.’

At the same time that the 4 Ps was becoming the established ‘theory’ or normative approach to marketing in the USA, and many other countries, new theories and models were emerging in Europe – specifically, the interaction/network approach to industrial marketing and the marketing of services (1960s) and more recently, the concept of relationship marketing.

The interaction/network approach originated in Uppsala University in Sweden during the 1960s and was subsequently taken up in many countries following the establishment of the IMP (Industrial Marketing and Purchasing) group. As Grönroos explains:

Between the parties in a network various interactions take place, where exchanges and adaptation to each other occur. The flow of goods and information as well as financial and social exchanges takes place in the network. (See, for example, Håkansson 1982, Johanson and Mattson 1985, and Kock 1991). In such a network the role and forms of marketing are not very clear. All exchanges, all sorts of interactions have an impact on the position of the parties in the network. The interactions are not necessarily initiated by the seller – the market according to the marketing mix paradigm – and they may continue over a long period of time, for example, for several years. (1994: 352)

The interaction/network model recognizes that exchanges are not the exclusive preserve of professional marketers and may, indeed, involve numerous other members of the interacting organizations, some of whom may well have more influence and impact on the relationship than the functional specialists.

In the 1970s interest in the marketing of services developed simultaneously in the USA and Europe. But, while the 4 Ps framework continued to prevail in the USA, in Scandinavia and Finland the Scandinavian School of Services saw the marketing of services as an integral element of overall management. Grönroos and Gummesson have been strong proponents of the school and have written extensively on the subject.

The interaction and network approach to industrial marketing and modern service marketing approaches 'clearly views marketing as an interactive process in a social context where *relationship building* is a vital cornerstone' (Grönroos, 1994: 353). He argues that this approach is similar to the system-based approaches to marketing of the 1950s (e.g. Alderson, 1957) and contrasts strongly with the clinical approach of the 4 Ps paradigm which makes sellers active and buyers passive. As noted earlier, the latter emphasis tends to put exchange relationships into the hands of professional marketers which may psychologically alienate other members of an organization from becoming involved. This is a far cry from Drucker's (1954) observation that the sole purpose of the business is to create customers!

As a consequence of rapid advances in both manufacturing (flexible manufacturing, CAD, CAM) and information technology, the mass consumer markets suited to the 4 Ps approach have become fragmented and call for flexible and adaptable marketing approaches. In the 1980s the response to this need was the emergence of *relationship marketing*. Grönroos refers to his own (1990) definition of relationship marketing: 'Marketing is to establish, maintain and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by mutual exchange and fulfilment of promises' (1994: 355). While more extended and explicit, this definition is essentially similar to that proposed by Baker (1976: 4) a number of years earlier: 'Marketing is concerned with mutually satisfying exchange relationships.' Similarly, Baker (and other authors) have argued consistently for the need to regard marketing both as a philosophy of business and a business function. As a business function responsible for coordinating and executing the implementation of a marketing plan, marketing is likely to continue to find the marketing mix model a useful one, albeit that the 4 Ps is an oversimplified version of the original concept. It is, of course, important to emphasize that continuing to use such an organizational and planning framework is in no way inimical to the emphasis on relationship marketing as contrasted to the prior emphasis on a transactional model.

Today, relationship marketing is widely accepted as reflecting the essence of the marketing concept. In reality, this has always been the case in the majority of buyer–seller interactions since commercial exchanges were first initiated. Buyers have always looked for reliable sources of supply at a fair price as this reduces the dissonance and uncertainty of having to consider every single transaction as an entirely new decision. Similarly, sellers recognize that there are increased opportunities for long-term survival and profit if they can establish a customer franchise and repeat purchasing behaviour. That said, there can be no doubt that there are radically different interpretations of capitalism and the market economy, one of which emphasizes long-term relationships, the other a one-off transaction.

