

Marketing Concept(s): Most of What You Need to Know

Your [understanding of marketing](#) and the marketing concept could determine the future of your business.

Most noteworthy is that at the heart of the success and failure of any business is marketing.

This is because the focus of marketing is on customers and their changing needs. And if you don't have customers, you don't have a business.

Furthermore, if you don't keep your customers, you won't succeed for long.

Successful companies are those that succeed not only in getting customers but also in keeping them. They keep them by being constantly aware of their changing needs and meeting such needs.

The goal of marketing is to

1. find sources of cash flow (profit) and to
2. produce cash flow through long-term customer satisfaction.

So, marketing is not about short-term deception or gimmicks. Short-term deception or gimmicks can get you customers, but it sure won't keep them.

Marketing is concerned with both getting and especially keeping customers.

I said especially keeping customers because

- It is much harder and much more expensive to attract new customers than to retain existing ones.

By some estimates, the cost of getting new customers is [up to six times](#) the cost of keeping existing ones.

Because the customer is at the center of marketing, firms that put the customer at the center of their business are marketing orientated companies.

They may not call or see themselves so, but they are so.

Marketing as a Business Philosophy

Marketing is both a business function and a business philosophy.

It is a business function with the task of getting and keeping customers. And it is a business philosophy in that it acts as a guiding principle for business conduct. The whole idea is to meet business goals through satisfying customers. It puts the customer at the center of the business.

The truth is marketing can only succeed for long if the whole company focuses on satisfying customers.

So, you can have the best marketing department in the world and still fail at marketing. Why? Well, because your other business functions may not be customer focused. Or simply put, your company has not adopted the marketing concept.

Below, we'll explore:

1. What the marketing concept is (page 2)
2. The production concept (page 4)
3. Product concept (page 5)
4. Selling concept (page 6)
5. Societal marketing concept (page 9)
6. Other core concepts of marketing (page 9)

What Is Marketing Concept

In their book, "Foundations of Marketing", David Jobber and John Fahy define the marketing concept as:

- the achievement of business goals through meeting customer needs better than the competition.

For example, the mantra at Procter & Gamble (P&G), is that it must win at the first and second moments of truth. That is

1. in the shop where the consumer decides which brand to select and
2. in the home when he/she uses it.

P&G is one of the world's leading consumer products companies. The company understands that it can best meet its own goal when it meets customers' goals. And meet it better than the competition.

Most especially so, since customers will turn to rivals if their needs are not met. Or, if they are being better met by such rivals.

The marketing concept refers to seeing marketing as a business philosophy and practice rather than just a department's task. An organization that adopts the marketing concept has everyone focused on meeting the need of customers to achieve its goals.

Such organizations have:

1. Company activities focused on providing customer satisfaction.
2. Achieving customer satisfaction as the job of everyone working together.
3. Management believing that corporate goals can be met through satisfied customers.
And have everyone working together to meet customers' needs.

When everyone in the company works together to meet customers' needs, the result is integrated marketing.

Note on Integrated Marketing

Integrated marketing takes place on two levels.

First, at the marketing department. All the various marketing functions must work together. Such marketing functions include:

- Salesforce
- Advertising
- Customer service
- Product management
- Marketing research
- Digital marketing

These functions must be coordinated from the customers' point of view.

Second, at all the company's departments. All other departments must embrace marketing. And put customer satisfaction at the center of their activities.

