

# Economic Interests - the Argument of Marketing Management

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## Summary:

Management of marketing activities of organizations can be examined in various aspects. Approached in "technological plan", it suggests setting goals, developing marketing strategies, preparation of work programs, resource, including financial support of marketing activities. But marketing management is not only and not at all just technology. It is primarily a philosophy of government organizations, including their marketing. The core of this philosophy is the special nature of the collision, on the one hand, and synchronizing other the interests of the participants in the transaction, on the other. Special attention should be paid to the fact that producers can defend their interests only through the prism of the protected interests of the consumers of their products.

**Key words:** marketing management, planning, economic interests

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## 1. Introduction

The basis of marketing as a management philosophy is the

idea that it should be implemented based on pre-set targets, which themselves are a form of manifestation of producers' interests. In the opinion of Acad. E. Mateev, «favorable amendment and thwarting 'unfavorable' amendment relating to the validity of one or another stimulus is called interest.»(Mateev, 2015, p.140). The objectives, the expression of the interests of various entities of higher social status, through quantitative and qualitative changes, bring in line the resources of the organization. Effective marketing management excludes the logic and technology whereby available resources should determine marketing goals. In this sense, we concluded that marketing management is built as technological procedures on the logic of strategic management, regardless of the horizon of management (short-term or in perspective). This allows us to conclude also that marketing management is a modern form of strategic management and planning.

## 2. Content

In his book "Structure and management of the economic system" Academician Evgeni Mateev determined

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the management process as follows: "In general there is a place for management in the broadest sense when one vector function  $U(u_1, \dots, u_n)$  can be set from one source, which is called control subsystem different meanings (a set of limitations on these alternative numerical values determines right of free decisions); the act of management consists in setting of one of many possible systems of values of the vector function  $U(u_1, \dots, u_n)$ ; management in that sense defines a single system of values of the vector of phase variables  $X$ ; therefore, the freedom with regard to the meanings of  $U$ , and the unambiguous determination with respect to the vector  $X$  are correlated concepts." (Mateev, 2015, p.148).

From the title of the opinion that we share, we can deduce a few highlights that not only identify the logic and technology of the management process, but also reveal why and how the economic interests of participants in economic turnover affect management and logic technology. We raise this question because there is a possibility that the marketing concept be interpreted adversely, i.e. that manufacturers as a party to the transactions are always in the position of agents who fulfill the will and desires of consumers without having the adequate opportunity to respond in compliance with their interests. The fact that marketing is defined as a management concept that most directly make manufacturers' decisions contingent on user behavior and decisions does not suggest that user behavior is the "absolute

argument", while producer behavior is its elementary mechanical effect. Putting the consumer needs as a factor of producers' management decisions basically provides evidence as to why an activity is organized and why organization is created for its implementation.

In the definition of the management process is focus is placed on setting the values of the vector function  $U(u_1, \dots, u_n)$ . Elements of the vector are the company goals. If we limit our reasoning only on the marketing function, the vector function  $U(u_1, \dots, u_n)$  will have a type of matrix with the following sides: types of produced and/or marketed production and the types of markets and market segments where the production of the manufacturer is realized. The formal expression of the decision for each element of the matrix, as an objective, are the incomes from sales of a particular product modification tailored to meet the demands of a specific market segment. The fact that the overall marketing objective represented by the gross revenues from sales of the organization as a whole is decomposed into elements of the matrix exposes the fact that good management does not rely solely on revenue from sales as impersonal financial mass.

Revenues are differentiated by product as well as market segments. There are various combinations of the two arguments, depending on the dimensionality of the matrix. This reveals one of the reasons for the number of options for vector function, out of which the corporate management

makes a selection. It is obvious that organizations in the category of micro and small enterprises will be severely limited in choices.

The choices are dependent on the type of matrix - square or rectangular. The type of matrix corresponds to the policy of the manufacturer whether to give priority and focus on product differentiation by offering a variety of modifications or focus on segmentation, that is, his goal to seek the realization of its product at different markets and market segments. The decision of the manufacturer on the combination product - market segments is subjective but the objective fact that it is determined by are the manufacturer's economic interests. Following the logic of the marketing concept, segments should be searched where the sales shall be in the expected volumes as a prerequisite for achieving these targets and thus defending the interests of the manufacturer. For these reasons, it is concluded that setting the vector function  $U(u_1, \dots, u_n)$  whose elements are the transformed form of expression of producers' interests justifies the choice of market segments. In other words, the size and characteristics of the included consumers determine the characteristics of the overall marketing offer, including the consumer characteristics of the product.