It was perhaps only with the collapse of the centrally planned and controlled command economies of Eastern Europe and the Soviet Union that the existence of two models of capitalism came into sharper relief and focus. Based on a book by Michel Albert (1991), Christian Dussart (1994) highlighted the differences between the Anglo-Saxon model of capitalism, as practised in the UK and USA, which is essentially short-term and transactionally based, and the

Alpine/Germanic model, which also embraces Scandinavia (and Japan), and which emphasizes long-term relationships as a source of buyer satisfaction and seller profitability.

So what is marketing?

At the 1993 UK Marketing Education Group conference a group of researchers from the Henley Management College (Gibson et al., 1993) presented their findings of a content and correspondence analysis of approximately 100 definitions of marketing in an attempt to answer the question 'What is marketing?' Specifically, the authors set out to 'shed some light on the nature of the process of defining marketing, to identify strong and emerging themes, and to develop a map of the territory' (1993: 383). By using content analysis to evaluate the definitions collected, and using these findings as an input to a correspondence analysis, the authors provided both a qualitative and quantitative analysis of how scholars had defined marketing over the years and up to that time.

To begin with, a collection of approximately 100 explicit marketing definitions were collected from textbooks, journals and institutes/association publications which spanned the 20th century. The majority of these definitions were academic and originated in the USA, UK and Europe. Themes were selected as the unit of assessment and five clusters were established as:

1. object of marketing
2. nature of the relationship
3. outcomes
4. application
5. philosophy or (versus) function.

The authors describe in some detail how each of these themes was derived and how definitions falling within them have changed in approach and emphasis over time. However, 'in order to simplify the definitions of various authors, and give more relevance to the five themes identified earlier, some of the definitions gathered and analysed for content were subjected to a process of correspondence analysis' (Gibson et al., 1993: 383). In essence, correspondence analysis is a graphic technique which enables one to develop a two-dimensional plot indicating the degree of similarity or correspondence between rows or columns of data which have similar patterns. Using the authors as rows and their perspectives on the themes as columns the map reproduced here as Figure 1.3 was produced.

They explain:

... the authors' perspective on the original themes were constructed as dichotomies and include, first 'profit and non-profit', which related to the outcomes and application themes; secondly, 'micro and macro', which translated across to philosophy or function; thirdly, 'static and dynamic' and 'open and closed' which referred to the relationship theme and to some extent provided some insight into the content and nature of the whole definition; and finally, two additional dichotomies were included, 'positive and normative' namely, whether the definitions described what exists or prescribed what 'ought' to happen, and whether the definition was 'explicit or implicit'. (Gibson et al., 1993: 383)

