Marketing Philosophy

1.1 Introduction

The concept of marketing is neither complicated nor original. ‘The customer is always right’ is a view that has been cited ever since the Industrial Revolution. Marketing acknowledges consumer sovereignty and this has now developed into a management discipline. The subject of marketing as a management discipline originated in the USA in the 1950s, but its origins go back further. America was the birthplace of modern marketing, but in terms of its earliest practice, it was applied much earlier in Europe. The carpenter, tailor, saddler and stonemason knew their customers personally and were in a position to discuss individual needs of size, colour, shape and design at an individual level. Craftsmen appreciated they had to provide satisfactory service to customers. The Industrial Revolution gave rise to large scale manufacturing, so this personal contact ended. With mass production came mass markets and mass distribution. Manufacturers were no longer able to offer a personalised service, and techniques of marketing were developed to fill this gap.

There is no universally accepted definition of marketing. The way it is understood conditions people’s perceptions of its value and the contribution it can make both to the success of an organisation and to the competitive health of the economy. As a student of marketing, it is important to appreciate that the term ‘marketing’ means different things to different people. We examine the subject from these different viewpoints later in this chapter.

Marketing is based on the premise that the customer is the most important person to the organisation. Most people think of the term customer in the context of a profit-making facility. Whilst it is true that the marketing concept has been more widely adopted and practised in the profit-making sectors of the economy, the fundamental principles of marketing are equally applicable in the not-for-profit sectors; a fact that is often overlooked.

Marketing as an organisational philosophy and activity is applicable to almost all types of organisation, whether profit-making or not-for-profit activities.
The term ‘customer’ is viewed in this text in this wider context, and not just as someone who interacts with a profit-centred business. Examination candidates tend to be better at discussing marketing as a functional area of management than as an overall business philosophy. When properly understood, it will be appreciated that marketing is not necessarily narrowly confined to a particular office or department. Indeed, one of the most frequent problems that companies have is in the view of other departments (and sometimes in the marketing department itself) that somebody ‘does’ marketing in the process sense. In its widest sense, marketing is really an attitude of mind or an approach to business problems that should be adopted by the whole organisation. It is only when the discipline is understood in this wider context that students and practitioners can properly appreciate the role of marketing and its value to an organisation. At higher levels, examination questions tend to be more about marketing philosophy, whereas at less advanced levels the functional elements of marketing tend to attract more questions.

1.2 The importance of the consumer

In 1776, during the Industrial Revolution, Adam Smith (1776) widely regarded to be the founding father of modern economics, wrote in his classic work The Wealth of Nations:

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

In essence, it does not matter how good a firm may think its product to be, or how well organised it is in processing its orders, unless it has customers there is no business to conduct. In this statement, Adam Smith has given the essence of the central guiding theme of the subject of marketing. The key word is consumer, as it is the identification and satisfaction of consumer requirements that forms the basis of the modern concept of marketing. Smith went on to say:

The maxim is so perfectly self-evident that it would be absurd to attempt to prove it. But in the mercantile system, the interest of the consumer is almost constantly sacrificed to that of producers who seem to consider production, and not consumption, as the ultimate end and object of all industry and commerce.

What he was saying is that producers make what they deem the market needs. What he did through this classic statement was to point out the parameters of business orientation: the first part describes marketing orientation and the second part describes production orientation.
In order for a profit-making enterprise to prosper, its management must work hard to retain its existing markets against competition and must strive to counter technical obsolescence and changes in consumer tastes by attempting to secure new and profitable customers. Not-for-profit organisations must continually justify their existence in terms of their usefulness to society. They have to answer to interested parties who may well withdraw financial support if the goods or services they offer to the community do not match community requirements. The marketing concept, which puts the emphasis on customers and the identification and satisfaction of customer requirements, results in the consumer becoming the central focus of an organisation’s activities.