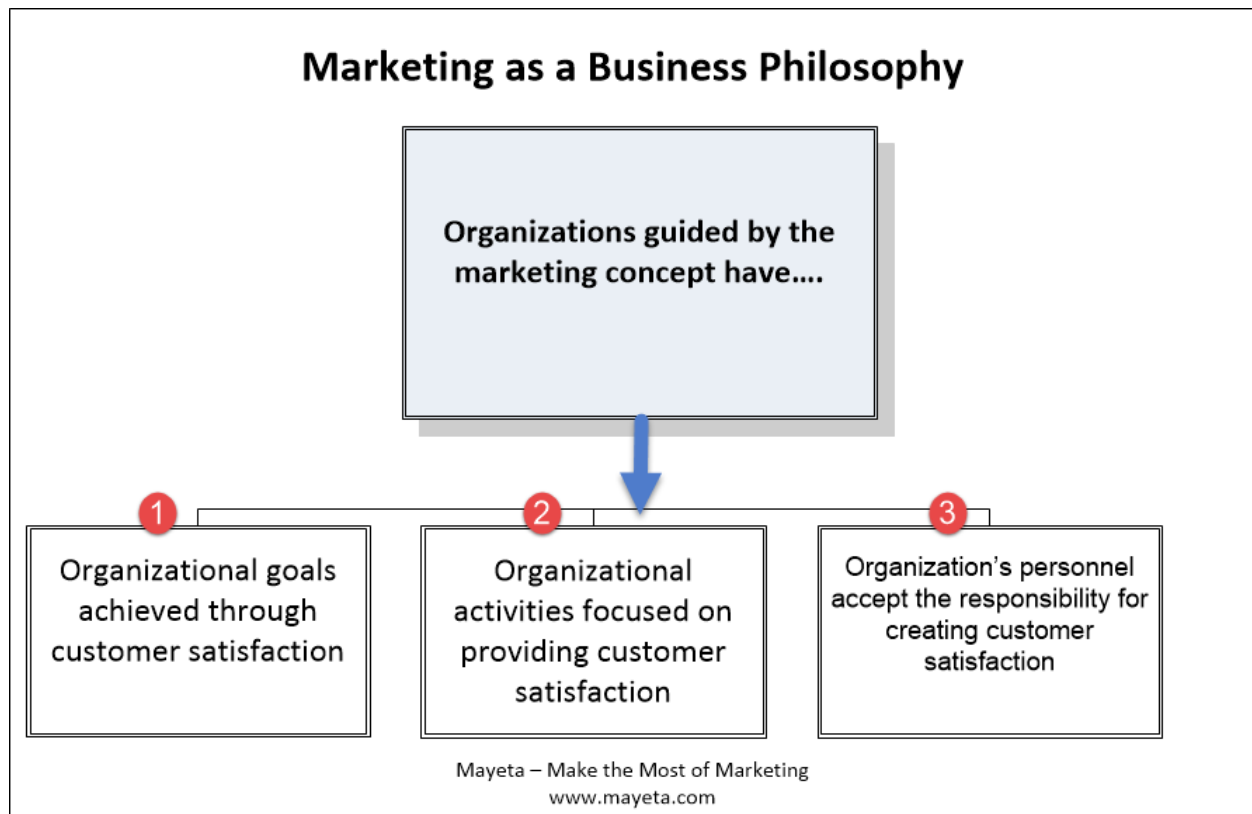
According to David Packard, co-founder of Hewlett-Packard (HP):

“Marketing is far too important to be left only to the marketing department.”

To foster teamwork among all departments, management must hire, train, and motivate employees. Able employees who want to serve customers well.

So, three conditions must be met before a company can be said to have adopted the marketing concept:

1. Company activities must be focused on providing customer satisfaction.
2. The achievement of customer satisfaction relies on an integrated effort.
3. For an integrated effort to come about, management must believe that corporate goals can be achieved through satisfied customers.



It's obvious that not every organization adopts the marketing concept. At least, not at all times. Here are some competing concepts under which organizations conduct marketing activities.

1. Production concept
2. Product concept
3. Selling concept
4. Societal marketing concept

The Production Concept

Companies that adopt the production concept hold the view that

- consumers prefer products that are widely available and inexpensive.

Managers of production-oriented businesses focus on

1. achieving high production efficiency,
2. low cost, and
3. mass distribution.

This makes sense where consumers are more interested in the product than in its features. It is also useful when a company wants to expand the market.

Many Japanese companies adopt the production orientation. Could this be a reason why many Japanese companies are also in decline with changing consumer, business, and market needs?

