Marketing as Management Concept

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Summary:

Research on marketing and the enriching practices proved more conclusively that marketing is not just a set of specific activities. Marketing is above all contemporary management logic. Moreover, in order for marketing to develop as a business function (one of the many functions carried out by organizations) it has to be developed in terms of marketing management logic. What is more, the current practice provides evidence that marketing is not a problem for organizations from a ‚technology' perspective. Marketing is a problem from a psychological perspective. This means that a significant part of the managers do not accept the idea for the swapping of function that is embodied in the marketing concept where consumer decisions and actions become an argument while the decisions and actions of the producers become a function.

Marketing, seen as a new management concept where consumer behavior is the key factor while producer actions have become a function, has several focuses: target markets, needs, interests and coordination. These highlights not only define the marketing concept, but allow it to be distinguished from other management concepts.

Highlights that derive from the marketing concept prompts the conclusion that the marketing management concept is possible when there are adequate conditions, i.e. an "environment" adequate to that contemporary management concept.

Keywords: Management concept, marketing management, customer behavior, marketing practices, STP concept.

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Managing an organization's marketing activities in terms of specific practices is a function of the perception of marketing as a new and different logic of organization and performance of the activities within an organizational unit. In other words, before taking any specific steps for marketing implementation, the organization and, more specifically, its management, should be convinced that marketing needs to follow a new logic governing the economic relations between consumers and producers.

What determines this need? Observations on the current practices show that

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marketing is not a problem of technological nature. For many organizations marketing creates a problem from a psychological perspective. The reason is that a "reset" of the way of thinking is necessary in order to reassess the concept, accumulated through the years, that the producer has a better understanding of what the consumers demand based on its high competence and experience.

Unlike the other known management concepts (production, product, and commercial), the marketing concept defines the relations between producers and consumers of their products in a different way. This is a relevant fact, considering that even Philip Kotler places management concepts that govern the economic relations between consumers and producers in the same boat with marketing concepts. In *Marketing. An introduction*, for example, he writes: "We have described marketing management as carrying out tasks to achieve desired exchanges with target markets. What philosophy should guide these marketing efforts? What weight should be given to the interests of the organization, customers, and society? Very often these interests conflict. There are five alternative concepts under which organizations conduct their marketing activities: the productions, product, selling, marketing, and societal marketing concepts."[1] In a nutshell, considering this new logical construction that includes producers and consumers, the question that producers face boils down not to making attempts (whether successful or not) to sell what has been produced, but to produce what can be sold.

Experience, including business management experience, is invaluable. The marketing concept, however, assigns a different role to the product. The accumulated practical experience should serve not only and not so much to develop a product with the idea of successfully selling it. Knowledge and skills should be used to adequately predict demand in a different way and on this basis to develop a comprehensive marketing offer (not just a product) that corresponds to the identified need. The experience and knowledge in the field of management, under marketing concept mode, are even more valuable because demand as well as the overall consumer behavior is exogenous to the producer. The producer cannot demand needs and even less determines behavior. The demands exogenous to the producer can only be forecast. The good forecast allows the producer to design consumer demand in desired manner and within certain limits. It should be borne in mind that demand is a specific momentary expression of a certain need. Therefore the marketing offer should be constantly updated to respond to the new form, i.e. the new demand should show the need.

Rerouting to marketing concept,

[1]Kotler Ph., G. Armstrong, Marketing: An introduction, second edition,Prentice-Hdll,inc. 1990, p. 10

perceived as a new, contemporary (not fashionable) way of thinking presupposes adequate social and economic conditions. These conditions are a natural result of the management of business entities carried out following the logic of other management concepts, especially the logic of selling/ trading concept.

We note this fact because when assessing management on the basis of what we refer to as pre-marketing concepts (production, product and commercial), we cannot just criticize them. It is necessary to consider the context in which a concept is implemented as well as its legacy. And the legacy of any previous concept is the changed conditions, both in the economy and in society at large.

Hence the conclusion that each management concept, including the marketing concept, is necessary and possible under certain conditions. It is based on the "emergence" of the conditions necessary for its existence, inherited from previous management concept which, in the course of their practical realization, develops to the extent that is necessary for the promotion and practical realization of the next management concept. Thus changing conditions are the baton that one management concept passes on to another management concept.

This logic suggests that any management concept, based on its results, makes its existence impossible, even retrograde, but opens space for the development of new and modern management concepts.