Some people view the subject of marketing as a branch of applied economics. Other writers and practitioners have worked for a number of years in a specialised field of marketing such as advertising, brand management or marketing research. It is understandable that such people often regard their particular speciality as the most important facet of marketing. Some people take a myopic view of the subject and see marketing as a collection of well-developed management techniques, which when combined, constitute a functional area of the organisation’s management operations. More enlightened people view the subject as an overriding business philosophy which guides the organisation in everything it does. Students approaching the subject for the first time might find the absence of a unified definition of the subject rather frustrating. It can rightly be regarded as somewhat ill-defined, with any definition coloured by the way the subject is approached. Marketing is often viewed as:

1. A social process: At a macro level, marketing is viewed as a social process by which individuals and groups obtain what they need and want by creating and exchanging items of value.
2. A distributive system: Marketing is viewed as a process whereby in a democratic society, operating within a free market or mixed economy, there evolves a system of distribution that facilitates transactions resulting in exchange and consumption.
3. A functional area of management: Marketing is seen as a functional area of management, usually based in a particular location within the organisation, which uses a collection of techniques, for example, advertising, public relations, sales promotion and packaging to achieve specific objectives.
4. An overall business philosophy: Many firms see marketing as the keystone of their business. Marketing is viewed not as a separate function, but rather as a profit-orientated approach to business that permeates not just the marketing department but the entire business. The central mission of the organisation is seen as the satisfaction of customer requirements at a profit (or, in not-for-profit sectors, at a maximum level of efficiency or minimum level of cost). This is achieved by focusing the attention of the entire organisation on the importance of the customer and the needs of the market-place.
5. A targeting or allocation system: Marketing is perceived as the way any organisation or individual matches its own capabilities to the needs and wants of its customers. From an organisational point of view, marketing is seen as the...
primary management function that organises and targets the activities of the entire organisation in order to convert consumer purchasing power into effective demand. Its objective is to move the product or service to the final consumer or user in order to achieve company profit (or optimum cost efficiency).

1.3 Definitions of marketing

As a student of marketing, you are likely to have to sit examinations set by a university or a professional examining body. The generally accepted European definition of marketing is given by the Chartered Institute of Marketing (CIM). It might be wise to commit this particular definition to memory (whilst not forgetting that marketing is a very wide ranging subject which can be looked at from many different points-of-view):

‘Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.’

Some writers use the terms ‘need’ and ‘wants’ rather than customers ‘requirements’. Kotler (1991) one of the world’s leading academics in marketing, defines a ‘need’ as a basic requirement such as food, shelter, self-esteem etc. He defines a ‘want’ as a particular way of satisfying a ‘need’. For example, a person may need food, but he or she may not necessarily want beans on toast!

A more technical definition is given for marketing by the American Marketing Association:

‘Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives.’

Although this definition is not as succinct as that provided by the CIM, it is more correct, as the CIM definition highlights the ‘profitability’ criterion, whereas we have already discussed that marketing principles are also applicable in not-for-profit organisations.

1.4 Historical development

Marketing is primarily concerned with exchange or trade. Trade in its most basic form has existed ever since humankind became capable of producing a surplus. Typically, this surplus was agricultural produce which was traded for manufactured goods like textiles or earthenware. Exchange brought into existence places that facilitated trade such as village fairs and local markets. The emergence of trade allowed people to specialise in producing goods and services which could be exchanged in markets for other goods they needed.
1.4.1 The Industrial Revolution

The period 1760–1830 saw the UK economy transformed, losing its dependence on agriculture with a dramatic increase in industrial production. Before the Industrial Revolution, the production and distribution of goods tended to be on a small scale. Industrialisation resulted in dramatic gains in productivity, mainly due to the development of machines. Production became more geographically concentrated and was carried out in purpose-built mills or factories. Enterprises became larger, production runs longer and products more standardised. Firms produced in volume, not only for local markets, but for a national and international markets.

Although production expanded dramatically during this period, it brought with it many social problems. The simultaneous development of machines, communications, improved transport, agricultural improvements and advances in commercial practices transformed the UK economy, resulting in the growth of the ‘factory system’. This caused the migration of the population from the countryside to the rapidly expanding industrial towns.

1.4.2 The dispersal of markets

Because of developments during the Industrial Revolution, firms could produce more in terms of volume than the local economy could absorb. Consumption, therefore, became dispersed over greater geographical distances and producers no longer had immediate contact with their markets. To overcome this problem of impersonality, entrepreneurs began plan their business operations in a ‘marketing-orientated’ manner, although this term was not formally used to describe the process until well into the twentieth century.

In order for producers to be able to manufacture goods and services that would appeal and sell in widely dispersed markets, it became necessary to carefully analyse and interpret the needs and wants of customers and to manufacture products that would ‘fit in’ with those needs and wants.