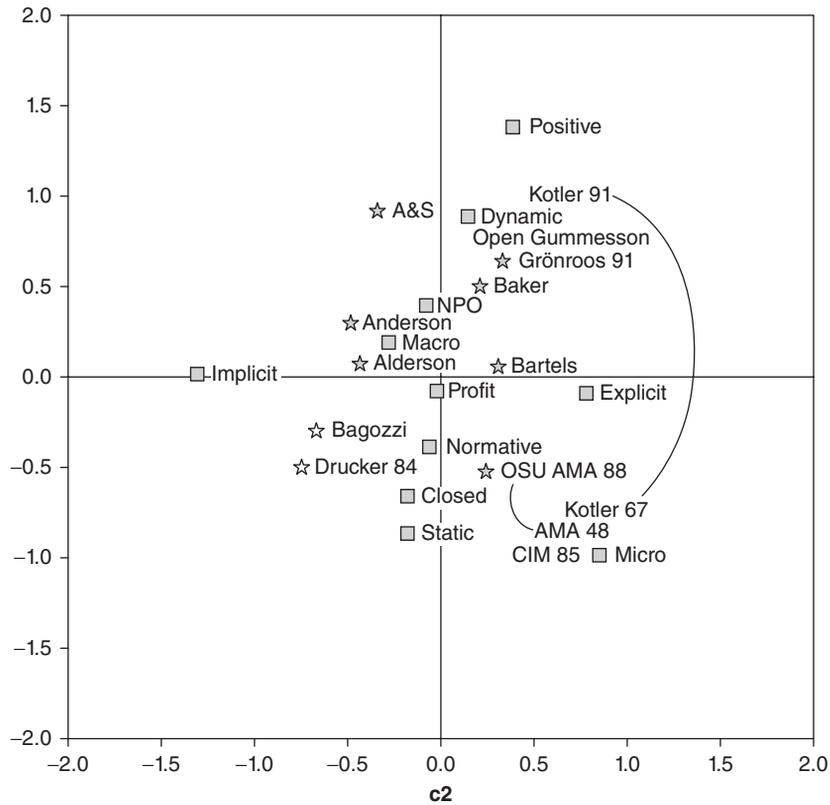


Figure 1.3 Marketing definitions: a map of the territory.

(Gibson et al., 1993). Used with permission

Based upon both qualitative and quantitative analyses certain conclusions were derived.

1. Changes have occurred across all five content themes indicating significant evolution in the concept of marketing since its earliest definition.
2. The greatest change has occurred in the 'nature of the relationship' (i.e. between provider and user), from one-way narrow, discrete transactions to the recognition and positioning of relationships as a key strategy resource. This change is also reflected in the other themes, particularly 'philosophy or function', and marks the moderation of economic explanations of consumption behaviour through the admission of concepts derived from psychology and sociology.
3. Changes in the marketing environment have resulted in a broadening and softening of the original concept and its transfer to other domains – services, not-for-profit, etc.
4. 'Marketing' has shown itself to be adaptable, flexible, international and open. But Gibson et al. warn that 'this latitude has allowed ambiguity to creep into its definition and cause confusion. Definitional clarity is essential in the future.'

In conclusion, Gibson et al. offered three further points prompted by their analysis:

1. Marketing and its guardians continue to foster its open and innovative culture.
2. A single definition is not aimed for as its existence would probably discourage future development of the subject.
3. Nonetheless, greater rigour should be given to the formulation of definitions in future.

Now, more than two decades later, it is believed that a similar study would result in much the same conclusions and recommendations. Views on the nature and scope of the marketing concept continue to evolve and there is widespread agreement that mutually satisfying relationships are the essence of a marketing orientation and marketing practice. In parallel with this evolution it has become accepted that the cocreation of value, as perceived by the parties to a relationship, lies at the very heart of both marketing theory and practice and this notion has spread beyond simple commercial exchange to infuse all manner of human interactions. As a result, insights into the nature of 'value', choice behaviour and change developed by marketers have been adopted by policy makers, NGOs and not-for-profit organizations.

At the time, however, in the turbulent and recessionary environment which characterized the early 1990s, Webster's call for a new approach to the practice of marketing cited earlier was widely echoed, particularly in practitioner publications.

Marketing's mid-life crisis

Among the more influential of these was McKinsey's (1993) observation that marketing was experiencing a 'mid-life crisis' (Brady and Davis, 1993). In simplified terms the argument ran that if exchange was concerned with relationships between individuals and organizations then marketing must be everybody's business and not the preserve of a privileged few to be found within a formal marketing department. This perception was probably magnified by the fact that several important developments in managerial thinking such as benchmarking, total quality management, strategic alliances, globalization and strategic thinking might properly be considered the primary concern of marketers. These fields had been pre-empted by others.

In the new millennium marketers appear to have recovered some of their confidence and are able to take a more balanced view of their discipline. It is now generally accepted that the relationship marketing approach has effectively extended the marketing concept into areas such as services and business-to-business marketing, which were poorly served by the marketing management model based as it was upon concepts of mass production, mass distribution and mass marketing essentially of packaged consumer goods. At the same time, it has also been appreciated that many marketing exchanges are based upon low involvement and transactions and that the two distinct approaches can coexist together. Simultaneously, a clearer distinction is being drawn between the philosophy of marketing which is encapsulated in a marketing orientation that can be held by everybody, both internal and external to an organization, and the market-oriented organization which is customer oriented and market driven.