The Product Concept

Here, the view is that consumers favor those products that offer the most quality, performance, or innovative features.

Managers focus on making superior products and improving them over time. They assume that buyers can appraise quality and performance.

Product-oriented companies often design their products with little or no customer input. They trust that their engineers can design exceptional products.

A General Motors executive said years ago:

“How can the public know what kind of car they want until they see what is available?”

GM today asks customers what they value in a car and includes marketing people in early stages of design.

The Product Concept and Marketing Myopia

Note that the product concept can lead to [marketing myopia](#).

Marketing myopia refers to a short-sighted and inward looking approach to marketing. Such approach focuses on the needs of the company instead of the customers' needs and wants.

It refers to a nearsighted focus on selling products and services. Rather than seeing the “big picture” of what consumers really want.

Marketing myopia results in the failure to see and adjust to the rapid changes in the market.

The term was coined by Theodore Levitt, in a 1960 Harvard Business Review article by the same name. Theodore Levitt was a Harvard Business School marketing professor.

Kodak failed because it was myopic and product oriented. It wasn't focusing on consumers' needs.

The company thought it was in the film business instead of the storytelling business. It lost when digital cameras boomed.

In its heyday, Railroad management thought that travelers wanted trains rather than transportation. They overlooked the growing competition from airlines, buses, trucks, and automobiles. And they lost out.

The Selling Concept

The selling concept, another common business orientation, holds that

- buyers, if left alone, will ordinarily not buy enough of the organization's products.

The organization must, thus, undertake an aggressive selling and promotion effort.

This concept assumes that consumers must be coaxed into buying. So, the company has a battery of selling and promotion tools to stimulate buying.

The selling concept is practiced most aggressively with goods that buyers normally do not think of buying.

Can you think of any such goods?

Also, most firms practice the selling concept when they have overcapacity. Their aim is to sell what they make rather than make what the market wants.

Commonly, prospects are bombarded with sales messages. As a result, the public often identifies marketing with hard selling and advertising. But marketing based on hard selling carries high risks.

It assumes that customers who are coaxed into buying a product will like it. That if they don't, they won't bad-mouth it or complain to consumer organizations. Also, those customers will forget their disappointment and buy it again.

These are indefensible assumptions. Wouldn't you agree?

Contrasting the Selling and Marketing Concepts

Theodore Levitt of Harvard drew a contrast between the selling and marketing concepts:

“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 cluster of things associated with creating, delivering and finally consuming it.”

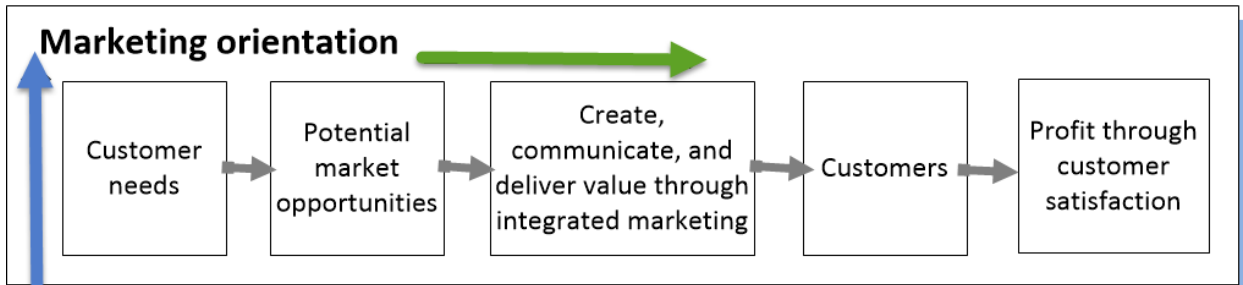
The selling concept takes an inside-out perspective.

- It starts with the factory,
- focuses on existing products, and
- calls for heavy selling and promoting to produce profitable sales.

The marketing concept takes an outside-in perspective.

- It starts with a well-defined market,
- focuses on customer needs,
- coordinates activities that affect customers, and
- produces profits by satisfying customers.