Prior to examining marketing as an entrepreneurial function it is appropriate to discuss the principal types of production:

- **Project or job production** is effectively ‘one off’ production where every aspect of construction (project) or manufacture (job) is done as a separate activity from the design to completion stage (e.g. the construction of a hospital [project] or construction of a ship [job]). Skilled personnel are needed during design and manufacturing. This means that the manufacturing process is a relatively skilled and expensive procedure.

- **Batch production** is where the numbers produced are more than one, but the skills required, and the means of production, are similar to job production and the reality is that batches produced are often in single figures.

The types of production just described applied in manufacturing activity until 1913. This is when Henry Ford set up the first ever continuous flow line
production assembly plant in Detroit, USA to manufacture the Model ‘T’ car. The Model ‘T’ Ford was in fact developed in 1908 and was initially constructed using batch production principles. It was not until 1913 that Henry Ford brought in the first ever moving production line that was based upon the principles of the division of labour. Workers no longer assembled much of the car, but performed single tasks repeatedly so the task was completed faster and better. Another principle he established was that all components should be strictly interchangeable and precisely identical to the next. The result was that he was able to produce and sell his Model ‘T’ cars at US$550 each, or 35% less than when they were initially introduced in 1908. Moreover, the car remained in production, largely unchanged, for 19 years and by 1925 production line refinements meant that the price was down to US$260.

- Flow (or flow-line) production as just described is where all aspects of the manufacturing process are broken down into their simplest components of assembly. Less skilled, relatively inexpensive, labour can be used. The whole process is a quicker and more cost effective method of production. End prices are lower, and the implication is that all products are basically the same so there is a need for a mass market.

1.4.3 UK marketing implications resulting from developments in production line technology

Flow line production technology did not receive widespread application in the UK following the introduction of Ford’s revolutionary process in the USA in 1913. This was largely owing to the fact that UK society was then divided into a small number of ‘haves’ who owned most of the wealth and a huge number of ‘have nots’ who could only afford the bare necessities of life, plus a relatively small number of middle class. This was unlike the USA which was a more equal society distributed typically along a bell shaped curve, so the circumstances were right in the USA to expand car production in the knowledge that there was a huge middle class ready to purchase these cheaper mass produced automobiles.

In the UK, the upper classes did not want anything that was mass produced and the middle classes were a relatively small market, whereas the large working class would not have been able to afford to run a car even if it was free. However, Ford did eventually produce a number of Model ‘T’ cars at Trafford Park, Manchester, but these were not principally for UK consumption.

The Second World War in 1939 was the trigger for the widespread adoption of flow production in the UK. Men were conscripted for war service and it meant that women were drafted into factories, which had switched over to the manufacture of war products. As women were basically unskilled and war products were needed desperately, flow line production technology was the ideal solution and American advisers helped to establish such facilities in the UK.

The war ended in 1945, but rationing did not end until 1954, so flow production was seen as the most effective way to fulfil demand.
A radical post-war Labour Government under Clement Atlee set about a programme designed to remove the inequality between rich and poor and redistribute wealth. Government Nationalised much of the country’s infrastructure and increased death duties and personal taxes so that the base rate was 33% which moved up in 5% bands to 83%. Investment income commanded an extra slice of 15% on top of the top slice of tax, so effectively some people paid tax at 98%. It was not until 1979 when Margaret Thatcher was elected and headed a Conservative Government that this top band of 83% was reduced to 60% and later reduced to 40% in 1988.

The effect was a redistribution of wealth from the upper classes to the intermediate and lower classes. Its effect on marketing was profound. The consequence was that goods hitherto classed as luxury products that were not necessary became utility products that were necessary to live a modern lifestyle. An example is the telephone which in the 1950s was a luxury item, is now a virtual necessity and even mobile phones have now become a utility item. People nowadays need a greater ‘raft’ of goods to lead a modern lifestyle and indeed the number of individual products needed is also greater. For instance, in the 1950s in working class households, it was unusual to possess more than two pairs of shoes. This is very unlike today where multiple pairs of shoes are commonplace. Not only do customers now need a greater range of products to live a modern lifestyle, but they also need more of individual products as well.

The implications just outlined often form questions on marketing papers along the lines of:

- Marketing is the delivery of a higher standard of living. Discuss.
- Marketing is the creation of unnecessary wants and desires. Discuss.
- Marketing is the creation of unnecessary goods and services. Discuss.