The former marketing-orientated organization is committed to the philosophy of mutually satisfying exchange relationships while the latter market-oriented company is focused on how to achieve this through the professional practice and management of the marketing function.

In 2004 the *Journal of Marketing* published an article by Stephen Vargo and Robert Lusch that has prompted extensive debate about the need for a new model, or paradigm, of the domain of marketing. The article that precipitated this debate is entitled 'Evolving to a new dominant logic of marketing'. In the abstract the authors write:

The purpose of this article is to illuminate the evolution of *marketing* thought toward a new dominant logic. ... Briefly, *marketing* has moved from a goods-dominant view, in which tangible output and discrete transactions were central, to a service-dominant view, in which interchangeability, exchange processes, and relationships are central. (2004: 2)

The authors then stress that their interpretation of 'service-centred' should not be equated with current conceptualizations of services as a residual, i.e. not a tangible good, or something to add value to a good – value-added services – or service industries like healthcare and education. They state:

Rather, we define services as the application of specialised competences (knowledge and skills) through deeds, processes, and performances to the benefit of another entity or the entity itself. ... Thus, the service-centred dominant logic represents a reoriented philosophy that is applicable to all *marketing* offerings, including those that involve tangible output (goods) in the process of service provision. (2004: 2)

In effect Vargo and Lusch are arguing that we move away from a model of exchange inherited from economics with a focus on 'goods' in which intangible services are treated as a residual or special case. One consequence of the economic model is its emphasis upon the management and allocation of scarce resources. This, in turn, results in a focus on the supply side and the marketing management model which is concerned with advising suppliers how to manipulate demand in order to dispose of the supply which they have created. This is not to say that suppliers do not take into account the needs and wants of customers in determining what goods and services to create, but rather that their interpretation could be much improved through closer collaboration with their intended customers.

While some would point to the emergence of customer relationship management as recognition by the supply side of a need to engage more closely with the customer, my own, more cynical view, is that this is paying lip service to the notion of 'relationships'. Relationships are interactions that have to be worked at by both parties; as soon as one party believes that they can 'manage' or manipulate the relationship to their advantage – the objective of most customer relation management (CRM) schemes I have come across – then it would seem to be doomed to failure.

At the heart of Vargo and Lusch's argument is the distinction between what they term operand and operant resources. Operand resources are those on which some actual operation has to be performed to produce an effect, while operant resources are those that produce effects.

Put another way, operand resources are equivalent to the economist's 'scarce resources' while operant resources may be equated with the actions that transform these into goods and services. Clearly it is decisions with regard to the latter which are the more important and I agree with Vargo and Lusch when they claim:

Operant resources are often invisible and intangible; often they are core competences or organisational processes. They are likely to be dynamic and infinite and not static and finite, as is usually the case with operand resources. Because operant resources produce effects, they enable humans both to multiply the value of natural resources and to create additional operant skills. (2004: 3)

In light of this it is then argued that a 'service-centred logic' is necessary to reflect this change of emphasis. This proposal is based on the view that traditional marketing is seen as focusing on operand resources, is goods centred and concerned with the notion of utility(ies). By contrast, service-centred marketing is grounded in and largely consistent with resource advantage theory and is customer centric and market driven.