An important focus in the definition of the management process is a set of constraints that determine the field of free solutions for the vector function  $U(u_1, \dots, u_n)$ . The set of restrictions is diverse, consisting of a large

number of components with different characteristics and different behavior towards the specific producer. However, all limiting factors share one common feature - continuous change. Still, every limiting factor can be placed within a coordinate system with the following functions - its possible impact on a specific manufacturer and the opportunity the limiting factor to be managed by the manufacturer. The following of the marketing management concept puts the consumers as first stopper. In the coordinate system they play the role of a factor that directly affects a particular manufacturer /i.e. no market in general/, on one hand, and cannot be managed by the manufacturer, on the other; the manufacturer cannot determine user behavior. This position of the consumers determines the complex dialectic in their dealings with producers and their impact on producers' decisions.

Special attention should be paid to the fact that consumer behavior cannot be controlled by manufacturers. This is due to the fact that the two entities - consumers and manufacturers are separated by a line of different ownership. In other words, they are representatives of two different feudal lords of property. Even though the fact that consumers are uncontrollable by the producers creates problems, it also opens up certain opportunities. Provided that the manufacturers can not directly manage their target users, the problem is the choice of tools through which manufacturers can identify users and their behavior.

This toolkit is forecasting. Based on the analysis of the past consumer behavior and the factors that have determined it, the forecasting should outline its parameters in closer or more distant perspective. Perhaps the most important condition for the development of a realistic prediction of consumer behavior is market segmentation and selection of target markets. The chosen segment allows better to identify users involved in it, based on their specific segmentation variables. To this should be added that the segment is relatively smaller user community, which, moreover, is relatively homogenous based on the same characteristics.

It is this segmentation that determines the benefits that the manufacturer may obtain, even though consumers are uncontrollable. The segment is like a living organism. It is not a homogeneous set of standard and uniform subjects. As a consequence, the manufacturer has the prospect of constantly updating his offer in order to adequately respond to the nuances in the consumers' demand. This is the economic justification for product diversification. In the set of constraints, especially noteworthy are those associated with the so-called current capabilities. The term "current possibilities" is very wide, so based on different criteria different subgroups may be established. The subgroup that will be discussed further in detail includes restrictions created by the manufacturer's actions and the results of these actions. The tool for analyzing this subgroup of limitations is internal

corporate accountability. The role of constraints is taken by the factors of production: material, including capital and workforce. Their role of restrictions manifests in two aspects: quantitative and qualitative. The connection between both aspects and the special role of qualitative aspect can manifest and be examined by the formal expression of a particular transaction:  $X_{i,j} = a_{i,j} \cdot X_j$ , where  $X_{i,j}$  is the quantity of material production factor that the manufacturer  $i$  produces and sells to consumer  $j$ , who buys it to produce output in quantity  $X_j$ .

In terms of quantity  $X_{i,j}$  is a limit to  $X_j$  when the user  $j$  reads the volume and the product mix of production taking into consideration the forecasts for consumer demand. There are few cases where the demand for necessary material inputs coincide with their offering. In other words, they are always in a state of relative deficit. From here arises the problem of what and how much to produce, whether as how much the current opportunities allow or so much as to satisfy consumer demand. The two possible answers that can be given are in accordance with the practiced managerial logics: tactical and strategic. Regardless of the big differences is between them, the interests of producer  $j$ , who in one type of transaction is a manufacturer and/or seller, and is the consumer in the second type of transaction, are the leading argument in the management of its marketing activities. In its capacity as buyer the interest of manufacturer  $j$  is associated with building adequate relationships with suppliers who

provide it the necessary amounts of material factors of production, with agreed quality and accompanying service, including price. In its capacity as a producer, the interest of the organization  $j$  is to identify well the needs of the consumers, to develop an adequate offer in the working distribution system.

In qualitative aspect, the restrictions that the material factors of production set are expressed by coefficients  $a_i, j$ . These coefficients characterize the efficiency with which the mentioned factors are used.

In what sense expense ratios manifest themselves as limitations on management decisions. Expense ratios are corrective between the sales revenue and the cost of a major part of production factors. Therefore, depending on their values, they affect the amount of financial resources, which cover the current material costs, on the one hand and the financial resources that are clean result, on the other hand. As a consequence, even if the manufacturer achieves higher revenues based on a good study of consumer behavior, developing of an appropriate marketing offer and effective marketing, if the efficiency with which the material conditions of production are used is low, the value of the pure financial result also will be low. The reason: a significant part of the revenues should recover incurred current material costs. Inefficiencies «eats» good sales results.

It is possible, however, the reverse situation. It is actually a chance for producers in times of economic crisis

and for manufacturers who do not have a large market share. In both cases, manufacturers are facing markets with little or declining purchasing power. The consequence is reduced demand, limited production and realization, relative and absolute reduction in sales revenue. Acute problem arises on the distribution of revenues between the need to cover running costs and to finance the changes in the main factors of production. The goal is new, primarily qualitatively different state, as a condition for favorable production and sales in future periods. It has been shown that the difference between successful and unsuccessful management is their attitude to qualitative changes in the factors of production in a crisis situation. The favorable difference between their small volume of sales revenues and operating costs may be looking at lowering the cost coefficients  $a_i, j$ , as indicators of effective use of basic material factors.