1.4.4 Marketing as an entrepreneurial function

The process of matching resources of a firm to the needs and wants of the market place is termed entrepreneurship. People like Josiah Wedgwood (1730–95) came to epitomise the traditional entrepreneur with their ability to ‘sense’ what the market wanted in terms of design, quality and price, and then organise production and distribution to satisfy effective demand at a profit. These early entrepreneurs were practising an early rule of thumb form of marketing activity although it was not then called marketing.

It was not until 1908 that a Frenchman, Heri Fayol, investigated manufacturing practice and suggested a division of labour that the first theoretical foundations were laid for the discipline of business. Theory in business is unlike say chemistry, where theory is first hypothesised in a laboratory situation and then applied in practice. In business, practice takes place prior to the establishment of theoretical business guidelines. Many mistakes are made without guidelines for pointers to best practice, and it is only by observing practice that theories can then be established.
1.4.5 The effect of job specialisation

A craftsman, like a blacksmith or potter, develops skills in a particular activity. These craft industries were in fact based on an early form of division of labour which resulted in specialisation and greater productivity. Industrialisation took the processes of specialisation and division of labour a stage further. Specialisation resulted in greater productivity which, in turn, reduced costs and hence the selling price of products. However, the rise in job specialisation that was principally brought about by the development of flow production techniques, also increased the need for exchange. Larger-scale production meant that marketing channels had to be created to facilitate the distribution of goods to enable the effective demand from the much larger market to be met. This development laid the foundations of the modern industrial economy, which is still based on the fundamental concept of trade or exchange. Sellers establish customers requirements and develop products to satisfy their needs. The medium of this exchange is money.

During the first half of the nineteenth century Britain was the dominant force in the world economy. The main factor underlying industrial growth was the development in international trade. Britain was first and foremost a trading nation that had secured supplies of raw materials and held a virtual monopoly in the supply of manufactured goods to, and the receipt of produce from, the relatively underdeveloped countries which collectively made up the British Empire.

The first half of the twentieth century saw the emergence of Germany and the USA as competing world industrial powers. Although Britain faced strong competition from economically emerging nations in the areas of textiles, coal and steel, the British economy continued along a path of industrial expansion in the period to the First World War. The incomes generated in other countries resulted in a worldwide increase in total demand for goods and services. The total value of Britain’s trade increased even though its share of international trade started to decline.

Today, we have a situation where a large number of producers compete for a share of a finite world market. Modern industry is based on mass production which necessitates mass consumption. In order for many sophisticated products (e.g. home computers, motor cars and consumer durables like washing machines) to be commercially successful they must be produced in a volume sufficient to bring unit costs down to a competitive level. It is no longer enough to produce a good product, as it was in time of shortages or rationing when producers enjoyed a ‘sellers’ market’. Today, for producers to achieve a sufficient level of effective demand, they must produce goods and services that the market perceives as ‘valuable’ and, more importantly, that the customers will actually buy in sufficient volume. The final customer’s needs and wants not only have to be taken into account, but the identification and satisfaction of these needs and wants has become the most important factor in the long-term survival of a business.
1.5 The marketing-orientated organisation

Transition to marketing maturity tends to be a gradual developmental process. Many firms who have reached full marketing orientation have done so by evolving through secondary stages of development.

There are three basic types of business/customer orientation: production, sales and marketing orientations. These are hierarchical, and usually sequential, stages of development. Many production-orientated firms witness a downturn in sales that have always been taken up by the market, and develop greater sales awareness and begin to place greater importance on moving products to the consumer through the use of sales push programmes and techniques. Eventually, enlightened firms begin to appreciate that selling itself plays but a single part in the overall operation of moving goods from the factory to the consumer. The customer becomes much more than someone who is there merely to sell to. The satisfaction of consumers’ needs and wants becomes the rationale for everything the company does. Such companies have progressed to marketing orientation. Of all the stakeholders in a business enterprise, the customer is by far the most important. It is through concentration upon satisfaction of customer needs, and the profits that result from so doing, that all other stakeholder needs are satisfied.

1.6 Different types of business orientation

An understanding of the preceding levels of business orientation is necessary for a full appreciation of how a marketing-orientated organisation is superior to other forms of business thinking. Each type of orientation is now examined:

1.6.1 Production orientation

In the nineteenth and most of the twentieth centuries, the primary purpose of business and industrial activity was felt to be production. The production manager was key to an organisation, and it was normally through production that managers reached the most senior positions in management.