The selling orientation takes an inside-out view that focuses on existing products and heavy selling. The aim is to sell what the company makes rather than what the customer wants.



The marketing orientation takes an outside-in view that focuses on satisfying customers needs as a path to profit.

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Societal Marketing Concept

The societal marketing concept calls upon marketers to be society conscious.

Marketing orientated organizations need to

- look beyond consumer short-run wants and take into consideration consumer long-run welfare.
- always work for what is also best for consumers in the long run.

Their solutions should

- deliver value to customers in a way that also maintains society's well-being.
- preserve the ability of future generations to meet their needs.

So clearly, you should carry out marketing activities under a well-thought-out philosophy of

- doing the right things,
- doing it right and preventing waste, and
- preventing harm to consumers well-being and the well-being of the society.

Other Core Concepts of Marketing

By now, you should have a good understanding of the marketing concept. You may also find it worthwhile to explore and examine the following core customer and marketplace concepts:

- Customer needs, wants, and demands (page 10)
- Market offerings – product, services, and experiences (page 11)
- Customer value and satisfaction (page 12)
- Exchanges and relationships (page 12)
- Markets – target markets (page 15)
- Competition (page 16)
- Marketplace (page 17)

Some of these are as outlined in “Principles of Marketing”, by [Philip Kotler](#) and Gary Armstrong.

Ready? Let's explore....

Customer Needs, Wants, and Demands

Marketing exists to find, expect, and meet customer requirements. Customer requirements refer to customer needs, wants and demands.

Needs

Needs could be business or human needs. Business needs are about [meeting requirements](#) and [reaching goals](#).

[Human needs](#) are those things that are necessary to live a healthy human life. Lack of them could cause a clear negative outcome such as dysfunction or even death.

They include basic

- physical needs for food, clothing, warmth, and safety;
- social needs for belonging and affection; and
- individual needs for knowledge and self-expression.

Marketers did not create these needs. They are a basic part of the human makeup.

Human needs are few, finite and [classifiable](#). They are also consistent through all human culture and across historical time periods.

Wants

Wants are the form human needs take as they are shaped by culture and individual personality. Wants are infinite. A Nigerian needs food but wants “akara” and “akamu”. An American needs food but wants a sloppy joe sandwich and a can of cola.

Wants are shaped by one’s society and are described in terms of objects that will satisfy needs.

Demands

When backed by buying power, wants become demands.

Given their wants and resources, people demand products with benefits that add up to the most value and satisfaction.

While it is critical for marketers to understand customers’ needs, wants, and demands, it is not always simple.

Some customers have needs and wants they are not fully conscious of. Furthermore, some cannot express these needs or wants or they may use words that need some interpretation.

So, it is very important to note that consumers don't always know what they want or what is even possible.

Akio Morita, co-founder of Sony, once said:

"We don't ask consumers what they want. They don't know. Instead, we apply our brain power to what they need, and will want (anticipating customers' needs), and make sure we're there, ready."

He has also stated that:

"I do not believe that any amount of market research could have told that it (talking about the Sony Walkman) would have been successful. The public does not know what is possible. We do."

Thus, sometimes the goal of the marketer is to lead customers where they want to go before they know where they want to go.

Wants, Demands, and Effective Marketing

Note again that wants and demands vary due to different cultures, economies, and politics. And because they vary, you should not undertake your marketing in the exact same way in different setups.

Most of all your marketing communications.

Hence, all effective marketing is local and fitted to the requirements of the target audience.

Take note as you [develop your marketing strategy](#).

Market Offerings – Products, Services, and Experiences

Consumers' needs, wants, and demands are met through market offerings (value propositions). Such value includes some combination of products, services, information, or experiences.

Unfortunately, many sellers make the mistake of paying more attention to the specific products they offer. Rather than to the benefits and experiences produced by these products.

These sellers suffer from marketing myopia which we discussed earlier. They forget that a product is only a tool to solve a consumer problem.