In the original article (it has been revisited by the authors and many others since) Vargo and Lusch develop their arguments through a comparison between traditional and service-centred marketing and conclude that the latter is the model to be followed in future. For my part I tend to agree with Evert Gummesson (2007: 114), that 'Their logic opened up an international dialogue on the output of marketing as value propositions rather than as goods or services.' He goes on to say:

The *service-dominant logic* suggests *service* (in the singular) as the core concept replacing both goods and services. A supplier offers a *value proposition*, but *value actualisation* occurs in the usage and consumption process. Thus value is the outcome of *co-creation* between suppliers and customers. (2007: 117)

However, the debate initiated by Vargo and Lusch has prompted a radical reappraisal of the nature of marketing and its theory. While all marketing academics would not subscribe to the proposition that service-dominant (S-D) logic has displaced or superseded alternative theorizations, there can be little doubt that it has become a major focus of attention. And, in this edition, we are fortunate to include a new chapter written by Vargo and Lusch, who are recognized as the founding fathers of S-D logic.

It is my view that an emphasis on value as opposed to 'service' is more consistent with the original conceptualization of marketing as a philosophy of exchange focused upon 'mutually satisfying relationships'. This view is supported by a subsequent (2006) definition offered by Lusch and Vargo to the effect that 'marketing is the process in society and organisations that facilitates voluntary exchange through collaborative relationships that create reciprocal value through the application of complementary resources'. Somewhat lengthier, but very much in the spirit of my own 1976 definition.

By contrast, stressing 'service' may merely prolong the goods versus services debate; but the reader will need to consult current marketing journals to determine how this debate is developing. What is clear to my mind is that the concept or 'philosophy' of marketing remains the

same – it is the implementation of the function through marketing practice that continues to evolve to better achieve the intention and objectives of the philosophy.

However, the notion that interactions between seller and buyer result in the cocreation of value has resulted in much greater attention being given to what constitutes the nature of ‘value’? In his seminal work *The Wealth of Nations* (1776), Adam Smith saw it as axiomatic that ‘Consumption is the sole end and purpose of production.’ For him this was a self-evident truth which needed no restatement and the remainder of his work is focused on the creation of products and services for sale. The corollary of this is that if the thing produced is not consumed then it has no value. So, while producers may impute value to their inventories of stock the reality is that until they are sold they record past expenditures where the imperative is to convert these into revenues to enable the organization to continue in business.

Looked at this way it becomes obvious why sellers should become concerned with what represents ‘value’ for potential customers. In turn, this results in concentration upon the basic principle underpinning the marketing concept – the identification of precise customer wants and the production of goods/services that will meet these at an acceptable (profitable) expenditure by the producer. By establishing what represents ‘value’ for the customer the supplier has a target or benchmark to determine whether they can satisfy this at a cost plus margin that will be mutually satisfying to them.

A new marketing paradigm?

In parallel with revising this chapter I was also engaged with a revision of a chapter entitled ‘What is marketing?’ for a new 7th edition of *The Marketing Book*. Originally published in 1987 by the Institute of Marketing in collaboration with Butterworth-Heinemann, the objective was to compile an authoritative handbook for students and practitioners written by experts and covering the main topics of the marketing discipline. The purpose of *Marketing Theory* is more focused in that it is written specifically for persons who have studied the subject of marketing in some depth with an explicit interest in the principal ideas, concepts and theories that underpin the marketing discipline. Inevitably, however, there is a considerable overlap in the content relevant to these for both audiences, which creates something of a dilemma for me. Plagiarism, which involves the passing off of another’s work as one’s own, is in Wikipedia’s words ‘considered academic dishonesty and a breach of journalistic ethics. It is subject to sanctions like penalties, suspension, and even expulsion’ (see <http://en.wikipedia.org/wiki/Plagiarism>). But, what about self-plagiarism which involves citation of one’s own prior work? Personally, I take the view that provided one clearly identifies the other source then it is both a permissible and sensible practice and cite in my defence Pamela Samuelson’s (1994: 25) justification that ‘I said it so well the first time that it makes no sense to say it differently a second time.’ I also hope that this self-reference will encourage you to consult Chapter 1 in *The Marketing Book* which also contains my personal views on how the marketing discipline may develop in future.