Manufacturers were in a ‘supplier’s market’ and were faced with a virtually insatiable demand for all that could be produced. Firms concentrated on improving production efficiency in an attempt to bring down costs. Generally, firms produced whatever they could produce well, expecting demand for company goods and services to present itself automatically. An understanding of customers’ requirements was of secondary importance. A famous production-orientated statement reflected this thinking:

‘Build a better mousetrap and the world will beat a path to your door.’
Ford also made a classic production-orientated statement that is often repeated today in relation to his Model ‘T’ Ford that was introduced in 1913:

‘You can have any colour you want; as long as it is black!’

This production-orientated philosophy was feasible as long as a sellers’ market pertained. The economic recession particularly that hit the USA but the UK as well in the 1920s and 1930s concentrated the minds of business people. To simply produce was no longer good enough, as warehouses were full of unsold goods and thousands of bankrupt businesses testified to the folly of this philosophy. The lesson to be learned from this experience was that firms that focused their attention on existing products and existing markets without paying attention to the changing needs of the market place ran the risk of being overtaken by events and becoming outdated.

Some companies still have this outdated philosophy. If they produce good products and customers do not purchase, there can be only two reasons: either the consumer does not appreciate the quality of the product, or the sales force is inept. It is true that many firms produce excellent products, but not necessarily items of the type of or design that potential customers want to purchase. The British motor cycle industry produced many fine machines in the 1950s and early 1960s, but lost their market to the Japanese on points of styling, design and choice.

Under a production-orientated philosophy, the salesperson’s role is a relatively minor one. The salesperson is there to sell what the firm has produced. Such a firm is likely to be organised in the manner outlined in Figure 1.1.

1.6.2 Sales orientation

Business people began to appreciate that in a highly competitive environment, it was simply not enough to produce goods as efficiently as possible. They also had to be sold. The sales concept affirms that demand has to be created through

![Figure 1.1 Typical organisation of a production-orientated firm](image)
the art of persuasion using sales techniques. The sales department was perceived to hold the key to company prosperity and survival. Scant attention was paid to genuine needs and requirements of the final consumer, but it was at least understood that goods and services did not necessarily sell themselves without some kind of endeavour.

Many firms simply still think of marketing as a contemporary term for selling and change the name of their sales office to 'Marketing Department' to be 'modern'. In fact selling, although important, is but one of several functions for which the marketing department is responsible.

Drucker (1954) explained the relationship between selling and marketing eloquently:

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

In a sales-orientated firm, sales volume is the success criterion. Planning horizons tend to be relatively short term, with the actual customer and how they perceive the value of the goods being sold, being of secondary importance. The implicit premises of a sales orientation are that:

1. the firm’s main task is to establish a good sales team;
2. consumers naturally resist purchasing and it is the salesperson’s role to overcome this resistance;
3. sales techniques are needed to induce consumers to buy more.

In the UK, sales orientation was a well-established philosophy during the 1960s. Rationing ended in 1953, but it was not until the late 1950s and early 1960s that the Second World War shortages began to be filled. The first reaction on the part of management to a slowing down in sales was to import ‘hard sell’ techniques from the USA. There was little consumer protection legislation, so many consumers fell prey to such techniques with no redress to the law. Sales techniques like ‘putting the customer in a position where they cannot say “no”’ flourished (i.e. putting questions such that they will receive assenting answers, so after having said ‘yes’ so many times it is difficult to say ‘no’ when asked for the order). However, the kind of activity just described was relatively minor in terms of dishonest practice. Many sales and advertising techniques that were then openly practised, now come under the criminal code (e.g. pyramid and inertia selling). It was during the 1970s that the UK Government reacted to assist consumers and a great deal of legislation was introduced to protect consumers in this era of what was called ‘consumerism’. It is often argued that this era of sales orientation that lasted in the UK and Europe around the decade of the 1960s is what gave marketing a bad image in the collective mind of the public, and this negative image still
persists to the present day. There was seen to be nothing inherently immoral in production orientation, for it gave customers the opportunity to say ‘no’, whereas sales orientation forced goods upon unwilling customers. As we discuss next, marketing orientation is the natural development that follows sales orientation.

In a sales-orientated firm, selling is a major management function, and is often given equal status to that of production and finance. This type of organisation is illustrated in Figure 1.2.