Smart marketers look beyond the attributes of the products and services they sell. By orchestrating several services and products, they create great experiences for consumers.

Customer Value and Satisfaction

Consumers usually face a broad array of products and services that might meet a given need.

How do they choose among these many market offerings?

They form expectations about the value the various market offerings will deliver. Then they buy accordingly.

Usually, they form such expectations through

- pre-buying experiences,
- discussions with other people and
- suppliers' marketing (mostly communication) activities.

You must be careful to set the right level of expectations. If you set expectations too low, you may satisfy those who buy but fail to attract enough buyers.

Also, if you set expectations too high, you may disappoint your buyers. That is if performance falls short of expectations.

Hence, don't set expectations too high through exaggerated promotional claims.

Customer value and satisfaction are key building blocks for developing and managing relationships.

And in the current competitive climate, it is usually not enough to simply match performance and expectations. Firms must work to exceed expectations to be successful and to delight their customers with the outcome.

Exchanges and Relationships

Marketing occurs when parties decide to meet needs and wants through exchange relationships. Exchange involves obtaining a desired product from someone by offering something in return.

In the broadest sense, the marketer tries to bring about a response to some market offering. The response may be more than simply buying or trading products and services.

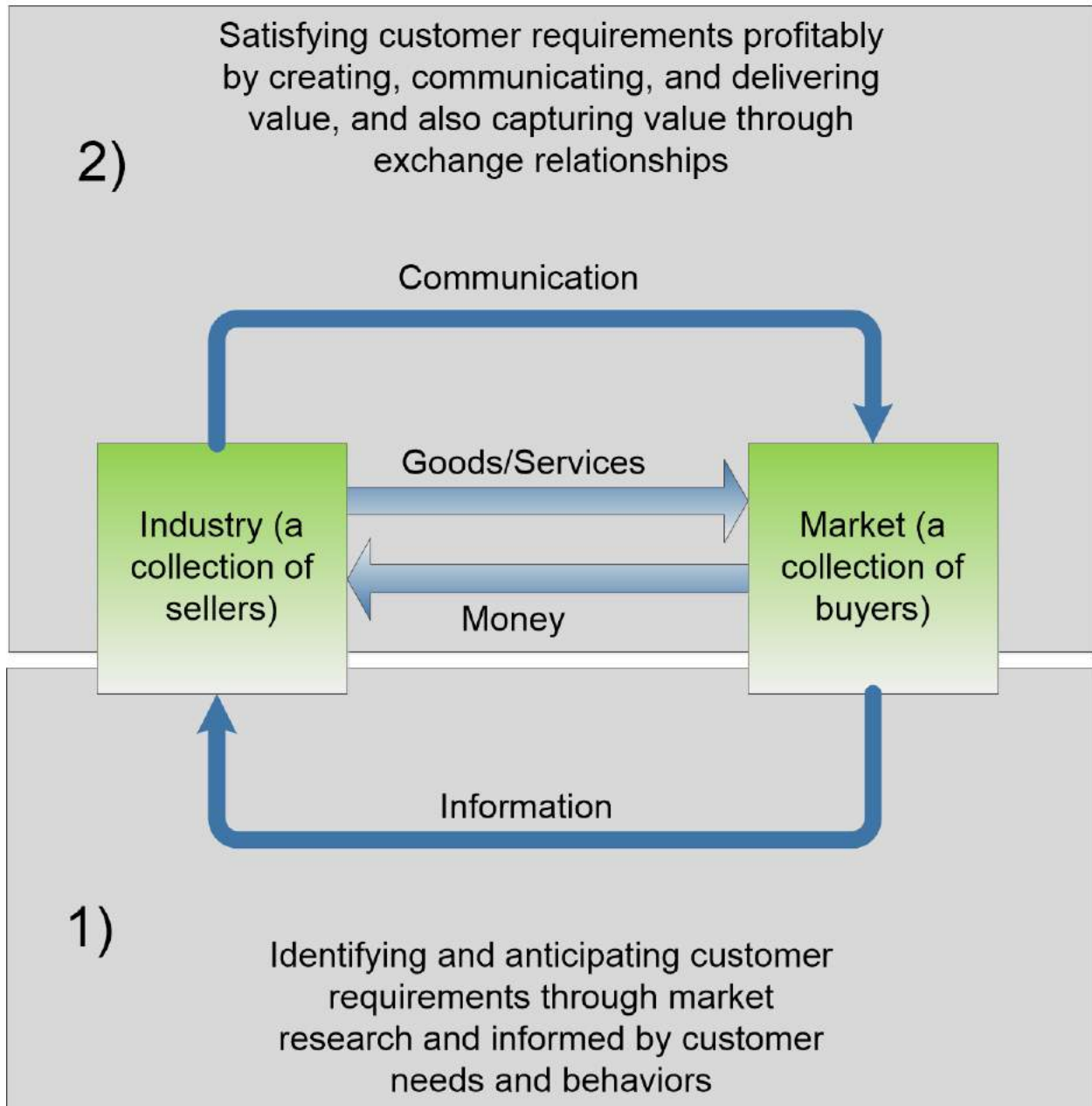
A political candidate, for instance, wants votes. Religious organizations want memberships. Show promoters want an audience, and a social action group wants idea acceptance.