Writing in the *Journal of the Academy of Marketing Science* (2012: 35–52), Ravi Achrol and Philip Kotler proposed ‘a three-tiered explanation of the emerging field of marketing – its sub

phenomena (consumer experiences and sensory systems), its phenomena (marketing networks), and its super phenomena (sustainability and development)'.
 To begin with it is stressed that the focus is upon the future and the emerging paradigms of marketing. However, to do so, it is necessary to summarize the assumptions of both the received and emergent marketing paradigms as perceived by the authors, and these have been summarized in Table 1.1. Effectively, this is presented as a three-tiered framework comprising consumption experiences, marketing networks and sustainability.

The first three assumptions all relate to aspects of what are described as 'sub phenomena' relating to consumer behaviour. These are elaborated on as covering: Marketing and the human senses; Neurophysiology and marketing; and Marketing and nanotechnology. The next four assumptions define what are described as 'phenomena' and deal with 'mid-range theories that have predictive power' and are concerned with relational concepts that are bringing '*production and consumption* closer together'. The topics explored here include: The evolution of production and innovation networks; Distributed production–consumption networks; Consumption networks. And, finally, four assumptions identified as 'super phenomena' of which two, '*sustainability and poverty*', are selected for detailed discussion. Topics covered include: The sustainable marketing concept and Base of the pyramid marketing.

Table 1.1 Key issues and assumptions underpinning the current and future marketing paradigm.

PARADIGM			
STATUS/ISSUE		CURRENT	FUTURE
A SUB-PHENOMENAL: CONSUMER BEHAVIOUR 1. Experience 2. Disciplinary focus 3. Sensory focus		Need satisfaction Cognitive psychology Objective	Sense-making Neurophysiology Subjective
B PHENOMENAL: RELATIONAL CONCEPTS 4. Supply orientation 5. Dominant technology 6. Managerial orientation 7. Source of competitive advantage		Mass production Computer based Internally focused Distinctive competence	Cocreation. One-to-One Bio and nanotechnology Externally directed Leadership in production and consumption networks
C SUPER PHENOMENAL 8. Strategic management priorities 9. Unit of analysis 10. Strategic emphasis 11. Public policy		Growth emphasis on customers with discretionary purchasing power Anthropocentric Buyer-seller Corporate social responsibility Laissez-faire	Circular economy and sustainability Bio-centric Society Human welfare Regulated social business

Adapted from: Achrol and Kotler (2012).

Based on this initial conceptualization, the authors set out to make its complexity more tractable by analysing 'it in three dimensions – marketing's substructure, its structure and its superstructure'.

In this way we can span:

1. the theoretically more tractable domain of the marketing microcosm, its sub phenomena;
2. its phenomenal realm (including the managerial realm) with its mid-range theories that have predictive power even if their putative mechanisms are less than rigorously explicated, and
3. super phenomenal realm of marketing and society, that are largely a descriptive field of analysis. (Achrol and Kotler, 2012: 36)

Each of these is described and evaluated in some detail and provide important pointers to the potential and likely future development of the marketing discipline. Of particular relevance is the discussion of the 'sustainable marketing concept' in which 'market capacity' and 'resource capacity' are brought into equilibrium. For this to occur overconsumption must be abandoned, 'whether it is oversold currencies, financial instruments, real estate, business opportunities or dreams' (Achrol and Kotler, 2012: 44).

