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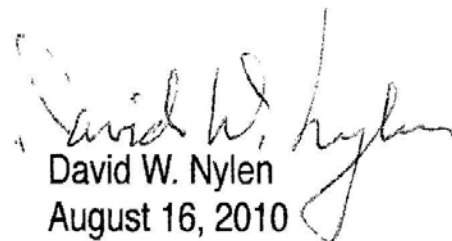
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A.9 *The Marketing Concept*

DESCRIPTION AND EVALUATION OF THE MARKETING CONCEPT

The marketing concept is the most fundamental idea undergirding modern marketing. It provides philosophical perspective on the role of marketing in the organization and in society. More important to our pur-

poses here, it provides a broadly applicable guide to marketing decision making.

Definition of the Concept. The **marketing concept** states that if a business is to achieve profitability, the entire organization must be oriented towards satisfying consumer needs. This means that knowledge of consumer

needs is an essential prerequisite in order to make plans and decisions for the organization and that responsiveness to the consumer is a vital criterion in making marketing and other business decisions.

Keith, one of the early proponents of the marketing concept, suggested that the marketing concept means that company concerns should center on the consumer, not the company or its product. "Companies revolve around the consumer, not the other way around."¹ Levitt suggests that the purpose of a business is to create and keep a customer, which means that all business strategies must center on delivering what consumers want and will pay for.² McKittrick, credited with being first to present the marketing concept, saw it as providing direction to planning in a changing environment, an essential if the firm is to be successful competitively. According to McKittrick, following the marketing concept means "not so much to be skillful in making the customer do what serves the interests of the business as to be skillful in conceiving and then making the business do what suits the interests of the customer."³

Elements of the Marketing Concept. Breaking down the marketing concept into its component parts makes it easier to apply as a decision-making tool. It is usually presented as having three components:

- **Consumer Orientation.** All plans, strategies, and decisions of the firm must begin with a knowledge of consumer needs. The firm must then make decisions that result in marketing mixes meeting those consumer needs.
- **Total Organization Focus.** Consumer orientation

provides a unifying focus for the entire organization. All organizational units, not just the marketing department, must be coordinated by the central concern of creating and keeping customers.

- **Profitability of the Firm.** The result of total organizational focus on meeting consumer needs is company success. Firms that meet consumer needs will be rewarded by satisfied and loyal customers and this will result in profits that assure the survival of the firm. Firms that follow the marketing concept are profit oriented and they follow the marketing concept in order to make profits.

Firms that implement these three elements are said to be followers of the marketing concept. Firms that are primarily focused inward on their products and production processes rather than oriented outward toward consumers are said to be **production oriented**.

Evolution of the Marketing Concept. It is worth noting that the marketing concept emerged from the field as a result of competitive pressures. The earliest writers about the concept were practitioners from industry—McKittrick from General Electric and Keith from Pillsbury.

McKittrick saw the marketing concept as evolving in response to the increasing complexity of the environment. This, he felt, brought about a need for some unifying direction that would enable businesses to plan in an orderly and focused way. The need was particularly acute in large, complex organizations and those with professional managers rather than owner-managers.⁴

Since the need arose gradually, it is not surprising that business has adopted the marketing concept gradually rather than simultaneously. It appears that many firms, especially those in simpler environments, have still not adopted the marketing concept, but continue to survive as production-oriented businesses. Research findings indicate that large firms and consumer goods firms were earlier adopters of the marketing concept,

¹Robert J. Keith, "The Marketing Revolution," *Journal of Marketing* 24 (January 1960), p. 35.

²Theodore Levitt, "Marketing and the Corporate Purpose," *Changing Marketing in a New Environment*, ed. J. Backman and J. Czepical (New York: Bobbs-Merrill Co., 1977), pp. 25-44.

³J. B. McKittrick, "What is the Marketing Management Concept?" in *The Frontiers of Marketing Thought and Science*, ed. Frank M. Bass (Chicago: American Marketing Association, 1958), pp. 71-82.

⁴*Ibid.*

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apparently because marketplace and organizational complexity forced it.⁵

Implementation of the marketing concept has also evolved within the firm. Keith described its evolution within Pillsbury, suggesting that it was a typical pattern. The firm began as a production-oriented manufacturer primarily concerned with economical production of flour. As production increased, the firm became concerned with disposing of its output. They became sales oriented, building a large sales force to move the output of the mill. In the third stage, Pillsbury became marketing oriented, consolidating all marketing functions in a marketing department and using consumer needs as the criteria for determining which products to market. The fourth stage for Pillsbury was to convert the entire company to the marketing concept so that plans, policies, and decisions across the company were governed by responsiveness to consumer needs.⁶

Another dimension in the evolution of the marketing concept has been its application to a broader list of organizations. Originally the marketing concept was viewed as being applicable to profit-making business firms. However, marketing has increasingly been seen as a discipline applicable to any organization with customers or clients and products or services.⁷ In organizations where marketing is applicable, the marketing concept can be made fundamental and useful by broadening the third element of the definition from "achieving profitability" to "achieving the objectives of the organization." The marketing concept then fits such organizations as universities, not-for-profit hospitals, and charitable organizations.