1.6.3 Marketing orientation

The market concept assumes that to survive in the long term, an organisation must ascertain the needs and wants of specifically defined target markets. It must then produce goods and/or services that satisfy customer requirements profitably. Under the marketing concept the customer becomes the centre of business attention. The organisation no longer sees production or sales as the key to prosperity, growth and survival, and these are simply tools of the business. Marketing orientation acknowledges that what is required is the identification and satisfaction of customers’ needs and wants. The marketing concept is shown schematically in Figure 1.3.

The main difference between production and marketing orientation is that company management in a production-orientated firm focuses its attention on existing products, paying minor attention to the changing needs and wants of the market place. The marketing-orientated firm produces goods and services it has ascertained that prospective customers want to purchase.
The main difference between sales and marketing orientation is summed up by Levitt (1960):

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

Sales-orientated firms tend to use shorter-run production methods and are preoccupied with achieving current sales targets. This philosophy extends down to individual members of the field sales force because of the way that their commission and earnings are structured through the sales quota and target system. In such a company, customer considerations and dealings with individual customers are often restricted to the sales department. In a marketing orientated organisation, the entire firm appreciates the central importance of the customer, and realises that there will be no business without satisfied customers. To be able to progress from a ‘sales’ to a ‘marketing’ orientation, senior management in the organisation must work to cultivate a company-wide approach to the satisfaction of customer requirements.

The main problem facing a sales-orientated firm in progressing to marketing orientation is managing organisational change. The marketing department is likely to require proportionally more influence and authority over other departments in order to bring about an integrated and cohesive organisation in which all departments pull in the same direction for the benefit of customers. Unless the philosophy of marketing permeates the entire organisation from top to bottom, it will never achieve its full potential.
It is natural for departments like sales and production to experience a sense of anxiety that can be brought about by major organisational change, and they may even resent having to adjust their activities in line with marketing requirements. The human implications of such a change need to be taken into consideration. The reallocation of power within a company can be an uncomfortable experience for those with a vested interest in keeping the status quo. The main departmental differences and possible organisational conflicts between marketing and other areas of the firm are summarised in Table 1.1.

In a marketing-orientated company it is probable that the Managing Director will come from a marketing background. This marketing philosophy is not confined to the Marketing Director or to the marketing department, but it permeates the whole company.

The adoption of a proper organisational structure is a necessary condition for marketing orientation, but is not the sole condition. A change of management titles is purely cosmetic. Such changes will not bring about the necessary shift in company attitudes. A marketing-orientated firm is typically organised as outlined in Figure 1.4.

Marketing organisational issues arise quite frequently in examinations. The important thing is not to become too enthusiastic about the finer points of an organisation chart. Putting personalities and departments in the right boxes is necessary, but this is not enough on its own. When addressing such questions, always emphasise that it is the adoption of the marketing concept as a business philosophy, rather than the adoption of a particular organisational structure, that is really important. It is the company’s whole approach to the business situation that is the key issue. This means an adoption of a business philosophy that puts customer satisfaction at the centre of management thinking throughout

### Table 1.1 Departmental philosophical differences

<table>
<thead>
<tr>
<th>Other department</th>
<th>Other department’s priorities</th>
<th>Marketing department’s priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance and accountancy</td>
<td>‘Cost plus’ pricing; rigid budgetary control; standard commercial transactions</td>
<td>Marketing-orientated pricing; flexible budgeting; special terms and discounts</td>
</tr>
<tr>
<td>Purchasing</td>
<td>Standard purchasing procedures; bulk orders; narrow product line; standard parts</td>
<td>Flexible purchasing procedures; smaller orders of necessary; wide product line; non-standard products</td>
</tr>
<tr>
<td>Production</td>
<td>Long production lead time; long runs; limited range of models; supplier-specified products</td>
<td>Short production lead time; short runs; extensive range of models; customised orders</td>
</tr>
<tr>
<td>Sales</td>
<td>Time horizon – short term; success criterion – sales; ‘one-department’ orientated; short-term sales</td>
<td>Time horizon – long term; success criterion – customer satisfaction; whole organisation-orientated; long-term profits</td>
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</tbody>
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the organisation, and this is what distinguishes a marketing-orientated firm from a production or sales orientated organisation.