Note that five conditions must be met for exchange potential to exist. The five conditions are:

1. There are at least two parties.
2. Each party has something that might be of value to the other party.
3. They all must be capable of communication and delivery.
4. Each party is free to accept or reject the exchange offer.
5. The parties believe it is appropriate or desirable to deal with the other party.

Thus, marketing consists of actions taken to build and maintain desirable exchange relationships. Exchange relationship with target audiences involving a product, service, idea, etc.

A simple marketing system



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Especially relevant is that beyond simply attracting new customers and creating transactions, companies want to retain customers and grow their businesses.

And marketers want to build strong relationships by consistently delivering superior customer value.

Markets – Target Markets

The concepts of exchange and relationships lead to the concept of a market.

A market is the set of actual and potential buyers of a product or service. These buyers share a particular need or want that they can satisfy through exchange relationships.

In for-profit organizations, a market exchanges money for the firm's goods and services.

As you probably know, marketing means managing markets to bring about profitable customer relationships.

But, creating these relationships takes work. Sellers must

- search for buyers,
- identify their needs,
- design good market offerings,
- set prices for them,
- promote them, and
- store and deliver them.

That's the following are core marketing activities.

- Market research
- Product development
- Communication
- Distribution
- Pricing,
- Service

Today, it's not only sellers that are searching for buyers. Buyers search for products. Furthermore, they interact with companies to get information and make their purchases.

The technologies of today have empowered consumers. And made marketing a truly interactive affair.

Thus, besides customer relationship management, you must also deal with customer-managed relationships.

You should no longer be asking

- how can we reach our customers?

... but also

- how should our customers reach us?

.... and even

- how can our customers reach each other?

Competition

If you don't meet your market's needs and wants, others will.

Those others are your competitors and they engage in competition with you to best meet market needs.

Note that your competition includes all of the actual and potential rival offerings and substitutes that a buyer might consider.

Broadly, your competitors include:

- Brand competitors
- Industry competitors
- Form competitors
- Generic competitors

Brand Competitors

These are other companies that offer similar products to the same customers at similar prices.

Toyota might see its major competitors as Honda, Volkswagen and other manufacturers of medium price automobiles. Rather than Mercedes or BMW.

Industry Competitors

These are all other companies that make the same products or class of products.

Thus, Toyota would be competing against all other car manufacturers.

Form Competitors

These are all the other companies that make products that provide the same service.

Toyota would see itself competing against manufacturers of all vehicles. Its competitors here will include motorcycles, bicycles, and trucks.

Generic Competitors

These are all the other companies that compete for the same money. Toyota would see itself competing with companies that sell major durables, foreign vacations, and new homes.