Criticism of the Marketing Concept. Although the marketing concept has been

widely praised and presented, it has not gone without criticisms, some of which are helpful to understanding its application.

- **Do Consumers Know Their Needs?** The marketing concept seems to suggest that only those products for which consumers have expressed a need should be marketed. Yet marketers experienced in new product development know that consumers are very inarticulate in expressing their needs and very uncreative in suggesting new desired products. The marketing concept should not be used to discourage organizations from using their creative and product development skills in developing products and marketing programs that will meet unexpressed or future consumer needs.⁸
- **Consumer or Competitive Orientation?** Although many marketers give lip service to the importance of consumer needs, it appears that they have more day-to-day concern with competitive actions. Oxenfeldt suggests that while customer orientation is valuable, it is sometimes necessary to supplement it with competitive orientation.⁹ For example, in many highly competitive markets, the consumer has a choice among many nearly identical products. In such situations, creating new customers will depend upon the ability to create a competitively differentiated marketing mix, which may or may not result in meaningful improvements to the consumer. Some statements of the marketing concept reflect this by injecting a competitive element—the firm's objective must be to satisfy consumer needs *better than competitors*.¹⁰
- **Adapting to Change.** Somewhat in the same light, Levitt warns that some followers of the marketing concept have become inflexible in

⁸Franklin S. Houston, "The Marketing Concept: What It Is and What It Is Not," *Journal of Marketing* 50 (April 1986), pp. 81-87.

⁹Alfred R. Oxenfeldt and William L. Moore, "Customer or Competitor: Which Guidelines for Marketing?" *Management Review* 67 (August 1978), pp. 43-48.

¹⁰See, for example, Philip Kotler, *Principles of Marketing*, 3d ed. (Englewood Cliffs, N.J.: Prentice Hall, 1986), p. 15 which states: "The marketing concept holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors."

⁵Carlton P. McNamara, "The Present Status of the Marketing Concept," *Journal of Marketing* 36 (January 1972), pp. 50-57.

⁶Keith, "The Marketing Revolution," pp. 35-38.

⁷Philip Kotler and Sidney J. Levy, "Broadening the Concept of Marketing," *Journal of Marketing* 33 (January 1969), pp. 10-15.

their application of consumer orientation. As a result, when markets change, the business is not prepared to change its marketing strategy. This is especially true, he notes, when changes come from competitors outside of the traditional market. In such cases, the marketer should remain consumer oriented, but recognize that changes in marketing strategies will be required in order to survive. Some of these changes, such as a determined effort to reduce production costs, may even appear, in the short run, to be production oriented. Yet these responses will be essential if the firm is to adjust successfully to changes in the market and continue to serve its customers.¹¹

■ *Conflict with Social Responsibility.* Consumer critics have criticized the marketing concept as being socially irresponsible because it puts the goal of profitability ahead of consumer welfare. Critics claim that marketers judge the satisfaction of consumer needs by the sales success of a product, but protecting the consumer's welfare demands that the marketer promote consumption that will enhance the consumer's well-being. Profit, they say, must be a residual rather than a primary result of providing consumer welfare.¹²

■ *Limits to Applicability.* There have been several objections to the broadened application of the marketing concept and other marketing tools beyond the traditional business world. Hirschman suggests that the marketing concept is not applicable to the products of artists and ideologists. (Ideologists are those who formulate beliefs about how the world should be.) The marketing concept does not appear to fit these products because they are designed as a response to internal needs and desires not to satisfy a target group of consumers. Success of artistic and ideological products is more likely determined by satisfaction to the creator and the evaluations of peers than by the response of the public.¹³

APPLICATION OF THE MARKETING CONCEPT TO MARKETING DECISION MAKING

Although the marketing concept serves as a philosophical base for marketing, it also provides practical guidance to marketing decision makers. The marketing concept serves the decision maker at each **marketing planning process** stage as well as in making organizational decisions.

Application to the Situation Analysis. In planning marketing programs or in making individual marketing decisions, an initial step is analysis of the situation or environment that faces the product (see GLOSSARY entry A.17). The purpose of this **situation analysis** is to define the problems or opportunities facing the product. The marketing concept suggests that analysis of consumer needs should invariably be a part of the situation analysis. This will enable the marketer to make decisions that are responsive to consumer interests. Consumer analysis should determine who the consumers of the product are, the needs or problems that they seek to solve, and their level of satisfaction with the marketer's and the competitors' products.