Most classes on general marketing theory present and evaluate various management concepts. They describe the logic required in order to develop economic relations between producers and consumers. Obviously different concepts require different approaches that match the conditions in which the concept works. These pre-marketing management concepts have one feature in common - whether visible (even drastically) or less tangible, the producer plays a leading role in his relations with the consumer. In other words, the producer’s decisions acquire the status of an argument, whereas the users’ decisions and actions are its function.

The reason behind this form of economic relations is the state of the main factors that determine business relations: the technological and financial and economic situation of the business units, their power and competitive relationships, the characteristics of consumers and their purchasing power, the state of the macro environment. The overall impact of these factors should be taken into account. Given consumers’ high purchasing power and a state-of-the-art production technology, and a lack of adequate forms of competitive relations (as, for example, the existence of monopoly), producers will always have the power to influence consumers, including by determining their behavior. Likewise, consumers’ low purchasing power will always make them dependent on producers’ decisions and actions. For the latter it is clear that consumers are willing just to acquire a product that can meet their needs at any cost and without any particular claim as to the product's quality.

The variety of definitions regarding the marketing concept that are proposed by different authors and institutions over different time periods are evidence that we are still in search of an adequate wording. This is natural, as regardless of superlatives that are lavished on marketing, this concept is still regarded as somewhat mysterious and unidentified. This is the reason why marketing is either unduly praised or undeservedly overlooked.

Still the basic tenets of the marketing concept, and the main pillars of understanding and practicing it, are uniquely determined.

The first point of reference is the target markets. The development of target markets is an element of the popular STP (segmentation, targeting, positioning) concept. It should be noted that target markets have a key role in marketing management. The target market, including its segments, determines all subsequent actions of producers, including the positioning of their product. The exclusive benefit of developing a target market is that the producer determines the focus of his marketing activities. The producer develops his offer not for the market generally speaking but for a defined (even relatively defined) smaller user group with the same or similar characteristics.

Given that the producer cannot control consumer behavior (it is exogenous parameter), which increases the level of uncertainty and hence the instability of management decision, the choice of target market objectives reduces the uncertainty of the decision to some degree. Simply said, the producer adjusts his behavior to the consumers of his choice.

The second point of reference on which the marketing concept is based is the need. We find different opinions on this economic category. In our view the needs-necessities-demand trinity is of practical significance to management. The logical structure underlying the three categories allows defining the category of need. We share the view that the need is a particular time-expression of a necessity. The unique character of a necessity in different periods of time is determined by the level of social and economic development and the specific characteristics of the individual consumer. Necessity in turn can acquire economic significance only when seeking to develop a demand. Demand adds new features to necessity. Demand is a necessity that is financially secured. The expression "solvent demand" has a meaning. It becomes evident that necessity is the bridge that connects the need to demand. The marketing offer is oriented to demand, but the point in developing the offer is to satisfy the need. Moreover, the need determines the occasions for the existence of each activity and the creation of an organization to carry it out. The specific characteristics of the activity, the ways of its implementation, the technology of its performance are determined by the necessity. The necessity defines the basic parameters of the product as a set of properties rather than as a marketing formation. In other words, the need creates the structure of the "building" while necessity "designs" its specific architecture. Still this is not the product oriented to the individual consumer. Solvent demand determines the main characteristics of the desired product as well as the price level of its implementation, the method of launching it on the market, and the technology and economic characteristics of the movement from producer to consumer.

The above described relation between need, necessity and solvent demand suggests the idea (not always shared in the marketing literature) that the producer cannot create demand, as this is too serious a claim. However, the producer may influence necessity, or rather model it to a certain extent. This option may be more or less dependent on how the first task of choosing target markets is resolved. Choosing the right market segments opens up opportunities for the producer to better characterize the consumers in the selected segment. This is an essential prerequisite for the correct prediction of consumer needs.

The third focus of the marketing concept is coordination - conscious and purposeful coordination.

Who is the object of this process? Displayed necessity, developed in solvent demand, is an argument for the producer to develop and propose a marketing offer to the consumer segment. It is a complex formation that includes various marketing components. To build this system, its elements must be coordinated. At the core of the marketing system are the main marketing tools: product, price, distribution, and marketing communications. Understandably their coordination at the core of the marketing offer cannot be achieved automatically. An undeniable condition for the successful development of an offer attractive to consumers is the planning of the diversity of marketing activities, including the tools of the marketing mix. Therefore it can be assumed that the "planning" category is synonymous to the "coordination" category. This involves the coordinated organization and performance of various activities within the organization (including marketing) aimed to achieve a set purpose. The coordinated implementation of activities provides for linking organizational resources to aims. Thus the marketing offer seen as a set of activities and their results is what links the objectives (marketing objectives in this case) and the resources of the organization.