Managerial marketing is clearly associated with excessive consumption and Achrol and Kotler 'emphasise a new philosophy for firms to proactively':

1. Communicate the harmful side-effects of wasteful consumption;
2. Grow the segments of environmentally conscious consumers, by developing superior products at standard market prices; and
3. Demarket/countermarket certain products, technologies, and marginal consumer segments (e.g. consumers who cannot afford expensive homes). (2012: 45)

As confirmed and endorsed by numerous authors and theorists, the marketing paradigm has evolved from a focus on marketing as a *function*, through marketing as a *managerial practice* to marketing as *exchange*. While credit for this evolution is largely attributed to the work of American scholars it is felt that this largely overlooks the contributions of numerous European and other scholars whose work, chronologically, preceded recognition of marketing as mutual. Based upon this perception the IMP group focused upon the interaction between parties to an exchange and the relationships in the networks formed between them. In parallel, the role of service and services was given explicit recognition. It is significant that apart from Gummesson (1998), himself writing in an American journal, none of this research is cited by Achrol and Kotler. Indeed, virtually all their sources are American based. On these grounds I consider it wrong to attribute the view that we are now 'at the threshold of the *network* paradigm' to an earlier paper by the authors in 1999.

In making this observation I fully acknowledge that both authors, and especially Philip Kotler, have made very important contributions to the evolution of marketing thought and theory. Indeed, many developments like the transfer of the marketing concept to a non-commercial

context (social marketing) are founded on insights first promoted by Kotler and Kotler and Levy. Nonetheless, the failure to consider the publication of research findings in non-American journals constitutes a form of ‘research myopia’ that I referred to directly in an address to the American Marketing Association’s Winter Educators (1994) meeting.

To avoid a similar oversight it is important that one does not confine one’s research solely to papers published in leading American journals.

This advice is confirmed by Volume 6 in the *Legends in Marketing* series, edited by Roderick Brodie (Brookes and Little, 2013), which is concerned with Marketing Theory and chronicles the published work of Finnish scholar Christian Grönroos. The volume contains 13 papers written by Grönroos together with commentaries by Brodie and four other contributors including myself. In the absence of any contact between me and Richard Brookes and Victoria Little, who contributed Chapter 14, ‘What really is marketing?’, it was reassuring to find a high level of agreement in our answers to the question that is the subject of this chapter.

Brookes and Little identify three overriding themes in Grönroos’s work:

1. critique of the mainstream American Marketing Association (AMA) approach
2. a customer management/marketing practice perspective
3. a business marketing, service and relationship lens.

Their commentary concludes with an observation which is an appropriate introduction to this book:

However, clearly, we are still looking for the answers to that basic question: ‘*What really is marketing?*’ We have seen that it can be a philosophy, a toolkit, process, a set of practices and, in large organisations, a dedicated but somewhat constrained function. Christian has long argued that perhaps we need a new word for what has been labelled marketing. It would need to be a word which connotes what the combined part-time and full-time ‘marketers’ really do to gain, keep, and grow their customers. (Brookes and Little, 2013)

Déjà vu?

As noted earlier, in 1992 Fred Webster published a seminal and highly influential paper in the *Journal of Marketing* concerned with the ‘The changing role of marketing in the corporation’ and this is a theme that he returned to 20 years later in collaboration with Bob Lusch. In ‘Elevating marketing: Marketing is dead! Long live marketing!’ (2013), they observe: ‘If marketing is to survive as a business function and academic discipline and be seen as a legitimate institution in society, it must be elevated to a higher level in the consciousness of managers, the consuming public, and public policy makers.’ And, in order to do this, it needs to reflect on fundamental changes in the environment, the economy, society and politics and rethink the dominant paradigm that has governed its evolution since the early 1960s. To accomplish this the authors ‘propose a shift from a narrow focus on *customers* to a broader concern for *citizen-consumers*. The objective is to recommit marketing to the fundamental purpose of improving

the standard of living for all citizens not only as consumers and producers but also as actors in relationships with multiple partners in the co-creation of value at all levels within the social economic system' (2013: 390).

In other words, marketing needs to switch its focus from the individual, self-interested consumer to consumers as members of a global society who are willing to reflect upon the impact of their behaviour on others and, as exhorted by the Golden Rule, 'Do unto others as you would have them do unto you'. To do so calls for transformative marketing (Mick et al., 2012) and an approach to what I have termed 'social business', which is a much broader conceptualization than that proposed by Muhammad Yunus, which is primarily focused on the use of microfinance to facilitate social entrepreneurship.