### 1.7 Marketing as a business philosophy

Marketing is sometimes seen as a rather confusing phenomenon, drawing its theories from a disparate number of sources. The main source of confusion is the combination of marketing as a philosophy of business and marketing practice. These are two separate, yet interrelated, areas:

1. a basic way of thinking about business that focuses on customers’ needs and wants;
2. a functional area of management that uses a set of techniques.

Peter Doyle (1994) explains:

> ‘The Marketing Concept is not a theory of marketing but a philosophy of business. It affirms that the key to meeting the objectives of stakeholders is to satisfy customers. In competitive markets this means that success goes to those firms that are best at meeting the needs of customers.’

To look at marketing as an business philosophy is to take a holistic view of the discipline. This approach is explained by Peter Drucker (1954):

> ‘Marketing is not only much broader than selling; indeed, it is not a specialised activity at all. It encompasses the entire business. It is the whole business seen from the point of view of its final result, that is, from the customer’s point of view. Concern and responsibility for marketing must, therefore, permeate all areas of the enterprise.’
Marketing cannot exist in a vacuum. An integrated approach is needed, not just the creation of a marketing department. Such an approach to business propels the marketing-orientated firm towards embracing new opportunities and away from a narrow preoccupation with selling existing products to existing customers.

Because of the difficulty of incorporating all the various facets of marketing into a single definition let us look instead at the distinguishing features of the subject:

1. Marketing is dynamic and operational, requiring action as well as planning.
2. Marketing requires an improved form of business organisation, although this on its own is not enough.
3. Marketing is an important functional area of management, often based in a single physical location. More importantly, it is an overall business philosophy that should be adopted by everybody in the entire organisation.
4. The marketing concept states that the identification, satisfaction and retention of customers is the key to long-term survival and prosperity.
5. Marketing involves planning and control.
6. The principle of marketing states that all business decisions should be made with primary consideration of customer requirements.
7. Marketing focuses attention from production towards the needs and wants of the market place.
8. Marketing is concerned with obtaining value from the market by offering items of value to the market. It does this by producing goods and services that satisfy the genuine needs and wants of specifically defined target markets.
9. The distinguishing feature of a marketing orientated organisation is the way in which it strives to provide customer satisfaction as a way of achieving its own business objectives.

1.8 Summary

In a modern organisation, the entrepreneurial function is rarely carried out by one individual as was often the case 50 years and more ago. The entrepreneurial function that has developed into a managerial function and business philosophy that views customers as the starting point of business planning activity is termed marketing. It is only since the end of the Second World War that marketing has developed as a formalised business concept with a codified philosophy and set of techniques.

Marketing is seen as both a functional area of management which utilises a set of management techniques, and an overall business philosophy. The sub-functions of marketing are examined as a whole in Chapter 3, then in more detail in specialised chapters throughout the book.

A marketing-orientated company achieves its business objectives by identifying and anticipating the changing needs and wants of specifically defined
target markets. The subject of targeting is addressed in Chapter 5. The range of techniques used for identifying customer requirements is termed marketing research, and this is discussed in Chapter 13.

The fundamental principles of marketing are equally applicable to not-for-profit organisations, where efficiency or minimum cost criteria can be substituted for profit objects. These issues, along with a number of specific examples, are discussed in Chapter 16.

References


Further Reading


Questions

**Question 1.1**
Distinguish between a ‘need’ and a ‘want’. Give specific examples.

**Question 1.2**
In what way is the marketing concept relevant to non-profit making organisations? Use examples.
Question 1.3
Why should the customer be the most important person that any organisation has to deal with?

Question 1.4
What is meant when it is said that marketing should be viewed as an ‘overall business philosophy’ rather than merely another functional area of management?

Question 1.5
Outline and discuss those factors you believe have given rise to the need for modern companies to be marketing-orientated.

Question 1.6
Discuss the contention that successful marketing stems more from the adoption of a sound organisational philosophy rather than the application of functional skills.

Question 1.7
Many companies confuse marketing and selling. How do you explain the differences between the two?

Question 1.8
‘The marketing concept has failed to live up to the high expectations of its early protagonists’. Using examples of companies and products with which you are familiar, critically evaluate this statement.

Question 1.9
What characteristics distinguish a truly marketing-orientated organisation from a production- or sales-orientated organisation?

Question 1.10
List your three most effective marketing-orientated organisations and give the reasons for judging them to be the best. Now list the three worst and do likewise.