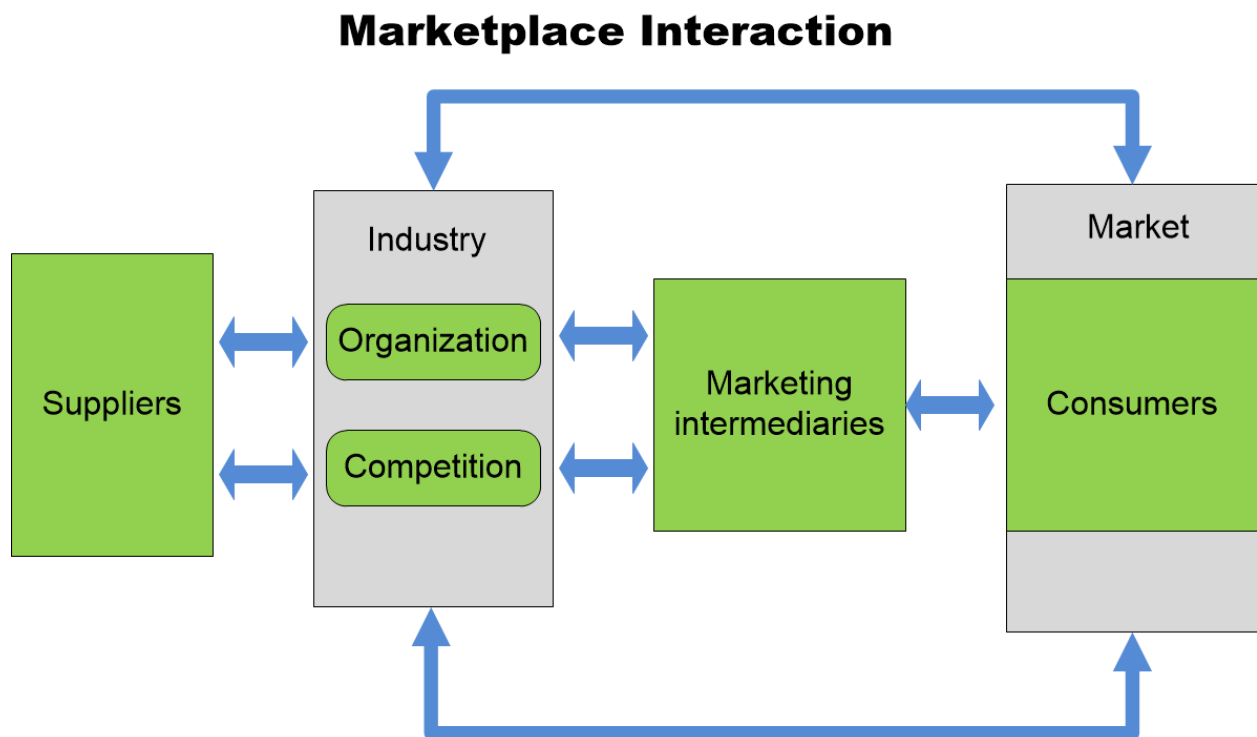
Marketplace

The marketplace refers to the arena of commercial dealings.

It refers to a medium that allows buyers and sellers of a specific good or service to interact to ease an exchange.

Marketing involves serving a market of final consumers in the face of competition. The company and its competitors research the market to understand consumers' needs.

Then, they create, communicate, and distribute their market offering to consumers. They do so either directly or through intermediaries.



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Note that major environmental forces affect each party in the system. Such major environmental forces include

- Demographic
- Economic
- Natural
- Technological
- Political
- Social/cultural

Also, each party in the system adds value to its connections. Thus, the arrows represent relationships that parties must develop and manage.

Especially relevant is that....

A company's success depends not only on its own actions. But also how well the entire system serves the needs of final consumers.

Shoprite or Wal-Mart cannot fulfill its promise of low prices. Unless its suppliers provide merchandise at low cost.

And Toyota cannot deliver a high quality car-ownership experience. Unless its dealers provide outstanding sales and service.

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