Webster and Lusch comment on the development of marketing as an academic discipline since the 1960s and see it as having been driven by three main factors: an emphasis on methodology and data-driven analysis, a narrow microeconomic paradigm and a myopic focus on the firm. In other words, what is generally referred to as the marketing management school of thought. The result has been 'Little interest developed in the overall welfare of the field of marketing as academic theory, business practice, and societal institution. Rigor triumphed over relevance. In the unrelenting pursuit of rigor, relatively unimportant simple issues tended to move attention away from larger, less well-defined complex problems facing business and society' (2013: 390).

Unfortunately, there is more than a little irony in the authors' reference to a myopic focus. Myopia was the theme of what is probably the most widely read and best known paper written on the subject of marketing (Levitt, 1960), yet it is a deficiency that still bedevils American marketing scholars who remain singularly ill-informed of developments in marketing thought that have occurred in other countries and publicized in their own 'domestic' journals. That is, of course, until they are belatedly rediscovered and brought to our attention through publication in the leading American journals.

As is apparent from my earlier discussion of the 'European perspective', to state that the distinction between customers and consumers has been ignored in the marketing literature is to completely overlook the IMP group of European scholars (which included the Americans Wilson and Woodside) who focused on industrial or business-to-business marketing from the mid-1970s onwards and identified clearly the importance of interaction, networks and relationships. And, closely associated with their emphasis on relationship marketing, anticipated much of the literature on what was to become known as services marketing.

In making this comment my intention is to reinforce the point that in order to understand the evolution of marketing thought it is necessary to look beyond what is claimed to be the dominant paradigm by any special interest group and think critically about alternative explanations and hypotheses. That said, the Webster and Lusch paper makes an important contribution in both pulling together and reinforcing arguments that the philosophy of marketing has always been concerned with increasing customer/consumer welfare to the mutual benefit of both seller and buyer. It also spells out a number of specific research topics deserving of attention and very likely to influence the future agenda in years to come.

Summary

In this chapter I have endeavoured to shed some light on the nature and scope of 'marketing'. As we have seen, marketing is a large and complex subject which covers a multitude of economic and social activities. Many of these are described in some detail in the chapters which follow. That said, the practice of marketing is founded on a very simple philosophy, that of 'mutually satisfying (commercial) exchange relationships'.

In the 1990s relationship marketing became the dominant theme almost everywhere, despite its somewhat belated recognition in the USA. As my review has attempted to show it was ever so but, depending upon the existing balance between supply and demand at any point in time, one or other of the parties to an exchange is likely to exercise more control over the relationship than the other. If this is the producer/seller it does not necessarily mean that they are production or sales oriented and insensitive to customer needs. Indeed, it is a truism that all successful businesses are marketing orientated – if they were not meeting and satisfying customers' needs profitably they would not be successful. What matters is the state of mind of the producers/sellers – their philosophy of business. If this philosophy includes a concern for the customer's needs and wants, and appreciation of the benefits and satisfactions which are looked for, a genuine effort to establish a dialogue and build a long-term relationship then this is the marketing philosophy irrespective of whether or not the organization possesses any personnel or function designated as 'marketing'.

In the chapters which follow many facets and aspects of the subject are examined and explored by internationally recognized experts. Taken together these provide an extensive overview and introduction to the underlying theories and principles which underpin both the theory and practice. While personal perspectives may vary, the core proposition remains – marketing is concerned with the identification, creation and maintenance of mutually satisfying exchange relationships.

Recommended further reading

Readers are strongly recommended to read the *Journal of Marketing Management* 30th Anniversary Special Issue: Pushing the Boundaries, Sketching the Future (Vol. 30, Nos 11–12, September 2014), which contains seven articles by leading authorities documenting past research into important areas of marketing theory together with comment on the likely future developments.

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