Lowering the cost factors directly corresponds to the interests of producers, because they realize at least two effects. The first is the absolute reduction of running costs and therefore reduce tensions on their funding. The second effect is the relative and absolute increase of fresh financial result. Achieving lower cost ratios requires rethinking a number of managerial decisions, including decisions relating to the marketing of the organization.

One of them is the revaluation of segmentation and selection of target markets. Change is also needed in the

preliminary assessment of the product policy, in particular change in length of assortment lines. The choice of suppliers and the terms of the supply contracts must also be revalued. Cost ratios is also dependent on the production technology and the skills, qualifications, attitudes and motivation of the employees of the organization that affect their productivity. Among restrictions which determine the field of asset management solutions are the producers and not just, not even so much about their size but the effectiveness with which manufacturers use them. Formally, the effective in using of assets may be represented by the coefficients  $b_i, j$ . these coefficients provide information on investments made to achieve unit sales. The definition of the coefficients  $b_i, j$  shows that they express the relationship between financial flows of various kinds: current sales revenue on the one hand and capital expenditure on the other.

Provided that the a portion of the current income from sales is already deducted to cover the running costs of production, by the value of the coefficients  $b_i, j$  can be assessed, whether with pure financial result can be financed desired changes to the current assets. Further, provided that these coefficients express the relationship between the two types of financial flows, the purposes and hence the interests of producers are clearly shown when the problem is sales revenue on the one hand, and when the problem is the cost of acquisition of assets, other side. The degree of complexity of the task increases when there is move from

the relationship current sales - already made investment costs towards the ratio expected growth of sales revenue - additional investment.

The additional investments which finance the growth of assets depend primarily on the expected increase in sales. If such growth is not forecasted, seemingly producer is relieved not to make additional capital expenditures. Such optimism proved groundless when economic relations are seen in perspective. The lack of growth in sales today, resulted in a lack of financial resources for financing of capital expenditures in the near or more distant future, thus compromising the growth of sales revenue in the future. The interest of the manufacturer is to realize an increase in revenues from sales in relaxed mode of financing, i.e. with lower capital costs. The solution of this complex relationship lies in the value of the coefficients  $b_i, j$ , i.e. in the efficiency with which the existing assets are utilized and the efficiency with which to use their growth. Both types of coefficients represent the role of material factors of production, once standing from the position of their current spending and a secondly - as assets. The field of free solutions for the manufacturers is limited also by the labor factor.

Labor is manifested in two aspects as limitation factor. First, let's call it marketing factor, is associated with the reproduction of the labor force. In this sense it as a carrier of the labor factor, acts as a user who is part of the market for end users. In this sense, how manufacturers will satisfy consumer demand in the market for end users depends on the extent to

which they will secure workforce. And it is not just about the amount of labor. By this logic, the conclusion is that producers satisfying the needs of end users work to promote their own interests. The second aspect, in which labor manifests as a limitation, is technological. There is the role of the labor factor as one of the main factors of production. Depending on the quantitative and qualitative characteristics, it can guarantee, but it may also compromise the programs of the producers. Assessment of the use of the labor factor is carried out by the indicator of labor productivity, formally represented by the ratio  $t_j$ . In one embodiment, the ratio  $t_j$  is calculated as the ratio between wage fund and sales revenue. Obviously, the producer's interest is to reduce its value, not at the expense of the absolute reduction of funds for compensation of employees, but at the expense of absolute increase of revenue from sales.

### Conclusion

The choice of one of the many meanings of the vector function  $U(u_1, \dots, u_n)$ , which is made in an environment of various restrictions, defines the meanings of the elements of the vector  $X$ . Each of these elements has a specific action set in the business plan of the organization. These are general and functional strategies, including marketing programs and specific elements of the marketing mix, which further refine the selected strategies. Planned actions are appropriate, i.e. already serve achieving a set of goals. These actions have the status of an order for

their contractors. These actions are the factors of change, and they are in turn dependent on the capabilities of the organization. In this sense they are somewhat destructive actions. They shatter the old quality of the factors of production to create a new quality. Provided that the components of the vector  $X$ , i.e. strategies and programs, are a function of the vector of the goals that are set in an environment of multiple restrictions, naturally the question arises as to what the actions manufacturers should take when a change in the environment occurs, i.e. the field of limitations to management decisions. The logic of strategic management and in particular the logic of strategic marketing planning creates a similar situation for change in the value of the components of the vector  $X$ . In other words, changes in the business environment primarily involve changes in the strategies and programs. Thus, the status of the vector as an expression of the objectives of a desired future state is maintaining, i.e. as a form of producers' interests.

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