Application to the Positioning Decision. The consumer orientation advocated by the marketing concept is important in segmenting the market, selecting a target market, and positioning the product.

In the **segmentation of markets**, the marketer divides the market into subgroups (see GLOSSARY entry B.3). This allows the marketer to follow the marketing concept by designing marketing programs that are responsive to individual groups. However, the tailoring of marketing programs will meet consumer needs only if the members of each segment have similar motives and thus respond to the same marketing mix. To assure that consumers in each segment are similarly motivated, the marketer must use a causal segmentation base that is linked to the needs or problems that the consumer seeks to resolve.

¹¹Theodore Levitt, "Marketing When Things Change," *Harvard Business Review* (November–December 1977), pp. 107–13.

¹²Martin L. Bell and C. William Emory, "The Faltering Marketing Concept," *Journal of Marketing* 35 (October 1971), pp. 37–42.

¹³Elizabeth C. Hirschman, "Aesthetics, Ideologies, and the Limits of the Marketing Concept," *Journal of Marketing* 47 (Summer 1983), pp. 45–55.

In **target market selection**, the marketing concept suggests that responsiveness to consumers should play a role in the choice of the market to address. To meet this criterion, the marketer should seek a target segment that appears to have unfulfilled needs, as well as a target segment whose needs the firm has the capability to fulfill (see GLOSSARY entry B.4 on **target market selection**).

In making the **positioning** decision, the marketer is guided not only by the desire to be responsive to target market needs, but also by a competitive element. This is reflected in the revised statement of the marketing concept discussed above that recognizes the requirement to satisfy consumer needs *better than competitors*. Satisfying consumer needs and building competitive superiority are two building blocks of the positioning decision suggested by the marketing concept (see GLOSSARY entry B.1).

Application to the Marketing Mix. The marketing concept offers decision criteria for all **marketing mix** decisions (see GLOSSARY entry C.16).

- **Product Design.** The marketing concept speaks directly to the **product design** decision (see GLOSSARY entry C.25). It states that product design should *begin* with an understanding of consumer needs and the product should be designed to meet those needs rather than meet only the convenience or productive capability of the firm.
- **Price. Price determinants** include both supply side and demand side factors (see GLOSSARY entry C.21). The marketing concept suggests that consumer needs should always be an important demand side criterion. In setting price, the marketer should always consider how much the consumer would be willing to pay for the product and be sure that the final price is responsive to this need.
- **Distribution.** A great many decisions have to be made in establishing a channel of distribution for a product. Each decision should include consideration of consumer needs. For example, in **retailer selection** (GLOSSARY entry C.33), the marketer decides on the types of stores to use in distributing the product. The marketing concept suggests selecting stores that meet

consumers' needs for convenience and service, as well as stores where consumers customarily shop for products of that class.

- **Promotion.** There are dozens of individual promotional decisions that must be made in advertising, personal selling, and sales promotion. In each case, there should be inquiry into the consumer needs to which the decision must respond. Thus **advertising copy** decisions (GLOSSARY entry C.2) should consider what product information the consumer needs; **advertising media selection** (GLOSSARY entry C.4) should ask where consumers will look for product information; and **selection of sales personnel** (GLOSSARY entry C.31) should consider the needs of customers on whom the salesperson will call.

Application to Marketing Organization. The marketing concept has had a profound effect on the way that companies are organized. One change has been the move toward consolidating all marketing functions into a single department, headed by a senior marketing executive. In less marketing-oriented firms, sales and advertising, for example, are often separate departments. Consolidating marketing functions into one department allows all marketing efforts to be coordinated to meet the needs of designated target consumers.

The marketing concept can also serve to break down barriers between departments of the firm. Under the marketing concept, creating and maintaining customers becomes a unifying objective for the firm, promoting coordination between departments and specialties.

The marketing concept also encourages moving from functional to customer-based organization structures.¹⁴ Customer-based structures group together all those persons in an organization who serve a particular group of customers or a particular consumer segment. This focus permits the firm to better understand and respond to customer needs.

¹⁴Robert W. Lear, "No Easy Road to Market Orientation," *Harvard Business Review* (September-October 1963), pp. 53-60.

A.11 MARKETING RESEARCH PROCESS **G-63**

SUGGESTIONS FOR FURTHER READING

HOUSTON, FRANKLIN S. "The Marketing Concept: What It Is and What It Is Not." *Journal of Marketing* 50 (April 1986), pp. 81-87.

KEITH, ROBERT J. "The Marketing Revolution,"

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