Assuming that within the marketing objectives in the marketing operations (marketing offer)-resource trinity objectives have the status of argument, marketing activities cause the transformation of existing resources. With their new quantitative and qualitative state, the organization's resources make possible the achievement of organization's objectives. The above reasoning may be illustrated with an example. Different types of products that the organization already produces and sells are part of its resources. They are one of the conditions to achieve certain results: sales revenue, gross value added, profit. The existing product code (list of different types of products) is part of an actual, already established resource base. New targets that create new and higher prospects for the organization (as for example greater market share and higher revenues from sales) cannot "fit in the tiny garment" of the existing resources. A different resource base in terms of both quantity and quality is needed. The transition from the existing to the necessary resources requires that a set of activities, including marketing activities (for example the development of new product) are developed to ensure the change. It is therefore essential that the set of interrelated activities does not include only marketing activities but also involves the resources related to finance, personnel, production. In other words, the development of new product as an agent of change in the resource base determines changes in the organizations' overall business functions, and these changes should be appropriate (rather than based on the "because we can" principle) and coordinated.

The marketing concept, like any other management concept, is intended to regulate relations between counterparties. It is common knowledge that the exchange is possible in the presence of at least two parties, each of which possesses certain goods. The general concept of "goods" is used because of the variety of conditions to make the act of exchange.

The point here is that the goods of one party (the owner) are of no value to it. They are of value for the other party because they satisfy the other party's needs. More precisely, the goods are of value for the offering party, though indirectly. They are valuable for the offering party in the act of exchange because the holder of the benefit can get its equivalent (money or another product) to satisfy his own needs.

We recall this fact because the process of exchange regulated differently by different management concepts puts both parties in a strange situation. Parties are undoubtedly consciously connected because each party thus satisfies its own need with the goods offered by the other party. On the other hand the participants in the exchange are in conflict as each party expects a better offer from the other side. In other words, each party participates in the exchange from the position of self-interest. This is understandable, because interest is another way to express dissatisfied needs.

Still what is the essence of the interests of both parties to the exchange? In the opinion of Academician Evgeni Mateev the interest is to

[2] Mateev E., "Structure and Management of the Economic System", Rev. Science and Art 1987, p.152 and p.153

ensure a "favorable" change and prevent the occurrence of "adverse" change related to the operation of one or more stimuli - "Above all, both "material" and moral interests are equal components in a very material philosophical category of the social status"[2].

The above manner of defining interests gives a clear expression of the desire of both parties to participate in the exchange. The standard expression is: each party has needs and sees the opportunity to satisfy them in the other party's offers.

Why the endeavor? Obviously by satisfying an existing or a new need the parties in the exchange make another step towards changing their social position (social status).

There is a natural connection between the accents characterizing the marketing concept. Each of the accents may come forward only if the other accents are realized. For example, what is the point in developing and launching the marketing offer if there is no need to ground the offer. But how could the need be possibly identified correctly, if the features of the target consumers have not been defined? The relation between the accents (i.e. anchor points) that provide the basis of the marketing concept is not only natural. These are mandatory attributes in any organization's activities that are based on this concept.

The development of target markets as an aggregate of different segments of various sizes and characteristics limits the market of the producers (in the sense of clear definition and distinguishing from other market segments). More importantly, thus the focus of organization's activities is identified.

Successful segmentation and more importantly the choice of attractive segment or segments is the landmark for the development of the consumer profile in the respective segment. This is the prerequisite for the accurate forecasting of the necessities of the consumer segment. Given that the producer cannot impose his will on the consumers, he can predict the specific segment needs. Hence the logical conclusion: the better the consumers have been identified, the higher the likelihood that their necessities be accurately forecast. Furthermore, if the producer "keeps an eye" on his consumers and any changes in their defining characteristics, he is more likely to respond quickly and adequately with a changed offer.

Correctly forecast needs are the basis for the successful development and promotion of an offer. However, this is possible only in case all elements of the offer are coordinated. Coordination is a management action. It will succeed or fail depending on the degree of understanding of consumer needs. Exploring needs is not a single act. This is a process that involves multiple iterations. Their possible number and types depend on the feedback of consumer attitudes to the products. Producers need feedback to keep informed of consumer satisfaction with the offer. Apparently it is impossible to achieve full satisfaction in the first cycle, i.e. with the first version of the offer. More precisely, not all consumers of the segment will be equally satisfied. This fact is both a challenge and an opportunity for the producer. It is a challenge because if the producer continues to push through the offer, insisting it is a good one (from his perspective), the producer risks losing the market. At the same time there is an opportunity lying there for the development of the offer and accordingly for boosting production by developing new versions of the marketing offer.

The above remarks of the marketing concept shed further light on the difference between this concept and other management concepts. It is worth recalling that in a number of publications on general marketing theory not only the concepts of classical and social marketing, but all other concepts are recognized as marketing concepts. However, we do not share this view.

What is the difference between the production concept and classical marketing concept? A central argument in justifying the view that the production concept is a marketing concept is that producers that adhere to this view in their management practices draw on consumers' specific demands. Consumers tend to purchase a product which, albeit not of high quality, meets their needs as the product is sold at reasonable prices. These prices are low and correspond to the not so high quality of the product as well as to the consumers' relatively low purchasing capacity. In the described situation producers rely on high sales volumes (making an analogy with undifferentiated or mass marketing) and on possible higher net financial results as a consequence of the economies made from the sales volume.

As clarified above, the assumption is that the producer determines the type of product and service for its placement. Let us recall that each management concept is possible provided certain conditions are met. The production concept cannot be declared as a marketing concept because this is possible in case consumers' purchasing power is low, there is no competition and the level of technological and technical development is relatively low. These conditions are clearly at odds with the conditions necessary for enforcing the marketing concept. Yet another fact is worth noting. Such conditions are not sufficient for the producer not only to dominate consumers but also to directly impose his offer. This hardly has to do with the logic of the marketing concept.

The product management concept is also at odds with the logic of the marketing concept, though in other aspects. The product management concept is also regarded as a marketing concept because it is based on the assumption that there are consumers who will invariably accept the producer's offer, which involves a product of a high quality and price and a high-quality servicing. Arguably there is no market for such an offer. It is possible to find a market, though a relatively small one, of consumers with high purchasing power, who have the mindset to make a purchase of a product with these characteristics. This applies not only to consumers who are looking for the so-called special products (mostly branded products) but also to consumer organizations who purchase investment goods and seek excellent engineering and technology to build a state-of-the-art high-performance equipment. For this reason, the product concept is often associated with targeted or personalized marketing.

Furthermore it is necessary to answer the question of what role this concept assigns to producers and consumers in the argument–function balance. It is indisputable that in the name of the successful marketing of the product the producer will put serious effort into creating high-quality products accompanied by a valuable service. The producer will thus have not only the desire, but also the real capabilities to engage in competition. But the new product is the result of the producer's discretion and judgment only. In other words, we are in the mode of "objective" quality. The objective quality is an expression of the combination of product characteristics as imagined by the producer. But quality makes sense only when recognized by the consumer, i.e. when the shift between "objective" quality to "subjective" quality is made. The product concept is based on the assumption that this transition will necessarily happen. In other words, consumers are presumably expected to appreciate the offer proposed by a competent producer and to make a purchase. Thus the concept assigns the producer the role of an argument while the consumer is defined as a function.

The commercial concept, which is also referred to as the sales concept, is based on a different logic of the producer-consumer relations. It is based on the assumption that the created product is good and will be accepted by consumers. To achieve the desired sales revenues, however, it is necessary to make additional efforts in promoting the product and its implementation. The emphasis is placed on product positioning achieved mostly by means of communication and distribution policies. Perhaps merchandising is as popular for the aforementioned reasons.

Although this concept features some of the elements of marketing concept, it can hardly be recognized as such. What is more, it does not satisfy the requirement that producer decisions on what and how much to produce and under what conditions to offer their production depends on consumers' decisions. Consumer decisions are determined by their specific current needs and opportunities as buyers.

Conclusion

Marketing researches and the constantly evolving and developing marketing practices come to show that marketing is not only and even not so much of compounded practices. Marketing is first and foremost contemporary management logic. Furthermore, it is essential that marketing management logic be applied in order for the marketing to be carried out as a business function – one of the many function in an organization. The above means that genuine marketing (not a sham imitation) may be applied only by an organization that adopts new logic in the relations between the producers and the customers of their production - the logic affirmed by marketing.

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